

Wales Report  
September 2011

# Review of Employment and Skills



# Foreword

Bringing together employment and skills policies has been a long standing and fundamental objective in Wales. Devolution has been used to tailor skills and economic policies to enhance sustainable employment outcomes and create opportunities to progress, but it is clear that Wales needs to go further.

This self assessment report brings the direct voice of frontline delivery in Wales. When reflecting on the progress that has been made, it is clear efforts to enhance outcomes by integrating employment and skills services are still too grounded in two separate systems which are overly complex. Collaboration occurs in spite of the system rather than being directly supported by it.

I believe this report is well timed as the Welsh Government reviews how to ensure Wales maximises the benefit from the overall investment of individuals, employers, social enterprises and public funding in employment support and skills provision. This report presents a clear focus where all stakeholders in Wales, not just policy makers, can take action to improve the impact and cost effectiveness of employment and skills services.

Collaboration across Government supports Wales to achieve outcomes and potential that would not be possible alone. The social and economic challenges to the Welsh economy are best tackled together – for example the continuing challenge of addressing basic skills deficiencies in our working age population are not best addressed by adult employment and skills provision alone but by a comprehensive and joined up approach.

This report forms part of a wider consultation that the UK Commission for Employment and Skills has conducted across Great Britain. I welcome the recommendations of this work in Wales and look forward to working with the Welsh Government on how best to take these, together with those outlined in the UK wide report, forward together.



**Julie A Kenny CBE DL**

UK Commission for Employment and Skills Commissioner

# Contents

<b>Foreword</b> .....	<b>3</b>
<b>Contents</b> .....	<b>4</b>
<b>1 Introduction</b> .....	<b>5</b>
<b>2 Key Messages of the UK wide Review</b> .....	<b>7</b>
<b>3 Wales context</b> .....	<b>9</b>
<b>4 Summary Self-assessment</b> .....	<b>14</b>
<b>5 The Self-assessment Report</b> .....	<b>18</b>
5.1 Agile .....	18
5.2 Ambitious .....	21
5.3 Affordable.....	24
5.4 Accountable .....	27
5.5 Aligned .....	29

# 1 Introduction

## The Review

The UK Commission for Employment and Skills has been charged to report on what more needs to be done by Governments in Great Britain to ensure employment and skills services are meeting the needs of the modern labour market. This involves identifying how local employment and skills services together can have the greatest impact on customer outcomes and the delivery of the new policy agenda. The Review has its foundation in the Leitch Report published in December 2006 which recommended the establishment of a “new integrated employment and skills service to help people meet the challenges of the modern labour market” and for the UK Commission to report on the changes required to deliver an integrated service.

The Review aims, in line with this remit and scope, to answer 2 questions:

**How much progress has been made in England, Scotland and Wales towards integrating employment and skills?**

**What more needs to be done in each nation to create employment and skills services that mutually support customers, that is; employers and individuals?**

The Review provides an opportunity to achieve more for less across the employment and skills system. In the context of a tighter fiscal spending environment this Review is both relevant and timely. In a changing political landscape we must consider what more needs to be done by governments at both a national and local level to ensure that existing local employment and skills services are mutually supportive and geared toward the twin objectives of sustained employment with progression for individuals, and increased productivity and profitability for businesses.

The three main strands of work of the Review are:

### Local Fieldwork:

A particular strength of the Review is the input from key stakeholders including employers, private and voluntary sector providers, colleges and universities and local authorities representing the whole employment and skills system at a local level to identify what more needs to be done. Fieldwork was conducted in nine locations across England, Scotland and Wales.

### National Engagement:

National agencies and policy makers explore how employment and skills are mutually supported at a national level. It is informed by the local fieldwork and involves stakeholders from across the whole system that works at a national level, and was conducted in England, Scotland and Wales separately.

### Online consultation:

The Review had a dedicated micro-site linked from the UK Commission website. Its purpose is to allow the widest group of stakeholders to participate in and stay up to date with progress. Summary and preparatory notes were published online creating transparency in the way we conducted the Review. We used the site to post the most up to date news and articles as they affect the employment and skills system.

### **The Self Assessment Report**

This completed self assessment report summarises the findings from the local fieldwork conducted in Wales. Two working sessions were held on the 15th September and 19th October 2010.

The self assessment was conducted against the 2010 Review assessment framework and 5 headline success criteria:

**Agile:** To respond to the needs of individuals, communities and employers.

**Ambitious:** In its aspirations for employers and individuals as customers.

**Affordable:** For Government in all economic conditions.

**Accountable:** To its users as customers.

**Aligned:** Goals, behaviours and resources.

## 2 Key Messages of the UK wide review

*The messages from the Wales self assessment represent the views of working session participants. The UKCES review team have taken these messages, along with the outputs of Reviews in Scotland and England, and developed them into broader UK message as set out below. In order to have the greatest impact on the employment and skills systems in Wales, it will be important to view the UK wide recommendations alongside the Wales Review findings and in this context, Welsh Government, in partnership with key stakeholders, can explore ways of developing actions to deliver a more joined up, coherent package of support for customers.*

The employment and skills systems need to work together to support individuals into employment with the skills to progress and, in turn, to provide the skills employers demand. Within this context our work focuses on where joint working adds real value. Throughout the Review we've sought to stand back and identify where there is the opportunity to work together to achieve better results. Our recommendations are built on the experiences of local stakeholders, based upon examples of services working together to mutually benefit the employer and individual.

Greater freedom and autonomy for the delivery of welfare services and increasing constraints on the availability of public funding provide an opportunity for local partners, employers and individuals to consider how to work together more effectively to maximise the outcomes from the employment and skills systems. This will also improve the prospect of accelerating support to individuals to avoid them moving into long-term unemployment and requiring specialist employability support.

The actions and ideas proposed are not prescriptive but are ways of working that stakeholders can take forward to achieve better outcomes by contributing to:

- **Enhancing employer engagement** – improving the capability of local partners to engage with employers (particularly SMEs) and therefore increasing the number of individuals moving into work with the opportunity to progress.
- **Providing greater clarity** – making roles and responsibilities within the employment and skills landscape easier to understand and therefore easier for all to engage with.
- **Achieving better for less** – securing positive cost benefits by either accelerating improved performance or securing better outcomes for public investment.
- **Collective responsibility** – acknowledging that outcomes are not the responsibility of central government alone but of all local partners, individuals and employers.
- **Equality** – promoting fairer and more equal employment and skills systems with greater accessibility for all.

