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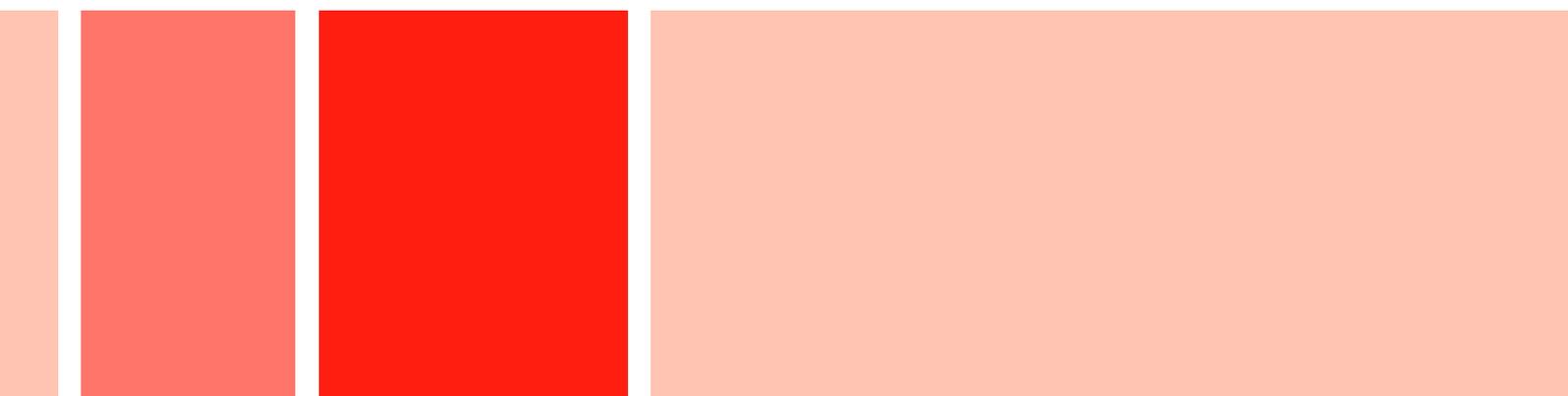
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Evaluation of Skills Growth Wales



Old Bell 3 Ltd and Dateb

Views expressed in this report are those of the researcher and not necessarily those of the Welsh Government

For further information please contact:

Joanne Corke

Knowledge and Analytical Services

Welsh Government

Cathays Park

Cardiff

CF10 3NQ

Tel: 02920 801138

Email: Joanne.corke@wales.gsi.gov.uk

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GLOSSARY OF TERMS

DBETS	The Department for Business, Enterprise, Technology and Science within the Welsh Government. DBETS was formed in 2011 and took on some of the functions previously assigned to the DE&T.
DfES	The Department for the Education and Skills within the Welsh Government.
DE&T	The Department for the Economy and Transport within the Welsh Government. The Department was abolished in 2011 following the Welsh Assembly elections and functions of relevance to SGW were transferred to DBETS.
EDMS	European Data Management System
ESF	European Social Fund
HRDAs	Human Resource Development Advisers
ILM	The Institute of Leadership and Management
SGW	Skills Growth Wales
WEFO	Welsh European Funding Office

EXECUTIVE SUMMARY

1. Old Bell 3, in association with Dateb, was commissioned by the Welsh Government to carry out an evaluation of the Skills Growth Wales (SGW) programme. The work was undertaken between March and October 2012.
2. The aim of the study was to 'evaluate the effectiveness and impact of the Skills Growth Wales Convergence and Competitiveness Fund projects'. This aim gave rise to six objectives which can be summarised as follows:
 - to assess the effectiveness of various processes attaching to the programme: marketing and awareness raising; the application and decision making process; advice and guidance processes; compliance systems; the quality of training;
 - to assess 'the extent to which SGW supported additional training activity';
 - to assess 'the impact the SGW supported training had in respect of those anticipated within applications and in relation to the extent of growth, or otherwise, achieved';
 - to 'consider the counterfactual position';
 - to assess 'Value for Money ... in relation to other workforce development schemes;
 - to 'consider the findings in relation to SGW within the context of the wider evidence base'.
3. The evaluation involved:
 - a review of background information, programme documentation and databases;
 - face to face interviews with key stakeholders;
 - a survey of 62 employers who benefited from SGW support;
 - a survey of 11 employers who applied unsuccessfully for SGW support;
 - qualitative interviews with 23 senior figures and 50 employees from 20 companies;

- telephone interviews with Human Resource Development Advisors (HRDAs) and learning providers;
- analysis and reporting.

FINDINGS

4. SGW was devised by the Welsh Government to help reinvigorate the economy as Wales emerged from recession. It was intended to enable businesses to undertake (mostly accredited) training that would not otherwise have been affordable, and that would lead to at least one of the following outcomes within 12 months:
 - 10% increase in turnover;
 - 10% increase in profit; or
 - an increase of at least 10 employees.
5. The programme provided businesses with a contribution of between 60% and 80% (depending on company size) towards eligible training costs, up to a maximum of £3000 per employee, averaged across all the employees receiving training. Employers were free to choose training provision that best met their needs and training providers were paid directly by the Welsh Government following the delivery of the training agreed, thus minimising the cash-flow implications of participation from a company's perspective.
6. SGW was launched in April 2010 as a successor programme to ProAct, which supported companies to train staff put on short-time working as the economy slipped into recession. Both programmes were part funded under the same parallel Convergence and Competitiveness European Social Fund (ESF) projects, with SGW effectively expected to absorb the unutilised resources and deliver the balance of the output and results targets remaining following the closure of ProAct. Overall, it was envisaged that the combined ProAct and SGW programmes would allow 15,037 individuals employed across 300 companies to undertake work related training and gain

qualifications relevant to their jobs. The programmes had a combined budget of almost £67 million.

7. SGW was closed to new applications on 31st March 2011, with an original expectation that the training already agreed would be completed by July 2012. The Welsh Government later extended the timeframe over which some companies' training plans could be implemented, however, and this meant that many were still in the throes of implementing theirs at the time of our study. A successor SGW II programme was launched in January 2012.
8. SGW was managed by a small dedicated team within the Welsh Government, though the executive team was guided in its decisions about the award of grants by a panel consisting of senior officials from the Department for Education and Skills (DfES) as well as other external stakeholders.
9. SGW stands out among workforce development interventions across the UK in that it is the only programme that we came across that is specifically aimed at encouraging business growth.
10. All in all, 158 companies submitted SGW grant applications and 95 of these were successful: 63 from the West Wales and the Valleys Convergence region and 32 from the East Wales Competitiveness region. Some 87% of beneficiary businesses were located in south Wales, with only 12% located in north and mid Wales together.
11. Three quarters of participating businesses were drawn from the manufacturing sector, with over half employing more than 100 people and just 30% employing 50 or fewer people. The average value of the grants awarded was £190,360, although they ranged in value from a few thousands of pounds to several hundreds of thousands and, in one case, well in excess of a million pounds.
12. The overwhelming majority of businesses responding to our survey had business plans in place and most also had formal training plans that linked

directly back to their business plans. In this context, it is worth noting that evaluations of other workforce development programmes across the UK have shown that deadweight is lowest where programmes are targeted at companies that do not employ formal business planning or training approaches.

13. SGW succeeded in reaching substantially more workers than was necessary in order to deliver the balance of the ESF output targets which remained following the closure of ProAct, with performance in East Wales proving particularly strong. All in all, the programme had reached 8,024 individuals at the time of our fieldwork, against a target of 3,060.
14. The Welsh Government took a fairly cautious approach to marketing SGW, with promotional activities kept to a minimum and training providers expressly prohibited from 'selling' SGW directly to organisations with which they were already working. The main route to market for the programme was via Human Resource Development Advisors (HRDAs) and, to a lesser extent, Welsh Government Relationship Managers, who it had originally been envisaged would take the lead in promoting the programme. It is notable, however that only a limited number of HRDAs engaged proactively in the programme, partly because of the need for a higher level of expertise to do so and partly because HRDAs did not feel that they were adequately remunerated for the work involved.
15. In many instances, HRDAs advised businesses in writing their business case applications and in some cases, they also helped them select training providers. Evaluations of other workforce development programmes have suggested that brokered approaches of this kind are favoured by businesses, but the fact that a limited number of HRDAs engaged proactively in the promotion of SGW contributed towards the programme's concentration in some geographical areas.
16. The application and administrative processes put in place for SGW essentially evolved from those employed for the predecessor ProAct programme. This included the use of a panel of experts to assess business

case applications, a practice which brought a measure of rigour and transparency to the assessment process and provided the SGW team with a degree of comfort as it got to grips with the new programme. As the SGW team became more established, its reliance on the panel of experts diminished and it is arguable that the panel's role should now be refocused.

17. Administrative arrangements did take some time to bed down, however, and both HRDAs and businesses were critical of the processes involved in applying for support and of the level of detail they were required to provide up-front, particularly in the programme's early days. Whilst it was necessary for beneficiary companies to provide details of individual staff participating in training to satisfy ESF conditions, it may have expedited the processing of applications if the information required could have been provided on an incremental basis as training activities were rolled out. To some extent, the difficulties experienced were attributable to a high level of turnover among business facing staff within the SGW team and a general under-resourcing of the team during the programme's development. Despite the criticism of application and administration processes, businesses generally thought that the SGW team had been helpful.
18. A total of 424 providers were engaged in delivering training to SGW beneficiary companies, with the majority of companies using more than one provider. The majority of the providers used were commercial organisations, with Further and Higher Education institutions between them representing just over 5% of all providers. The value of SGW contracts to individual provider organisations ranged from £120 to £3.178 million.
19. Whilst it was not uncommon for beneficiary businesses to select training providers with which they had previously worked, our fieldwork suggested that several went through fairly rigorous commissioning processes in identifying appropriate provision. Businesses were generally able to source training to meet their needs: the few areas of difficulty experienced typically related to highly specialised skills relating to emerging technologies or highly specialised new machinery.

20. The nature of training undertaken by companies varied considerably, but leadership and management training and process management/business improvement techniques training were a feature of a majority of companies' programmes. Often, the training related to wider organisational change programmes and was undertaken on a far larger scale than anything companies had previously done.
21. The training delivered met or exceeded the expectations of most employers and a large majority felt that the training their employees had received had been of a good or excellent quality. Employers were particularly impressed by the way providers tailored training and flexed delivery to fit in with working patterns. It was particularly important to employers that much of the training undertaken was delivered on company premises.
22. It was clear that a number of employers had been over-ambitious in planning the training to be undertaken, however, driven in many cases by the perception that SGW represented a one off opportunity to receive a generous level of support for substantial programmes of training. This contributed in part to the fact that a majority of employers had yet to complete the training agreed at the time of our fieldwork.
23. Overall, 70% of SGW participants have achieved at least one qualification, with most of these achieving more. A limited amount of unaccredited training was also supported under SGW, but this generally related to highly specialised fields for which it is not viable to develop qualifications.
24. A small majority of employers attached importance to the achievement of qualifications by staff undertaking training, though others were candid that whilst they had no particular objection to staff achieving qualifications, they would not have put staff through accredited training were it not a condition of SGW that they did so. A number of contributors spoke of the value of management training which involved classroom based instruction and discussion sessions, combined with assignments which required individual

participants to reflect upon their own experiences and behaviours in the context of management theory.

25. Accredited training was said to carry additional costs in terms of registering candidates with awarding bodies. However, these costs were relatively modest and we found little evidence that accredited training was, of itself, any more expensive than unaccredited training.
26. There was strong evidence that all of the training undertaken by just over a third of participating companies was entirely additional i.e. it would not have taken place without SGW support. There was also evidence to suggest that the training undertaken by the remaining two thirds of companies was also, in part at least, additional, whether in terms of it:
 - being done sooner;
 - involving a greater number of staff;
 - being at a higher level than would otherwise have been the case.
27. Two thirds (65%) of survey respondents said that they would have undertaken at least some of the training regardless of SGW support. Of these, however, the vast majority reported at least some element of additionality:
 - 25% said that they would have done the same training for the same number of people, but over a longer timescale. The majority (80%) of these respondents said that it would have taken more than 12 months longer to deliver the training;
 - 45% said that they would have done some of the training, but over a longer period of time. Again, the majority (78%) of these said that it would have taken more than 12 months longer to deliver the proportion of the training that they would have undertaken;
 - 25% said that they would have done some of the training within the same timescale. Some 43% said that they would have undertaken less than a quarter of the training and 79% said that they would have undertaken less than a half.

28. The level of funding offered also meant that the scale of the training undertaken was far greater than most beneficiary companies could have countenanced in the absence of SGW support. Furthermore, some of the companies that would have undertaken an element of the training even in the absence of SGW support would probably have looked to other forms of Welsh Government funding to help them do so e.g. the Workforce Development Programme.
29. At this stage, 45% of businesses claimed that SGW support had contributed to an increase in turnover or profit of 10% or more, or had led to an increase of 10 or more in staff numbers. Given that many companies had yet to implement their training plans in full however, it was in reality too early to assess SGWs' overall effects in this respect.
30. A higher proportion of businesses from West Wales and the Valleys than East Wales said that they had seen an increase in turnover and profits as well as increasing the size of their workforce following participation in SGW.
31. As already indicated, the training undertaken often linked in to wider business improvement or change programmes and our study pointed to SGWs' effects upon business performance in terms of:
- winning new customers, with businesses in West Wales and the Valleys doing somewhat better than businesses in East Wales in this respect;
 - winning new orders from existing customers;
 - improving products or services;
 - improving customer relationships;
 - improving production or business processes;
 - improving productivity;
 - improving turnaround times or reducing down time;
 - improving staff morale;
 - improving staff attitudes and preparedness to engage and take responsibility;
 - increasing workforce flexibility.

32. Most businesses expected to undertake further training following the completion of their SGW supported plans, with some employers using SGW support to build capacity to undertake more training in-house going forward.
33. Because SGW is unique among workforce development programmes, it has not been possible to establish any comparators in terms of the overall costs of the programme. This difficulty was compounded by the fact that many beneficiary companies have yet to complete their training plans.
34. The research found little evidence that SGW led to price inflation within the training market. Indeed, a fear of establishing dangerous precedents meant that beneficiary businesses generally kept a close eye on pricing when procuring training provision.
35. The report concludes by highlighting a handful of issues which the Welsh Government might wish to consider in taking the SGW programme forward:
 - the need for greater proactivity in promoting the programme to businesses with growth ambitions, particularly those which do not have formal business or training plans in place and those in north and mid Wales;
 - the need to reward HRDAs adequately for supporting businesses in applying for SGW support;
 - the need to review the way in which the expert assessment panel is used in light of experience;
 - the possible adoption of an incremental approach to gathering data about individual participants as company training plans are rolled out;
 - the need, at the application stage, to consider the deliverability of training plans within the timescales available to the programme;
 - the need to review arrangements for making profound changes to ESF projects;
 - the need for on-going monitoring of the effects of the training undertaken upon businesses.

1 INTRODUCTION

- 1.1 Old Bell 3 Ltd, in association with Dateb, was commissioned by the Welsh Government to carry out an evaluation of the Skills Growth Wales (SGW) programme. The work was undertaken between March and October 2012

PURPOSE OF THE STUDY

- 1.2 The aim of the study was to 'evaluate the effectiveness and impact of the Skills Growth Wales Convergence and Competitiveness Fund projects'. This aim gave rise to six objectives, as follows:

- A. Assess the effectiveness of the various elements of SGW in respect of the overarching aims and objectives of the scheme including:
- marketing and awareness raising strategies and information sources (including the Business Skills hotline);
 - the application and decision-making process (via the SGW Panel);
 - advice and guidance provided to companies from pre-application to the award of funding including officials from the Department of Business, Enterprise, Technology and Science, (DBETS), the Department for Education and Skills, (DfES) and the HRD Advisor network;
 - the quality of training received by the companies with a particular emphasis on comparing Further Education, Higher Education and private sector provision;
 - the consideration of accredited training and non-accredited training and the benefits of accreditation weighed against the additional costs incurred;
 - the systems introduced to record compliance with equal opportunity legislation, identify areas where improvement was required and implement remedial action.
- B. The extent to which SGW supported *additional* training activity, for example, earlier training, more training, higher level training for employers.

- C. The impact the SGW supported training had in respect of those anticipated within the applications submitted to the scheme and in relation to the extent of growth, or otherwise, achieved by the company. How and whether these impacts differed for different types of employer with a consideration of sectoral variations if possible.
- D. The evaluation should consider the counterfactual position i.e. what would have happened in the absence of the scheme.
- E. An assessment of Value for Money from the data gathered via the evaluation in relation to other workforce development schemes.
- F. The evaluation should consider the findings in relation to SGW within the context of the wider evidence base including that from evaluations of similar schemes or schemes with similar aims from within Wales, the UK and internationally.

METHOD

- 1.3 The study encompassed six main elements of work:
 - desk research;
 - qualitative interviews with key stakeholders;
 - quantitative survey of employers;
 - qualitative interviews with employers and employees;
 - qualitative interviews with HRDAs and learning providers;
 - analysis and reporting.

- 1.4 The desk research undertaken involved our reviewing:
 - employment and wider economic statistics for the period immediately prior to and since the establishment of the programme;
 - recent reviews of employment and skills development programmes across other parts of the UK;
 - key Welsh Government and Welsh European Funding Office (WEFO) policy documents, including the two current Operational Programmes and the relevant Strategic Framework;

- the ProAct Business Plans agreed with WEFO as well as a subsequent letter of variation;
- spread-sheets setting out outline details of the grants awarded to businesses;
- business cases submitted by 71 businesses which applied successfully for SGW support (this accounted for 81% of successful applicants from East Wales businesses and 75% of successful applicants from West Wales and the Valleys);
- details of the training undertaken by 37 companies (this accounted for 35% of East Wales businesses and 40% of West Wales and the Valleys businesses that received SGW): these included spread-sheets detailing courses undertaken by individual participants and, where relevant, 'evaluation reports' produced by Human Resource Development Advisers following the completion of training programmes.

1.5 Our qualitative interviews with twelve key stakeholders involved talking to:

- members of the SGW team;
- senior figures within DfES;
- relevant staff within WEFO;
- members of the grant application panel.

1.6 Both these strands of work informed the development of questionnaires for use in two separate surveys as well as providing material to shape this report.

1.7 Given the relatively modest numbers of companies supported by SGW, it was decided that we should seek to survey the whole population. In the event, we completed 62 telephone interviews of up to 30 minutes' duration. This represented 65% of the businesses we sought to contact and the sample size implies a confidence interval of +/- 7.3 at a 95% confidence level. We interviewed 74% of recipient businesses located in East Wales and 61% of those based in West Wales and the Valleys. Because respondent numbers at the regional level were small, it has not generally been possible

to present findings for East Wales and, separately for West Wales and the Valleys. However, where differences between the two regions were sufficiently pronounced, we have commented upon our findings.

1.8 The areas explored during the survey were:

- organisations' details;
- organisations' human resource management and training behaviours;
- organisations' route into SGW;
- details of training undertaken by staff;
- the effects of involvement with SGW upon organisations.

1.9 Our survey of businesses that applied unsuccessfully for SGW support involved completing 11 telephone interviews of up to 20 minutes' duration. This represented a third of the businesses we sought to contact.

1.10 The areas explored during the survey were:

- organisations' details;
- organisations' human resource management and training behaviours;
- organisations' route into SGW;
- details of training undertaken by staff, though not with SGW support;
- details of businesses' performance since applying unsuccessfully for SGW support.

1.11 The qualitative fieldwork with employers and individuals involved visiting the premises of companies which had benefited from SGW support to talk to managers and individual members of staff who had participated in the training supported. Overall, we spoke to 23 senior figures (including directors or managers responsible for 'training', 'human resources', 'operations' and 'finance') and 50 employees across 20 organisations. In most organisations, we interviewed three or four employees on an individual basis, though it was not possible to speak to relevant staff at three companies due to work patterns (e.g. staff worked away from company premises). In selecting the organisations to visit, we sought to strike a balance in terms of size, sector and geographic location.

- 1.12 A particular concern for this study was to explore the counterfactual case i.e. what would have happened in the absence of the SGW programme. Given the route to market for the programme (see chapter 4), we recognised from the outset that it would be difficult to identify a comparable control group for the businesses benefiting from SGW support. Our approach involved surveying organisations which had applied unsuccessfully for SGW support (to see what they did anyway) as well as selecting for fieldwork participating organisations which operated elsewhere in the UK as well as within Wales (to see what they did at their other sites). In adopting these approaches, however, we were conscious of the likely difficulty (as turned out to be the case) in engaging businesses which had been turned down for SGW support. We also recognised that this would inevitably be an imperfect control group in that unsuccessful applicants were often turned down because they failed to make a sufficiently convincing case that the training proposed could be linked to growth or that they would not be in a position to undertake the training in the absence of SGW support. We also recognised that in the case of businesses trading outside Wales, staff may well not be sighted about practices at their employers' other sites.
- 1.13 It is worth noting that whilst businesses were due to have completed the training to be funded by SGW by the time our survey and fieldwork was undertaken, a significant proportion had not. This means that our findings based on a partial picture and it is highly likely that the effects of at least some of the training supported will not emerge for some time yet.
- 1.14 The final stage of our work involved conducting telephone interviews with:
- Five Human Resource Development Advisers (HRDAs) who had been actively involved in supporting businesses that applied successfully for SGW support;
 - Eight training providers which delivered significant amounts of training to SGW beneficiary companies.

STRUCTURE OF THE REPORT

1.15 The remainder of this report is presented in five parts as follows:

- The background to and context for SGW (chapter 2);
- Implementation of the programme (chapter 3);
- Participation in SGW (chapter 4);
- The outcomes of training (chapter 5);
- The impact of SGW (chapter 6);
- Our conclusions and recommendations (chapter 7).

2 BACKGROUND AND CONTEXT

INTRODUCTION

2.1 In this chapter, we:

- provide an introduction to the SGW programme;
- consider SGW's fit with broader Welsh Government skills policy;
- provide an overview of other programmes that have operated in Wales and elsewhere that have some similarities with the Skills Growth Wales programme; and
- touch briefly upon the economic context in which SGW was implemented.

INTRODUCTION TO SGW

2.2 SGW was devised by the Welsh Government to 'help reinvigorate the economy'¹ as Wales emerged from recession. It was developed as a successor programme to ProAct² and was intended to 'enable businesses [which could] demonstrate that they [were] in a growth position'³ to undertake training which would otherwise have been prohibited by cost, and that would lead to at least one of the following outcomes within 12 months:

- 10% increase in turnover;
- 10% increase in profit; or
- an increase of at least 10 employees.

2.3 SGW provided businesses with a contribution of between 60% and 80% (depending on company size) towards eligible training costs, up to a maximum of £3000 per employee, averaged across all the employees receiving training. Participating employees' wage costs whilst in training (excluding any wage subsidy) were regarded as part of the cost of training

¹ Skills Growth Wales flyer, 2010

² ProAct is discussed further at item 2.21 below

³ Convergence Business Plan, p.9

and the grants awarded, thus, tended to cover 100% of the fees charged by training providers.

- 2.4 Employers were free to choose training provision that best met their needs, provided that it:
- generally led to the achievement of full or part qualifications at level 2 or above⁴; and
 - was cost effective i.e. compared favourably with the cost of similar provision in the area.
- 2.5 Applicants for SGW support were initially required to complete a business case application form which:
- provided details of applicants' trading position over the previous three years, including an account of how they had been affected by the economic downturn;
 - set out details of applicants' forward order books;
 - discussed 'growth opportunities' identified and the factors which might inhibit applicants from capitalising upon those opportunities;
 - set out how SGW funding would allow applicants 'to go above and beyond original plans for growth';
 - set out actual and forecast financial information.
- 2.6 Business cases were considered by a panel consisting of senior officials from the DfES as well as representatives from the DBETS, Wales TUC, JobCentre Plus and the Engineering Employers Federation (EEF)⁵. Businesses which submitted credible business cases were then invited to complete detailed training plans with the aid of Human Resource Development Advisors. Training plans set out:
- the training to be undertaken, including details of the qualifications to be achieved by participants;

⁴ Some flexibility was allowed in this respect to enable companies to undertake non accredited training of particular relevance to them

⁵ EEF, a representative body of manufacturing employers, was involved in advising Ministers on the development of ProAct and later, SGW

- the duration of particular elements of training/courses;
 - the number of employees to participate in particular elements of training/courses;
 - the overall cost of the training proposed and the cost per participating employee;
 - details of the training provider(s) to be engaged.
- 2.7 Training plans were augmented with details about individual employees who it was intended should participate in training: in essence 'participant data' as required for ESF purposes.
- 2.8 Where training plans were approved, the Welsh Government paid providers, in arrears, for training delivered, which meant that there were no additional cash-flow implications to beneficiary businesses.
- 2.9 The systems established to manage SGW built on those put in place for the management of the ProAct programme. The programme management team comprised six people, based in Welsh Government offices in Newtown, Caerphilly and Swansea. The team was responsible for:
- processing (approving or rejecting) all applications for support;
 - establishing and managing a panel to advise on the approval or rejection of applications;
 - responding to any queries from prospective and actual beneficiary companies or other stakeholders;
 - maintaining information about employers and individuals participating in the programme using the European Database Management System (EDMS);
 - monitoring the progress and quality of the programme;
 - monitoring participating employers' compliance with the conditions of the support and resolving any issues that arose;
 - monitoring the progress made by employers involved in the programme;
 - managing relationships with internal and external partners such as DBETS, Employer Fora and HRDAs;

- monitoring the efficacy of company's systems and practices, including equal opportunities, environmental sustainability and health and safety arrangements;
- monitoring the efficacy of training provider's systems and practices;
- approving payments to learning providers;
- managing the resources available to the programme;
- making adjustments to the programme in response to intelligence gathered and performance levels; and
- reporting to Ministers and WEFO upon performance and any issues that arose.

