

**Paper for Council for Economic Renewal:
Taking forward Government commitments on Skills**

1. Purpose

- 1.1 This paper provides an overview of the Welsh Government's programme for Skills, with a focus on specific commitments within 'Standing up for Wales' (which are highlighted in the text).

2. Action Required

- 2.1 The Council for Economic Renewal is asked to note the contents of this paper and provide feedback during the discussion.

3. Background

- 3.1 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.
- 3.2 'Standing up for Wales' said that skills were "central to making Wales a highly attractive place to live, invest, employ and grow". The party committed to prioritise investment in skills over the next Assembly term.
- 3.4 Our approach to the skills agenda has three priorities – helping people back into work, raising youth engagement and employment, and releasing the full potential of skills as a driver for economic progress.

4. Helping People Back Into Work

- 4.1 Skills shortages in Wales, when defined as hard to fill vacancies, are concentrated in relatively few sectors of the economy. A pressing challenge is the mismatch between employer needs and the skills of people who are out of work. The latest Labour Force Survey statistics show that there are (Feb-April 2011) 115,000 unemployed people in Wales, many of which will need new skills to take advantage of evolving job opportunities.
- 4.2 The UK-wide Welfare Reforms have major implications for our efforts to tackle worklessness in Wales. This is rapidly evolving agenda. We must ensure that the UK Government proposals for the introduction of the Universal Credit and DWP Work Programme do not disadvantage people in Wales. We are committed to ensuring Wales gains fully from non-devolved and devolved services working effectively together but are clear that Welsh Assembly Government spending will not substitute for, or duplicate, appropriate UK Government employment investment in Wales and Wales does not pick up the bill for any UK Government policy and delivery changes.
- 4.3 Incentives and packages of support for the recruitment of individuals on benefits are often confusing and can be difficult to navigate. This can act as a real barrier – one that must be overcome if we are to effectively help individuals find new opportunities. The Joint Employment Delivery Board will bring forward proposals to develop the necessary cross-agency relationships and protocols to deliver coordinated support for businesses

- 4.4 Labour promised “help for people who have been made redundant –building on the successful ReAct programme.” By continuing delivery of the ReAct programme will continue to provide support for those facing redundancy. ReAct II replaced ReAct on 1 April 2011 and introduces a number of changes to the support available which are designed to build upon lessons learnt in operating the ReAct programme to date and will ensure that redundant workers are provided with the best opportunity of returning to work quickly. The ReAct programme has long recognised the impact of providing a wage subsidy in the first year of employment to encourage employers to accelerate their recruitment policy and employ a redundant worker and strengthens this area of support under ReAct II by increasing the maximum grant from £2,080 to £3,000 per person. There is a corresponding reduction in the maximum vocational training grant offered to redundant workers to improve skill levels.. This represents 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.
- 4.5 During and since the recession the Welsh Government’s ReAct programme has helped over 19,000 people to get the skills to assist them in finding new employment (13,804 to end of January 2010 when recession technically ended). 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. Funding for future years will be determined at a later date once likely demand is known.

5. Raising Youth Engagement and Employment

- 5.1 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 considering proposals for the delivery of a new programme 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.
- 5.2 In line with the Government’s commitment, we are retaining an all-age Apprenticeship programme, but increasingly emphasising opportunities for under-25s. The Government commits to a roll-out of the Apprenticeship Matching Service, and this will take place later this year. This web based service will enable potential apprentices to register, search for apprenticeship vacancies and apply for apprenticeships. Employers will be able to register their companies, link to local training providers and post apprenticeship vacancies. No additional resources are required for roll-out.
- 5.3 We are continuing to extend our Young Recruits 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. We will seek to link apprenticeship opportunity as progression outcomes to individuals supported through the Welsh Jobs Fund, subject to sufficient budget capacity.

- 5.4 Pathways to Apprenticeship (PTA) offer an intensive, college-based option for young people unable to find an Apprenticeship place with an employer. 'Standing up for Wales' identifies that we will continue our commitment to "increase apprenticeship opportunities through the Pathways to Apprenticeship programme", with a special focus on youth engagement and employment, and tackling long term unemployment. We have secured approximately 2,000 PTA places in 2011-12 and plan to continue the programme until 2014.
- 5.5 Labour promised to introduce a "successor to the Skill Build programme that would offer enhanced support for young people facing the worst barriers to employment". We are launching Traineeships for 16-17 year-olds who are not in employment. We have allocated contract volumes for this year as part of our work-based learning programme and they are above the historic level of funding for the Skill Build Youth scheme.

6. Skills as a Driver for Economic Success

- 6.1 Tackling basic skills in the workplace is fundamental to the success of business. 'Standing up for Wales' identifies how 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 3000 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 costed at £18m over 4 years (including ESF of £10m).
- 6.2 The Wales Union Learning Fund (WULF) delivers projects to improve adult basic skills in Union supported workplaces. The commitment is to "continue to strengthen and build the Wales Union Learning Fund (WULF) to support the trade union movement's efforts to encourage both employers and employees to participate in training." Plans in place will take forward this commitment. WULF enables Trade Unions to encourage and support learning in the workplace. 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.
- 6.3 'Standing up for Wales' makes a pledge to "work with partners to identify skills needs by industry and to ensure that training provision will be available to deliver the low-carbon agenda in Wales." Our understanding of skills supply and demand issues will be significantly strengthened this year through the results of the National Skills Survey - which has been significantly boosted in Wales to enable more fine-grained sectoral analysis. Working on a four-nation

basis we will repeat this survey every other year, enabling us to build a robust picture of supply and demand within the labour market at a Welsh and UK level.