The actions from our UK wide review to maximise outcomes are to improve the delivery of services in four areas:

## 1. COHERENT INFORMATION

Coherent information to increase awareness of the needs of both individuals and employers to improve outcomes and participation rates in provision.

- Share customer information across services to improve the understanding of the needs of individuals in order to provide a seamless journey and better tailoring of services.
- Develop a clearer understanding of employer demand at a local level in order to respond effectively to current and future business needs.
- Use performance information as a catalyst to empower individuals, employers and communities to hold local partners to account, enabling informed decision making and driving performance improvement.

## 2. COLLABORATION BETWEEN PARTNERS

Collaboration between partners through fair and inclusive partnership arrangements that align the goals and resources of local employment and skills systems.

- Reshape existing partnership arrangements to become more inclusive in order to have greater influence and impact.
- Identify and work towards common goals that achieve sustainable employment and progression in work. Enabled by an approach that trusts providers and aims to increase their flexibility to collaborate with a wider group of partners operating locally.
- Support collaborative approaches by aligning incentives for providers and financial planning cycles.

## 3. CUSTOMER FOCUS

Customer focus that gives communities a voice to influence and engage with tackling local priorities effectively. Involving individuals and employers directly in design and delivery of provision allows services to be tailored more effectively.

- Understand how to increase customer involvement in design and delivery of employment and skills services.
- Explore ways of working that create opportunities for customers and practitioners to design personalised solutions together.
- Evaluate performance from the perspective of the customer and the needs of the local community.

## 4. PROGRESSION

Once the above enablers are in place then progression in work should be the focus and ultimate collective goal of the employment and skills systems to support individuals to move out of low-paid work.

- Define 'progression in work' and measure current levels of progression in the labour market.
- Adopt a high-level universal commitment to sustainable employment and progression.
- Explore a 'career clusters' approach to support individual progression at a local level. By understanding local sectors that may support progression and working with employers to understand the structure of jobs, job requirements and advancement pathways.

# 3 Wales Context

## Economic Context

Wales has a population of some 2.9 million<sup>1</sup> and a workforce of just over 1.4 million<sup>2</sup> people. Table 1 below shows how total employment in Wales is spread on a sector basis and highlights key changes in employment distribution in the period between 2008 and 2010.

**Table 1: Recent employment changes - Wales**

	<b>Apr 2008-Mar 2009</b>	<b>Jul 2009-June 2010</b>	<b>% change</b>
Primary	27,900	27,400	-1.8
Energy & water	24,800	30,200	21.8
Manufacturing	161,400	132,900	-17.7
Construction	123,700	107,700	-12.9
Distribution & retail etc.	244,300	245,100	0.3
Transport & Communications	91,600	78,600	-14.2
Financial & business services	132,400	149,900	13.2
Non-market services	440,800	453,400	2.9
Other services	68,100	68,500	0.6
Total	1,315,000	1,293,700	-1.6

Source: Annual Population Survey, NOMISWEB

It is clear that in terms of employment losses the manufacturing, transport and communications and construction sectors have seen the largest losses during the recession. Until recently non-market services (the public sector) have provided something of a shield through the worst effects of the downturn.

Wales has an employment structure weighted towards non-market services, with relatively (compared to other UK regions) high numbers of jobs in sectors such as public administration and health (an estimated 343,000 in public sector employment in 2010). Indeed information from the ONS suggests that in the first quarter of 2010, it was only Northern Ireland of the UK regions that had a higher proportion of its workforce employed

<sup>1</sup> Source: Stats Wales based on Census 2001 data.

<sup>2</sup> 1,403,000 as at December. Source: Quarterly labour market data, Wales, seasonally adjusted. Stats Wales.

(30.5%) in the public sector than Wales (27.5%). However, these levels of employment within the public sector in Wales are not expected to be sustainable with public spending cuts already resulting in redundancies. This raises concerns about the ability of the Welsh economy to recover and grow from 2011 onwards.

The period 2008 to 2010 is expected to have seen the Welsh economy growing at a slower rate than the UK as a whole. Provisional data from the ONS shows that in 2009, Welsh GVA per capita was some 74.3% of the UK average. While this represented a very small improvement on 2008 (74.1%), Wales is now well adrift of most UK regions on this measure. Table 2 shows that Wales has fallen to last place in 1999 and 2009, with the gap between Wales and the UK widening for each year shown.

**Table 2: GVA Per head Indices<sup>3</sup>, UK = 100.**

	1989	1999	2009 <sup>4</sup>
North East	83.4	78.1	78.2
North West	91.3	88.2	86.4
Yorkshire and the Humber	89.5	87.3	82.9
East Midlands	94.9	90.2	86.8
West Midlands	91.8	90.8	84.0
East of England	95.3	94.0	93.1
London	156.9	160.7	171.2
South East	100.2	106.8	104.7
South West	91.9	92.0	91.2
Wales	84.3	77.3	74.3
Scotland	96.0	94.5	98.8
Northern Ireland	73.1	79.4	79.1

Source: Derived from Regional Accounts, Office for National Statistics

The most recently available labour market indicators suggest that in the final quarter of 2010, there were 122,000 unemployed people in Wales<sup>5</sup>. This represents an unemployment rate of 8.7% which was higher than the equivalent figures for both Scotland and Northern Ireland<sup>6</sup>.

<sup>3</sup> GVA per head indices at current basic prices on a workplace basis, based on a weighted 5-year moving average.

<sup>4</sup> 2009 estimates are provisional. Source: ONS, December 2010.

<sup>5</sup> Based on the Government's preferred measure from the Labour Force Survey (LFS).

<sup>6</sup> Source: Stats Wales. Unemployment rates for the same quarter for Scotland were 6.8% and Northern Ireland 5.4%

Table 3 below shows that the number of JSA<sup>7</sup> claimants also rose sharply between January 2008 to January 2010, though this had reduced somewhat by January 2011.