2.10 The SGW programme was launched in April 2010 and closed to new applications on 31st March 2011 (though it closed earlier than this in the Competitiveness area because all the available funding had then been committed). Initially, all training needed to be completed by July 2012, but the Welsh Government extended the timeframe over which some companies' training plans could be implemented.

2.11 Whilst it is not the subject of this evaluation, it is notable that a SGW II programme was launched in January 2012.

2.12 Table 2.1 below shows the headline 'outputs' and 'results' targets set for the 2009-2012 over-arching ESF project, which incorporated both ProAct and SGW.

Table 2.1: Headline Outputs and Results Targets Agreed for the ProAct (and later, SGW) Programme⁶

	West Wales & Valleys	East Wales	Total
<i>Outputs Targets</i>			
Total participants (Employed)	10,978	4,059	15,037
Employers assisted or financially supported	219	81	300
Research Studies	0	0	0
Learning and development strategies	219	81	300
Projects delivering specialist training in sustainable development	1	1	2
<i>Results Targets</i>			
Participants gaining qualifications (Employed)	10,978	4,059	15,037
Participants entering further learning	329	121	450
Employers adopting or improving equality and diversity strategies and monitoring systems	24	9	33

Source: WEFO Business Plans V1.2

2.13 It was expected that 300 companies would benefit from ProAct/SGW support, with an average of 50 employees from each participating in training. Although there was never an explicit policy surrounding the targeting of the programme, and smaller organisations were able to apply for ProAct/SGW support, this ratio implies that the Welsh Government's expectation was that ProAct/SGW would be taken up primarily by the 4.1% of enterprises in Wales that employ 50 or more people, rather than the business population in general⁷.

⁶ The ProAct business plans agreed with WEFO referred to the following 'impact measures', but no targets were set in this respect:

- 'Skills level of employment
- Pay level of employment
- Women in management
- Participants gaining part qualifications'.

⁷ See Annex 1: Table A1.2: Breakdown of Private Sector Enterprises in Wales by Size, 2010

- 2.14 All participants were expected to achieve some form of qualification, though 50% of those were expected to be below level 2. Some 30% of participants were expected to achieve qualifications at level 2 and the remaining at 20%, at level 3 or above.
- 2.15 It was originally envisaged that 3% of participants would progress into further learning as a result of the training undertaken with ProAct/SGW support. However, given that the programme was primarily concerned with supporting business growth rather than engaging individuals in learning, WEFO later agreed to set this target aside.
- 2.16 It was also envisaged that ProAct/SGW support would lead to 11% of beneficiary employers ‘adopting or improving equality and diversity strategies and monitoring systems’.
- 2.17 Table 2.2 below shows the expected costs of the ProAct/SGW programmes over their intended four year life, together with the funding which it was anticipated would be sourced from the European Social Fund, the private sector and the Welsh Government.

Table 2.2: Headline Projected Costs and Sources of Income for the ProAct (and later, SGW) Programme

	West Wales & Valleys £000s	East Wales £000s	Total £000s
Total Costs	47,601	19,200	66,801
<i>Funded by:</i>			
ESF	30,940	8,000	38,940
Private Match Funding	10,456	8,905	19,361
Public Match Funding	6,205	2,295	8,500
ESF Intervention rate %	65%	42%	58%

Source: WEFO Business Plans V1.2

- 2.18 The ProAct/SGW programme represented a significant proposed investment in up-skilling Welsh workers, at almost £67 million over its whole life. It was intended that some 97% of the programme's costs would relate directly to the provision of training and the payment of wage subsidies (which were a key feature of the ProAct programme), with Welsh Government programme management costs amounting to less than 2.5%.
- 2.19 On average, it was expected that each individual participant would benefit from training support and a wage subsidy worth £4,442. The value of the proposed support amounted to £222,670 per participating business on average, with the ESF expected to make a cash contribution of £129,800 per business towards those costs.
- 2.20 Clearly, the closure of the ProAct programme meant that the wage subsidy element of the support was not required in respect of commitments made after April 2010 under the auspices of the SGW programme, which effectively released a greater proportion of the overall ESF project budget for training purposes.

FIT WITH WELSH GOVERNMENT POLICY

- 2.21 As discussed above, SGW was introduced as a successor to the Welsh Government's ProAct programme, which was part-funded by the European Social Fund (ESF). SGW was developed as Wales began to emerge from recession and the policy imperative shifted from guarding against job-losses and alleviating the damaging effects of the downturn, to preparing businesses to take advantage of economic recovery. In effect, SGW represented the latter part of the Welsh Government's parallel West Wales and the Valleys Convergence Programme and the East Wales Regional Competitiveness and Employment Programme ProAct projects.
- 2.22 The fact that SGW was developed in response to businesses' changing support needs as Wales began to emerge from recession in 2009 means that

the programme is not referenced specifically in many Welsh Government policy documents. Whilst most Welsh Government policy documents predate SGW's launch, the programme does, nonetheless, fit with the aspirations of key skills related policy statements.

- 2.23 Skills that Work For Wales: a Skills and Employment Action Plan (2008) expressly points to the importance of improving and applying 'workforce, leadership and management skills' in order to ensure Wales' economic growth and makes it clear that Wales 'cannot afford to be satisfied with the status quo'⁸. The document also emphasises the role of post-compulsory education and training in providing 'businesses in Wales with a skilled workforce, enabling them to be enterprising and profitable'⁹.
- 2.24 As might be expected, SGW fits with the thrust of Priority 3 – 'Improving Skills Levels and the Adaptability of the Workforce' – of the West Wales and the Valleys Convergence Programme. However, its positioning under Theme 1 - 'raising the skills base of the workforce and supporting progression in employment through basic and intermediate level skills' – undoubtedly reflects the fact that SGW evolved from the ProAct programme. It is arguable that SGW sits more comfortably with the long list of actions eligible for funding under Priority 3, Theme 2 - 'skills for the knowledge economy: higher level skills and systems for workforce development'. For example:
- 'support for workforce development by employers, particularly SMEs and those with the potential to increase their contribution to GDP;
 - support for leadership and management development to increase firms' adaptability ...;
 - supporting those workers to develop new skillsets for sustained employment'¹⁰.
- 2.25 The Operational Programme for the East Wales Competitiveness area identifies the need to address two overall objectives, one of which is to

⁸ Skills That Work for Wales: A Skills and Employment Strategy and Action Plan (2008), p.8

⁹ Skills That Work for Wales: A Skills and Employment Strategy and Action Plan (2008), p.8

¹⁰ West Wales and the Valleys Convergence Operational Programme: European Social Fund: 2007-2013. p.151

‘improve skill levels and the adaptability of the workforce.’ Priority 2 of this Programme focusses specifically on this objective, though provides fewer hooks for the Skills Growth Wales programme to hang on than are available under the Convergence Programme. Nonetheless, one action area under this Priority that is relevant to Skills Growth Wales is:

- o ‘learning and training for managers and workers in small enterprises (up to 50 employees), in leadership and management (at any level including level 4 and above) to give them the skills needed for sustainable business development, business growth, innovation and productivity’¹¹.

In this context, however, it is notable that agreement was reached between the DfES and the Welsh Government that companies of all sizes could be supported under both the ProAct and SGW programmes.

2.26 Given the recent economic recession, it is not surprising that all the main political parties referred to the need to support the development of businesses and the growth of the economy in their manifestos for the May 2011 Welsh Government elections. Most pertinently, the Labour Party manifesto specifically laid claim to the Skills Growth Wales programme by saying: ‘We established the ProAct scheme, supporting over 10,000 people to stay in work and improve their skills in preparation for the recovery. ProAct was succeeded by Skills Growth Wales, which helps Welsh companies grow by funding high level or new technology skills training, and has supported over 2,000 individuals’¹².

2.27 Once elected, the Labour led Welsh Government set out the actions that it intends to take in its ‘Programme for Government.’ In that document, it re-affirmed its commitment to using skills development as a tool for growth by including the following two key actions:

¹¹ East Wales Regional Competitiveness and Employment Operational Programme: European Social Fund: 2007-2013, p.122

¹² Labour Party Manifesto 2011, p.18

- ‘Work with European Commission funding programmes to stimulate sustainable growth and jobs through investing in skills, infrastructure and job creation...
- Support company growth opportunities through investment in skills development for the workforce¹³.

EVALUATION OF OTHER SKILLS DEVELOPMENT PROGRAMMES

2.28 In this section we provide a brief overview of other workforce development programmes supported by the Welsh Government of relevance to Skills Growth Wales, drawing where possible upon the findings of earlier evaluations. We then go on to consider evidence from England relating to the Train to Gain programme and its predecessor the Employment Training Pilots, before finally touching upon the very limited evidence uncovered about similar approaches to workforce development elsewhere in the UK and Europe.

ProAct

2.29 ProAct was launched in December 2008 to enable employers that were facing difficulties as a result of the recession to retain skilled workers and to enhance their skills in readiness for the upturn, thus helping to prevent redundancies as well as strengthening companies’ skills base. Modelled on the German Kurzarbeit scheme, ProAct provided employers with grants for each member of staff put on short-time working – up to £2,000 to help meet the costs of training and a further £2,000 to help meet the wage costs of participating employees whilst undertaking the training. The programme was underpinned by two core motivations:

- ‘An employer-led rationale to ensure that training links closely to business needs and contributes to competitiveness; and

¹³ Welsh Government (2011) Programme for Government, p.4

- An employee-led rationale to provide employees with transferable skills to support their position in the labour market whether with this business or another'.¹⁴

2.30 As the economy began to stabilise, the number of credible applications for ProAct support declined and feedback from businesses suggested that the emphasis of the programme should shift, from helping them deal with the immediate effects of recession to preparing them to take advantage of growth opportunities. The ProAct programme was closed in June 2010.

2.31 An impact evaluation of ProAct undertaken by Cambridge Policy Consultants concluded overall, that the programme had 'been a success'¹⁵. More detailed findings, some of which resonate with the findings of our evaluation of SGW, included:

- ProAct was originally targeted on the automotive sector, and although later extended to all sectors, the majority of beneficiary businesses were drawn from the manufacturing and construction sectors;
- larger employers were over-represented compared to the overall business population;
- penetration was relatively weak in North Wales and disproportionately concentrated in South West Wales;
- there was limited active promotion of the programme, because of a fear that wide publicity might lead to companies which had a weak case coming forward;
- most businesses found out about the programme from HRDAs or from (then) Department for the Economy and Transport¹⁶ Relationship Managers;
- the use of a panel of experts to assess grant applications was 'central to the success' of the programme and should be 'more widely adopted in public support to ensure better value for public expenditure'¹⁷;

¹⁴ Impact Evaluation of ProAct, Cambridge Policy Consultants for Welsh Government, 2011, p. 4

¹⁵ Ibid., p.11

¹⁶ Following the 2011 Welsh Assembly Elections, the Department for the Economy and Transport (DE&T) became the Department for Business, Enterprise, Technology and Science (DBETS)

- HRDAs played a valuable role in helping businesses to prepare training plans;
- the majority of employers needed to make changes to their training plan during the lifetime of the grant;
- overall, there were high levels of satisfaction with the training provided, though satisfaction was significantly lower where training was delivered by Further Education institutions (FEIs);
- employers felt that training in 'lean' techniques yielded the greatest benefits;
- whilst businesses overall reported a net fall in sales, ProAct helped generate positive impacts in terms of improved productivity and greater competitiveness;
- a majority of employers said they would have made additional redundancies without ProAct i.e. the programme helped safeguard jobs.

The Workforce Development Programme

2.32 The Workforce Development Programme (WDP) was introduced in April 2005 as an integrated 'offer' to support Welsh businesses with workforce development¹⁷. Key elements include advice and guidance from the field force of HRDAs, including a diagnostic process, support with securing accreditation under Investors in People (IiP) or the IiP Leadership and Management Model, access to free or subsidised leadership and management workshops or training, and grant support for bespoke training solutions, though with the maximum amounts for this support varying over time and between different sizes and types of businesses.

2.33 Cambridge Policy Consultants undertook a long-term evaluation of the WDP between 2007 and 2010, producing a series of reports which have been made available for this research but which have not yet been published. Key findings from the research of relevance to our evaluation of SGW include:

¹⁷ Impact Evaluation of ProAct, Cambridge Policy Consultants for Welsh Government, 2011, p.12

¹⁸ Evaluation of the Workforce Development Programme: Year 1 – Management and Leadership Final Report, Cambridge Policy Consultants (Unpublished), October 2008, p. 2 [CPC 2008]

- the WDP was open to employers in all sectors and there has been strong uptake from larger businesses¹⁹;
- there has been a very high level of satisfaction with advice from HRDAs and with the diagnostic process;
- a proportion of employers consistently report that they would be willing to make some financial contribution to the support from the HRDAs and towards training costs: though in many cases the amounts suggested were quite low²⁰;
- however, most employers said that securing funding was a reason for seeking support from the WDP;
- for those receiving discretionary funding, the average grant made was £16,224 per company²¹;
- most employers interviewed in 2009 identified at least one positive intermediate outcome, such as increased productivity or reduced costs, from training undertaken through the WDP²²;
- a majority of employers reporting increases in turnover did, at least to some extent, associate the increase with the support of the WDP²³;
- the majority of employers said that training undertaken with WDP support was partially additional i.e. they would have done some, but not all of the training undertaken even without WDP support²⁴;
- smaller employers were more likely to say they would not have done any training without the funding²⁵;
- a small majority of employers reported an increase in expenditure on training and development, despite the recession²⁶;

¹⁹ Evaluation of the Workforce Development Programme Year 2: Evaluation of the Use and Impact of the Discretionary Funding, Cambridge Policy Consultants (unpublished), August 2009, p. 6 [CPC2009]

²⁰ Ibid., p48: in 2008, 40% of employers said they would be prepared to make some contribution, though for most this was of less than £100 for a half day session of HRDA time. In a 2009 survey, 50% said they would have been willing to contribute a median sum of £375 per day towards HRD support

²¹ CBC 2009, pp. 8-9

²² Ibid., p. 12

²³ Ibid., p. 17

²⁴ Ibid., p.20

²⁵ Ibid., p.20

²⁶ Ibid., pp. 29 ff.

- the level of deadweight associated with the WDP was said to be much lower than Train to Gain in England²⁷;
- there was a ‘significant difference’ between the GVA growth experienced by WDP funding recipients and that experienced by Welsh companies as a whole, though this finding did not allow for the effects of external factors which might otherwise account for this difference²⁸.

ReAct

2.34 ReAct is a Welsh Government programme designed to alleviate the damaging effects of redundancy by enabling those affected to develop their skills and secure new employment as quickly possible. It comprises five main elements, three of which are targeted at individuals made redundant and two of which are aimed at employers taking on people made redundant by other organisations. The five strands are:

Elements targeted at individuals:

- Adult Guidance provided by Careers Wales;
- Vocational Training Support;
- Vocational Training Extra Support.

Elements targeted at employers:

- Employer Recruitment Support;
- Employer Training Support.

2.35 ReAct was evaluated in 2011 and the main findings of that study which are of relevance to this evaluation of Skills Growth Wales include:

- demand for ReAct support peaked in late 2008 and the first half of 2009, as the effects of the recession took hold, before returning to more ‘normal’ levels during the latter part of 2009²⁹;
- the programme was less successful in engaging employers in East Wales than it was in West Wales and the Valleys;

²⁷ Ibid., p. 36

²⁸ Ibid., pp. 29 ff.

²⁹ Interim Evaluation of ReAct (2011), Old Bell 3 Ltd, Dateb and IFF Research Ltd

- participants made redundant tended to stay within the same occupational fields, but secured more junior roles, worked fewer hours and earned less;
- the programme had the greatest effects in terms of individuals' attainment of qualifications and propensity to undertake further training upon those with no or only low level qualifications upon entry;
- employers thought that 'the people recruited through ReAct had the right kinds of skills and qualifications when they were taken on'³⁰ and some believed that those taken on had 'a "better work ethic" than other, longer serving members of staff'³¹;
- employers tended to say that they would have provided new recruits with at least some training regardless of Employer Training Support received and some had funded training in addition to that paid for using ReAct monies;
- employers were generally satisfied with the training delivered by external providers;
- there was a high level of deadweight attached to the Employer Recruitment Support element of the programme, though this element represented only a very small part of the programme's overall costs;
- involvement in ReAct did help to influence positively employers' attitudes towards redundant or unemployed workers;
- 'neither of the Structural Funds Programmes "Cross Cutting Themes" were a particularly prominent feature of the ReAct programme from an employers' perspective'³².

Train to Gain (in England)

2.36 In England, the flagship workforce development programme prior to the 2010 election was Train to Gain. This was a national service which aimed to provide 'support for employers to identify training needs and to source appropriate training solutions that enhance the skills of their workforce and

³⁰ Ibid, p.93

³¹ Ibid, p. 95

³² Ibid, p.114

their overall business performance³³. The service could be accessed either via Brokers provided under contract to the Learning and Skills Council ('broker-led'), or via training providers, and involved a diagnostic process and access to subsidised training for the workforce, with a strong focus on basic skills and first level 2 qualifications. In the wake of the recession, a wage subsidy element was introduced for small employers (employing fewer than 50).

2.37 The programme was extensively evaluated, though evaluation consisted of a number of parallel evaluations of employers, learners and those involved in the delivery of the programme rather than an overarching evaluation³⁴. Moreover, since the programme was universal, it was not possible to address the counterfactual through control group methods. Main findings from the evaluations were:

- employers were generally satisfied with the skills brokers that assisted them;
- there was evidence to support 'the rationale for a division of labour between the skills brokerage service, which will reach out to employers more reluctant to train, and training providers, which offer a good service especially to those employers who have already been actively looking to address an identified training need'³⁵;
- there were high levels of satisfaction with the training accessed, with little difference in satisfaction levels between training negotiated by a broker and that accessed directly from training providers;
- most employers made some financial contribution to the training, though there was evidence that employers were 'moving planned training provision over to Train to Gain' in order to benefit from financial support³⁶;
- most employers identified a degree of additionality to the training undertaken, whether in terms of undertaking training that would not

³³ Train to Gain Employer Evaluation Sweep 5 Research Report, LSC, January 2010 (IFF), p.1 [IFF, 2010]

³⁴ Ibid, p.21

³⁵ Ibid., p.8

³⁶ Ibid., p.8

- otherwise have been undertaken at all, or in terms of training a greater number of staff because of the support received;
- the majority of participating employers reported benefits arising from the training undertaken, including improvements in day to day operations, longer-term competitiveness, product or service quality and productivity;
- given that a relatively high proportion of employers taking up training through Train to Gain had a recent history of providing vocational qualifications training, there was some scope for closer targeting of support on the hard to reach³⁷;
- the overwhelming majority of learners reported that they had gained a qualification and most said that they had gained practical skills that they had been able to put into effect in their current job.

2.38 Reviewing the evidence then available, the National Audit Office in a report in 2009 concluded that Train to Gain ‘has supported an expansion of employer responsive training ...[and] has led to an increased focus on what employers want’, but had nevertheless not provided good value for money because of problems in managing the delivery arrangements and because a relatively high proportion of employers would have arranged similar training in the absence of the programme³⁸.

The Employer Training Pilots (in England)

2.39 Given the generally very positive findings from the evaluations both of Train to Gain and Welsh programmes such as ProAct and the WDP, it is important to put these in the context of what is probably the most rigorous evaluation using control group methods of a workforce development initiative.

2.40 The Employer Training Pilots (ETP) were the pre-cursor to Train to Gain and took place between 2002 and 2004 in eight areas across England. The nature of the ‘offer’ to employers varied across different areas – with some involving wage subsidies and some not – but the basic model, like Train to

³⁷ Ibid., p. 11

³⁸ NAO 2009, pp. 7-8

Gain consisted of providing 'free or subsidised training leading to a basic skills or first Level 2 qualification for employees qualified to below Level 2, where the employees receive paid time off in which to train, and for which the employers are compensated'³⁹.

- 2.41 The fact that the Pilots were implemented only in some parts of the country enabled research to be undertaken comparing the change in volume of all eligible training provided by participating employers in those areas where the pilot was operating compared to a representative sample of similar employers in carefully selected control group areas.
- 2.42 Whereas early stages of the evaluation of the pilots, based solely on research with participating employers, suggested relatively good levels of additionality, the final evaluation failed to find any statistically significant difference in either the incidence of training or the overall volumes of training provided by these employers compared to similar employers in the control group areas.
- 2.43 Having said this, it is important to stress that the survey evidence from employers did suggest higher levels of deadweight than for Train to Gain, largely attributed to the fact that the Employer Training Pilots were less well targeted on 'harder to reach' employers. On the basis of the evidence, the evaluators recommended a stronger focus on 'hard to reach' employers – noting that employers with a more strategic approach (for example, ones with a business plan, a training plan and a training budget) were far more likely to demonstrate high levels of deadweight.
- 2.44 The evaluators argued that capturing the interest of such employers was dependent on capitalising on some significant change in the business environment, such as the development of a new product or service or a change in markets or competition.

³⁹ The Impact of the Employer Training Pilots on the Take-up of Training Among Employers and Employees Institute for Fiscal Studies, 2005, p. 5

The Rest of the UK and Europe

- 2.45 Evidence from the rest of the UK is scant. In Scotland, the Flexible Training Opportunities scheme provides funding of up to £5,000 as a 50% contribution towards the costs of certain forms of employee training, notably:
- Qualifications including individual units;
 - Masterclasses;
 - Learning based on National Occupational Standards;
 - Industry recognised qualifications;
 - Supervisory and management training;
 - Workshops;
 - Taster sessions;
- 2.46 Up to 10 employees from any one organisation being eligible to participate⁴⁰. There does not appear to be any extant evaluation of this scheme.
- 2.47 Elsewhere in Europe, a recent review of employment related public initiatives in the EU Member States and Norway⁴¹ found that a wide range of states provided either wage subsidies or subsidies towards the costs of training (or both) for employees on short-time working, although in some countries (such as Greece and Slovenia) trades unions had opposed such measures on the basis they would encourage employers to arbitrarily force workers to accept short-time working⁴². Examples of countries using such instruments include Wallonia and Flanders (Belgium), Austria, Cyprus, the Czech Republic, Germany, Ireland, Italy and Greece.
- 2.48 While no evaluation evidence is presented in the report, it notes that there are some potential problems with such schemes, including the fact that lack of certainty over the length short-time working might be required may encourage employers to commit only to short term training measures which might prove ineffective.

⁴⁰ <http://www.skillsdevelopmentscotland.co.uk/flexible-training.aspx>

⁴¹ Tackling the Recession: Employment Related Public Initiatives in the EU Member States and Norway, European Foundation for the Improvement of Living and Working Conditions, 2009

⁴² Ibid., p. 7

Conclusions

- 2.49 Skills Growth Wales stands out as a workforce development intervention in that it is the only programme that we came across that is specifically aimed at encouraging business growth. However, it does share some features with other workforce development programmes, including the involvement of independent brokers in helping businesses to articulate their training needs and source appropriate training (ProAct, the Workforce Development Programme, Train to Gain) and a focus on accredited training (ProAct, Workforce Development Programme, ReAct, Train to Gain, Employer Training Pilots).
- 2.50 Evaluations of these other workforce development programmes possibly offer some useful lessons for the evaluation of SGW, including:
- uptake of programmes is proportionally stronger among large businesses than it is smaller ones (Proact, Workforce Development Programme, React);
 - business penetration seems to be concentrated on some regions and weak in others, partly reflecting the size distribution of businesses across Wales (ProAct, ReAct);
 - businesses value brokers' support (ProAct, Workforce Development Programme, Train to Gain);
 - where businesses have already been actively looking to address an identified training need, providers can play a useful role in sourcing appropriate provision (Train to Gain);
 - businesses are generally satisfied with the training received (ProAct, Workforce Development Programme, ReAct, Train to Gain);
 - programmes generally offer some additionality in terms of beneficiary companies undertaking more training than they would have without support, including training staff that they would not otherwise have trained (ProAct, Workforce Development Programme, ReAct, Train to Gain);

- most involve a degree of deadweight, though this seemed to be lowest where programmes targeted workers with low level skills or with no or few qualifications (ProAct, Workforce Development Programme, ReAct, Train to Gain, Employer Training Pilots) or at companies that do not have business or training plans (Employer Training Pilots);
- most were thought to have positive effects upon beneficiary businesses in terms of the quality of products and services, productivity and competitiveness ((ProAct, Workforce Development Programme, ReAct, Train to Gain).