- 6.4 This intelligence will further strengthen the information on skills needs we are already identifying by industry. For example, in the case of the low carbon agenda/ growth in new renewable technologies, we have existing 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.” Some emerging programmes are also being developed to enable various industries gain specific ‘green skills’. This includes specific Pathways as part of the Pathways to Apprenticeship programme. We are actively working with the Green Business Skills Forum to deliver what industry needs.
- 6.5 ‘Standing up for Wales’ advocates a broader approach to supporting sectors than was detailed in the Economic Renewal Programme of 2010. The tourism sector received a specific commitment, that the Welsh Government would “support investment in staff training and management [for tourism] to support a high quality industry.” Our focus is on improving businesses’ productivity and competitiveness by assisting employers to secure employees with the skills they need - including tourism. We will assist employers to become more productive and competitive through the effective development of their staff, for example meeting employer demand for skills development through, for example, delivery of the Workforce Development Programme, Employer Pledge and Leadership and Management Development. We are already providing a sector focus to meet the needs of employers and individual learners to improve skills levels and productivity of Wales, liaising with employers including the relevant Sector Skills Council.
- 6.6 More broadly, 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. Central to this process is the Human Resource Development (HRD) Advisor. In the case of businesses with less than 50 employees, the Employer Hotline provides guidance, advice and information followed by a signposting service and, depending on circumstances, may provide a route to HRD Advisor support, an approach welcomed by the Federation of Small Business in Wales. Depending on need, the support available to employers is summarised in Annex 1.
- 6.7 Flexible selective and discretionary funding continues to be an important means by which the Welsh Government can provide rapid response on an employer-led basis. It supports non Leadership and Management training activity and is provided at a 50% intervention level. Discretionary support provided to medium and large employers is agreed following engagement and advice from an independent HRD Advisor. No formal banding or grading of support is prescribed as support is geared to meeting the specific needs of each business. However delivery will operate within a flexible and responsive

framework to ensure that priorities are addressed and economic needs taken into consideration. Currently, discretionary budgets are targeted for:

- Anchor Companies
- Regionally Important Businesses
- Businesses in the 'Economic Renewal' Priority Sectors
- Growth businesses linked to job creation

6.8 The level of flexible selective and discretionary funding and leadership and management focussed discretionary funding will be of a scale appropriate to meet the needs of the business taking into consideration the priorities stated above. However, the Welsh Government reserves the right to offer support to any business at a scale it considers appropriate in line with the business objectives and potential economic benefits. The total budget for Flexible / Selective & Discretionary support for 2011-12 is £2.5 million.

7. Connecting skills with the wider education agenda

7.1 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.

7.2 For example, 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.

7.3 We know that skills for economic renewal requires excellence, creativity and in places innovation and aspiration across the whole skills system. While here is not the place to go into detail, we look to the For Our Future strategy, the Transformation Agenda, FE and HE Governance Reviews, and forthcoming FE Strategy and fundamental reform of post-16 funding arrangements, to serve as key levers of change.

8. Questions for the Council

8.1 Does the Council agree with the degree of prioritisation being given to programmes?

8.2 What is the Council's aspiration for the Wales Jobs Fund?

8.3 What is the Council's view of the relative emphasis of skills support which should be extended to priority sectors?

Annex 1

<u>Type of Business</u>		<u>Provision of advice, guidance & Information</u>	<u>Support Options Available</u>								
			<u>liP</u>	<u>ELMS</u>	<u>Basic Skills</u>	<u>ReAcT</u>	<u>App's</u>	<u>Pre-recruit training</u>	<u>F.E. / H.E.</u>	<u>E.U. Initiatives</u>	<u>Flexible Selective & Discretionary</u>
<u>Anchor Businesses</u>		<ul style="list-style-type: none"> • Officials • HRD Advisor 	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
<u>Regionally Important Businesses</u>		<ul style="list-style-type: none"> • Officials • HRD Advisor 	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
<u>Priority Sectors</u>		<ul style="list-style-type: none"> • HRD Advisor 	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
<u>Growth Businesses</u>		<ul style="list-style-type: none"> • HRD Advisor 	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
<u>Other Businesses</u>	<u>50+ employees</u>	<ul style="list-style-type: none"> • HRD Advisor 	Yes	Yes	Yes	Yes	Yes	Available, if small companies combine to form larger groups	Yes	Yes	Considered on a case by case basis against agreed criteria
	<u>49 or less employees</u>	<ul style="list-style-type: none"> • Hotline • HRD Advisor if appropriate 	Yes	Yes	Yes	Yes	Yes		Yes	Yes	