**Table 3: Monthly seasonally adjusted claimant count data by UK country/English region**

Date	Jan-99	Jan-01	Jan-09	Jan-10	Jan-11
Area					
United Kingdom	1309700	1008600	1246300	1616800	1459700
England	1050400	804100	1038700	1342500	1189600
North East	82600	66200	72200	87300	80000
North West	159500	127400	159900	200700	177000
Yorkshire and the Humber	129500	99900	122700	159800	144700
East Midlands	79000	66600	87900	112800	96900
West Midlands	122600	104000	143600	180200	157200
East	80300	57200	92600	121500	107000
London	214500	158200	170400	227300	215200
South East	101200	69700	115900	158400	130200
South West	81200	54900	73500	94500	81400
Wales	67800	54900	65000	79800	71300 <sup>8</sup>
Scotland	135600	108800	103600	139000	139700
Northern Ireland	55900	40800	39000	55500	59100

Source: Stats Wales

In terms of skills challenges, it is widely acknowledged that Wales “continues to have a major problem with basic skills”<sup>9</sup>. Underachievement in terms of education and skills was brought into sharp focus by the findings of the OECD’s PISA<sup>10</sup> Report for 2009 on the achievement of 15 year olds in Wales. This report found that the mean score for reading and mathematics in Wales was below the OECD average. At the same time, and in line with international trends, there is evidence that the pool of low skilled jobs is shrinking, while higher skills are a prerequisite for a larger share of jobs within the labour market: 12 of the

<sup>7</sup> Job Seekers Allowance.

<sup>8</sup> This is a provisional figure from the Jobcentre Plus Administrative System.

<sup>9</sup> A Wales that Works. The 2009 Annual Report of the Wales Employment and Skills Board. Page 18.

<sup>10</sup> Programme for International Student Assessment (PISA) organised by the Organisation for Economic Co-operation and Development (OECD). Published in December 2010.

20 fastest growing occupations in Wales (between 2001-09) require a predominant qualification equivalent to NVQ Level 4 and above while 17 of the 20 fastest declining occupations for the same period require a predominant qualification of NVQ Level 2 or below<sup>11</sup>. While this might suggest that Wales needs to ensure a stronger supply of highly skilled people into the workforce, there is also evidence of some under-utilisation of skills along with under-employment (affecting perhaps some 200,000 people).<sup>12</sup>

## Policy Context

The self-assessment presented in this report reflects activity that took place under the previous Welsh Government administration. Since then, in May 2011, a new Labour government formed in Wales and has set out a new programme for government. The high level policy context for skills and employment is set by the *Standing Up For Wales* manifesto<sup>13</sup>, which outlines the current Welsh Government's vision that "Economic recovery requires action to build a fairer, sustainable future, and jobs and the economy must be the over-riding priority in the next Assembly term." The manifesto confirms the Governmental commitment to "developing skills [being] central to making Wales a highly attractive place to live, invest, employ and grow."<sup>14</sup>

In June 2010, the Welsh Government published its **Economic Renewal Programme** (ERP). The ERP prioritises six key sectors where, "with better targeted intervention, Wales can gain competitive advantage and benefit from growing markets". The six priority sectors were:

- Information, communications, technology (ICT)
- Energy and environment
- Advanced materials and manufacturing
- Creative industries
- Life sciences
- Financial and professional services

Welsh Government sector skills strategies are critical to drive forward the ambition to improve economic growth and also raise skill levels in economically important sectors in Wales.

The Welsh Government remains committed to better integrating employment and skills support in Wales outlining the intention to "work closely with the Department of Work and Pensions (DWP) and Jobcentre Plus to help young people and adults into jobs...we have a shared ambition for better planning and integration of employment, skills and other programmes".<sup>15</sup>

Of course, in addition to these Wales specific policies, employment is a non-devolved area and, as such, key policy developments at a UK level, including most notably the DWP's

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<sup>11</sup> Source: Skills for Jobs: Today and Tomorrow, The National Strategic Skills Audit for Wales 2011. UK Commission for Employment and Skills.

<sup>12</sup> Ibid.

<sup>13</sup> Standing up for Wales, Welsh Labour Manifesto 2011

<sup>14</sup> Ibid. Pp. 17

<sup>15</sup> Economic Renewal, a new direction, July 2010, Page 29.

plans to reform the benefit system, building on its White Paper **Universal Credit: welfare that works**, and the recently introduced Welfare Reform Bill<sup>16</sup> are of key interest to Wales.

2011 has already been an important year for Wales with a referendum being held in March meaning that the National Assembly can now make its own laws in the policy areas where it already has powers, including skills and economic development.

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<sup>16</sup> Introduced to Parliament on 16<sup>th</sup> February 2011.

# 4 Summary Self-assessment

The findings in this report are based on the experiences of those closest to the design and delivery of services. In two-day long facilitated working sessions, conducted in October 2010, participants explored the progress that had been made in Wales towards integrating employment and skills systems with the objective of identifying what more needs to be done to improve services. Findings in this report capture the views and experiences of stakeholders from a range of organisations involved in the employment and skills system in Wales. However, they should not be taken as representative of the wider system; rather, they bring a range of perspectives and recommendations for consideration.

## Views of participants

### **Current Position**

Devolution has enabled the development of tailored, Wales-specific, skills and economic development policies. However, the employment and skills systems which have evolved in Wales are often complicated, and the fact that one system (skills) is devolved and the other (employment) is not, adds a layer of planning and operational complexity. These inherent complexities further add to the disincentives for unemployed and inactive individuals to move into employment which derive from the current welfare to work system. These disincentives continue to distort the employment and skills systems in Wales as they do in other parts of the UK, and perpetuate long-standing attitudinal barriers rather than help the two systems to tackle them.

There is also a sense that the employment system lacks a sense of ownership in Wales at the highest level. The result is a disjointed and, at times, confusing interface with employers and users.

There are some positive examples of integration between the employment and skills systems in Wales. Progress is being made but these are often localised and depend on goodwill rather than being systemic in nature.

The on-going challenge of raising basic skills levels in Wales puts significant additional pressure on the employment and skills systems where it is felt that too much of the post-16 focus has to be on undertaking remedial measures and making up for lost ground.