ECONOMIC BACKGROUND TO SKILLS GROWTH WALES

- 2.51 As already noted, Skills Growth Wales was introduced in an attempt to support the Welsh economy coming out of the recession that affected the whole of the UK, Europe and beyond from 2008. In this section, we consider some headlines in terms of key economic and labour market trends leading into that recession, as well as the indicators of economic changes since then. A more detailed analysis of developments is presented in Annex 1.
- 2.52 From the mid 1990's through into the mid 2000's, the Welsh economy grew steadily and this was reflected in the labour market, which saw a sustained growth in the number of workforce jobs and a fall in unemployment levels. However, whilst most sectors experienced growth during this period, the 'Manufacturing' sector has been in long-term decline in Wales, alongside the UK as a whole as well as many other developed economies, and saw a marked reduction in job numbers. These trends were similarly experienced across both the East Wales and West Wales and the Valleys areas.
- 2.53 By 2008 Wales was beginning to experience the effects of the economic recession that was also affecting the rest of the UK and beyond. Over the next year Wales suffered a significant drop in its Gross Value Added, a dramatic increase in unemployment, a fall in the number of job vacancies reported and a fall in the overall number of workforce jobs. Employment

within the 'Manufacturing' sector declined more sharply, and other sectors which had flourished in the previous few years also started to contract, with a marked reduction in the number of jobs in the 'Construction' and 'Financial and Insurance' sectors becoming apparent during 2010. Several other sectors that saw a reduction in the numbers of workforce jobs during that period included 'Transport', 'Information and Communications', 'Professional Services' and 'Public Administration', albeit that some of these accounted for substantially fewer jobs in the first place. During the recession period there was also a marked reduction in the proportion of employees that participated in job-related training, possibly reflecting employers cutting costs as a means of maximising their survival prospects.

- 2.54 Recent data provide some evidence of economic recovery in Wales and this appears to be particularly so in East Wales. For example, vacancy numbers notified in East Wales have returned broadly to their pre-recession levels, but they have not recovered as much yet in West Wales & the Valleys. Also, in East Wales there has been a marked increase in the proportion of employees participating in job-related training since September 2009, though no increase is yet evident in West Wales & the Valleys.
- 2.55 Thus, the economic climate changed significantly immediately before and since the introduction of the Skills Growth Wales programme. Evidence of the economic recession that the programme was introduced to help alleviate is clear.
- 2.56 Whilst there is evidence of some recovery from the recession, full recovery is still some way off and structural change in the make-up of Welsh employment is likely to continue. Furthermore, there are wider factors that might challenge any sustained and speedy growth within Wales, like the ongoing cuts in UK public sector spending and the continued financial problems within the Eurozone.

3. IMPLEMENTATION OF THE SKILLS GROWTH WALES PROGRAMME

INTRODUCTION

- 3.1 In this chapter we draw upon a desk based review of the applications submitted by beneficiary companies and the findings of our survey of businesses that benefited from SGW support. We also consider the programme's performance over the two and a half year period to September 2012, drawing upon data provided by the SGW team from the EDMS database as well as discussions with key stakeholders and participating businesses. We consider:
- the profile of businesses participating in SGW;
 - the nature of the growth opportunities being pursued by these businesses;
 - the established training behaviours of participating businesses;
 - performance against the programme's output targets;
 - performance against the programme's results targets;
 - performance against the programme's financial targets.

PROFILE OF PARTICIPATING BUSINESSES

- 3.2 All in all, 158 companies submitted SGW grant applications to the Welsh Government and 95 of these were successful⁴³. The remaining 63 applications were either turned down, withdrawn or were taken no further than the initial steps by the applicant organisations.
- 3.3 Of the 95 applications that were approved, 66% were submitted by companies located in the West Wales and the Valleys Convergence region and 34% by firms located the East Wales Competitiveness region. This represents a small over-representation of businesses from the West Wales and the Valleys region. Two thirds (67%) of beneficiary businesses were

⁴³ As indicated in para. 1.4, we were able to review 71 of these

located in south east Wales, and a further 20% in the south west. Only 12% of beneficiary businesses are located in north and mid Wales put together.

- 3.4 Three quarters (74%) of beneficiary companies fell into the manufacturing sector, though this ranged from 53% of those located in East Wales to 83% of those located in West Wales and the Valleys. The nature of manufacturing activities undertaken varied quite significantly, though key sub sectors included automotive parts, the maintenance of aircraft, food processing and the manufacture of health products.
- 3.5 The remaining 25% of beneficiary companies were drawn from a range of sectors, though the proportion of those in the ‘construction’, ‘wholesale and retail trade’, ‘information and communications’ and ‘financial and insurance services’ sectors was greater in East Wales.
- 3.6 Table 3.1 Sets out the distribution of successful applicants by the number of people they employed. It shows that just over a quarter (26%) of companies that received SGW support employed more than 250 people, whilst 30% employed fewer than 50 people. Larger businesses make up a significantly higher proportion of SGW beneficiaries than they do the Welsh business population as a whole.

Table 3.1: Proportion of Successful Applicant Companies by Employee Numbers

	% (n=95)
<25	15%
25 to 50	15%
51 to 100	17%
101 to 250	27%
>250	26%

- 3.7 Table 3.2 below is based on information about companies which were content for the Welsh Government to share their details with the research team. This excludes 25 firms: six from East Wales and 19 from West Wales and the Valleys. It shows that beneficiary businesses from the West Wales and the Valleys Convergence region tended to be smaller than those from the East Wales Convergence area in terms of the numbers of people they

employed at the application stage and in terms of their turnover in 2008/09. Although the table suggests that East Wales businesses were considerably more efficient, the difference probably owes much to the sectoral make-up of participating businesses in each of the two regions and could also reflect accounting policies

Table 3.2: Comparison of Beneficiary Businesses' Characteristics

	WW&V (n = 64)	EW (n = 31)	Total (n = 95)
Average turnover in 2008/09	£26,909,000	£85,328,000	£112,237,000
Average number employees at application	155	352	
Average turnover per employee at application	£173,606	£242,409	£221,375
Average increase in employee numbers expected	12	69	

3.8 Table 3.3 shows that the average value of SGW grant awarded to businesses located in East Wales was roughly a fifth greater than the average value of grants awarded to those located in West Wales and the Valleys, to some extent reflecting differences in the average size of beneficiary businesses.

Table 3.3: Profile of Grants Awarded

	WW&V	EW	Total
Companies supported	63 [†]	32	95
Total value of grants approved	£11,188,898	£6,895,345	£18,084,243.00
% of total grant applied for	57%	43%	
Ave Value of Grant Awarded	£177,602 [‡]	£215,480	£190,360

[†] One beneficiary company has plants in both WW&V and EW, although the company's head office is in the WW&V region. The company has been included in the WW&V figures above, though it is arguable that much of the investment was made at its Newport site in EW
[‡] The value of one company's application is not included because the information was not provided

3.9 At least 60% of beneficiary businesses had received other forms of grant support from the Welsh Government, most commonly via the Single Investment Fund, the Workforce Development Programme, ProAct and

ReAct. The value of support ranged from a few thousands of pounds to more than a million in at least five cases.

- 3.10 The SGW business case application form required businesses to provide an account of how they had fared during the economic turndown and whether or not they had made people redundant within the six months immediately prior to submitting the application. The applications we were able to review suggested that trading conditions had improved for the majority of businesses, whilst roughly a quarter said that they continued to face significant challenges.
- 3.11 Roughly a quarter of those businesses whose applications we were able to review said that they had laid people off in the six months immediately prior to applying for SGW support. Whilst the majority of applicants had not made any redundancies in the six previous months, several said that they had done so before that, most notably during 2008/09. Some applicants also referred to redundancies at other plants, outside Wales. Many of those organisations which had made redundancies had since started to recruit again, or to appoint temporary staff onto permanent contracts.
- 3.12 About a third of businesses whose applications we were able to review referred to cost cutting measures taken in the previous three years, with a number making specific reference to pay freezes and short time working arrangements. Somewhat counter-intuitively, one company spoke of taking people on in order to cut costs: it did this by reducing the number of overtime hours paid.
- 3.13 Roughly a third of beneficiary businesses whose applications we were able to review had been trading at a loss in the financial year prior to applying for SGW support. Virtually all of these expected to return to profit by 2010/11, the one exception being a cost centre within a company group. A number of organisations said that the economic downturn had led them to take a fundamental look at their operations and that changes made as a result had led to the companies becoming leaner and stronger going forward.

3.14 The overwhelming majority (95%) of the businesses responding to our survey of successful applicants said that they had formal business plans which set out business objectives for the coming year. A large majority (82%) also said that they had training plans in place setting out in advance the types and level of training to be undertaken by employees in the coming year. In most cases (94%), these training plans linked directly back to the objectives set in organisations' business plans.

NATURE OF GROWTH OPPORTUNITIES BEING PURSUED

3.15 Given the conditions attached to the award of SGW support, it is not surprising that successful applicants' business cases all indicated that the funding would help them to achieve increases in turnover, profit and/or staff numbers. Grant applications pointed to the proposed training impacting upon businesses by (presented in order to importance):

- Enabling them to win new customers, whether by increasing their shares of existing markets or entering new markets;
- Improving efficiency;
- Reducing waste;
- Improving profit margins;
- Introducing new products;
- Building a multi-skilled and, therefore, more flexible workforce;
- Improving staff morale and loyalty;
- Enabling them to achieve quality standard accreditation and thus add to their credentials in customers' eyes;
- Kick starting a more structured approach to training;
- Managing succession within the business.

3.16 In several cases, the training proposed was linked to the introduction of new systems or capital equipment. In some instances, the applicant companies were in receipt of Welsh Government grants to help them invest in such equipment. In this context, it is worth noting that several applicant businesses said that they were not in a position to undertake the volume of training proposed because capital investment had left them in a weak cash-

flow position. That is not to say that some did not also appear, from the application forms, to be facing on-going profitability issues too.

- 3.17 Some applications suggested that SGW was seen as a lever to help secure competitive advantage for Welsh sites within multi-national companies where threats of closure or consolidation existed. A handful of applicants specifically linked the proposed training to managing succession within the business.
- 3.18 Whilst our fieldwork with beneficiary companies largely echoed these findings, it also provided some insight into subtle differences in grant applicants' underlying ambitions. Some of the businesses visited had very clear growth plans, associated with entering new markets, launching new products, expanding upon existing customer bases or expanding production facilities, for example. In other cases, growth ambitions were less clear cut, with businesses' intentions owing more to consolidating recent growth or recovering ground lost in the wake of the recession. These plans generally involved improving customer service, productivity and/or efficiency through change or business improvement programmes. This accorded with indications in most business cases that net/operating profit margins would increase as a result of SGW investment.

PERFORMANCE AGAINST OUTPUTS AND RESULTS TARGETS

- 3.19 Table 3.4 shows the number of participants who have undertaken training supported under the ProAct and SGW programmes as well as the overarching ESF project. The targets for SGW were arrived at by deducting the commitments made under the ProAct programme from the targets agreed for the overall ESF project.
- 3.20 It can be seen that substantially more participants were supported by SGW than it had initially been expected the overarching ESF project would reach. This was particularly so in East Wales, where the commitments made were almost four times expectations.

Table 3.4: Programme Performance against Participants Output Targets

		ProAct	SGW	Total
Targets	West Wales and the Valleys	8,716	2,262	10,978
	East Wales	3,261	798	4,059
	Total	11,977	3,060	15,037
Actual Committed	West Wales and the Valleys	8,227	5,030	13,257
	East Wales	2,809	2,994	5,803
	Total	11,036	8,024	19,060
% Achieved	West Wales and the Valleys	94%	222%	121%
	East Wales	86%	375%	143%
	Total	92%	262%	127%

3.21 Overall, 5,584 SGW participants had achieved a total of 9,289 qualifications, made up as shown in Table 3.5 below. This means that 70% of SGW participants have achieved at least one qualification.

Table 3.5: Qualifications Achieved by SGW Participants by Level

	Total
Below NQF Level 2	229
NQF Level 2	4,878
NQF Level 3	2,641
NQF Level 4 - 6	1,489
NQF Level 7 - 8	52
Total qualifications achieved	9,289

3.22 Table 3.6 shows the number of employers which have engaged in the ProAct and SGW programmes as well as the overarching ESF project. The targets for SGW were arrived at by deducting the commitments made under the ProAct programme from the targets agreed for the overall ESF project.

3.23 Overall, a fifth more businesses have been touched by the programme than had originally been anticipated, with the numbers participating in SGW reaching almost one and a half times the implied target. Again, delivery was stronger in East Wales, where twice the intended number of businesses received SGW support.

Table 3.6: Programme Performance against Employers Assisted Output Targets

		ProAct	SGW	Total
Targets	West Wales and the Valleys	175	45	220
	East Wales	65	16	81
	Total	239	61	300
Actual Committed	West Wales and the Valleys	188	63	236 ⁴⁴
	East Wales	76	32	108
	Total	264	95	344 ⁴⁵
% Achieved	West Wales and the Valleys	107%	140%	114%
	East Wales	117%	200%	133%
	Total	110%	146%	120%

⁴⁴ 15 companies participated in both the ProAct and SGW programmes which means that the figures to the left do not add up to this total (i.e. 188 + 63 = 251 – 15 = 236)

⁴⁵ 15 companies participated in both the ProAct and SGW programmes which means that the figures to the left do not add up to this total (i.e. 264 + 95 = 359 – 15 = 344)

PERFORMANCE AGAINST FINANCIAL PROJECTIONS

- 3.24 Table 3.7 below sets out the actual costs of both the ProAct and SGW programmes in both West Wales and the Valleys and East Wales, as well as the overall costs of each programme across Wales. It shows that ProAct represented almost three fifths (58%) of the overall ESF project and SGW just over two fifths (42%).
- 3.25 Overall, some 67% of programme expenditure attached to West Wales and the Valleys and the remaining 33% to East Wales. However, the balance of costs between the ProAct and SGW elements of the ESF project differed markedly between West Wales and the Valleys and East Wales. In West Wales and the Valleys, ProAct represented 65% of costs and SGW 35%. In East Wales, by contrast, ProAct represented 45% of costs and SGW 55%. Whilst it is not possible to draw any definitive linkages between this pattern and wider patterns in labour market statistics, it is notable that Annual Population Survey shows that there was a sharp increase in the proportion of East Wales employees participating in training during 2010 and 2011, whereas participation among employees in West Wales and the Valleys declined slightly over the same period⁴⁶.
- 3.26 Table 3.8 shows that, as at July 2012, just over two thirds of the funding allocated to the ProAct/SGW project had been paid out⁴⁷. It is notable, however, that a further £3.5 millions had been committed to companies in West Wales and the Valleys, but not yet claimed, and £2.3 millions to companies in East Wales.
- 3.27 The figures show clearly that public matched funding represents a far higher proportion of total funding than had originally been expected, with the Welsh Government contributing almost 32% towards ProAct costs and in excess of 42% towards SGW costs.
- 3.28 At some 52%, public matched funding represented a greater proportion of overall funding in East Wales than it did in West Wales and the Valleys,

⁴⁶ See item A1.17 in Annex 1

⁴⁷ These were the most recent figures available at the time of writing

where it amounted to 28%. This compared to an original expectation of 13% in West Wales and the Valleys and 12% in East Wales.

- 3.29 The upshot of this is that the ESF intervention rate is markedly less in both West Wales and the Valleys (at 49% compared to an expected 65%) and East Wales (at 21% compared to an expected 42%). In East Wales, private matched funding has also been considerably below expectations, at 27% as opposed to a budgeted 46%. These differences are explained in part at least by the methods of accounting adopted by the Welsh Government. In essence, the SGW team invests Welsh Government funding first because it is allocated on an annual basis and holds back upon its investment of ESF, which is available for the whole project period, until it has fully utilised domestic sources. It is likely, therefore, that as the ProAct/SGW ESF project reaches its conclusion, ESF will come to represent a greater proportion of total costs and the intervention rates will, therefore rise. By the same token, Welsh Government funding will come to represent a smaller proportion of overall costs across the whole of the project's life.

Table 3.7: Audited Costs and Source of Funds for the ProAct and SGW Programmes as at July 2012⁴⁸

	West Wales and the Valleys			East Wales			Total		
	ProAct £000s	SGW £000s	Total £000s	ProAct £000s	SGW £000s	Total £000s	ProAct £000s	SGW £000s	Total £000s
Total Costs	17,873	9,830	27,703	6,040	7,387	13,427	23,913	17,217	41,130
% of Overall Costs	65%	35%	67%	45%	55%	33%	58%	42%	
Funded by:									
ESF	11,060	2,599	13,658	2,168	632	2,800	13,228	3,231	16,459
Private Match Funding	2,433	3,702	6,135	581	3,058	3,639	3,014	6,760	9,774
Public Match Funding	4,380	3,529	7,910	3,291	3,697	6,988	7,671	7,226	14,897
ESF Intervention rate %	62%	26%	49%	36%	9%	21%	55%	19%	40%
Private Match Funding %	14%	38%	22%	10%	41%	27%	13%	39%	24%
Public Match Funding %	24%	36%	29%	54%	50%	52%	32%	42%	36%

Source: Data Provided by SGW Team

⁴⁸ Excludes provision of claimable Welsh Government costs e.g. SGW team staff salaries, travel and subsistence, marketing and database costs

Table 3.8: Projected and Actual Costs and Sources of Income for the ProAct and SGW Programmes as at July 2012

	Budget	Actual			% Budget Achieved
	Total £000s	ProAct £000s	SGW £000s	Total £000s	
Total Costs	66,801	23,913	17,217	41,130	62%
ESF	38,940	13,228	3,231	16,459	42%
Private Match Funding	19,361	3,014	6,760	9,774	50%
Public Match Funding	8,500	7,671	7,226	14,897	175%
ESF Intervention rate %	58%	55%	19%	40%	
Private Match Funding %	29%	13%	40%	24%	
Public Match Funding %	13%	32%	42%	36%	

Source: Business Plans Submitted to WEFO, V1.2
Data Provided by SGW Team

4. PARTICIPATION IN SKILLS GROWTH WALES

INTRODUCTION

4.1 In this chapter we draw upon a desk based review of the applications submitted by beneficiary companies, the findings of our survey of businesses that benefited from SGW support as well as our fieldwork with a sample of those businesses. We also draw upon evidence provided by a limited number of companies which applied unsuccessfully for SGW support, as well as key stakeholders such as Welsh Government staff, HRDAs and training providers. A more detailed discussion of the method employed is given at items 1.7 to 1.12.

4.2 In turn, we present our findings in relation to:

- The approach taken to raising awareness of and marketing the programme;
- the programme's application and administration processes;
- businesses' route into SGW;
- the selection of training providers;
- the implementation and completion of training plans; and
- the nature of training undertaken.

APPROACH TAKEN TO MARKETING AND AWARENESS RAISING

4.3 It had originally been envisaged that the then Department for the Economy and Transport would take the 'lead role' in promoting SGW and in guiding businesses through the application process. This was done in part because Relationship Managers were thought to be well placed to identify organisations that had growth aspirations, but needed help to develop their people in order to realise their ambitions. In practice the Relationship Managers' role in promoting the programme was slight for two primary reasons: first, their knowledge of the training world (e.g. of learning providers, different types of provision and the

details of different grant schemes available) was limited and, second, because the Department was re-organised⁴⁹ in the wake of the publication of the Welsh Government's Economic Renewal Programme in July 2009, with the result that the Department's front line presence diminished and the role of the Relationship Manager had all but disappeared by the time the SGW programme was launched.

4.4 Relationship Managers had not been seen as the only route to market for SGW, however. It had also been envisaged that the Human HRDAs retained by DfES would facilitate businesses' engagement in SGW. The diminishing of DBETS Relationship Managers' role meant that HRDAs became the primary route to market for the programme, although in reality, only about 10% of HRDAs ever became actively involved in promoting SGW. It was thought that the remaining 90% of HRDAs did not engage with the programme as actively as they might because:

- guiding some companies through the SGW application process tended to be very time consuming and the Welsh Government's arrangements for rewarding HRDAs were such that they could not claim for some of the work that they needed to do to support companies. One of the HRDAs to whom we spoke said that he had supported several companies 'for free' and this was clearly a source of some resentment;
- the levels of grant involved meant that HRDAs often dealt with very senior figures within large organisations and this demanded that they possessed the gravitas and confidence to deal with senior staff within 'corporate type private sector companies'.

4.5 SGW was not widely marketed beyond the use of HRDAs, for fear of stimulating demand that could not be satisfied. An A4 flyer giving outline details of the programme was produced, mainly for use by DBETS Relationship Managers and HRDAs when visiting companies

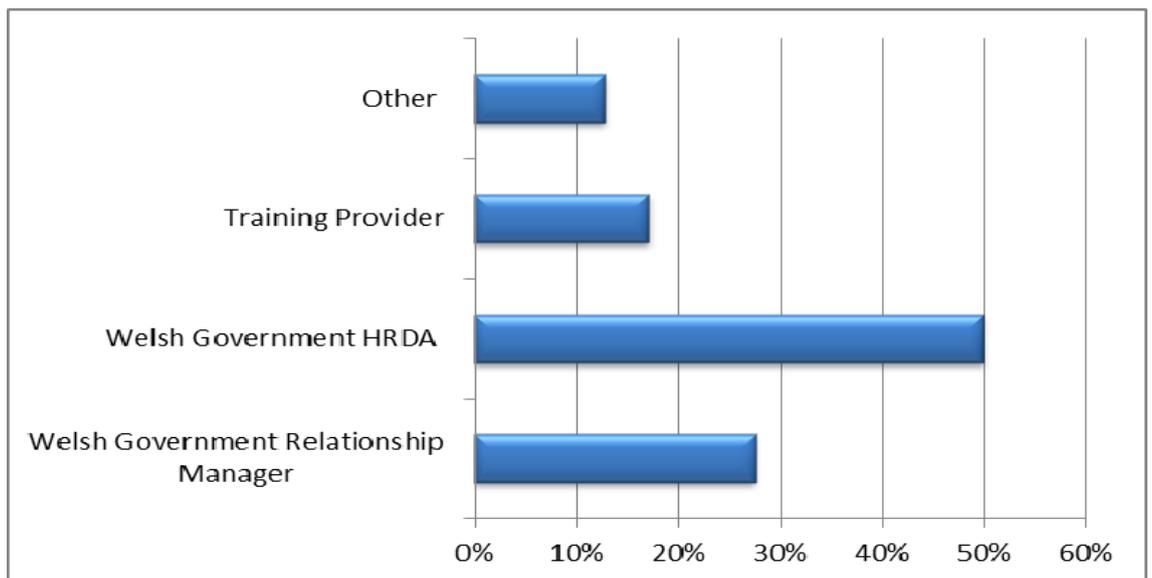
⁴⁹ Subsequently becoming the Department for Business, Enterprise, Technology and Science (DBETS)

and a small number of press releases were issued to mark the programme's launch. A handful of 'case study' type press releases were also issued during the life of the programme. Unlike other skills development programmes, SGW did not feature on the business.wales.gov.uk web-site and was not really promoted via the Business and Skills Hotline, details of which are accessible via the web-site.

ROUTE INTO SGW

4.6 Figure 4.1 shows the means by which businesses responding to our survey of successful applicants heard about SGW.

Figure 4.1: Proportion of Businesses Hearing about SGW via Various Sources (n = 62)



4.7 Just over a quarter (26%) of survey respondents said that they originally heard of SGW from Welsh Government Relationship Managers. In the majority of cases, respondents who had heard about SGW from Relationship Managers already knew these individuals and had found their advice in relation to SGW helpful. As already noted, however, the role of the Relationship Manager was refocused in the wake of a restructuring of the then Department for the Economy and

Transport and this meant that their involvement in promoting SGW diminished substantially after the programme's very early days. Central stakeholders and HRDAs felt that this had 'left a real void' and had been a loss to the programme. Indeed, one business that we visited observed that the loss of their Relationship Manager had left them without any clear point of contact within the Welsh Government.

4.8 Two thirds (66%) of respondents to our survey had worked with HRDAs to apply for SGW support, with the nature of HRDA input involving variously⁵⁰:

- Explaining the application process (85%);
- Explaining what SGW funding could be used for (71%);
- Helping organisations write business cases (stage 1 applications) (51%);
- Helping businesses identify training needs on the basis of business cases prepared by applicant organisations themselves (59%);
- Helping businesses to write training plans (stage 2 applications) (56%);
- Identifying qualifications that related to the training needs identified (49%);
- Helping identify suitable training provision in line with the training plan (39%);
- Confirming that training provision already identified could be supported under SGW (39%);
- Assisting in the selection of training providers (39%);
- Helping businesses to cost training plans (34%).

4.9 It is notable that the HRDAs to whom we spoke already knew the companies they supported through the SGW programme, having worked with them on other programmes, most notably ProAct and the Workforce Development Programme. Indeed, one argued that involvement in the ProAct programme had led him to work quite closely

⁵⁰ Respondents were able to identify various types of HRDA input

with some companies, encouraging them to 'think laterally' and to diversify as traditional markets suffered in the wake of the recession.

- 4.10 The overwhelming majority (95%) of businesses responding to our survey who had worked with HRDAs found them helpful, and contributors to our fieldwork commented: 'she was in constant communication, she definitely did more than we expected and it wouldn't have been as easy a process without her' and: 'he really knows our business'. Three quarters (78%) of survey respondents were already acquainted with the HRDA with whom they worked.
- 4.11 The Welsh Government had not intended that training providers should play any role in promoting SGW, on the basis that they were not necessarily best placed to offer impartial advice about training options that would best meet businesses' needs. In the programme's early days, however, it became clear that some training providers were encouraging companies with which they had dealings to apply for SGW support and almost a fifth (18%) of respondents to our survey said that they had heard about SGW from training providers. In the majority of cases (80%), these respondents had dealt with those training providers in the past.
- 4.12 Whilst training providers came up with some useful leads, the SGW team was quick to take action to stamp out their direct involvement in helping businesses frame grant applications, not least because a number of the applications in which they had a hand were of poor quality. The SGW team made it clear to training providers that they should refer any potential applicants directly to the Welsh Government for information and advice about the support available. In this context, it is worth noting that some of the training providers to whom we spoke felt that they had been hindered from referring businesses with growth ambitions to the programme for fear of falling foul of Welsh Government guidance and compromising other contracts.