### **Strengths**

There is clear strategic intent in Wales to improve integration. Having a combined skills and employment strategy and action plan (Skills that Work for Wales) was a strength in this respect. Work has also begun on understanding the employer perspective and a Joint Employment Delivery Board (involving the Welsh Government and Department for Work and Pensions) is overseeing a Joint Operational Plan for Wales.

Wales also has a number of key structural strengths, including the Credit and Qualifications Framework for Wales (CQFW), the availability of EU Funding, the Wales Employment and Skills Board (WESB) and an all age Careers Information, Advice and Guidance model.

Current moves to rationalise the further and higher education infrastructure in Wales is also a potential strength though the emphasis now is on ensuring that policies and ideas are put into practice in what are very challenging financial circumstances.

Moreover, there are also positive policy developments such as the Transformation Agenda, the Learning and Skills Measure and the Review of Post-16 Planning and Funding.

### **Areas for improvement**

The roles and responsibilities of key stakeholders are not clearly understood and there is a lack of clarity as to where the strategic leadership and Ministerial responsibility for employment and its links with the skills system lies within the Welsh Government.

There is a perception that, in terms of the employment and skills systems Wales is arguably information rich, but intelligence poor. Those who deliver services and projects collect copious amounts of data and information about the labour market and their customers. A great deal of effort and time is also spent in trying to predict the future needs of employers. But this is done in cumbersome and often piecemeal ways. Participants perceive that systems and departments do not talk to each other or share data consistently or effectively enough and this needs to change if integration is a genuine goal and user friendliness is to be improved.

There is also a need to become more outcomes focused in the way that services and projects are commissioned and paid for. There is currently too much of a focus on quantity and measuring outputs rather than quality and the longer term prospects of service users, particularly when it comes to job retention.

### **Summary of recommendations to further integration:**

- The Welsh Government should make clearer where overall responsibility for co-ordinating better alignment between the employment and skills systems in Wales lies, including the recognised routes for advice and influence, and communicate these to stakeholders. This is essential if meaningful progress is to be made against the integration agenda.
- All Welsh Government departments who spend money on skills should have a level of accountability to the Minister with responsibility for Skills and Employment matters.
- The Welsh Government should take steps to bring greater clarity with regards to accountability for Wales within the UK system (particularly for employment within the Department for Work and Pensions), both at a political level and within the civil service.
- There needs to be a more collaborative approach to the delivery of employment and skills provision across Welsh Government Departments with the emphasis being on clarifying how support measures mesh with each other. This needs to lead to closer alignment between services and initiatives and involve more co-commissioning (between Welsh Government Departments and with UK Government Departments) and more consultation with providers to understand what works on the ground.

- A greater focus on outcomes is needed to raise ambition within the employment and skills systems in Wales. This needs to focus on longer-term job retention and progression as well as on tracking individuals after they find jobs.
- The customer experience, particularly from an employer perspective, needs to be simplified and improved. A common code of practice for providers of employment services, based on an account-managed approach needs to be introduced to help underpin and improve the employer - provider relationship in Wales.
- The Welsh Government needs to re-double its efforts to tackle the basic skills deficit in Wales within the education, employment and skills systems, so that in future generations pressures brought on by the need to undertake remedial action (post 16) are reduced.
- The Welsh Government needs to tackle risk aversion within the skills and employment systems and needs to “harness” good practice in terms of working cultures and practices from across the private and third sectors to improve ambition.
- It is important that those involved with the employment and skills systems in Wales are not tempted to retract from collaborative working arrangements for the sake of short-term efficiency savings. Pressing forward with collaborative working arrangements in the face of potentially severe cuts will require clear political leadership from the Welsh Government and the Department for Work and Pensions.
- There is an urgent need for a clearer, shared understanding of how the overall costs and returns on investment (ROI) in the context of employment and skills systems is calculated (at a macro level) so that this better informs decision making, prioritisation and resource allocation. This will require the Welsh Government and agencies such as the Welsh European Funding Office (WEFO) to build in ROI assessment mechanisms at planning and development stages which include consideration cross cutting themes (environmental sustainability and equal opportunities) and broader social impacts (such as health and crime reduction).
- The Welsh Government and others need to do a better job of disseminating labour market information and data, so that this can be turned into intelligence by a broader range of stakeholders. This should include making improvement in how the Welsh Government communicates Labour Market Information. Labour market intelligence also needs to be used to better inform planning of future employment and skills provision.
- The Welsh Government needs to clarify its plans for a post-16 fees policy in Wales (building on the Investing in Skills consultation as appropriate) and to act decisively in implementing these plans so that elements of the fees policy are not left open to interpretation or undermined in any way.
- For any future European Structural Fund Programmes in Wales, there needs to be tighter alignment of projects with Welsh Government and Department for Work and Pensions strategies with a focus on generating clear additionality. In particular, the approach to Strategic Frameworks in providing guidance to sponsors on how

European funded projects should align with policy and other forms of service delivery needs to be strengthened.

- Improved employer engagement techniques which promote a joint investment approach to skills and training need to be adopted by organisations who seek support from employers in shaping the skills agenda in Wales.
- In light of proposals by the Department for Work and Pensions to simplify the welfare to work system with a single, universal credit, the Welsh Government and WEFO should review current skills and employment programmes including ESF funded projects to ensure alignment and additionality.

# 5 The Self Assessment Report

## 5.1 Agile

### Views of participants

#### Current Position

Devolution has given Wales the opportunity to develop tailored skills and economic policies which have helped improve responsiveness to macro-economic conditions such as the recent downturn. Yet after a decade of devolution agility is not a term commonly associated with the way in which the employment (non-devolved) and skills systems (devolved) operate and interact in Wales.

The strategic intent to work towards more integrated systems is clearly laid out by the Welsh Government in Skills that Work for Wales<sup>17</sup> and at an operational level, this is reflected in the actions of many institutions and service providers on the ground. However, the current reality is that the two systems are overly-complicated and operate in a cumbersome provision landscape. As a result, employers do not have a clear idea of the large number of different skills and employment programmes available or of how the two systems operate<sup>18</sup>.

There are very positive but relatively isolated examples of organisations working together in an agile way. However, this often seems to be in spite of, rather than because of, the employment and skills systems. The agility of the two systems in Wales therefore depends largely on self-initiated, often localised collaborative working arrangements rather than a whole system approach, meaning that the customer experience (both employers and individuals) is all too often patchy and inconsistent.

#### Strengths

Mainstream programmes, such as the Workforce Development Programme (WDP) led by the Welsh Government are well established. They have strong and experienced provider networks with good track records in understanding the needs of, and delivering high quality services to their customers.

The availability of European Structural Fund Programmes in Wales over the past decade has enabled new and innovative approaches spanning the employment and skills systems and tailored to the specific circumstances of Wales to be trialled and, where successful, mainstreamed.

#### Areas for improvement

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<sup>17</sup> Skills that Work for Wales. A Skills and Employment Strategy and Action Plan. July 2008. (Page 9)

<sup>18</sup> Supported by the findings of research conducted by the Wales Employment and Skills Board. Employment Programmes in Wales: Barriers to Success and Best Practice from an Employer Perspective. May 2009. (Page ii)

The devolved/non-devolved nature of the skills and employment systems adds an additional layer of administrative complexity in Wales. Work is ongoing to try to improve the way in which the two systems co-exist but there is much more to do, and progress in relation to integration requires stronger political and strategic leadership from the Welsh Government. This will need to involve more emphasis on well informed decision making and collaborative thinking.

There is also a need to simplify and “strip out” bureaucracy within implementation arrangements and to adopt more flexible and efficient solutions to labour market information, turning this into intelligence on future employer needs. In doing so, it will also be very important not to lose sight of the needs of individual learners.

While there is clear logic in focusing elements of Welsh Government business support on certain priority sectors outlined in the Economic Renewal Programme<sup>19</sup>, it is important that, from a skills perspective, a broader approach is maintained. This means a continued emphasis within policies, funding streams and support programmes across the employment and skills systems on tackling the basic skills deficit, improving generic ‘employability’ skills (such as customer care skills and team-working) and concentrating on creating a step change in leadership and management skills. There is also a need to ensure that the policy focus remains firmly on the employability of individuals, is demand led, and is on greater utilisation of skills by employers rather than on building an inventory of qualifications.

Commissioning arrangements can lead to a lack of flexibility in employment and skills programmes in Wales. This can stifle agility in the system and gives providers and institutions in Wales less room to innovate in how they respond to the needs of local communities, employers and individuals. This is compounded by different working cultures and practices across the public, private and third sectors.

### **Recommendations to further integration**

In order to achieve better alignment between services, the Minister for Education and Skills must ensure that collaborative planning arrangements are in place across Welsh Government Departments.

There also needs to be greater clarity in terms of how support measures mesh with each other. This needs to lead to closer alignment between services and initiatives and involve more co-commissioning (between Welsh Government Departments and with UK Government Departments) and more consultation with providers to understand what works on the ground.

*The devolved/non-devolved nature of the skills and employment systems adds an additional layer of administrative complexity in Wales. Work is on-going to try to improve the way in which the two systems co-exist...*

The **Skills Health Check** pilot project is an example of the Welsh Government, Jobcentre Plus and Careers Wales working together to integrate employment and skills services at a delivery level. One

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<sup>19</sup> Economic Renewal: A New Direction. Welsh Assembly Government, July 2010. The six priority sectors identified for the Welsh economy are: ICT, Energy and Environment, Advanced Materials and Manufacturing, Creative Industries, Life Sciences and Financial and Professional Services. Page 37.

element of the pilot project has focused on the co-location of Jobcentre Plus and Careers Wales services to improve up-take of skills development and careers advice.

Tom, 21, had been unemployed for nearly two years when he first attended the Jobcentre. He left school with only entry level qualifications and an OCN in Car Mechanics.

After completing a Skills Health Check carried out by Careers Wales at the Jobcentre, Tom identified an interest in the construction trades. The SHC identified that Tom needed to strengthen his basic skills but confirmed that his practical skills were a key strength and this boosted his confidence and desire to learn a trade. With assistance from his Careers Wales adviser, Tom decided to study full-time for two years whilst looking for an employer to gain a full NVQ Level 2.

## 5.2 Ambitious

### Views of participants

#### **Current Position**

Ambition within the employment and skills systems in Wales is constrained by the basic skills deficit which blights the lives of so many, particularly young people. This puts both systems in Wales under considerable pressure, with a great deal of energy and resource having to be channelled to what is essentially remedial action in order to get the cohort of young people not in employment, education or training (NEETs) in Wales ready for, and into work.

This poverty of ambition is exacerbated by disincentives in the current welfare to work system which mean that people in Wales, as in other parts of the UK, continue to feel that they are better off on benefits than they are being in work<sup>20</sup>. This means that the current welfare to work arrangements sometimes entrench deep attitudinal barriers (established in some communities over a number of generations) rather than support the employment and skills systems to tackle them.

There is evidence to suggest that some employers in Wales do not have a particularly clear idea of the large number of different skills and employment programmes available and resent their time being wasted by being sent individuals who they do not believe want to work<sup>21</sup>. There is also a sense that (in planning and process terms) the employment and skills systems in Wales may be too risk averse. In part, this may be driven by contrasting cultural styles and working practices across the private, public and third sectors and impedes better levels of connectivity amongst organisations delivering skills and employment services.

#### **Strengths**

During the recession, key stakeholders in Wales pulled together in a collaborative way and, steered by the work of the Economic Summits, put in place a series of tailored measures to tackle the downturn. The ProAct scheme is a very good example of key partners (including employers, government, social partners and providers) responding to a particular situation, working together in an ambitious way to develop practical solutions spanning both the employment and skills systems. The Wales Efficiency and Innovation Board has also outlined plans to ensure £200 million of efficiency savings by 2013, much of which will have to be delivered through increased collaboration.

The Credit and Qualifications Framework for Wales (CQFW) which provides a system for valuing different qualifications in a consistent and standardised way is a key strength in Wales. The Wales Employment and Skills Board (WESB) established to advise Welsh Government Ministers on how skills, employment and business support systems might be

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<sup>20</sup> The sessions in Wales took place before the Department for Work and Pensions' White Paper "Universal Credit: welfare that works" was published on 11<sup>th</sup> November 2010.