- 4.13 Other sources from which respondent businesses had heard about SGW included other employers (7%), management consultants (3%), the press (2%) and during discussions with Welsh Government Ministers (2%).

APPLICATION AND DECISION MAKING PROCESSES

- 4.14 Given that SGW evolved from its predecessor ProAct programme, the application and administrative arrangements initially put in place were very much based on the systems put in place for ProAct. However, SGW was a different programme with different goals, which meant that these systems needed to be adapted better to reflect the aspirations of the new programme. Central stakeholders were candid that it took some time for this to happen.
- 4.15 As discussed in Chapter 2, companies applying for SGW support were required in the first instance to present a business case setting out details of:
- their trading position over the previous three years and their forward order books;
 - 'growth opportunities' identified and the factors which might inhibit them from capitalising upon those opportunities;
 - how SGW funding would help them capitalise upon the growth opportunities identified; and
 - actual and forecast financial information.
- 4.16 Business cases were considered by a panel consisting of senior officials from the DfES as well as representatives from the DBETS, Wales TUC, JobCentre Plus and the Engineering Employers Federation (EEF). Companies which submitted credible business cases were then invited to complete detailed training plans, usually with the aid of HRDAs. Training plans set out:
- the training to be undertaken, including details of the qualifications to be achieved by participants;
 - the duration of particular elements of training/courses;

- the number of employees to participate in particular elements of training/courses;
 - the overall cost of the training proposed and the cost per participating employee;
 - details of the training provider(s) to be engaged.
- 4.17 Training plans were supported by spread-sheets in which applicant organisations were required to record the details of individual members of staff who were expected to participate in training. These spread-sheets were required to provide DfES with the participant information necessary to support its ESF claims.
- 4.18 Overall, SGW team members thought that roughly 50% of business cases were approved immediately, that about 40% were referred back to applicants and approved upon their second presentation and the remaining 10% involved a degree of 'toing and froing'. Panel meetings were generally held every two and a half to three weeks, which meant that about half of the business cases submitted were approved within that period, about two fifths within five to six weeks (subject to companies responding swiftly to queries raised) and the remaining tenth took longer. Welsh Government staff were candid that these timescales were rather 'longer than we would have wanted'.
- 4.19 Factors that were thought to have impacted adversely upon the time taken to process applications were said by various stakeholders to include:
- a lack of clarity on the part of the Welsh Government SGW team surrounding the eligibility criteria for the programme and how companies should go about demonstrating the link between the training they wanted to undertake and the growth of their business - 'the SGW team themselves didn't fully understand the criteria ... there was a lot of misinformation flying about'. This impacted upon businesses, with the representative of one commenting that 'the

original application process was tough ... it wasn't clear at the beginning what would or wouldn't be eligible';

- change within the SGW team, particularly among business facing staff. . It was argued that key officials who had built up a lot of expertise through implementing ProAct were lost during the transition to SGW and that the 'constant churn' of staff which ensued for a period 'really wasn't helpful in terms of continuity';
- an on-going under-resourcing of the SGW team, though individual members of the SGW team were held up for particular praise – 'they were really stretched', but 'she's brilliant' and 'she responds to things quickly';
- the quality of business cases varied, with those prepared without the help of HRDAs tending to give rise to more queries;
- overzealous screening of business cases by panel members who were new to the role. There was some suggestion that panel members had been particularly concerned with 'looking for a very specific [business] opportunity ... rather than [allowing applications concerned with] organic or general growth ... looking for that very specific new contract or that very specific new service or new product'.

4.20 In the context of the first of these points, HRDAs were fairly critical of what they perceived to be the Welsh Government's failure to set out clearly the aims and eligibility criteria of the programme at the outset. HRDAs spoke of companies' and their own bewilderment at the reasons for the Welsh Government's rejection of applications, with one commenting that the 'Welsh Government were turning companies down but they weren't giving them any feedback or rationale for their decisions ... it was really poor'. This was borne out by representatives of the companies whose applications had been turned down. Half of the individuals to whom we spoke said that they had not been given a clear explanation as to why their applications had been rejected and most those who said they had been given an explanation did not believe that the reasons given were valid. In reality, companies were

given reasons for the rejection of their applications, and the discontent expressed probably owed more to their frustration at being turned down, particularly given that ‘it literally took days to fill in the application and days to review it before you submitted it’. Indeed, it is notable that some companies whose SGW applications were rejected have been awarded funding for revised plans under SGW II, where the Welsh Government gets more closely involved with applicant organisations during the early stages of building a business case.

- 4.21 Welsh Government officials perceived that the use of an independent assessment panel to scrutinise applications had added a degree of rigour and transparency to the process and that that the panel’s decisions were well grounded on the whole. However, it was recognised that panel members were called upon to dedicate a significant amount of time to the assessment process and both they and Welsh Government officials alike acknowledged that now that the programme has bedded down, the assessment processes could be streamlined so that panel members are only used to assess particularly large, complex or potentially controversial applications⁵¹.
- 4.22 The second part of the application process also presented difficulties. Companies whose business cases were approved were required to submit detailed training plans for the coming 12 months, including the personal details of all the individuals that it was intended should undertake training during that period. This proved extremely arduous and time-consuming (e.g. for companies to identify, up to 18 months in advance, specifically which employees would participate in which type of training, which qualifications individual employees would aim for, which training providers would be used and how much the training would cost for each employee). Consequently, there were delays in companies implementing training programmes or, in some cases they ended up ‘cancelling training’ altogether because their trading positions

⁵¹ We understand that the assessment process had been amended in this way under the SGW II programme

altered. As one contributor argued: 'Welsh Government timescales don't seem to recognise companies' trading patterns and the fact that they face pinch points at certain times of the year, so there is some urgency to get things in motion ... a ten week delay in approving an application doesn't sit well with companies' dynamic environments ... things change rapidly'. As is discussed in the next chapter, a majority of companies had to make changes to the training plans they agreed with the Welsh Government.

- 4.23 The representative of one business observed that the administrative system underpinning SGW was predicated on a model whereby companies would send staff on external courses. In most cases, however, the training was delivered on-site and it was argued that companies should have been allowed more flexibility to 'in-fill' training sessions with alternative staff when the designated individuals could not, for some reason, attend. Whilst some 'in-filling' did take place with prior Welsh Government approval, it was argued that the system employed failed to recognise the real-world challenges which businesses face on a day to day basis and was likened to 'a ball and chain really'.
- 4.24 As SGW became established, the criteria and systems underpinning the programme became clearer and the SGW team and assessment panel dealt with business cases far more swiftly than had originally been the case. A degree of flexibility was also introduced around the submission of training plans and companies were able to submit participants' details for the period immediately forthcoming, rather than for the whole training plan period.
- 4.25 The representatives of some of the businesses that we visited felt that the business case and training plan approval process could have been expedited had members of the SGW team 'sat down' with them to discuss their proposals and iron out any difficulties or misunderstandings. Indeed, one company which had had face to face

meetings with Welsh Government officials said that it had been 'helpful'. Another contributor thought that the training plan approval process could be improved and accelerated were it 'put on-line'.

- 4.26 Despite contributors pointing to weaknesses within the Welsh Government's systems the majority (75%) of respondents to our survey of successful applicants said that the SGW team within the Welsh Government had been 'helpful' during the application process, with the remaining 25% being rather more ambivalent about their dealings with the team, generally because of the time it took for their applications to be processed. Indeed, representatives of half of the companies to which we spoke whose grant applications had been turned down thought that the SGW team had been helpful.

POST APPROVAL PROGRAMME ADMINISTRATION PROCESSES

- 4.27 Following the approval of training plans, the SGW team engaged in three main types of activity to monitor their implementation and the progress of the programme as a whole:
- desk based reviews of training plans, company progress reports and funding claims;
 - visits to beneficiary companies;
 - visits to training providers.
- 4.28 A risk based approach was taken to planning monitoring activity, so employers benefiting from the highest levels of support and learning providers in receipt of most funding were subject to the closest scrutiny.
- 4.29 The SGW team's visits to companies involved monitoring the progress made in the delivery of training plans, the scrutiny of company accounts and discussing 'how the training [had] impacted' upon company performance. Monitoring Officers also sought to offer companies advice on SGW related administration issues during visits, although larger companies generally had sufficiently robust systems in place. As the SGW programme bedded down, the role of SGW

Monitoring Officers evolved and they increasingly sought to develop on-going relationships with beneficiary companies.

- 4.30 The SGW team was also responsible for monitoring training providers' involvement in the programme. Latterly, this included firing warning shots across some providers' bows when they sought to steer existing clients towards SGW and write training plans for companies that would see them appointed as sole training provider. At a more routine level, provider monitoring involved 'checking accreditations' and training records.
- 4.31 Training providers were paid in arrears for the delivery of training and a number of those to whom we spoke indicated that it sometimes took several months for them to be paid for training delivered. In this context, however, it should be noted that the Welsh Government normally paid accurate claims within 30 days of the submission of invoices. Delays in paying some claims clearly had cash-flow implications and one provider argued that the funding model adopted favoured larger providers or those which were able to rely on 'parent' organisations to bank-roll them e.g. commercial arms of colleges.
- 4.32 Whilst businesses and other stakeholders were critical of the bureaucracy surrounding SGW, it is worth noting that several contributors drew a distinction between the 'processes' and the people involved in the programme. Contributors were overwhelmingly positive about the role played by SGW team members, with the majority (80%) of survey respondents saying that they had found the SGW team 'very' or 'fairly' helpful in monitoring the implementation of their training plans. However, contributors criticised what they perceived to be 'constraining' processes, which were associated by some with 'using European money'. The only real judgement of the SGW team was that staff lacked an understanding of how businesses work and tended, therefore, to find it difficult to cope with changes. As one contributor argued 'the Welsh Government ... still need to push decision making further down the hierarchy to enable quicker turnarounds'.

SELECTION OF TRAINING PROVIDERS

- 4.33 A total of 424 providers were involved in delivering training to SGW beneficiary companies, with organisations using varying numbers of different providers to deliver training. The value of SGW contracts to individual provider organisations ranged from £120 to £3.178 million.
- 4.34 Table 4.1 below shows that the vast majority of providers involved in the SGW programme were commercial organisations, though some of these may have been commercial arms of colleges or the subsidiaries of companies involved in the supply of equipment to beneficiary companies.

Table 4.1: Level of Involvement of Different Types of Training

Provider type	Numbers of Providers
Further Education Institutions	13
Higher Education Institutions	18
Commercial providers	373
In house provision	20
Total	424

- 4.35 Whilst Further Education institutions represented just over 3% of providers, the contracts which they were awarded represented only 1.9% of the total funding commitments. Similarly, whilst Higher Education institutions represented just over 4% of providers, the programme funding allocated to them amounted to less than 1.5% of the total committed. It is further notable that of the 13 Further Education institutions involved in the programme, two were located outside Wales and of the 18 Higher Education institutions involved, 10 were non-Welsh.

- 4.36 Twenty beneficiary businesses received at least some SGW support to fund in-house training.
- 4.37 The number of training providers used by individual businesses varied, with those that we visited engaging between one and 20 providers. Almost two thirds (63%) of the businesses responding to our survey had used a number of different organisations to deliver the training agreed in their plans, with only 16% using one provider only. In general, however, businesses used fewer than five providers and where more were used, the bulk of the training tended to be delivered by two or three providers.
- 4.38 Some of the organisations we visited had undertaken in depth assessments of employees' skills and attributes as a means of establishing baselines and of identifying key training needs in relation to business goals. This had led to the development and delivery of bespoke training programmes carefully focused on the businesses' needs.
- 4.39 As discussed above, HRDAs helped a number of businesses identify and select training providers. Very often, though, the training providers selected were already known to the businesses and in many cases, had worked with them before. This was particularly the case where business needed to source highly specialised training. That is not to say that the process of selecting training providers lacked rigour, however: it was clear from our fieldwork that several businesses had been through extensive tendering and commissioning exercises. Some contributors spoke of the importance of doing 'a lot of groundwork' to ensure that the providers selected were 'culturally right' for the organisation, were capable of tailoring content and delivery methods to meet the needs of the business and to ensure that the training procured was competitively priced. This final point is discussed further at item 5.16.

- 4.40 On a rather less transparent note, our fieldwork did uncover a couple of examples where training providers had a hand in the development of businesses' training plans. In one of these cases, the company had been pleased with the training programme delivered, but in the other, the training provider 'hadn't been a particularly good match at the point of implementation' and the training had not met the company's precise needs. We also came across examples of, usually subsidiary, providers being selected on the recommendation of other providers, with this generally working out well from the businesses' perspectives.
- 4.41 Our fieldwork suggested that, on the whole, businesses were able to source training that fitted their needs. The few areas of difficulty experienced related to highly specialist provision, often relating to emerging technologies which participating businesses were seeking to exploit to realise their growth ambitions e.g. disciplines relating to energy generation, or to highly specialised new machinery acquired by companies. In such cases, the difficulties companies faced were compounded by an absence of related qualifications and the relative cost of suitable provision, given that the Welsh Government required 90%, by cost, of the training funded to carry accreditation. In some cases, unaccredited training programmes were mapped against recognised standards so that the training undertaken would lead to qualifications and be available to the companies going forward.
- 4.42 Some of the businesses commented that the training providers they had worked with had helped to manage the implementation of the training programmes agreed, including helping to schedule training sessions to fit in with shift patterns. This was said to have been a boon to one Human Resource Manager who was responsible for managing the training function alongside her other workload, and to a Training Officer who had taken up her post without any hand-over from her predecessor mid-way through the implementation of the training plan.

IMPLEMENTATION AND COMPLETION OF TRAINING PLANS

- 4.43 Three quarters (76%) of survey respondents had made material changes to the training plan they originally agreed with the Welsh Government. Most commonly, respondents said that changes were made in the wake of staff turnover or people changing roles within the same organisation – developments which could not be predicted at the time training plans were drawn. Other respondents, though fewer, spoke of skills needs changing or different skills needs becoming apparent as businesses implemented projects, responded to changing market conditions or changed their plans. As one contributor put it: ‘the training plan was as accurate as it could be at the time that it was written, but the level of detail that the Welsh Government needed was enormous ... over the 18 month period that it took to roll out the programme, some people’s jobs changed, which affected what level of training it was appropriate for them to do. Any change to that original training plan required me to communicate it to the Welsh Government for approval. We had a good relationship with the Welsh Government, but it did require a lot of communication to make some adjustments’.
- 4.44 It was argued that the system whereby companies were obliged to submit full training plans at the outset made it inevitable that the plans submitted would have to be changed, with some needing to be changed even before training programmes really got underway because of delays inherent within the second stage of the grant application process. One HRDA argued that ‘a six month plan would have been a lot better to start with ... we could have delivered the quick wins early and then taken a breather to think strategically about the second six months’, adding that the Welsh Government ‘needed more of a can-do outlook earlier on in the process’.
- 4.45 Although companies were scheduled to have completed the training undertaken with SGW support by the end of July 2012, fewer than a third (34%) of those responding to our survey of successful applicants

had done so. Almost three quarters (73%) of those which had yet to complete their training plans expected to do so within three or four months, with a fifth (20%) claiming to have been granted an extension to their agreed timescales by the Welsh Government, following the extension of the SGW ESF projects. Only a minority of respondents [22%] thought it unlikely that they would complete their training plans.

- 4.46 Almost two thirds (61%) of those which had not completed the training said that they had not done so either because unforeseen demands on the business prevented them from releasing staff for training as intended or the timetable originally set for the delivery of training turned out to be unrealistic. Our fieldwork suggested that a number of businesses took a maximalist approach to applying for SGW support, which meant that when it came to implementation, training plans could not be delivered within the timescales agreed. As a HRDA put it, businesses were 'seduced by the size of the SGW budget' and overegged their applications 'rather than thinking through strategically what training they needed and what in practical terms could be delivered in the timescales involved'. One contributor commented: 'it was a lot to deliver in such a short period of time ... it became obvious when we started to timetable things that there was no way we were going to be able to do it all' and another said: 'when we really sat back and thought about what we could realistically deliver in the time available, we decided to focus on what could be delivered in the time and make that work for us'. One contributor was candid that 'it was a staggering amount of money to try to spend on training', adding 'I don't think we could spend that much money'.
- 4.47 Even where businesses had managed to implement all or most of their training plans, some admitted that they had bitten off more than they could comfortably chew, with the sheer scale of the training programmes causing problems in terms of releasing staff whilst maintaining production or service levels. One contributor said that the tight timescale meant that 'the training had momentum but it took

momentum out of the business', adding that the training programme would have been better delivered over a three year rather than 15 month period, in that it would have allowed the company to take a more reflective, incremental approach to the implementation of its plan.

- 4.48 A number of the companies that we visited attributed their inability to implement the whole of their training plans, ambitious though they might have been, to a foreshortening of timescales by what they perceived to be an unnecessarily drawn out application process, as discussed earlier in this chapter. One contributor commented that 'the bit that worked badly was the administration side. It took, I think, three months for the Welsh Government to get the approval letters out to providers after we'd had the overall approval. Originally we'd intended to start [the training] in January, but those approval letters went out, I think mid-March, so we lost about ten weeks in the programme, so we had to squeeze the training in a bit. By the time we were then able to start it, we'd had so many changes here ... that we had to change the names of some of the staff going on the training and had to get Welsh Government approval for that'. Whilst they accepted that some applications took longer to process than they might have in the programme's early days, Welsh Government officials argued that this kind of occurrence was a rarity in reality.
- 4.49 In some instances, factors outside the businesses' control, to do with training providers, hindered their ability to implement training plans as intended. These included:
- providers going into liquidation mid-way through a training programme;
 - the time taken by providers to adapt their standard courses to meet businesses' specific needs;
 - the scheduling of courses, particularly specialised courses, delaying the start of certain strands of training;
 - slippage against the schedules agreed due training provider staff illness;

- employee/employer dissatisfaction leading to the discontinuation of training activities.

4.50 Our fieldwork suggested that certain factors seemed to increase the likelihood of training plans being implemented successfully. These included:

- having a 'champion' for the training at a sufficiently senior level within the organisation to drive forward the plan, even in the face of conflicting business demands. Ideally, the individual selected should be there for the duration;
- ensuring that line managers are fully invested in the training process. Our fieldwork revealed examples where managers who had undertaken and seen the value in training early on ensured that their staff had the time to attend subsequent training;
- clarity from the outset about the likely implications of releasing staff for training upon workflow, thus enabling contingency arrangements to be put in place. It must be stressed, however, that even the most careful planning cannot avoid hitches caused by the unforeseen;
- focus on those areas where new/enhanced skills can really make a difference;
- accept the inevitability of unforeseen hitches and allow sufficient flexibility to deal with them as they arise.

4.51 Just over half (53%) of the businesses responding to our survey of successful applicants said that they had put the same number of employees through training supported by SGW as they had anticipated in their training plans/applications. Some 11% said that more people had undertaken training, whilst over a third (36%) said that fewer staff had undertaken training than originally intended.

NATURE OF TRAINING UNDERTAKEN

4.52 Our review of SGW applications and our survey of beneficiary businesses indicate that companies most commonly undertook training in the following areas (presented in order of importance according to our survey):

- leadership/management/supervisory skills (69%);
- process management and business improvement techniques (61%);
- technical skills (50%);
- project management skills (39%);
- customer service skills (36%);
- sales, marketing and account management skills (36%);
- trainer training (36%);
- higher level health and safety, food hygiene etc. skills (31%);
- financial skills (34%);
- ICT (non-CAD/CAM/PLC) skills (32%);
- CAD/CAM/PLC skills (26%);
- environmental management skills (19%);
- procurement/supply chain management skills (19%);
- Environmental Sustainability training (13%);
- Equal Opportunities training (10%);
- induction training (7%);
- modern foreign language skills (7%);
- basic literacy and numeracy training (5%).

4.53 Overall, 69% of survey respondents said that staff within their organisations had undertaken some form of leadership/management/supervisory skills training. Our fieldwork confirmed that leadership and management training was an important feature of the programmes implemented by several businesses, and was particularly prominent within the programmes delivered in service sector firms.

- 4.54 Some 61% of survey respondents said that their organisations had undertaken training in process management and improvement practices. Our fieldwork confirmed that training in business improvement techniques including, for example, 'lean', 'Kaizen', 'Six Sigma' and 'visual management' formed a key part of several businesses' programmes.
- 4.55 Our fieldwork suggested that, in most cases, the bulk of the training undertaken was delivered on company premises and this was seen as 'a big selling point', not only because it removed a logistical challenge and made it more likely that staff would actually participate in courses, but also because it enabled training to be delivered 'more cost effectively because they were training five or six people at the same time'. The situation may not be quite as clear cut as this comment suggests, however, with training providers arguing that the funding model attached to SGW (whereby providers were paid per participant rather than per day or per course) meant that they were rewarded handsomely when courses were well attended, but penalised where attendance was poor. It was acknowledged that providers, therefore, 'win some and lose some', but there was some suggestion that training providers which encouraged existing clients to 'max out' on training because of the level of funding available under SGW paid the price when companies' lack of commitment to the training agreed led to low attendance rates.
- 4.56 Overall, 42% of survey respondents said that the training their staff had received had met their expectations exactly, 22% said that the training had exceeded their expectations and 16% said that it had far exceeded their expectations.
- 4.57 Overall, 80% of survey respondents said that the training their staff received was of good (32%) or excellent (48%) quality, with 6% saying that it was of mixed quality and 4% describing the quality as moderate or poor.

- 4.58 We sought to establish whether there were any differences in the levels of satisfaction expressed by respondents across different types of learning provider, with a particular emphasis upon the perceived quality of training delivered by Further Education and Higher Education institutions. In the event, however, the numbers of respondents which had actually worked with Further Education and Higher Education institutions were too small to allow us to make any judgements in this respect, beyond saying that respondents' expectations were generally met or exceeded.
- 4.59 Contributors to our fieldwork were also generally enthusiastic, not only about the quality of the training received, but also about the way in which training was organised, managed and delivered. They spoke of providers tailoring the content of training programmes to ensure their relevance to their particular organisations and flexing the delivery of training around the peaks and troughs of businesses' working patterns. This ability to tailor and flex owed much to the scale of the training programmes undertaken by several of the organisations that we visited. The training often underpinned organisation wide 'change programmes', with individual contributors talking about providers becoming 'embedded' within organisations and helping to establish 'a common language' across the business as a whole.
- 4.60 In the few instances where the quality of provision had fallen short of expectations, this tended to be attributable to the perceived quality of individual tutors, generally in comparison to others. One contributor to our fieldwork also spoke of a particular provider's 'massively distracting' and distortive preoccupation with accreditation 'so that they could get paid'.

5 THE OUTCOMES OF TRAINING

INTRODUCTION.

- 5.1 In this chapter we again draw upon the findings of our survey of businesses that benefited from SGW support as well as our fieldwork with a sample of those businesses. We also draw upon evidence provided by the limited number of companies which applied unsuccessfully for SGW support, as well as key stakeholders such as Welsh Government staff, HRDAs and training providers.
- 5.2 In turn, we present our findings in relation to:
- qualifications; and
 - additionality.

QUALIFICATIONS

- 5.3 The majority (90%) of businesses responding to our survey of successful applicants said that their staff had achieved qualifications as a result of participating in training supported by SGW. The businesses we visited generally said that staff either had already achieved qualifications or were expected to do so in the near future. Indeed, a number of the participants we met during our fieldwork had yet to complete assignments, although they had undertaken the taught elements of their courses. In some cases, this was attributable to unforeseen circumstances, such as illness, but in others it simply boiled down to the time required to complete assignments, with some conceding that they had underestimated the input required. These individuals were nevertheless, generally enthusiastic about the work which they had yet to do and were confident that they would achieve their target qualifications.
- 5.4 In some cases, participants had achieved units of rather than full qualifications, although it was not always clear to businesses or to

participants quite what the difference was. Indeed, some of the individuals we interviewed were not sure whether they had achieved a qualification as opposed to a 'completion certificate' issued by the training provider.

5.5 The exceptions to this tended to relate to non-accredited training which companies had agreed with the Welsh Government could be supported under the SGW programme. Contributors said that non-accredited training had been:

- 'fundamental to sow[ing] the seeds for growth in our business';
- 'quite new stuff', to the extent that industry standards had not yet been developed;
- so specialised that it did not merit being accredited. One contributor explained that 'off the shelf' accredited training in a particular discipline tended to be 'far too basic' and, consequently, 'a waste of time' for the organisation concerned.

5.6 A small majority (59%) of businesses responding to our survey said that the fact that the training undertaken led to qualifications was important to them, with the remaining 41% attaching no real importance to accreditation. Importance was attached to qualifications by survey respondents as well as some of the companies we visited because:

- qualifications are a legal or industry requirement, particularly for companies operating in highly regulated sectors. It is notable in this context, however, that DfES is careful not to fund statutory training that employers are required by law to provide;
- formal qualifications can help to signal an organisation's competence to clients – 'we tender for quite a lot of business and the more qualified our people are, the more likely we are to win new business;'
- qualifications provide reassurance internally that the organisation's staff are as skilled as those of its competitors;
- offering staff the opportunity to gain qualifications can help with the retention of skilled people;

- it is important to the individual to be able to ‘show that they’ve got something that’s transferable;’
- it builds individual employees’ self-esteem and ownership of their role in the workplace – ‘I genuinely believe that qualifications are better in the long run for the individuals because it gives them that belief ... the biggest benefit of qualifications comes to the individual, they can then think “I’m not just a packer” or whatever’.

5.7 It is worth noting that several contributors spoke highly of ILM awards as a framework for developing management competencies in a way relevant to individual businesses’ priorities and cultures. Several organisations had used ILM awards as the basis of management training activities which combined ‘classroom’ based instruction and discussion sessions with the production of written assignments which required individual participants to reflect upon their own experiences and behaviours in the context of management theory. The ILM model was also said to provide a clear progression route from one level to the next, thus providing companies with a mechanism for the incremental development of staff and a tool to aid succession planning.

5.8 Individuals who had had themselves undertaken ILM courses were also enthusiastic about their experiences, with several saying that the courses had been ‘massively’ relevant to their jobs. Whilst contributors thought that producing assignments was quite challenging and time consuming, they felt that the investment they had made, often in their own time outside work, had yielded significant benefits. As one contributor put it: the training ‘really got under my skin in a way that no other course ever has ... it changed me’.

5.9 The ILM approach was contrasted by one contributor to our fieldwork with NVQs which, in his company’s experience, do little to ‘enhance skills’ rather than ‘telling somebody that they can do their job’ through the accreditation of existing skills. Another contributor felt that NVQs delivered at his organisation had ‘take[n] on a life of their own ... at one

time, I thought, we're not making anything here ... we've just got people assessing our staff, walking around with clipboards'. He went on to cast doubt over the veracity of NVQs as accurate indicators of skills, claiming that a number of staff who had achieved NVQs within his organisation did not really operate at the level indicated.

- 5.10 The businesses we visited had mixed views about the enthusiasm with which staff approached accredited training, with some saying that employees had been 'intimidated' by the prospect of working towards a qualification, particularly older people who had little recent experience of education or training. In this context, one employer argued that 'the advantage of using NVQs is that it didn't require anyone to sit down and do exams'.
- 5.11 Others said that staff had taken accredited training in their stride, with one commenting that 'the more they put in, the more they got out of it' and another saying that the fact that the training undertaken led to qualifications had stirred some individuals into working harder than they otherwise would have.
- 5.12 Organisations which predominantly employ graduates said that their staff were fairly ambivalent towards the qualifications undertaken, with one commenting that suggesting that graduates should work towards NVQs did not always go down well. One such individual said that whilst the 'it's always useful to be able to add qualifications to [one's] CV', the fact that the course was accredited had not really influenced his decision to participate or the level of effort he put into the course he undertook – 'it wasn't a deal maker or a deal breaker'.
- 5.13 On the whole, however, the employees we interviewed were enthusiastic about the qualifications they had achieved, with a number of older workers who had progressed into fairly senior roles despite having few formal qualifications saying that completing courses successfully had given them a sense of 'pride and achievement'. Some who had left school at 16 or 18 had a sense of 'unfinished business'

and felt that the qualifications achieved served to 'liberate' them by adding to and formalising the skills they had developed on the job, as opposed to via formal education. That is not to say that qualifications were not important to young people, with one fairly young contributor saying that achieving a NVQ had made him feel 'like I wasn't just doing a slum job'. Another young person said that 'every qualification you have in life is important'.

- 5.14 Some employers were candid that whilst they had no particular objection to staff achieving qualifications, they would not have considered putting their people through accredited training were it not a condition of SGW that they did so. Only one of the organisations we visited had misgivings about qualifications, arguing that 'they can be a disadvantage and lead to staff retention problems ... I'm not interested in qualifications ... I'm interested in competencies'.
- 5.15 Survey respondents were divided as to whether the training undertaken had been any more expensive because it led to formal qualifications, with 36% saying that it was, 48% saying that it was not and the remaining 16% saying that they did not know either way. Whilst the organisations we visited pointed to the cost of registering candidates with awarding bodies as something additional, most were not aware that the training undertaken had been more expensive of itself as a result of its leading to qualifications. It was clear, however, that because of the requirement that training supported by SGW should lead to qualifications, companies had not costed out unaccredited training and, therefore, had no reliable benchmark against which to judge. Furthermore, we suspect that because many learning providers are geared up to deliver accredited training, the cost of such provision would be the baseline for their course costs anyway.
- 5.16 That is not to say that beneficiary companies were cavalier about the cost of training. Our fieldwork suggested that most businesses went through fairly rigorous tendering exercises in commissioning training and, as one contributor said: 'one or two bits were over-priced but if I

think something's too expensive, I get straight on the phone and negotiate'. HRDAs also spoke of advising businesses that quotes received from potential training providers were too high and suggesting that they should challenge the costs suggested. This was borne out by some of the providers we spoke to, who said that they had submitted quotes in respect of commissions that they did not win.

- 5.17 Businesses were conscious of the danger of establishing a precedent by paying over the odds for training and, the magnitude of the training programmes commissioned generally put beneficiary businesses in a strong position to negotiate competitive prices. In one case, the company had driven a hard bargain on the basis that there could be an opportunity for the provider to deliver training to its other sites across the UK. It was, nevertheless, acknowledged that providers of highly specialised courses were probably in a position 'to push a little', pricewise, whereas providers of more mainstream courses 'such as ILM Level 3' operate in a more competitive market.
- 5.18 Whilst we found limited evidence of price inflation, one HRDA said that some learning providers had encouraged companies to pack in as much training as possible on the basis that SGW represented a 'once in a lifetime opportunity'. This, it was argued, meant that individuals undertook at least some training that might not have been wholly relevant to their organisations and, thus, undermined the value for money provided by the programme. It is also notable that following the reduction in the average level of funding available per employee to £2,500 under SGW II, there was a marked reduction in the cost of courses for which support was sought.
- 5.19 At the same time, the majority of the businesses we visited thought that the training their staff had undertaken represented good value for money, though some thought that the need to complete the training within a fairly short timescale possibly undermined its effectiveness – 'it felt like such a rush ... extending the time to do it over two years would have been the ideal solution for us'. Most of the companies we visited

said that they would pay for the same kind of training from their own resources in future, although one commented that they would need to be convinced that investing in training within a department with a traditionally high level of staff turnover would yield sufficient 'pay-back'.

ADDITIONALITY

- 5.20 Just over a third (34%) of respondents to our survey said that they would not have undertaken any of the training delivered without SGW support. In the main (81%), this was simply because businesses could not have afforded the training. This was borne out by our fieldwork, with the representative of one company saying 'we wouldn't have done anything ...at that time we simply didn't have any money ... that's why we couldn't use the [Workforce Development Programme] grant⁵² we'd been allocated'. The representative of another organisation said that it was highly unlikely that the training undertaken would have taken place without SGW funding, even though the training was expected to yield efficiency savings superior to the cost of the training undertaken.
- 5.21 It is notable that a similar proportion (36%) of the companies which applied unsuccessfully had not undertaken any of the training that they proposed to use SGW funding to support on the basis that they could not afford it.
- 5.22 This view was echoed by HRDAs, one of who said that in the wake of the 2009 recession, many manufacturing companies were 'running short of cash' and were not, therefore, in a position to pay for training that could potentially unlock growth opportunities for them. Even where businesses had some headroom and were able to make capital investments, they often lacked the wherewithal to undertake the skills development activities that needed to run alongside such investment.

⁵² Which required 50% matched funding from companies

- 5.23 None of the respondents said that they would have undertaken exactly the same training for the same number of employees over the same timescale.
- 5.24 Two thirds (65%) of survey respondents said that they would have undertaken at least some of the training regardless of SGW support. Of these, the vast majority reported at least some element of additionality:
- 25% said that they would have done the same training for the same number of people, but over a longer timescale. The majority (80%) of these respondents said that it would have taken more than 12 months longer to deliver the training;
 - 45% said that they would have done some of the training, but over a longer period of time. Again, the majority (78%) of these said that it would have taken more than 12 months longer to deliver the proportion of the training that they would have undertaken;
 - 25% said that they would have done some of the training within the same timescale. Some 43% said that they would have undertaken less than a quarter of the training and 79% said that they would have undertaken less than a half.
- 5.25 Where respondents said that they would have undertaken at least some training anyway, whether over the same or a longer timescale, a third (33%) indicated at least some of the training undertaken had been at a higher level than the training that would have been provided without SGW support.
- 5.26 Our fieldwork echoed these findings with contributors variously commenting that:
- they would have done some or all of the same 'but over a much longer period of time', with respondents estimating that it would have taken between two and four years longer to undertake the training;
 - they would have done 'a fraction' of what was undertaken - 'we'd do the minimum';

- they would have 'prioritised' particular strands of training, focusing on those which would yield the highest immediate returns e.g. those that would enable 'new services' to be introduced;
- they would have trained some staff, but nowhere near as many;
- they would have undertaken less accredited training, or none at all;
- they would not have done any external training, although they might have delivered some training internally, but over a longer period and with a smaller number of staff;
- they might have sourced some training from a head office or parent company, but that such training would not have been tailored in the same way to meet the site's needs, would be considerably less in volume and would have taken far longer to happen.

5.27 Our discussions with organisations that applied unsuccessfully for SGW support suggested that almost two thirds (64%) did some of the training that they intended to use SGW to support. However, most of these did only some of the training, and over a longer period of time.

5.28 The majority (90%) of survey respondents who said that they would have provided at least some training even in the absence of SGW support said that they would have looked to the companies' own resources to do so, whilst almost a third (30%) said that they would also have sought to use other Welsh Government grant support. Of the companies that we spoke to which had applied unsuccessfully for SGW support, the majority (86%) had used their own resources to fund some training, with others (29%) turning to Welsh Government grants alongside company resources.

5.29 Central stakeholders thought that the scale of the grants awarded under the SGW programme increased the likelihood of the training undertaken being 'additional'. It was argued that the sheer volume of training which companies did with SGW support 'reduces the likelihood ... or percentage of deadweight ... a company with a £50k budget

which claims £400k - £500k through SGW ... the very most that deadweight is going to be is 10%'.

6. THE IMPACT OF SKILLS GROWTH WALES

6.1 In this chapter we once more draw upon the findings of our survey of businesses that benefited from SGW support as well as our fieldwork with a sample of those businesses. We also draw upon evidence provided by the limited number of companies which applied unsuccessfully for SGW support, as well as key stakeholders such as Welsh Government staff, HRDAs and training providers.

6.2 In turn, we present our findings in relation to:

- effects upon business performance;
- effects upon the workforce;
- effects upon financial performance;
- effects upon employment;
- effects upon businesses' propensity to train;
- the counterfactual (i.e. what would have happened anyway in the absence of the programme).

EFFECTS UPON BUSINESS PERFORMANCE

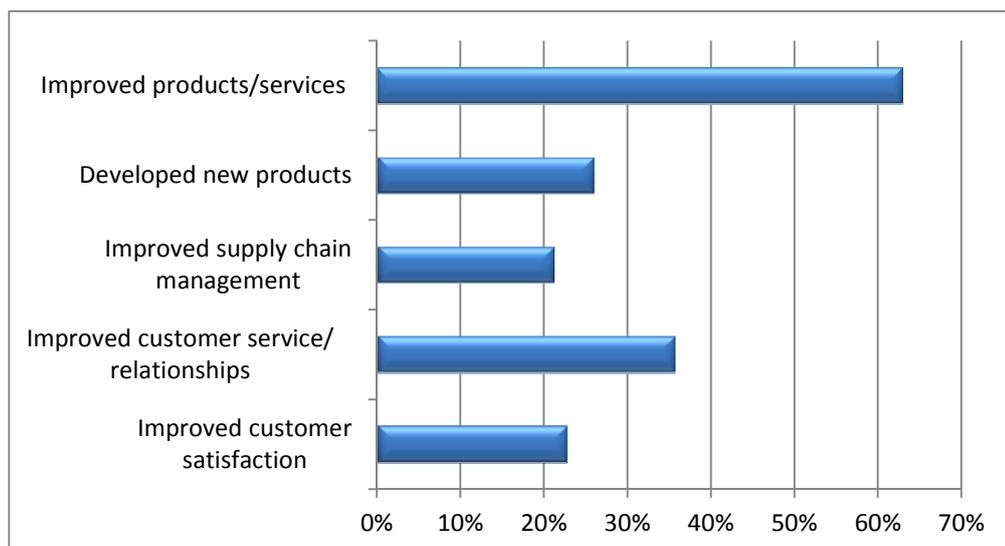
6.3 Almost two thirds (61%) of respondents to our survey of participating businesses said that the training undertaken with SGW support had helped them to win new customers. Whilst the majority (53%) of these said that these new customers were UK based, 48% said that they had also won new customers from overseas as well.

6.4 Even where participating businesses had not won new customers as a result of training undertaken with SGW support, 57% had won new orders or contracts. Half (51%) of these said that the new orders were from existing UK customers, and 49% said that they had won at least some business from customers outside the UK. Moreover, the overwhelming majority (91%) of respondents which had attracted new orders expected it to be on-going business.

6.5 It is notable that over two thirds (69%) of businesses based in West Wales and the Valleys were said to have won new customers, compared to less than a half (48%) of businesses based in East Wales. In the same way, a greater proportion of respondents from West Wales and the Valleys (64%) said that they had won new orders than those from East Wales (43%). It is possible that this reflects a difference in the sectoral make-up of beneficiary businesses, with four fifths (81%) of those located in West Wales and the Valleys falling into the manufacturing sector compared to just over half (55%) of those located in East Wales. By the same token, businesses in the Financial Services sector represented a higher proportion of those based in East Wales (13%) than they did businesses located in West Wales and the Valleys (2%).

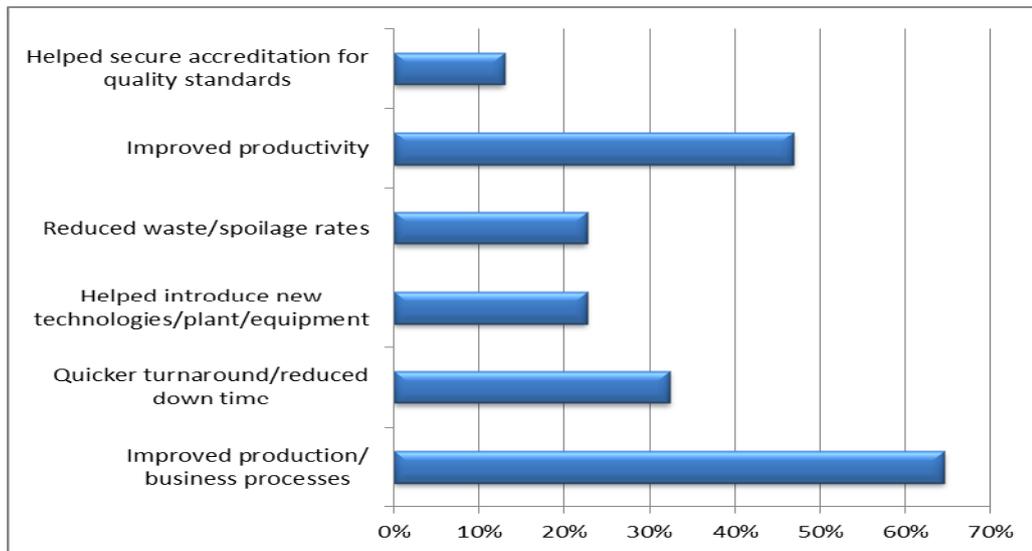
6.6 Figure 6.1 below shows the proportion of survey respondents saying that SGW support had impacted in a positive way upon the products or services that they offer. It is notable that only 5% of respondents said that the training undertaken with SGW support had no effect on their businesses' products or services.

Figure 6.1: Proportion of Businesses Reporting Positive Effects upon Products/Services (n = 62)



- 6.7 One of the companies we visited spoke of an ‘unprecedented’ improvement in its client retention rate, ‘from 60% - 70% to 90% - 95%’, in the wake of training funded under the SGW programme. It was said that the training had been ‘priceless’ in ‘getting messages through and motivating front line staff ... account managers and sales people’. Another company argued that training had increased the depth of its sales team’s engagement with clients, which was proving to be key in differentiating the company from its competitors.
- 6.8 Others spoke of the role SGW support had played in equipping their organisations to enter new markets, with one commenting: ‘we wouldn’t have realised the [product] market had it not been for ProAct and SGW ... it meant we had another product and that we diversified our business model to be less reliant on one market’. The HRDAs consulted also spoke of client companies developing new products and entering new markets because SGW support had allowed them the wherewithal to ‘think outside the box’.
- 6.9 Figure 6.2 below shows the proportion of respondents saying that SGW support helped improve their businesses’ efficiency in particular ways. Only three per cent of respondents said that the training undertaken had no effect on their organisations’ efficiency.
- 6.10 Several of the organisations we visited had used SGW support to underpin change or business improvement programmes and contributors were overwhelmingly convinced that SGW funded training had played a key part in facilitating transformational improvements in company performance. In this context, it is notable that respondents from West Wales and the Valleys, where the concentration of beneficiary businesses in the manufacturing sector was greater than it was in East Wales said that the training undertaken had helped them to introduce new technologies, plant or equipment (at 33% compared to 4%) and to reduce waste or spoilage rates (at 28% compared to 13%).

Figure 6.2: Proportion of Businesses Reporting Positive Effects upon Efficiency (n = 62)



6.11 A recurring theme among manufacturing businesses visited was a step change in the degree to which staff, across the whole organisation, took ownership of problems and contributed to ideas generation and decision making processes. Specific comments made by those interviewed during our fieldwork included:

- the training undertaken 'greatly helped in developing ownership among staff ... traditionally this was a lifestyle business and very poorly managed ... the staff had very little say in how things happened and we completely transformed that and turned it on its head';
- 'we've seen a difference in the attitude of those who have done the training ... the culture here was a bit of them and us ... but now people are thinking "right, that's why we have to do that" and are coming back with ideas';
- it's stimulated intellectual curiosity ... it's stimulated some people to re-ignite their preparedness to question how things are done';
- 'one of the key benefits was that it provided us with a common language ... a lot of people were disengaged from what the company was about ... but we've now seen people having conversations and sharing ideas about what the company is doing';

- ‘we’re able to look now at the root causes of any issues ... whereas before people would look to blame each other ... the training’s removed the blame culture from our organisation’;
- ‘there’s a precision about what we do now’.

6.12 Service sector organisations also spoke of the effectiveness of cross departmental problem-centered training activities in improving cooperation between teams and creating a sense of shared ownership. As previously discussed, this was thought to be improving service organisation’s ‘product’ and, as a result of improved customer engagement, sales.

6.13 Individual contributors who had themselves participated in training also felt that the experience had changed the way they and colleagues work and that this had impacted upon the efficiency and effectiveness of their workplaces. Comments made which illustrate this include:

- ‘I understand a lot more now about why certain things happen’;
- ‘people were starting to talk the same language’;
- ‘we’ve now got a group approach to solving problems ... we’re gone from “who’s done that to how did that happen and what can we do to help solve it”’;
- ‘we don’t have to go back to senior management so much now ... the company has got to have benefited because lower management can deal with things more ourselves... it’s pulling more ideas out of us now’;
- ‘they [senior managers] do take notice [of suggestions] now ... previously I’d suggest things but 50% of them wouldn’t be taken any notice of’;
- ‘the training’s effectively eliminated quality issues’;
- ‘you’re just more alert ... you pick up on things that people shouldn’t be doing’;
- ‘we work more efficiently, the tooling is more central, things are more organised’;
- ‘the machines are working much better, much faster now’;

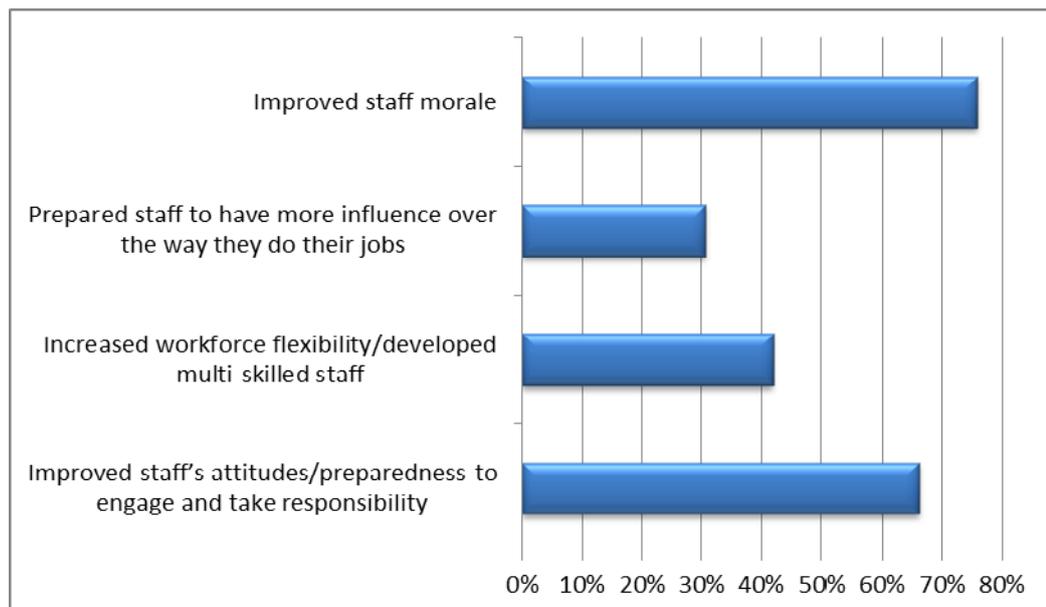
- 'my team are working much better ... we have less accidents, less waste and we are much more professional'.
- 6.14 The fact that the training programmes undertaken were tailored to meet organisations' needs, often through cross departmental groups working to identify and resolve particular problems, was thought to have helped ensure that the skills developed were relevant and capable of producing immediate results. As one employee put it: 'the biggest value really was in taking time out and getting everyone to think about what they do'.
- 6.15 It was also argued that the sheer scale of the activity undertaken helped create 'momentum' and allow a 'common language' to emerge within organisations, thus leading to 'people having conversations and sharing ideas about what the company's doing'. Contributors spoke of 'projects and activities' implemented 'on the back' of training becoming 'embedded practice' within organisations and yielded tangible results within a relatively short time.
- 6.16 Examples of measurable outcomes which contributors thought were at least partly attributable to SGW support included:
- increased sales by specific amounts as a result of winning new contracts e.g. a '£250k' in relation to 'energy management' and '£1.4m' as a result of 'account management' training undertaken;
 - reductions in costs as a result of process improvements e.g. '£6,000 per annum' as a result of being able to train fork-lift truck drivers within the company and '£15,000' each time a disassembly line needs to be torn-down;
 - 'improved productivity by 27%';
 - improved order completion rates - 'our on time orders, completed in full in 2011 was 35% ... in 2012, it's 80% ... if it wasn't for Skills Growth Wales, I reckon we might have made it to 45%';
 - a 12% increase in production volumes;
 - a 82% reduction in re-working;

- a 42% reduction in waste going to landfill;
- the achievement of Investors in People;
- securing trade body membership.

EFFECTS UPON STAFF AND STAFF PERFORMANCE

6.17 97% of survey respondents believed that SGW support had led to beneficial effects of one kind or another upon their organisations' staff. Figure 6.3 below shows the proportion of survey respondents attributing different types of workforce related effects to the SGW support received.

Figure 6.3: Proportion of Businesses Reporting Positive Effects upon their Workforce (n = 62)



6.18 Our fieldwork very much confirmed survey findings that SGW funded training had impacted markedly on staff morale – ‘it created a real buzz’. Contributors spoke of the effect of training upon staff confidence and their preparedness to play a more active part in improving business performance – ‘they’re now positive people who can counter the negative ... now we’ve got a willing workforce’.