<sup>21</sup> Evidence Base: Employment Programmes in Wales. Barriers to Success and Best Practice from an Employer Perspective. Wales Employment and Skills Board. May 2009. Page ii.

improved to meet the needs of employers and individuals in Wales is also considered to be a key strength in challenging Government and raising levels of ambition.

The quality of training and employment services in Wales has also improved over recent years and the revised ESTYN inspection framework, while still very new, is seen by many as being a key strength in Wales. However, more needs to be done in ensuring that quality becomes less concerned with recording outputs and is more about analysing the customer journey and the longer-term outcomes and impacts of services.

Other strengths in Wales include improvements in leadership and management skills with the creation of Leadership and Management Wales<sup>22</sup>, the exploration of High Performance Working (HPW) practices and the fact that many colleges have developed and refined effective mentoring and learner retention initiatives which are working well. The Careers Ladders Wales framework which aims to link an integrated skills for employment service with welfare-to-work programmes<sup>23</sup> is also viewed by some as a potential strength in Wales which could be further developed.

### **Areas for improvement**

There is a perceived disconnect between training provision and employer demand which can manifest itself in an over-supply of skills that employers simply do not want or need. This may be as a result of inaccurate labour market intelligence used to inform planning and decision making, though it may also be a symptom of a skills system overly focused on quantity rather than quality by the mechanisms from which it is funded.

Ambition needs to be raised by ensuring better screening of candidates sent to employers for interviews, while employers themselves also need to be encouraged to make better utilisation of the skills of their employees.

### **Recommendations to further integration**

A greater focus on outcomes is needed to raise ambition within the employment and skills systems in Wales. This needs to replace the current obsession with measuring processes and outputs so that longer-term job retention is rewarded more clearly within the commissioning and payment frameworks between Governments and providers. More also needs to be done to monitor and track the journeys of individuals after they find jobs so that the reasons for “dropping out” are more clearly understood and can be tackled pro-actively within quality assurance measures. The limited time-frames of some employment support projects and programmes limit the extent to which longer-term tracking can take place and as such, more common mechanisms to gather and disseminate data need to be developed where possible.

The customer experience, particularly from an employer perspective, needs to be simplified and improved. A common code of practice for providers of employment based services, based on an account-managed approach, needs to be introduced to help underpin and improve the employer - provider relationship in Wales.

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<sup>22</sup> See: [www.lmw.org.uk](http://www.lmw.org.uk)

<sup>23</sup> Skills that Work for Wales: A Skills and Employment Strategy and Action Plan. (Page 5)

The Welsh Government needs to re-double its efforts to tackle the basic skills deficit in Wales within the education, employment and skills systems, so that in future generations, pressures brought on by the need to undertake remedial action (post 16) are reduced.

The Welsh Government needs to tackle risk aversion within the skills and employment systems and needs to “harness” good practice in terms of working cultures and practices from across the private and third sectors to improve ambition.

***The ProAct scheme is a very good example of key partners working together in an ambitious way to develop practical solutions spanning both the employment and skills systems.***

A North Wales plant hire business that found itself in a particularly vulnerable position during the recession managed to widen its client base after up-skilling staff. AH Plant Hire Ltd director Andrew Heaton said they had just invested half a million pounds in new equipment as part of a four year rolling programme when the recession began to bite. It meant many of their clients had to cancel or postpone construction projects with a subsequent drop in demand for plant. It was, he said, a tough time but support from the Welsh Assembly Government’s ProAct scheme enabled them to avoid making any redundancies and helped them through the recession.

The company was forced to put staff on a four-day week and was seriously considering making redundancies when they received funding through **ProAct** to up-skill their workforce. This funding, coupled with marketing support to develop their website, provided a lifeline that enabled the company to carry on trading through the recession.

“It meant we could train our employees on a wide range of hire equipment so we could offer a more extensive service to our customers and as a result we have actually increased and broadened our client base,” said Andrew.

“The training not only helped our business but improved morale and provided job security. The website helped drive new businesses and the company is now in much better shape because of the action taken.

“We would almost certainly have had to lay off people had we not had this support, we will be investing further in our workforce and are now considering taking on a young apprentice”.

## 5.3 Affordable

### Views of participants

#### Current Position

The overall costs of implementing the employment and skills systems in Wales are not clear or well understood. The disjointed nature of responsibilities (devolved and non-devolved) add to the difficulty of generating a comprehensive macro-level cost overview. This is also true in the context of assessing and understanding the extent to which the employment and skills systems provide a return on investment (ROI) for public funds since there is no commonly applied formula or methodology for its assessment. Funding mechanisms are also often based on historical arrangements in Wales which, in many instances, make quantifying costs and ROI much more complicated exercises than they should be.

The complexity of the employment and skills systems means inevitable concerns exist about duplication. The affordability of the employment and skills systems is also affected by the need to address basic skills shortfalls in Wales and to make up for perceived failings in the education system at pre 16 level.

#### Strengths

The Welsh Government is actively pursuing policies, including the Transformation Agenda, underpinned by the Learning and Skills Measure (Wales)<sup>24</sup> and the Investing in Skills agenda<sup>25</sup> (which outlines proposals in relation to a new fees policy for Wales) which should help provide some clarity around the challenges of affordability, particularly in the skills context.

The merger of the former ELWa<sup>26</sup> into the Welsh Government has had a positive impact on minimising duplication and managing overall costs associated with the employment and skills systems in Wales. The Welsh Government has also commissioned a review of the delivery models and associated costs of apprenticeship frameworks **to inform funding rates under the National Planning and Funding System (NPFS) from August 2011.**

#### Areas for improvement

While the significant amount of EU Structural Funding available to Wales over the past decade has enabled the development of new and innovative Wales-specific approaches to skills and employment problems, there are opportunities to better align the work of ESF projects and to analyse at a more macro-level overall costs and ROI. Data generated by employment and skills programmes is often focused on process and output measures which restrict its usefulness in assessing longer term impact and value for money. As a result, commissioners of employment and skills services in Wales are good at knowing how much they have to spend but are less clear about the outcomes they want to achieve.