- 6.19 Discussions with individuals who undertook training supported by SGW also pointed to beneficial effects upon staff morale, with individual contributors saying that the fact that the company had invested in them made them feel valued and, thus, more motivated. As one contributor said: 'it's given people like me a new level of motivation ... satisfaction ... credibility and new ideas to put into practice'.
- 6.20 The employees we interviewed had not generally had pay rises or promotions, not least because 'almost everyone in the company's done' some training and, thus, undertaking training did not provide participants with a specific competitive advantage over colleagues per se. However, several felt that the training had helped them do their jobs more effectively and, therefore, had given them an added sense of job security.
- 6.21 The individuals we interviewed believed that achieving qualifications probably made them more marketable (i.e. helped to provide them with a competitive advantage in the wider labour market), but this was generally very much a hypothetical issue in that they had no intention of leaving their existing employers. However, a couple of the individuals we interviewed had secured new jobs and felt that the training undertaken with SGW support had been instrumental in making them attractive candidates in the eyes of their new employers.
- 6.22 One HR manager indicated that there had been a reduction in 'absenteeism' at the company in the wake of SGW training.
- 6.23 The representative of one company commented that a recent staff survey had shown that '88% of people feel more motivated by the training they've had', which was higher than the levels reported in the wake of any training undertaken prior to that funded by SGW support. The same contributor said that the company's 'attrition rate is the lowest it's been for a very long time'. Whilst it was acknowledged that the prevailing 'slack labour market' probably has something to do with this, it was also thought that the improvement owes something to the

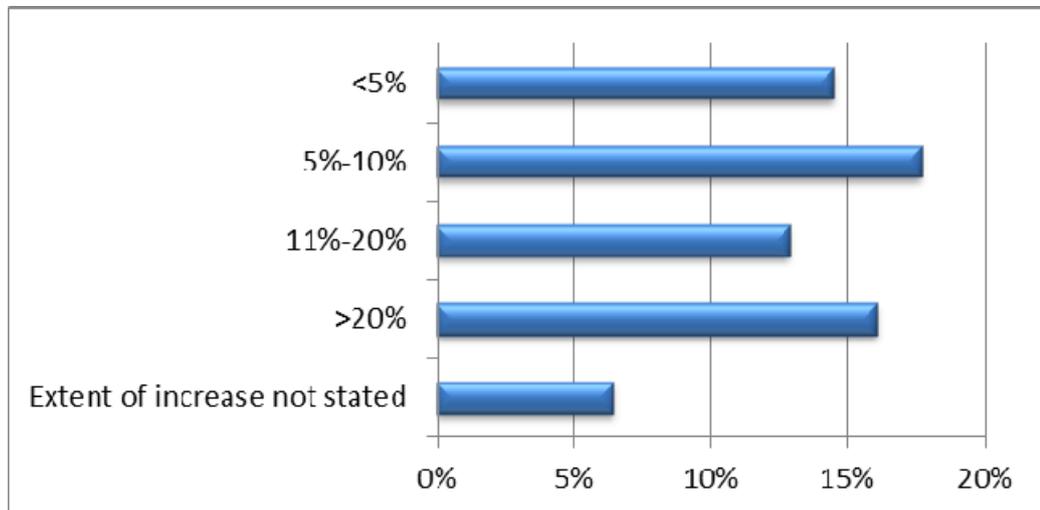
company's 'managers [being] better managers as a result of the training and they look after their staff better to keep them'.

6.24 Whilst 58% of survey respondents said that the effects which SGW support had upon their businesses were very much as they had expected, over a third (37%) said that the effects of the training undertaken had exceeded or far exceeded their expectations.

EFFECTS UPON FINANCIAL PERFORMANCE

6.25 Over two thirds (68%) of businesses responding to our survey reported that they had enjoyed an increase in turnover since receiving SGW support, as compared to 55% of those which applied unsuccessfully for SGW support. Figure 6.4 shows the proportion of these businesses reporting different scales of increase in turnover.

Figure 6.4: Proportion of Businesses Reporting an Increase in Turnover by the Magnitude of Change Experienced (n = 62)

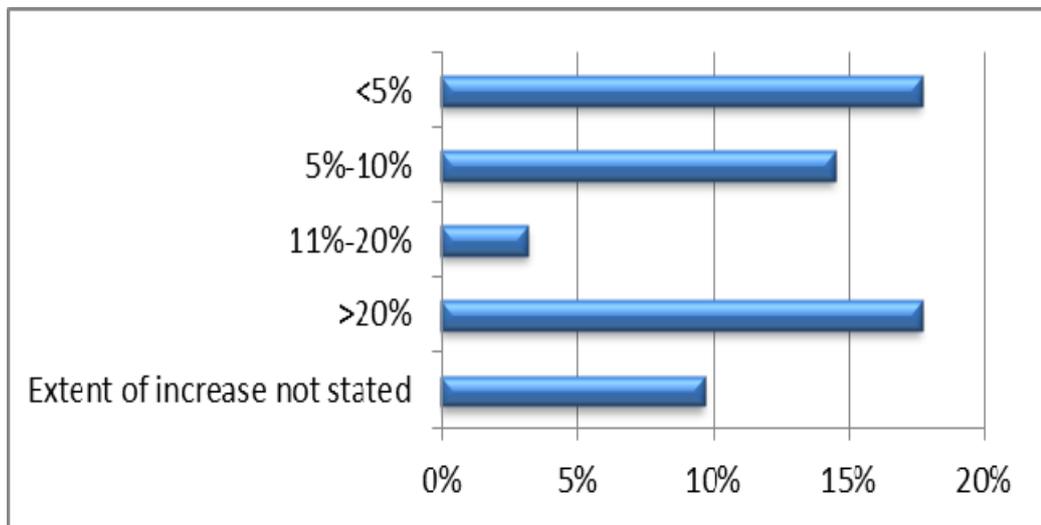


6.26 Almost a third (31%) of businesses attributed the increase in turnover experienced to SGW support 'a great deal', whereas 52% attributed the increase to SGW 'to some extent'.

6.27 Similarly, almost two thirds (63%) of businesses responding to our survey reported that their net/operating profits had increased since

receiving SGW support, as opposed to 55% of those which applied unsuccessfully for the grant. The scale of change in profit differed a little from the scale of change in turnover, as shown in Figure 6.5 A third (33%) of businesses attributed the increase in profit experienced to SGW support 'a great deal', whereas 51% attributed the increase to SGW 'to some extent'.

Figure 6.5: Proportion of Businesses Reporting an Increase in Profit by the Magnitude of Change Experienced (n = 62)



6.28 Almost three quarters (74%) of businesses from West Wales and the Valleys said that they had seen an increase in turnover, compared to just under three fifths of business based in East Wales (57%). This compares favourably with the performance of the UK economy as a whole, where GDP bounced back slightly in 2010 before flattening out again in 2011⁵³.

6.29 The same applied to profits, with over two thirds of West Wales and the Valleys businesses saying that their profits had increased, compared to just over a half (52%) of East Wales businesses. This difference is probably attributable to the fact that manufacturing businesses made up a greater proportion of SGW beneficiaries in West Wales and the Valleys than in East Wales and a greater proportion of

⁵³ See figure A1.1 at Annex 1

manufacturing businesses reported increases in turnover and process and productivity improvements.

- 6.30 Whilst a small majority of survey respondents said that they had enjoyed a growth in both turnover and profit levels, the magnitude of the growth achieved was, in the about half these cases, below the 10% increase which it was intended SGW support would help achieve.
- 6.31 Factors other than the training supported by SGW which survey respondents said had helped to increase their turnover and/or profit levels included:
- Winning new customers/markets (40%);
 - Marketing (21%);
 - Increased capacity/investment in new plant (13%);
 - Improving economic conditions (11%);
 - Recruiting more skilled staff (10%);
 - Improving existing staff's skills as a result of training undertaken without SGW support (10%).
- 6.32 Most of the companies we visited had experienced some turnover growth, with growth exceeding expectations in some instances. In at least three cases this owed much to capital investments made. Contributors generally felt that the training undertaken with SGW support had contributed to the growth experienced, but struggled to pin point precisely how. As one contributor put it: 'I can't give you any direct examples, but it has to add to the mix ... you have more motivated people ... they'll sell more'. The exceptions to this were companies which had entered new markets or added to their portfolio of services as a result of the skills developed by staff. The representative of one such organisation spoke of being 'able to take on a new account with a large banking group ... worth £250k'.
- 6.33 A number of the organisations we visited said that whilst they had yet to see any marked improvements in turnover as a result of the training

undertaken, they expected growth to become apparent over the coming one to three years.

- 6.34 Changes in companies' profit levels were affected by factors other than increases in turnover, with some of the companies we visited pointing to the positive effects of the training undertaken upon efficiency and, thus, profit margins. In one case, whilst attributing improvements in efficiency to SGW support, the company's profits had declined due to increases in the cost of materials.
- 6.35 In some cases, company accounting policies compounded the difficulty of estimating the extent to which SGW support had affected profit levels. This included accounting policies relating to the writing off of capital costs over time, those relating to the release of contingent liabilities provided for in previous accounting years and group inter-company charging policies.
- 6.36 The relatively small proportion of respondents which reported a reduction in turnover (15%) and net/operating profit (11%) generally associated these changes with worsening economic conditions and pressure upon prices. This was very much borne out by our fieldwork, with two contributors speaking of the negative effects upon turnover and profit of unfavourable trading conditions within their particular sub-sectors.

EFFECTS UPON EMPLOYMENT

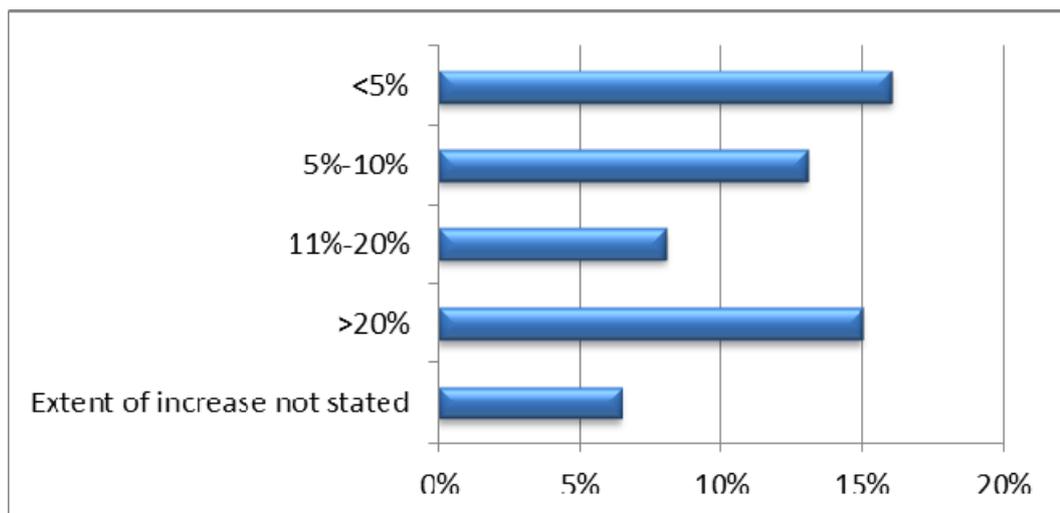
- 6.37 Monitoring data gathered by the SGW team indicates that 48% of beneficiary businesses had increased their staffing levels and 27% had done so by 10 or more people, thus meeting one of the three SGW programme targets⁵⁴. Our survey of beneficiary businesses painted a

⁵⁴ We understand that 62 (65%) of SGW beneficiary companies provided the Welsh Government with information about the numbers of employees on their books following receipt of SGW support. The figures shown above represent the proportion of all beneficiary businesses saying that they had increased staff numbers rather than the proportion of businesses providing the Welsh Government with information. Of those businesses that

slightly more positive picture, with 58% of respondents saying that their staff numbers had increased since receiving SGW support, as compared to 64% of the businesses to which we spoke that had applied unsuccessfully for support. Some 24% of grant recipient businesses said that their staff numbers had stayed the same and 16% said that they had decreased. A greater proportion of beneficiary businesses from West Wales and the Valleys (67%) than businesses in East Wales (43%) said that they had increased the size of their workforce, largely because manufacturing businesses, which represented a greater proportion of West Wales and the Valleys employers were more likely to have taken on staff than respondents from other sectors.

6.38 Figure 6.6 shows the proportion of businesses reporting different scales of increase in staff numbers. Larger organisations (employing more than 250 people) were slightly less likely to have increased the size of their workforces, whilst those employing between 50 and 249 were slightly more likely to have done so.

Figure 6.6: Reporting an Increase in Staff Numbers by the Magnitude of Change Experienced (n = 62)



responded to the Welsh Government, 74% said that their staff numbers had increased, with 42% saying that they had done so by more than 10.

- 6.39 Whilst we found only limited evidence of companies increasing their staff numbers by 10 or more (in line with one of the three targets which it was intended companies would strive to achieve), monitoring data gathered by the SGW team indicates that, at a programme level, the net number of new recruits amounted to almost 15 per company⁵⁵. In essence, relatively small proportional increases in employee numbers among larger employers benefiting from SGW more than off-set the recruitment of more modest numbers of staff by smaller companies.
- 6.40 Over a fifth (22%) of businesses attributed the increase in staff numbers to SGW support 'a great deal', whereas almost half (47%) attributed the increase to SGW 'to some extent'.
- 6.41 Even where businesses had not increased staff numbers, our fieldwork suggested that training undertaken with SGW support had helped at least some of them to redeploy staff and, thus, safeguard individuals' employment or retain jobs that might otherwise have been lost.
- 6.42 The representative of one company we visited spoke of SGW's effects upon existing staff, in that the training undertaken had prepared them 'to move up the career ladder ... and to take on additional responsibilities'. This in turn had created vacancies at more junior levels and, thus, impacted upon the kinds of people taken on. It had provided an opportunity to demonstrate to existing staff that there were progression opportunities within the company. The implication was that having progression opportunities should help the company to retain its best staff.
- 6.43 Other than the training supported by SGW, factors which respondents said had affected staff numbers were largely the same as those which had affected changes in turnover and profit levels, though worsening economic conditions was a more dominant feature for those who said that their staff numbers had decreased. A small minority of respondents

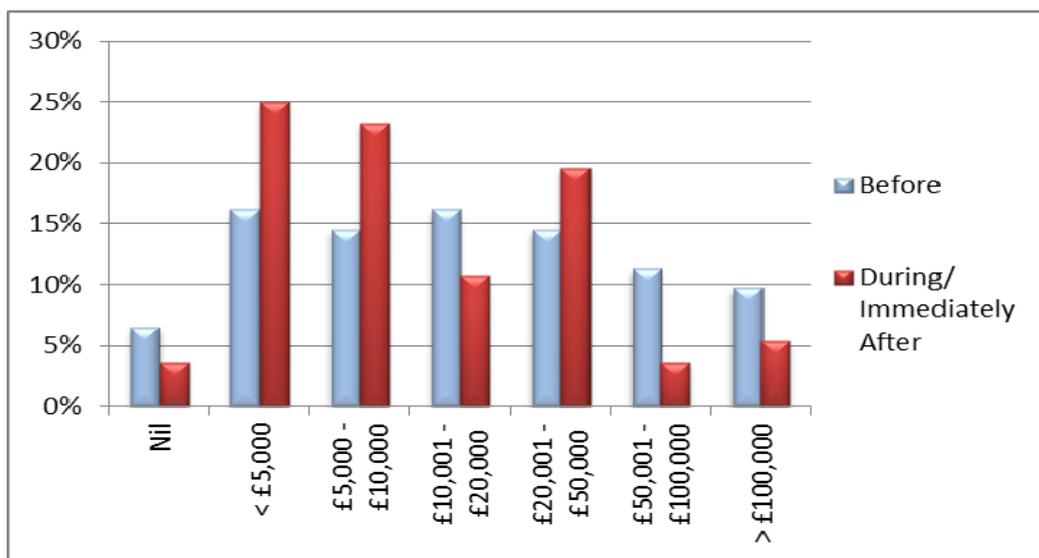
⁵⁵ Where data are averaged out across companies for which information had been collected.

said that they had increased production or remained in Wales because of the level of support which the Welsh Government was prepared to offer them, whilst others had reduced staff numbers as a result of moving production out of Wales. One contributor commented that it is helpful to be able to tell a parent company that ‘we’re being supported by our government ... and, therefore, our business case must stand up’.

EFFECTS UPON BUSINESSES’ PROPENSITY TO TRAIN

6.44 Figure 6.7 below shows the distribution of businesses responding to our survey according to the value of the investment they made in training immediately before and whilst/immediately after undertaking training funded by SGW. Whilst the chart suggests that organisations making a significant investment in training beforehand may have invested less whilst in receipt of SGW support, it also indicates that businesses which made more modest investments in the past actually stepped up the amounts spent on training whilst or immediately after receiving SGW support.

Figure 6.7: Distribution of Businesses by the Value of Investment in Training Before and During/After SGW (n = 62)



- 6.45 The overwhelming majority (97%) of businesses responding to our survey said that they were likely to undertake further staff training in the next 12 months, with 81% saying that they were very likely to do so. This was comparable to those businesses to which we spoke that had applied unsuccessfully for SGW support.
- 6.46 Almost three quarters (73%) of SGW beneficiaries which said that they were likely to undertake further training said that participating in SGW had made it more likely that they would undertake staff training than they otherwise would have been. It is notable that a greater proportion of businesses from East Wales (at 83% compared to 68%) said that involvement in SGW had made them more likely to undertake further training.
- 6.47 One contributor to our fieldwork commented quite simply: 'we have a training budget now, we didn't before'. Another said that their organisation had introduced a staff appraisal process for the first time, and he expected this to lead to a better understanding of training needs within the organisation.
- 6.48 One of the organisations we visited had become an ILM accreditation centre as a result of participating in SGW. The company representative to whom we spoke was clear that this would not have happened without SGW support. Becoming an ILM accreditation centre had enabled the company to realise substantial reductions in the cost of accredited training and it was expected that this would ensure that accredited training would continue to be delivered. It was also thought that becoming an ILM centre had given the company's training department added 'credibility' and thus added value, in staff's eyes, to the company's internal courses. This was described as 'a legacy beyond the grant'.
- 6.49 Other organisations also indicated that they were very likely to continue to use ILM qualifications as the basis of management development

activities, with one contributor commenting: 'we've seen benefit from it [and] it's not just about theories ... it's about putting things into practice'. Individuals who had themselves been through ILM courses said that doing so had heightened their sense of commitment to training and to coaching and mentoring their own staff.

6.50 A number of the organisations we visited had undertaken some form of 'trainer training' and this was expected to lead to an increase in the volume of training undertaken within those organisations.

6.51 A number of contributors spoke of the enthusiasm for staff development which the training programmes supported by SGW had bred. It was said that managers who had themselves undertaken training were more willing to release their staff to participate in courses and staff whose managers had been through training were more amenable to participating because of the positive effects they perceived training had had upon their managers. One contributor attributed the 'momentum' which had been generated to the magnitude of the training programme undertaken.

6.52 Some contributors were candid that SGW support had enabled them 'to do a lot of the training that was needed' and that the volume of training that will be undertaken going forward may well dip in the short term. Even these contributors foresaw that their organisations would undertake some training, however, and possibly more than what they would previously have considered 'normal' levels.

6.53 Welsh Government officials had some concerns that SGW could possibly have some detrimental effect on companies' propensity to fund training going forward because 'people get used to this type of funding'. Having said this, however, it was thought that the precondition that SGW support should be linked to business growth should help mitigate any expectation that day-to-day training should be publicly funded.

- 6.54 One HRDA thought that training providers had ‘really missed a trick’ by encouraging companies to pack in as much training as possible under SGW rather than doing what it was possible to do well within the timescales available and then progressing businesses into the Workforce Development Programme for further training, as and when required. In this context, it was acknowledged by Welsh Government officials that the availability of 100% support under the SGW programme had probably impacted adversely upon the take-up of training under the Workforce Development Programme and the Enhancing Leadership and Management Programme more particularly.
- 6.55 The Human Resource Manager of one company had got involved with the Sector Skills Council (SSC) relevant to the organisation as a result of her involvement with SGW. She now hoped to work with the SSC and other companies in the locality to develop training opportunities for new and existing staff.

THE COUNTERFACTUAL

- 6.56 The companies we visited were adamant that SGW support had helped them either to grow or to ‘put some stakes in the ground’ and arrest a decline in their fortunes. Representatives of individual companies commented: ‘overall, without SGW, we wouldn’t have been able to grow as quickly as we have’, with one estimating that SGW had accelerated growth by at least two years. Others said that they had not seen any significant growth as yet, but were confident that their growth ambitions would be realised over the coming year or two. On a rather less upbeat note, some contributors said that SGW had ‘probably played a significant role in saving the company’, although they also cautioned that the organisation’s futures remained fairly perilous.
- 6.57 A number of the companies we visited thought that they were probably doing better than their immediate competitors, not least in a number of cases because they had reacted to market pressures more swiftly. One

contributor commented: 'some of our competitors are beginning to ask questions about how they had been overtaken by a micro-enterprise', and attributed some of the progress made to the training supported by SGW. Others thought that they had held their own against the backcloth of deteriorating market conditions or intensifying competition.

- 6.58 A handful of the companies we visited had sites outside Wales or were the subsidiaries of parent companies domiciled elsewhere. None were aware of the existence of grant schemes similar to SGW anywhere else, with one commenting that 'we're in a unique position ... a very fortunate one'. As a result, it was generally thought that the training programmes developed and implemented with SGW support were 'ahead of the game' within beneficiary companies' wider organisations. By way of example, the representative of a multi-site organisation said that a recent meeting of company 'site training managers' had highlighted a markedly lower level of training need at the Welsh site, with a greater focus at the Welsh site upon higher level and managerial skills. It was thought that this better focus would render the Welsh site more likely to secure the company's agreement to supporting the training needed going forward.
- 6.59 Representatives of a handful of companies claimed that their training programmes had attracted the interest of parent companies/head offices and was adding to Welsh sites' credibility within wider groups. One individual said that 'it's seen as a more structured approach' and colleagues from other parts of Europe 'have come to us for advice', whilst another said that a group human resource manager had come 'over to see what we were doing in Wales and see how it might be rolled out' in other locations.
- 6.60 The representatives of two organisations were hopeful that the positive effects of training supported under the SGW programme would stand Welsh plants in good stead for parent company investment at their sites rather than alternative sites in other parts of the UK or Europe.

7 CONCLUSIONS AND RECOMMENDATIONS

7.1 In this chapter, we return to the objectives of this study and present our conclusions in terms of:

- the effectiveness of marketing and awareness raising strategies employed;
- the effectiveness of the application and decision-making process;
- the effectiveness of the advice and guidance provided to companies;
- the quality of training received;
- accredited versus non-accredited training;
- systems relating to equal opportunities legislation;
- additionality and deadweight attaching to the programme;
- impacts upon participating businesses;
- the counterfactual;
- value for money.

7.2 Before setting out our conclusions, it is perhaps worth recapping briefly upon the background to and purpose of SGW. SGW was developed to replace the Welsh Government's ProAct programme at a point when the economy began to stabilise in 2010 and businesses said that they no longer needed help to deal with the immediate effects of recession. SGW was seen as a means of preparing Welsh companies to take advantage of growth opportunities which it was hoped would materialise as the economy recovered.

7.3 SGW applications and our discussions with beneficiary businesses certainly suggested that SGW was a timely intervention in that several organisations had been forced to make changes in the wake of the recession and were keen to develop their workforces in order to become more competitive going forward.

7.4 It is worth noting that whilst businesses were due to have completed the training to be funded by SGW by the time our survey and fieldwork

was undertaken, a significant proportion had not. This means that our conclusions surrounding the effects of the training undertaken are based on a partial picture.

THE EFFECTIVENESS MARKETING AND AWARENESS RAISING STRATEGIES EMPLOYED

- 7.5 SGW represented a significant level of public investment in beneficiary companies, with the average grant awarded amounting to some £190,000, considerably in excess of the average level of discretionary funding available under the Workforce Development Programme. This meant that the Welsh Government took a fairly cautious approach to marketing SGW, with promotional activities kept to a minimum.
- 7.6 It had been intended that Welsh Government Relationship Managers would take the lead in marketing SGW and, thus, target the programme upon companies which had growth ambitions, primarily within the Welsh Government's priority sectors. In practice, however, the publication of the Economic Renewal Programme and the subsequent reorganisation of the then Department for the Economy and Transport undermined that intention and HRDAs, which had already played a key role in promoting ProAct, became the primary route to market for SGW.
- 7.7 The Welsh Government was careful to avoid the potential conflict of interest which could arise from training providers promoting the programme. Whilst this policy may have been well-founded, there is an argument that it served to exclude from the programme some businesses with growth ambitions which could have yielded valuable benefits from SGW support.
- 7.8 SGW was originally targeted at specific sectors and although the programme was opened up to all sectors shortly after its launch, the momentum gathered during its early days (and indeed, carried over

from the ProAct programme) meant that firms from the manufacturing sector represented a disproportionate number of SGW beneficiary businesses, It also meant that larger employers were disproportionately represented among beneficiary businesses.

- 7.9 Whilst owing something to the structure of Welsh industry, the involvement of only a handful of more proactive HRDAs also contributed to an uneven distribution of participating businesses across different parts of Wales, with proportionally fewer businesses from north and mid Wales benefiting from SGW support. Equally, HRDAs' involvement meant that a significant proportion of beneficiary businesses were already in receipt of other forms of Welsh Government support.
- 7.10 This very much reflects patterns highlighted by evaluations of other Welsh Government skills development programmes, including ProAct, the Workforce Development Programme and ReAct and evaluations of other workforce development programmes may suggest that the rather conservative approach taken to marketing SGW meant that the programme was not optimised to realise the maximum return on investment in terms of the level of turnover, profit or employment growth achieved. Having said this, however, a less restricted approach to promoting the programme possibly risked raising misplaced expectations among businesses and then alienating them should their applications proved unsuccessful,
- 7.11 Only a relatively small proportion of the HRDAs actively engaged in promoting SGW, partly because of the need for a higher level of expertise to do so and partly the arrangement for rewarding them did not compensate them sufficiently for the level of input necessary.

THE EFFECTIVENESS OF THE APPLICATION AND DECISION-MAKING PROCESS

- 7.12 Initially, the application and administrative arrangements put in place for SGW were very much based on the systems adopted for its predecessor ProAct programme. This included the use of a panel of experts to assess grant applications, a practice that Cambridge Policy Consultants, in its evaluation of ProAct, argued should be 'more widely adopted in public support to ensure better value for public expenditure'. The expert panel certainly brought a measure of rigour and transparency to the assessment process, which provided the SGW team with a degree of comfort in the programme's early days.
- 7.13 Nevertheless, the road to establishing the SGW programme was far from smooth. In reality, the SGW team, supported by a panel of experts, had to set the parameters for the programme as it gathered pace and this process was made all the more challenging by a high turnover of team support staff. Businesses and HRDAs were often frustrated by what they perceived to be a lack of clarity surrounding the programme's eligibility criteria and a constant shifting of goal-posts as the SGW team was exposed to new ideas and circumstances.
- 7.14 As the programme bedded down, its boundaries were more clearly defined and eligibility criteria became better understood, which enabled the SGW team to process grant applications more rapidly and with considerably less input from the expert panel. This, together with consideration of the demands which involvement in an expert panel places upon members, leads us to suggest that the recommendation made by Cambridge Policy Consultants might be refined somewhat. We would advocate that expert panels should be used during the set-up and early implementation of programmes such as SGW, with a clear intention that their involvement be scaled back as programme systems become established, so that members are only called upon incidentally

to advise upon contested or more difficult applications⁵⁶. This would allow more rapid decision making, whilst also making effective use of external contributors' expertise.

- 7.15 Having secured approval for their grant applications, businesses were required to submit detailed training plans, including personal information about the individuals that it was intended should undertake training, as necessary to satisfy ESF requirements. Businesses found it very difficult to provide this information at the outset and the toing and froing which ensued in many cases, led to delays in the implementation of training plans. Even where detailed training plans were submitted, more often than not they had to be changed to accommodate the ebbs and flows of businesses' circumstances.
- 7.16 The SGW team introduced a degree of flexibility around the submission of training plans which allowed some companies to submit individual trainees' details on an incremental basis. We endorse this move and would advocate the adoption of an incremental system for approving training activities to be undertaken by specific individuals within the framework of more general training plans agreed at the outset.
- 7.17 A number of contributors suggested that it would have been advantageous had the SGW team engaged with applicant companies during the application and planning phases. Whilst we recognise the need to maintain a degree of distance and objectivity, particularly at the initial grant application stage, we concur that the application process might have been smoother for some organisations had there been scope for dialogue between applicants and the SGW team/assessment panel, notwithstanding the additional demand this might have put upon them.

⁵⁶ We understand that this has happened in the implementation of SGW II

THE EFFECTIVENESS OF THE ADVICE AND GUIDANCE PROVIDED TO COMPANIES

- 7.18 As already discussed, HRDAs played a key role in the promotion of SGW. Their role also involved guiding businesses through the SGW application process and helping them to identify their training needs and to develop their training plans. In some cases, HRDAs also assisted businesses to select training providers.
- 7.19 Businesses valued the support provided by HRDAs and there was some evidence that that business cases and training plans which HRDAs had a hand in developing tended to be of a better quality and more realistic. Having said this, however, it was clear that HRDAs' input did not altogether deter companies from biting off more than they could realistically chew when bidding for SGW grants, with several struggling to implement training plans within the timescales agreed.
- 7.20 Following the rather intensive application and planning process, HRDAs' involvement with businesses was generally scant until post-hoc 'evaluations' of training plans' implementation were undertaken. During the intervening time, interaction between the Welsh Government and beneficiary businesses was largely via Monitoring Officers who were required to strike a delicate balance between ensuring that businesses complied with what had agreed in their training plans (a policing role) and offering businesses advice as and when necessary (their critical friend role).

THE QUALITY OF TRAINING RECEIVED

- 7.21 All in all, 424 providers were involved in delivering training to SGW beneficiary companies, with organisations using varying numbers of different organisations to deliver training. Although a range of different

types of training was delivered, beneficiary businesses were generally happy with the quality of training which their staff received.

- 7.22 Central to businesses' satisfaction with the training received was providers' willingness to tailor the content of training programmes and delivery methods to meet individual organisations' needs. This was particularly important where the training undertaken underpinned organisation wide change programmes.
- 7.23 The limited size of our employer survey prevents us from drawing firm conclusions as to whether there were any differences in employers' satisfaction levels across different types of training provider, but the limited evidence we were able to capture suggested comparatively high levels of satisfaction with training delivered by Further and Higher Education institutions as well as by commercial training providers.
- 7.24 The few exceptions to this pattern of overall satisfaction tended to be attributable to the perceived quality of individual tutors. There was also some evidence of providers failing to deliver as employers had expected them to against training plans which they themselves had been involved in developing.

ACCREDITED VERSUS NON-ACCREDITED TRAINING

- 7.25 Whilst the degree of importance attached to accredited training varied from one business to the next, few took issue with the Welsh Government's requirement that the bulk of the training funded by SGW should lead to qualifications. Indeed, employers generally acknowledged the value of accredited training in terms of:
- enabling them to comply with legal or industry requirements (though such statutory training was not funded under the SGW programme);
 - signalling organisational competence, both to external and internal stakeholders;

- strengthening staff relations and securing buy-in to organisational goals;
 - providing a framework for progression and succession planning.
- 7.26 There was a strong sense, however, that the more effort individual participants were required to put into gaining qualifications, the more those qualifications were valued both by them and by their employers. Particular value was attached to training which required individuals to undertake assignments, often in their own time, because they challenged participants to reflect upon taught elements of courses in the context of their own work situations.
- 7.27 It was also clear that participants attached greater value to qualifications achieved at a higher level than any they already held.
- 7.28 That is not to say that there should be no room for unaccredited training. The argument for public support for unaccredited training was made where appropriate qualifications did not exist, generally in emerging or niche disciplines.
- 7.29 Accredited training is, undoubtedly, more expensive than its unaccredited equivalent. However, the evidence would suggest that additional costs are generally fairly modest and usually confined to those relating to the registration of candidates with awarding bodies.

SYSTEMS RELATING TO EQUAL OPPORTUNITIES LEGISLATION

- 7.30 Whilst the SGW team, HRDAs and learning providers alike were clear that equalities thinking is woven through the SGW programme, contributors were generally unable to point to any specific actions taken to ensure that beneficiary businesses complied with Equal Opportunities legislation or to strengthen their approach ensuring equality.

ADDITIONALITY AND DEADWEIGHT ATTACHING TO THE PROGRAMME

- 7.31 Two findings together provide strong evidence that at least a third of the training funded by SGW was additional to anything that grant recipient businesses would have undertaken in the absence of the programme:
- just over a third of businesses awarded a SGW grant said that they would not have undertaken any of the training delivered without SGW support;
 - a similar proportion of businesses that applied unsuccessfully had not undertaken any of the training that they proposed to use SGW funding to support.

Our survey of successful grant applicants points to other elements of the training undertaken also being additional, with over two fifths of relevant respondents saying that they would have only have done some of the training in the absence of SGW support. A majority of these said that it would have taken more than a year longer to get through the elements that they would have pursued anyway. Whilst a quarter of respondents said that they would have done all of the training supported by SGW anyway, the majority of these also said that it would have taken in excess of a year longer for them to do so. Furthermore, a proportion of those who thought that they would have pursued some of the training undertaken even in the absence of SGW indicated that they would have looked to other Welsh Government funding streams to support such training, albeit at a lesser intervention rate.

- 7.32 The level of support offered also meant that the scale of the training undertaken was at a far greater than anything most beneficiary companies could have countenanced in the absence of SGW support. In some cases, this enabled change programmes within businesses to be progressed more rapidly than would otherwise have been possible.

7.33 Whilst it is impossible to come up with a definitive level of deadweight for the programme, there is evidence that at least some of the training funded by SGW would have been undertaken anyway. For example, our survey of grant recipients suggested that six organisations investing in excess of £50,000 on training in the year immediately before participating in SGW reduced the amount spent on training during or immediately after participation. Also, almost a quarter of those organisations saying that they would have undertaken at least some of the training supported by SGW within the same timescale indicated that they would probably have put on more than half of the training undertaken anyway.

7.34 However, we are attracted to the argument that the sheer scale of grants awarded under the SGW programme relative to companies' previous training budgets increased the likelihood of the training undertaken being additional. This argument was certainly corroborated by organisations that contributed to our fieldwork.

IMPACTS UPON PARTICIPATING BUSINESSES

7.35 It was intended that SGW would enable recipient businesses to achieve one of the following within 12 months:

- 10% increase in turnover;
- 10% increase in profit; or
- an increase of at least 10 employees.

7.36 Just over two thirds of businesses responding to our survey said that their turnover had increased and just under two thirds said that they had enjoyed an increase in profit levels since participating in SGW. However, the magnitude of the growth achieved was, in almost half of these cases, below the 10% which it was intended SGW support would help achieve, this despite a prevailing rate of inflation of 5.6% and 2.6%

respectively in the 12 month periods to September 2011 and September 2012⁵⁷.

- 7.37 Over half of businesses responding to our survey said that they had increased their staff numbers following receipt of SGW support. Again, however, the scale of growth was generally lower at a beneficiary company level than that sought by the programme. However, recruitment of significantly higher numbers of staff by a relatively small number of large employers meant that, at a programme wide level, net recruitment has been higher than the level which might be implied from the target set.
- 7.38 On this basis we can only conclude that SGW has, at this stage at least, only gone part of the way to bringing about the headline business growth effects that it was expected to yield. However, SGW was used by a number of companies to underpin change programmes designed to achieve longer term improvements in productivity, efficiency and competitiveness and several of the businesses to which we spoke thought that the effects of SGW support had yet to filter through, certainly in terms of financial performance.
- 7.39 Our fieldwork did point to a widespread view that SGW support had helped participating businesses improve products and services, improve production and business processes and, though not to quite the same extent, improve productivity. It also pointed to improvements in staff morale and in workers' willingness to take responsibility for improving business processes. Of course, there is an argument that one might have expected to see an overall decline in employment levels as businesses become more efficient.

⁵⁷ Source: Office for National Statistics, Consumer Price Indices, September 2012 Release, issued on 16 October 2011

- 7.40 Whilst businesses generally expected to undertake further training in the wake of SGW support, there was little difference in this respect between those that had received SGW support and those that applied unsuccessfully. Indeed, there was some evidence to suggest that beneficiary businesses might well invest less in training in the short term on the basis that SGW helped address immediate training needs.
- 7.41 However, the messages received during our fieldwork certainly gave grounds for optimism, with businesses pointing to developments that make further training more likely, for example, the establishment of a training budget where none had existed before, companies training staff to become in-house trainers and the establishment of an ILM accreditation centre within an organisation's Human Resource department rendering the delivery of accredited training more cost effective.
- 7.42 There was also a suggestion that individuals who had participated in SGW funded training had been infected by the training bug and were more likely to demand further training, or in the case of managers, to push for further training for their staff.

THE COUNTERFACTUAL

- 7.43 By and large, those that contributed to our research, expected that participation in SGW would lead to growth in the next year or two. Even the less bullish among contributors tended to think that SGW had helped to safeguard companies' futures. However, we must conclude that, as yet, SGW has not as yet yielded the level of growth aimed for among participating businesses

VALUE FOR MONEY

- 7.44 SGW stands out among workforce development interventions in that it is the only programme that we came across that is specifically aimed at

encouraging business growth. It also stands out in terms of the scale of support potentially available to beneficiary companies. This makes it difficult to 'benchmark'.

7.45 However, the ESF business plan provides us with a means of calculating what were thought at the time of application to be acceptable levels of return on the investment proposed. Table 7.1 below shows the anticipated costs per individual 'output' and 'result' at the time.

Table 7.1: Anticipated Costs per Output and Result

	West Wales & Valleys	East Wales	Total
<i>Outputs Targets</i>			
Cost per participant	£4,336	£4,730	£4,442
Cost per employer assisted	£217,356	£237,037	£222,670
<i>Results Targets</i>			
Cost per participants gaining qualifications	£4,336	£4,730	£4,442

7.46 Table 7.2 shows the actual cost per participant in the ProAct and, separately, the SGW programme as at July 2012. The cost per participant of both programmes was considerably below the targets agreed with WEFO. This undoubtedly owes something to the absence of a wage subsidy element to SGW and may also reflect the limited time available to undertake training. However, these figures would suggest that SGW provided relatively good value for money, relative to the Welsh Government's original expectations.

Table 7.2: Actual Costs per Participant

	West Wales & Valleys	East Wales	Total
ProAct	£2,172	£2,150	£2,167
% ESF Budget	45%	43%	44%
SGW	£1,954	£2,469	£2,146
% ESF Budget	33%	35%	34%

7.47 Our research pointed to a number of factors which arguably add to the value for money provided by SGW. They include:

- because training plans were generally of sufficient scale, it was possible to deliver training to groups of staff rather than individuals, thus generally reducing the unit cost of courses;
- the fact that a significant proportion of funded training was delivered on company premises meant that participation rates were better than they might be had companies been required to release staff for longer periods to attend off-site training;
- in some instances, companies were able to ‘in-fill’ on courses delivered on their premises, where there remained empty places, though this required last minute negotiation with the Welsh Government;
- it was not generally thought that accredited training added to the cost of provision, beyond the costs of registering with awarding bodies. This means that participants have been able to gain qualifications at minimal additional cost.

7.48 By contrast, however, some factors possibly prevented SGW from providing the value it might have. They include:

- some companies sought to pack in as much training as they could under the SGW programme. There was some suggestion that this led to some training being undertaken that may not have been wholly relevant or necessary;

- the fact that companies had to deliver their training plans within fairly short timescales meant that there may not have been sufficient opportunity given for reflection or for consideration of how newly acquired skills could be utilised and sustained in the immediate aftermath of courses;
- some companies were unrealistic about the deliverability of their training plans which meant that courses were sometimes undersubscribed and, therefore, more expensive per participant;
- the adoption of a funding model whereby providers were paid per participant rather than per day or per course meant that providers were paid above the market rates for some very well attended courses i.e. the funding model prevented economies of scale to be realised by those funding provision;

7.49 Overall, some 70% of SGW participants have achieved at least one qualification, with most of these achieving more. . The average cost per qualification achieved across both West Wales and the Valleys and East Wales was pretty much in line with expectations, at some £4,446.

7.50 The research found little evidence that SGW led to price inflation within the training market, not least because beneficiary companies took care not to set precedents by paying over the odds for training. However, a reduction in the average price of training following the launch of SGW II, with its rather more modest grant values may suggest that SGW failed to drive down prices where there might have been scope to do so.

7.51 Businesses tended to feel that the training their staff had undertaken represented good value for money and most said that they would be prepared to pay for the same kind of training from their own resources in future.

RECOMMENDATIONS

7.52 Our terms of reference do not require us to make recommendations, but we would offer the following as food for thought:

- a) The Welsh Government may wish to be more proactive in reaching out to organisations whose growth ambitions are being held back by their inability to train staff as quickly or as extensively as they would wish. In particular, it might seek to reduce the level of deadweight attached to the programme (and increase additionality) by targeting companies which do not have formal business or training plans in place. There is a case for inviting expressions of interest in grant support from organisations which have not previously been involved with the Welsh Government or with HRDAs, possibly using wider media and networks, including training providers, to promote the programme. Allied to this, the Welsh Government should consider how it might ensure that an appropriate proportion of organisations in mid and north Wales engage with the SGW II.
- b) Where companies need HRDAs' support in applying for SGW II funding and in driving forward their training plans, consideration needs to be given to how HRDAs can be adequately compensated for their input⁵⁸.
- c) In launching any future business support programmes, the Welsh Government should ensure that appropriately skilled staff are in place in sufficient numbers from the outset to cope with the volume of work likely to be generated.
- d) We endorse the use of an expert panel during the programme's early days and would advocate the use of similar groupings during

⁵⁸ We understand that HRDA engagement conditions have now been revised.

the set-up and early implementation of other programmes.

However, we would advocate that clear plans are put in place from the outset to scale back expert panels' involvement as programme systems become established, thus using this valuable resource judiciously⁵⁹.

- e) SGW allowed companies to take a holistic view of their skills needs and the evidence would suggest that this was highly beneficial. However, in order to allow the rapid implementation of large scale training plans, we would advocate the adoption of an incremental approach to approving specific training for individuals within the framework of agreed company-wide training programmes⁶⁰.
- f) We also believe that in awarding future grants, greater consideration needs to be given to the deliverability of training plans within the timescales available to the programme. Care should be taken to ensure that companies should not only be able to complete the training planned within the timescales agreed, but also to ensure that plans are in place for putting the new skills acquired into practice⁶¹.
- g) Whilst we believe that it was appropriate to refine the ProAct ESF project as economic conditions changed, it was not entirely helpful to build the SGW on the back of the existing ESF project. The evolution of the project, without creating distinct boundaries between ProAct and SGW has meant that it has been difficult to separate out management information relating SGW, which has in

⁵⁹ We understand that the expert panel is being used on an exceptional basis for SGWII

⁶⁰ We understand that it has now been agreed with some companies that they can submit participant employee details on an incremental basis

⁶¹ We understand that under SGW II, companies are asked for greater detail in relation to the nature and cost of the training to be undertaken and that the involvement of 'sponsoring officials' in the development of grant applications should mean that training plans should be more realistic. The grant panel also uses greater discretion in determining the value of grant awards and considers carefully the appropriateness of the amounts sought by companies

turn, hindered the provision of data to inform this study.

Consideration should be given by both the Welsh Government and WEFO to the possibility of setting up distinct entities when it becomes necessary to make such profound changes to ESF projects.

- h) Finally, we have already said that this evaluation has been undertaken at a time when a number of companies are still in the throes of implementing their training plans and it has, therefore, been impossible to draw definitive conclusions about the effects of SGW support upon companies and their staff. There is much to suggest that the scale of support received under SGW is having a marked effect upon some businesses and we believe that there is a strong argument for looking in more depth at the longer term impact of the programme upon a selection of businesses, including those awarded grants under SGW II. This might be achieved through the SGW team holding regular (possibly six monthly) 'reflection' meetings with a small number of beneficiary companies over a period of, say, two years after the completion of agreed training programmes. These reflection exercises should take as their starting point the business cases submitted by businesses at the outset.

ANNEX 1: ECONOMIC AND LABOUR MARKET CONTEXT

- A1.1 As was stated in Chapter 2, the Skills Growth Wales programme was introduced in both East Wales and West Wales & the Valleys in an attempt to help stimulate the Welsh economy out of the recession.
- A1.2 In this Annex, we consider the key changes in the Welsh economy and labour market that led up to the recession and the creation of the Skills Growth Wales programme, and also review how those factors have changed in the short time since the programme's introduction. Also, the Annex provides a brief analysis of the structure of businesses in Wales at the time that the programme was operating, in order to allow comparison to the nature of businesses that actually participated in the programme. Throughout the Annex, we draw comparisons between the situation in East Wales and West Wales and the Valleys in order to provide a backdrop to how the programme performed in the two areas. Finally, we offer some brief conclusions.

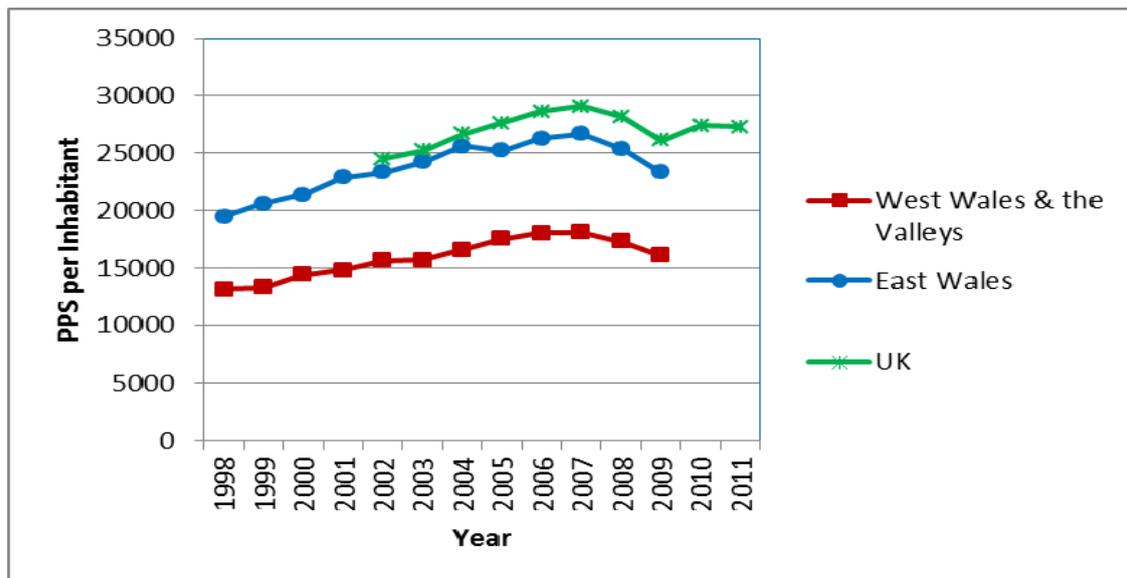
The Key Economic Indicator of Recession

- A1.3 A recession is a period of general economic decline, defined either as a contraction in the GDP (gross domestic product) for six months (two consecutive quarters) or longer, or as a full calendar year of negative output. The recent economic recession occurred primarily in the UK during 2008 and 2009, though the impacts of the recession were still to be felt at the time of our evaluation and, indeed, the economy slipped back into a so called 'double-dip' recession shortly after the period under consideration.
- A1.4 Figure A1.1 shows the GDP per capita for both West Wales & the Valleys and for East Wales between 1998 and 2009. It is evident that both areas followed the same overall pattern of GDP, with virtually continued growth from 1998 to 2007, followed by a severe drop in both 2008 and 2009, which coincides with the period of recession across the

UK. The Skills Growth Wales programme was introduced in April the following year (2010), at a time when obviously West Wales & the Valleys and East Wales were still very much feeling the effects of the recession.

A1.5 It is also notable from Figure A1.1 that the GDP per capita for West Wales and the Valleys is significantly lower than for East Wales or for the UK as a whole, though the total GDP of the West Wales & the Valleys region is larger than that of East Wales, reflecting its larger geographic, population and business size.

Figure A1.1: Regional Gross Domestic Product (PPS per Inhabitant)
(million Euros)^{62 63}



Source: Eurostat, © European Union

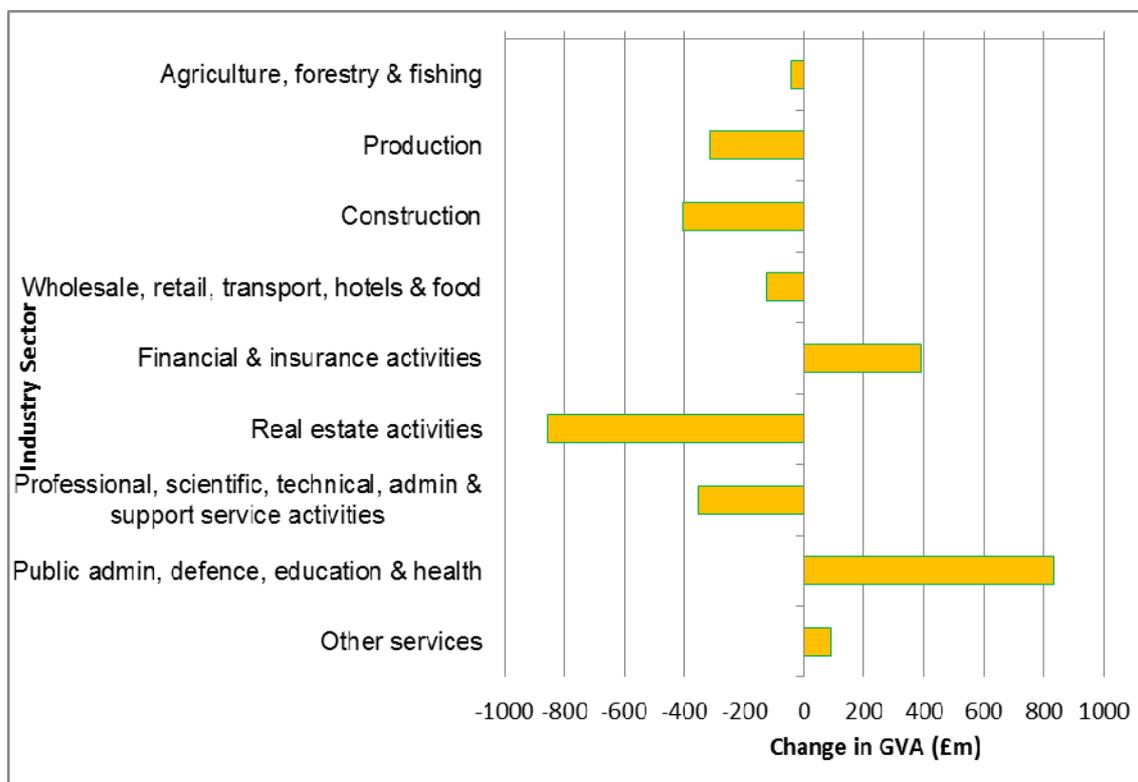
A1.6 The overall pattern of growth and decline inevitably conceals varied performance across different sectors. Figure A1.2 shows how the different industrial sectors fared during the period of overall economic

⁶² Data is not currently available from Eurostat for the UK before 2002 or for the Welsh areas after 2009

⁶³ Expressing GDP in PPS (purchasing power standards) eliminates differences in price levels between countries. Calculations on a per inhabitant basis allow for the comparison of economies and regions significantly different in absolute size. GDP per inhabitant in PPS is the key variable for determining the eligibility of NUTS 2 regions in the framework of the European Union's structural policy

decline in Wales, from 2007 to 2009. It is evident that some sectors actually experienced a growth over this period, most notably in the public sector and in financial and insurance activities. However, unsurprisingly, most sectors experienced a decline, particularly in real estate activities; construction; professional, scientific and technical activities and in production (which is principally manufacturing).