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<sup>24</sup> See: <http://wales.gov.uk/about/cabinet/cabinetstatements/2008/legstatementlearning/?lang=en>

<sup>25</sup> Investing in Skills, Sector Priorities Funding, Fees Policy and Financial Support for Learners. A consultation by the Welsh Assembly Government. January 2010. See:

<http://wales.gov.uk/docs/dcells/consultation/091023investinginskillsen.pdf>

<sup>26</sup> The former National Council for Education and Training for Wales.

A key part of the affordability agenda going forward will be the need to ensure increased levels of employer buy-in to training, with employers making a greater financial contribution towards the cost of training their staff. The implications of the Welsh Government's plans concerning fees are yet to become fully clear, though it will be important that organisations involved in employer engagement play a key, outward facing role in helping to implement this policy. It will also be vital that the Welsh Government does not undermine its own fees policy by offering to subsidise training from other departments or programmes if the overarching policy being driven by the Minister for Education and Skills to move towards increased employer contributions.

## Recommendations

It is important that, in a climate of significant public sector spending constraint, those involved with the employment and skills systems in Wales are not tempted to retract from collaborative working arrangements for the sake of short term efficiency savings. This could be a counter-productive and potentially retrograde step to further integration and larger scale, longer-term efficiencies. Pressing forward with collaborative working arrangements in the face of potentially severe cuts will require clear political leadership from the Welsh Government and the Department for Work and Pensions. The Joint Employment Delivery Board for Wales will also have an important role to play in driving forward and monitoring the Joint Operational Plan for Wales which outlines as one of its objectives *“achieving far greater alignment, simplification, efficiency, and integration of employment, skills and other programmes”*.<sup>27</sup>

There is an urgent need for a clearer, shared understanding of how the overall costs and ROI in the context of employment and skills systems is calculated (at a macro level) so that this better informs decision making, prioritisation and resource allocation. This needs to involve the Welsh Government and agencies such as WEFO building in ROI assessment mechanisms at planning and development stages. Any assessment of ROI should also consider the impact of investment on the cross cutting themes of environmental sustainability and equal opportunities as well as broader social impacts such as health and crime reduction.

Better use of data and labour market intelligence needs to be made by Government and key stakeholders in Wales in planning future employment and skills provision. A large amount of data and information is already produced by organisations and projects. This needs to be shared, disseminated and utilised more efficiently and effectively so that clearer assessments in respect of affordability and ROI can be made.

The Welsh Government needs to clarify its proposals for a proposed fees policy in Wales (as commented on in the Investing in Skills consultation) and to act decisively in implementing these plans so that elements of the fees policy are not left open to interpretation or undermined in any way.

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<sup>27</sup> See: <http://wales.gov.uk/about/cabinet/cabinetstatements/2010/100427jop/?lang=en>

*...the significant amount of EU Structural Funding available to Wales over the past decade has enabled the development of new and innovative, Wales-specific approaches to skills and employment problems...*

Established in 1992 to expand the role of women in the Welsh economy, Chwarae Teg (Fair Play) has raised awareness not only of women's contribution to the economy but also of the barriers that persist in the realisation of this.

**Chwarae Teg** currently operates the flagship **Agile Nation** project, jointly funded by European Social Fund and Welsh Assembly Government in the Convergence areas of Wales. The project provides a holistic approach to career progression and aims to support nearly 3,000 women into employment and further learning. The Agile Nation project incorporates an enhanced programme to promote equality and diversity, including sustainable/flexible work practices to employers with a focus on remote working through greater take up of ICT. Other strands include close collaboration with Sector Skills Councils, especially in sectors where women are under-represented. The project will also go some way to address some of the under-lying issues contributing to the gender pay gap.

## 5.4 Accountable

### Views of participants

#### Current Position

Accountability in the context of the employment and skills systems in Wales is fragmented. This is leading to a sense of confusion amongst providers and customers and results in duplication in some areas while gaps in service provision persist in others.

The numerous funding sources behind employment and skills initiatives in Wales are not conducive to a fully accountable structure. The current arrangements promote silo working, a focus on hitting output targets rather than achieving outcomes, and can even result in competition between providers. These factors are halting progress towards a more integrated approach in Wales.

Customers do not feel that the employment and skills systems are particularly accountable to them since the feedback they are asked for is often restricted to one particular stage or intervention along their journey. This means that the bigger picture is often lost. Moreover, there are concerns that some Sector Skills Councils in Wales lack sufficient capacity to undertake the depth of employer engagement activities needed to fully reflect the priorities of employers in their sectors.

Employers also vent their frustration that Work Based Learning (WBL) programmes in Wales have been overly-focused on delivery in colleges and on accreditation of prior learning. This has resulted in calls for more work place focused training and delivery that fits around existing working patterns.

#### Strengths

Plans by the Welsh Government to move towards a more modular, “bite size chunk” approach to learning<sup>28</sup> have been welcomed by many employers and stakeholders. This demonstrates an important ability by the Welsh Government to take a transparent approach to policy development by responding to employer concerns.

Wales is also well equipped with large amounts of data and information gathered by service providers and projects within the employment and skills systems. However, information isn't always turned into intelligence and systems are not always compatible, particularly across employment and skills provision and this reduces the scope for accountability and good decision making.

#### Areas for improvement

The roles and responsibilities of various stakeholders do not seem to be clearly understood and there is a lack of clarity as to where the strategic leadership for employment and its links with the skills system lies within the Welsh Government.

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<sup>28</sup> The plans were outlined in the Welsh Assembly Government's Consultation document Investing in Skills. Sector Priorities Funding, Fees Policy and Financial Support for Learners.

Despite significant amounts of data and information on skills and the labour market being produced, there remain concerns regarding quality, accuracy, fitness for purpose of resulting intelligence and crucially the extent to which dissemination is effective enough. This needs to be tackled to improve levels of accountability in decision making. There are also concerns that Sector Skills Councils are insufficiently resourced to undertake Wales specific LMI below a national level and this needs to be addressed going forward.

## **Recommendations**

Greater clarity with regards to accountability for Wales within the UK system (particularly within the Department for Work and Pensions) at a political level and within the civil service is also needed.

The Welsh Government needs to do a better job of disseminating labour market information and data, so that this can be used as intelligence by a broader range of stakeholders for example either by making key improvements to how Labour Market Information is communicated.