Figure A1.2: Change in Gross Value Added¹ across Wales between 2007 and 2009 by industrial sector, £ million



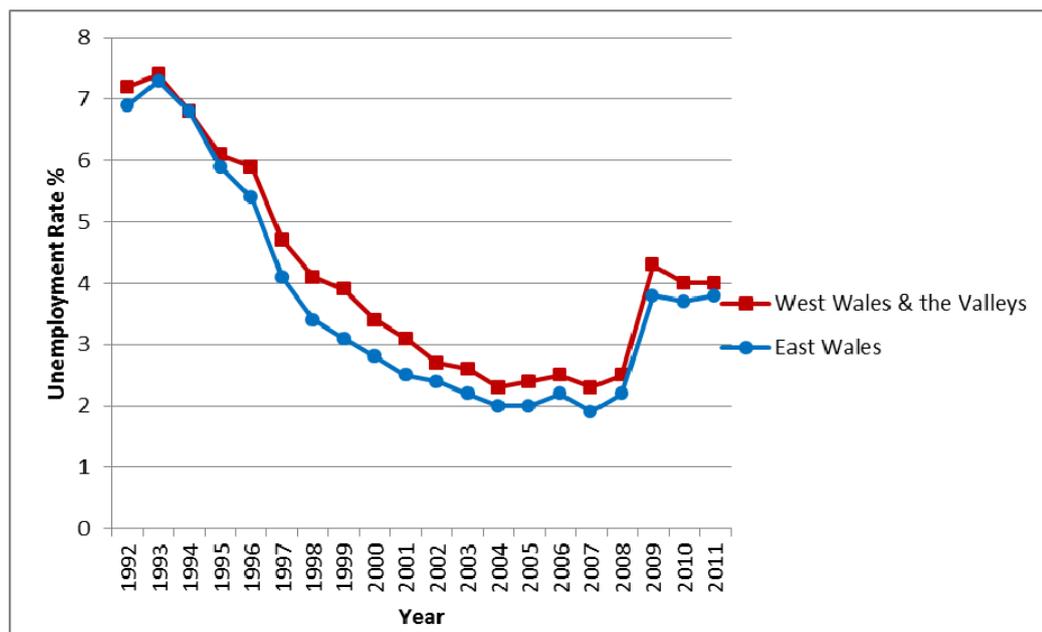
Source: StatsWales, ONS Crown Copyright Reserved

The Key Labour Market Indicators of Recession

A1.7 The main labour market situation associated with recessions is high unemployment, which takes place a little after the initial economic effects of the recession, as employers downsize their workforce numbers to reflect their reducing order or turnover levels. Figure A1.3 shows that Wales did not escape this in the most recent recession.

A1.8 The Figure illustrates how unemployment levels were at an extreme high after the previous recession in the early 1990's, reaching 7.3% in East Wales and 7.4% in West Wales & the Valleys in 1993. In both areas, the unemployment rate then fell, reaching less than 3% by the early 2000's. From then until the most recent recession the unemployment rate remained relatively constant at 2 to 3%. The effects of the most recent recession upon unemployment was not fully felt until 2009, in which year the unemployment rate rose rapidly to around 4 per cent (3.8% in East Wales and 4.3% in West Wales & the Valleys). This rise coincided with the introduction across Wales of the ProAct programme, which sought to help prevent employers from making redundancies and, thus, help prevent unemployment levels rising further. Indeed, unemployment levels then plateaued and have roughly remained at that level since. Therefore, the Skills Growth Wales programme was introduced at a time when the immediate effects of unemployment growth had subsided and, thus, such a programme that focussed less on limiting unemployment growth and more on stimulating the economy seemed appropriate.

Figure A1.3: Annual Claimant Count Rate, 1992 to 2011⁶⁴



Source: JobCentre Plus, StatsWales, ONS Crown Copyright Reserved

⁶⁴ Data are annual averages for each calendar year

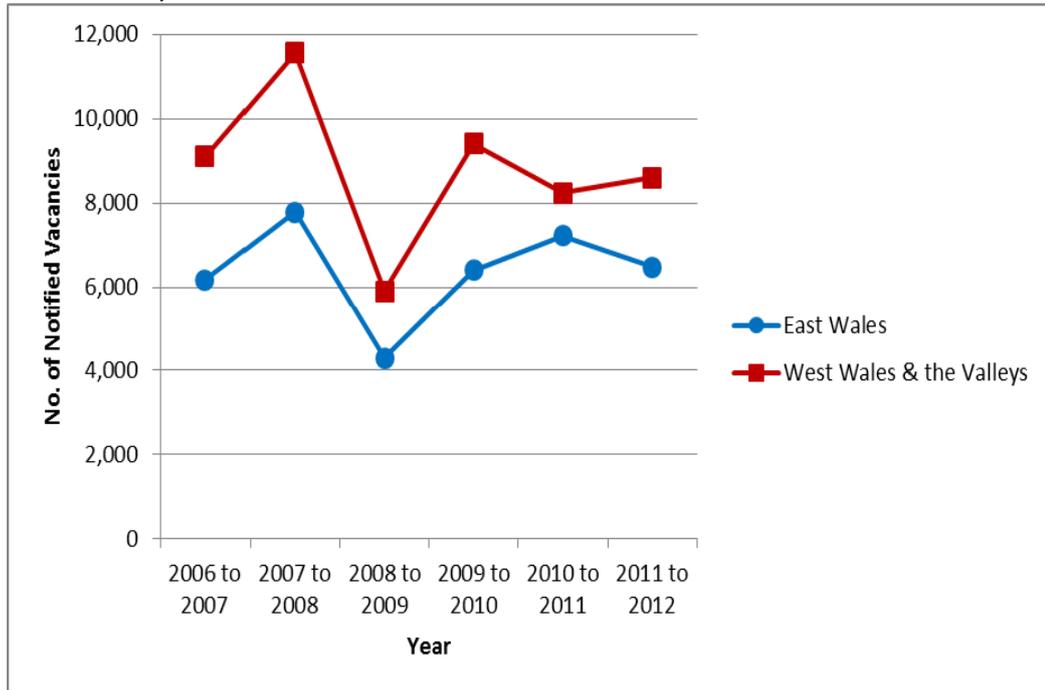
A1.9 Simplistically, a rise in unemployment happens because of:

- increased flows of people from either economic inactivity or employment into unemployment (e.g. if students who finish their studies enter the job market but fail to secure jobs or if employees get made redundant from their jobs as their employers try to reduce labour costs), or
- reduced flows of people into employment, which happens as a consequence of employers reducing the number of vacancies they offer.

A1.10 Figure A1.4 shows how the total number of vacancies notified to Jobcentre Plus in Wales each year from April 2006 to March 2012 has varied. It clearly shows that the number of vacancies notified in both East Wales and West Wales & the Valleys areas fell substantially in the year to March 2009 (by 45% and 49% respectively). This fall reflects how employers restricted their employee recruitment activity during the peak recession period. The Figure also shows that by the following year there was a recovery in notified vacancy numbers in both parts of Wales. This illustrates how employers' confidence and need for new staff returned over that time and, thus, suggests that the Welsh Government's policy change was appropriate.

A1.11 It is also notable from figure A1.4 that although vacancy numbers notified in East Wales have returned broadly to their pre-recession levels, this is not the case in West Wales & the Valleys.

Figure A1.4: Total Notified Vacancies, Annually April to March each Year, 2006 to 2012⁶⁵

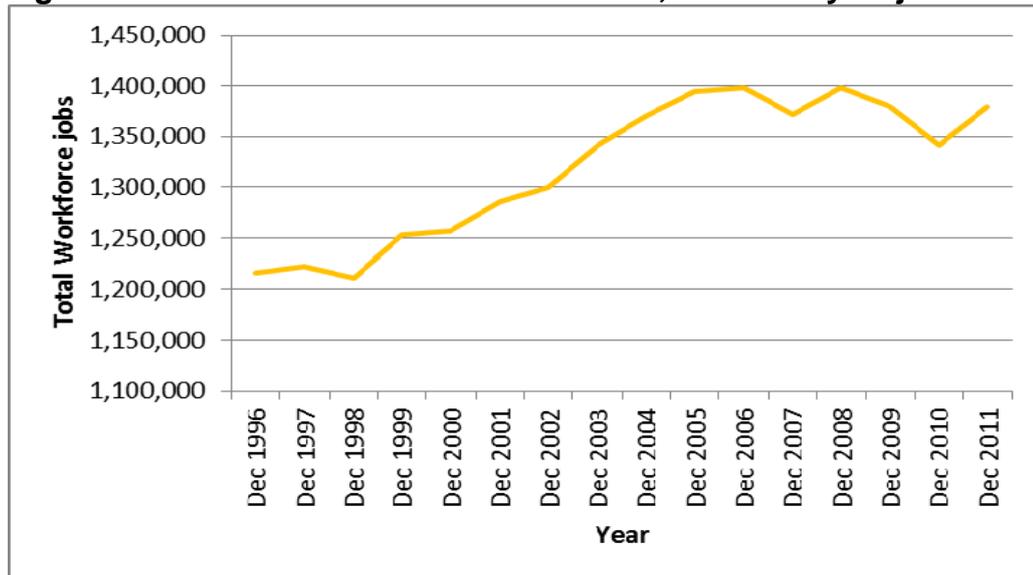


Source: Jobcentre Plus; NOMISWEB, ONS Crown Copyright Reserved

A1.12 Significant changes in unemployment levels and vacancy numbers do tend to be reflected in a change in the overall number of jobs in an area, as employers alter their demand for labour according to the economic situation. Figure A1.5 illustrates this pattern well; it can be seen that during the growth times of the late 1990's and early/mid 2000's Wales experienced sustained job creation. Although this was followed by a fall in the number of workforce jobs in 2007, it recovered again in 2008, before contracting in both 2009 and 2010. This fall reflects the impact of the recession on the job market in Wales and mirrors the fall seen in GDP (Figure A1.1), although with about a year's time lag. Reassuringly, the data for 2011 suggests a recovery in job numbers in Wales, though it is obviously too early to know whether this increase will be sustained.

⁶⁵ Jobcentre vacancies cover only the vacancies notified by employers to Jobcentre Plus and account for around only half of all vacancies as reported by the Office for National Statistics (ONS) Vacancy Survey

Figure A1.5: Wales – Total Workforce Jobs, Seasonally Adjusted⁶⁶



Source: Workforce Jobs, NOMS WEB, ONS Crown Copyright Reserved

A1.13 As we have already seen with GDP figures, changes in the overall number of jobs in Wales conceals varied performance across different sectors.

A1.14 Table A1.1 shows the magnitude of the various industrial sectors in jobs terms and how job numbers have fared in those sectors up to, through and since the economic recession. It can be seen that the “Public administration, defence, education & health” and the “Wholesale, retail, transport, hotels & food” sectors accounted for the largest proportions of jobs in Wales in 2010 (the year in which the Skills Growth Wales programme was introduced), with about 30% and 26% respectively. The production sector (mainly manufacturing) has been in long-term decline in Wales and in the ten years up to the recession was the only sector to have experienced an average annual decline in its workforce until, by 2010, it accounted for about 12% of Wales’ workforce. It is not surprising that actually during the recession most sectors experienced a decline in job numbers; it is notable that the only

⁶⁶ Data are rounded to the nearest 1000

sector to experience an increase in jobs during the recession was the “Other services” sector.

A1.15 The table also shows that there was a recovery in the number of jobs in Wales during 2011 of some 2.8%, but that not all sectors show signs of any recovery. Taking into account the size of the underlying sectors, the sectors with the most notable jobs growth are “Public admin, defence, education & health,” “Wholesale, retail, transport, hotels & food” and “Professional, scientific & technical activities, administrative & support”.

Table A1.1: Wales – Workforce Jobs (Seasonally Adjusted) 1998 - 2011⁶⁷

	Total No. of Workforce Jobs in Year that SGW Programme introduced (2010)	Average Annual % Change in Workforce Jobs		
		In 10 Years up to Recession (1998-2008) %	In 2 years over Recession (2008-2010) %	In Year 2010-2011 %
Agriculture, forestry & fishing	33,000	1.2	-5.4	-3.0
Production	162,000	-2.6	-2.4	1.2
Construction	94,000	2.0	-6.9	1.1
Wholesale, retail, transport, hotels & food	350,000	1.6	-2.4	4.9
Financial & insurance activities	31,000	2.7	-3.0	0.0
Real estate activities	14,000	10.0	-	7.1
Professional, scientific & technical activities, administrative & support	135,000	4.3	-3.1	8.9
Public admin, defence, education & health	408,000	3.2	-2.2	4.7
Other Services	113,000	1.3	9.5	-11.5
TOTAL	1,340,000	1.5	-2.0	2.8

Source: Workforce Jobs, NOMS WEB, ONS Crown Copyright Reserved

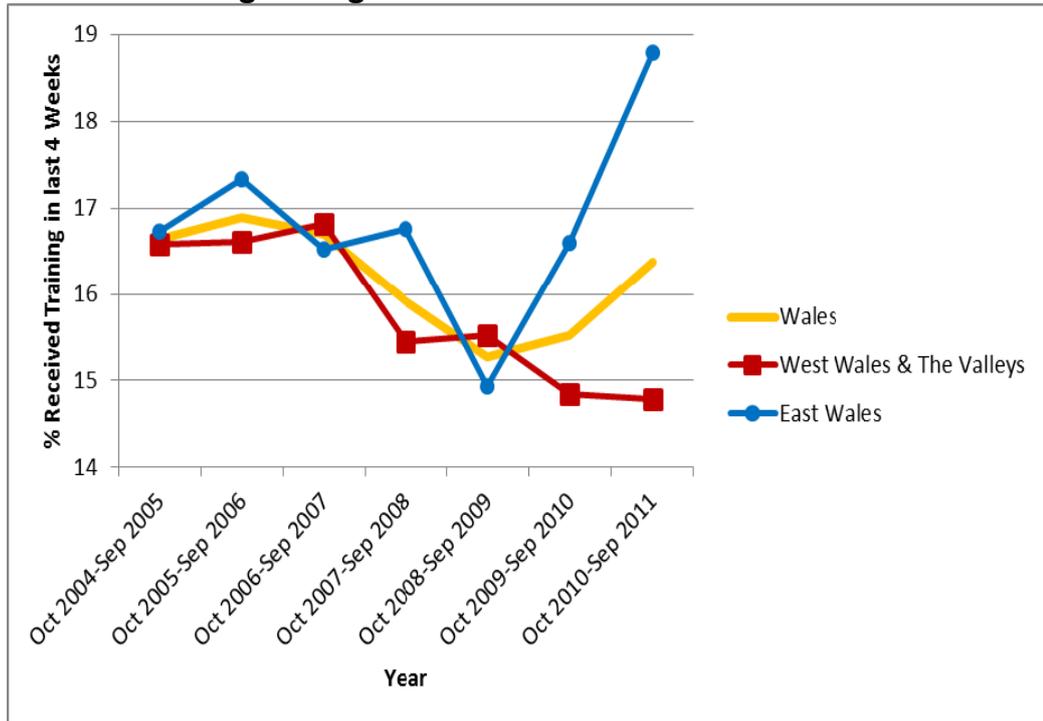
⁶⁷ Data are rounded to the nearest 1000

Trends in Job Related Training

A1.16 The Skills Growth Wales programme provided financial assistance to enable businesses to provide training for their current and new employees. It is widely recognised that training can enable employees to gain new or deeper skills, which, if targeted appropriately, can have beneficial impacts on their businesses, such as enabling the introduction of new working methods or the entering of new markets, improvements in business efficiency, and so on. However, when businesses' finances are tight, they often cut back on the amount of training they provide for their employees.

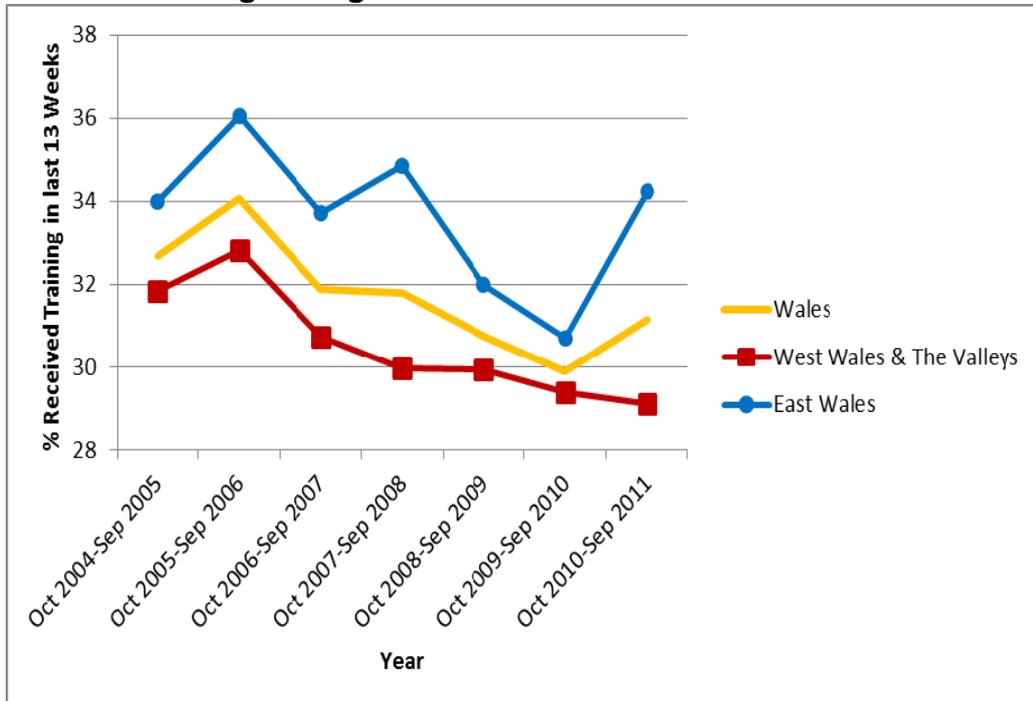
A1.17 Figures A1.6 and A1.7 suggest that there was a dip in the level of participation in job-related training by employees in Wales between late 2008 and late 2010 that coincided with the depth of the recent recession and that since then there has been some recovery in employees' participation in job-related training. Interestingly, the figures also suggest that the all Wales data masks differences between the pictures for different parts of Wales. Generally, participation in job-related training appears to be higher for employees in East Wales than for those in West Wales & the Valleys. Also, in East Wales there appears to have been a dramatic increase in the level of job-related training undertaken in the most recent year for which data is available, even though in West Wales and the Valleys there is no sign yet of any increase.

Figure A1.6: Proportion of all Employees that Participated in Job-Related Training during the Previous 4 Weeks



Source: Annual Population Survey, ONS Crown Copyright Reserved

Figure A1.7: Proportion of all Employees that Participated in Job-Related Training during the Previous 13 Weeks

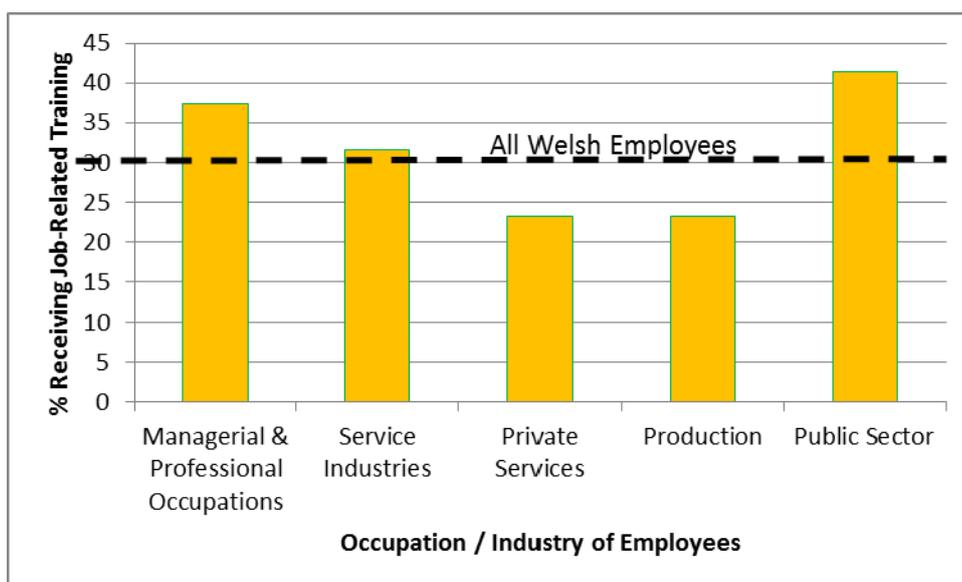


Source: Annual Population Survey, ONS Crown Copyright Reserved

A1.18 It is also interesting to consider how the level of participation in job-related training varies by the type of work or industrial sector of the employee. Figure A1.8 below shows that employees in the public sector are notably more likely to participate in job-related training than are employees working in the private sector, particularly those working in the private services and production sectors. This provides a useful backdrop to an analysis of the Skills Growth Wales programme given that it was only open to private sector businesses and that the majority of businesses that participated in it were manufacturing businesses (i.e. from the wider production sector in which employees have a low propensity to participate in job-related training).

A1.19 Figure A1.8 also shows that employees in managerial and professional occupations are particularly likely to participate in job-related training. Chapter 4 of this study reports that managerial training was one of the more likely types of training supported through the Skills Growth Wales programme, suggesting that this programme reinforced the already relatively high level of participation in training amongst managers in Wales.

Figure A1.8: % of all Employees in Wales aged 16-64 that received job related training in Previous 13 weeks, Oct 2010 – Sept 2011



Source: Annual Population Survey, ONS Crown Copyright Reserved

Structure of Businesses

A1.20 Given that Skills Growth Wales is a programme that was targeted at businesses, it is interesting to consider the structure of businesses that existed in the two parts of Wales at the time that the programme was introduced.

A1.21 Table A1.2 provides a size breakdown of the private sector enterprises that are estimated to have existed in Wales in 2010. It shows that the majority of enterprises are micro and small businesses, with less than 50 employees. However, since the Skills Growth Wales programme was targeted at businesses that had potential to create significant output and employment growth for Wales, it is unlikely that it would have been relevant for that size of business.

Table A1.2: Breakdown of Private Sector Enterprises in Wales by Size, 2010^{68 69}

	No. of Enterprises in Wales	% in East Wales	% in West Wales & the Valleys
All Enterprises	208,140	38.6%	61.4%
Micro (0 – 9 employees)	190,840	38.4%	61.6%
Small (10 – 49 employees)	8,780	39.5%	60.5%
Medium (50 – 249 employees)	2,775	44.0%	56.0%
Large (over 250 employees)	5,770	40.7%	59.3%

Source: StatsWales

A1.22 Table A1.3 below provides a further breakdown of the enterprises with 50 or more employees in Wales in 2010. It can be seen that there were 8,545 enterprises in Wales with 50 or more employees in 2010:

⁶⁸ The size band of the enterprise is based on the number of UK employees (whether full-time or part-time) in the enterprise. This ensures that an enterprise employing 10,000 UK staff but only a handful in Wales is categorised as a large, and not a micro, enterprise.

⁶⁹ Note 2: All enterprise counts have been independently rounded to the nearest 5 so the figures may not add up exactly.

this represents just 4.1% of all enterprises. Also, there was a 42%:58% split of these medium/large businesses between East Wales and West Wales and the Valleys, and this split varies a little by the industrial sector of the business. It also shows that almost half of these businesses were in the ‘wholesale, retail, transport, hotels, food & communication’ sectors and the rest were distributed across the other industrial sectors.

Table A1.3: Industrial Sector Breakdown of the Private Sector Enterprises with 50+ employees in Wales, 2010^{70 71}

	No. of Enterprises across Wales with 50+ employees		% in East Wales	% in West Wales & the Valleys
	No.		% ¹	
Total	8,545	-	41.8%	58.2%
Production	950	11.1	42.6%	57.4%
Construction	340	4.0	44.1%	55.9%
Wholesale, retail, transport, hotels, food & communication	4100	48.0	40.1%	59.9%
Financial and business services	1540	18.0	45.5%	54.5%
Private sector health and education	1145	13.4	41.9%	58.1%

Source: StatsWales

Conclusions about the Economic Climate

A1.23 In the years immediately prior to the Skills Growth Wales programme being introduced, Wales had experienced the economic and labour market challenges typically associated with recessions, including a significant drop in Wales’ gross domestic product, increase in

⁷⁰ The percentages do not total 100% due to rounding.

⁷¹ The size band of the enterprise is based on the number of UK employees (whether full-time or part-time) in the enterprise. This ensures that an enterprise employing 10,000 UK staff but only a handful in Wales is categorised as a large, and not a micro, enterprise.

Note 3: All enterprise counts have been independently rounded to the nearest 5 so the figures may not add up exactly.

unemployment, fall in vacancies and fall in the overall number of jobs across the country. Whilst the recession undoubtedly affected all parts of Wales, it particularly affected some sectors like real estate, construction, manufacturing and professional, scientific & technical activities. Against this backdrop, the Skills Growth Wales programme was designed and introduced with the specific aim of stimulating Wales' private sector into growth.

A1.24 Recent data do provide some evidence of economic recovery, particularly for East Wales. Given that the Skills Growth Wales programme supported business training in an attempt, amongst other things, to support their employment growth, it is notable that there is evidence of an increase in job numbers and participation in training across Wales. However, we cannot forget that there are wider factors that will challenge any sustained and speedy growth within Wales, like the on-going cuts in UK public sector spending and the continued financial problems within the Eurozone.