***...an important ability by the Welsh Government to take a transparent approach to policy development by responding to employer concerns.***

The **ReAct** programme is designed to complement and supplement the service offered to redundant workers by Jobcentre Plus and Careers Wales. ReAct is part-funded by the European Social Fund and aims to address the needs of people who have been made redundant, or are under notice of redundancy, through a series of measures designed to remove barriers to obtaining new employment. ReAct targets four key areas where assistance may be required in order for a redundant worker to gain new employment. Two are aimed at providing prospective employers with incentives and assistance to employ a redundant worker, whilst two are aimed at updating the skills of a redundant worker and removing any barriers to training and employment.

## 5.5 Aligned

### Views of participants

#### **Current Position**

Despite some progress the employment and skills systems are not currently well aligned in Wales. This is true at Ministerial, policy development, strategic planning and operational levels and the fact that the skills system is devolved and the employment system is not adds an additional layer of complexity to the problem, making integration an even greater challenge.

The plethora of initiatives and projects in existence across both systems mean that operational structures and resources are not particularly well aligned and some employers are confused and disengaged from a system that they perceive as overly bureaucratic and complex<sup>29</sup>.

#### **Strengths**

There are examples of good partnerships and networks (such as the City Strategy Partnerships in Rhyl and the Heads of the Valleys) where, on a localised basis, progress is being made in aligning employment and skills services on the ground.

Moves to rationalise the Higher and Further Education infrastructure in Wales should help the process of simplifying operational structures and ease alignment. There is also a renewed commitment to collaborative working across the public sector which should act as an enabler to better alignment and make institutions more responsive and accountable to their localities.

There is strong political will for better alignment of the employment and skills systems in Wales and this is embedded in Skills that Work for Wales. However, a lack of clear strategic leadership on employment within the Welsh Government and often disjointed departmental structures do little to encourage or stimulate operational alignment.

#### **Areas for Improvement**

Where examples of positive alignment do exist, these are often localised and depend on the goodwill of a small number of individuals rather than being systemic. This needs to be changed if integration on a broader scale, as envisaged in Skills that Work for Wales, is to be achieved.

Closer alignment between services, programmes and projects needs to be achieved in Wales. In particular, Strategic Frameworks adopted by the Welsh European Funding Office (WEFO)<sup>30</sup> to help inform the design of European funded projects operating in the skills and employment area should be strengthened to achieve better alignment and reduce the risk of potential duplication in service delivery. The alignment of skills and particularly employment

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<sup>29</sup> A major problem highlighted by employers was the general confusion about types of programmes and the perceived duplication of many providers and Jobcentre Plus (although in some cases this might be the result of misunderstanding). Employment Programmes in Wales: Barriers to Success and Best Practice from an Employer Perspective. May 2009 (Page 37).

<sup>30</sup> Source: <http://wefo.wales.gov.uk/applyingforfunding/submitting/strategicframeworks/?lang=en>

focused European funded projects with the emerging plans of the Department for Work and Pensions in relation to welfare to work reforms will also need careful consideration.

Attempts at creating various “route maps” to help navigate stakeholders and customers through the confusion within the employment and skills systems are seen as a temporary fix when in reality, more wholesale reform and rationalisation is needed.

While collaborative working has increased, the impacts of such practices across the employment and skills systems in Wales need to be measured and evaluated more rigorously to help understand the benefits and improve decision making.

Work is already taking place to promote entrepreneurship skills within the education system in Wales. However, better integration and pathways are needed so that schools, colleges and universities can provide better opportunities for learners to move into self-employment<sup>31</sup>.

## **Recommendations**

For any future European Structural Fund Programmes in Wales, there needs to be tighter alignment of projects with Welsh Government and Department for Work and Pensions’ strategies. In particular, the approach to Strategic Frameworks in providing guidance to sponsors on how their projects should align with policy and other forms of service delivery needs to be strengthened.

Improved employer engagement techniques which promote a joint investment approach to skills and training need to be adopted by organisations who seek support from employers in shaping the skills agenda in Wales. More effective mechanisms to make better, more effective use of data and labour market information would also enable better alignment of services and improve decision making.

In light of proposals by the Department for Work and Pensions to simplify the welfare to work system with a single, universal credit, the Welsh Government and WEFO should review current skills and employment programmes including ESF funded projects to ensure alignment and additionality.

***There are examples of good partnerships and networks...where, on a localised basis progress is being made in aligning employment and skills services on the ground.***

**Rhyl City Strategy** is one of 15 UK Pathfinders in a Department for Work and Pensions initiative to tackle economic inactivity and worklessness in the most disadvantaged areas of the UK. In Rhyl, the programme is managed by a Community Interest Company which involves senior representatives from key statutory, voluntary and business organisations working together. Partners include Denbighshire County Council, the Welsh Government, Llandrillo College Rhyl, Wales Probation Trust, North Wales Police, Careers Wales, Jobcentre Plus, Arriva Wales, Rhyl Youth Action Group, Wales Council for Voluntary Action and Denbighshire Voluntary Services Council.

The CIC enables partners from the statutory, business and third sectors to participate on equal terms,

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<sup>31</sup> This reflects one of a series of recommendations relating to enterprise education recently made by the International Entrepreneurship Education Educators Conference (IEEC). See: <http://www.ieec.co.uk/images/stories/ieec/2010/concordat/ieec2010%20concordat.pdf>

with all members having shared ownership of the processes, responsibilities and outcomes.

Since 2007, Rhyl City Strategy has developed a range of local programmes and activities, complementing and adding value to existing provision aimed at helping people back into work, placing emphasis on engaging with those individuals most at risk of social exclusion. Over 1,500 unemployed people from the Rhyl area have engaged in these programmes, improving their chances of employment by building confidence and self-esteem, improving basic skills, developing work-related skills and gaining industry-recognised qualifications. To date, over 400 people have been supported into employment through Rhyl City Strategy initiatives.

The UK Commission for Employment and Skills is a social partnership, led by Commissioners from large and small employers, trade unions and the voluntary sector. Our mission is to raise skill levels to help drive enterprise, create more and better jobs and economic growth.

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