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Evaluation of Skills Growth Wales

Executive Summary

1. Introduction

1.1 ICF Consulting in association with Arad Research were appointed to undertake an independent final evaluation of the Skills Growth Wales (SGW) programme. The work was undertaken between January and August 2015. The aim of the study was to assess whether the SGW programme has met its objectives.

1.2 The study had the following objectives:

- Understand how SGW was implemented and assess its performance against the expected inputs, outputs and outcomes of the programme
- Assess the impact of SGW's inputs and activities on employers; learners and providers;
- Assess the added value of the impact;
- Assess the relative performance of the programme and its value for money;
- Provide lessons for improving the design and delivery of future projects; and
- Identify its contribution to the Welsh Government's objectives to increase Welsh language skills in the workforce.

1.3 The study aimed to focus on the achievements of activities delivered between April 2012 and March 2015 under the "SGW Extension" project. Primary data on programme activities undertaken prior to April 2012 were captured by previous evaluations but are considered in this study's analysis.

- The evaluation included the following research activities:
- Review of programme management information and documents;
- Review of existing literature on evaluations of similar programmes;

- Qualitative interviews with Welsh Government delivery staff (3), Workforce Development Advisors (WDAs) (15), training providers (20), stakeholders (6);
- Telephone surveys with employers (54 interviews) and learners/employees (510 interviews);
- Case study visits to eight employers; and
- Analysis and reporting.

2. Background

- 2.1 SGW was a financial support package for employers funded through the European Social Fund (ESF) 2007-2013 Competitiveness and Convergence Programmes for Wales. It was administered by the Welsh Government. It comprised ProAct and SGW (Phase 1 and Extension).
- 2.2 ProAct was launched in January 2009 and closed to applications in June 2010. It was initially targeted at the automotive sector but later extended to other key sectors, being available to businesses which had introduced short time working in the recession and facing the threat of redundancies. It offered a subsidy of up to £2,000 per worker towards training costs and a wage subsidy of up to £2,000 (at a rate of £50 a day) per worker while the subsidised training was undertaken (for a period of up to 12 months).
- 2.3 SGW (initially also referred to as “ProAct – SGW”) was launched in April 2010. It ran in parallel to ProAct until June 2010. The first phase of SGW was closed to applications in March 2011. SGW was designed to be “a financial support package designed to help Welsh companies grow by funding high level or new technology skills training”. It provided a funding contribution of between 60 and 80 per cent (depending on company size) of eligible training costs, up to a maximum of £3,000 per worker, averaged across all the employees receiving training.
- 2.4 SGW Extension was opened to applications in March 2012 and closed in March 2014, with all delivery of training expected to be completed by April 2015. The aim of SGW Extension was to “assist companies who plan to expand their workforce and require financial assistance to undertake training to make this possible”. The rationale of the intervention was to eliminate barriers faced by employers in investing in training needed to address skills gaps that would prevent achievement of their growth plans.
- 2.5 SGW Extension provided training up to an average cost of £2,500 per worker in a participating company. Companies had to be committed to: a growth target which the training would help to deliver; increasing or bringing forward training; providing accredited or industry recognised training; and training focusing on leadership and management, business efficiency, and upskilling workforce skills. It was open to companies of all sizes/sectors but with a greater focus on SMEs than its predecessor.

3. SGW Programme achievements and Cross-Cutting Themes

- 3.1 The SGW programme as a whole (including ProAct) was successful in assisting 527 employers, higher than the target of 500. It was also successful in training 30,835 employees, higher than forecast (27,037). A total of 16,419 employees achieved qualifications, also higher than anticipated (15,982).
- 3.2 SGW Extension provided £12 million of funding to 158 employers for training to 14,682 learners. This was considerably less funding spent than planned (£22 million) and 21 per cent fewer employers (target, 200) , but 22 per cent more learners (target, 12,000).
- 3.3 In SGW Extension the greatest number of companies participating were in the manufacturing sector (37 per cent) followed by IT/financial services (25 per cent). Around four in five of the companies were SMEs (79 per cent), although as might be expected they only account for 55 per cent of the funding spent.
- 3.4 For SGW Extension, applications approved expected large companies to provide just over half of the learners (51 per cent), with 10 per cent of learners from companies with 50 or fewer employees. Larger employers were expected (according to approved plans) to spend a lower average amount on training than small ones (£700 compared to £991) and to create only one job for every 3.6 employees trained, compared to one for every 1.8 employees trained in small companies.
- 3.5 In relation to the Equal Opportunities Cross-Cutting Theme, SGW did not help businesses to produce or improve an equality and diversity strategy as was intended. Instead it was a condition of the grant that companies applying had a policy in place. Targets and ambitions for over half the learners on the programme to be female and to engage more women in management, and to raise the skills of Black and Minority Ethnic (BME) employees were not realised. Only 22 per cent of learners were female, which may be broadly representative of the workforces in the sectors of participating businesses.
- 3.6 In relation to the Environmental Sustainability Cross-Cutting Theme, there is limited evidence suggest that the programme met objectives of encouraging businesses to undertake environmental impact assessments and providing employees with training in specialist environmental skills. A fifth of companies surveyed (on SGW Extension) recalled WDA advice on environmental sustainability. Training to increase resource efficiency and reduce carbon footprints undertaken in a few businesses was funded by the programme.

4. Reflections on the delivery model

- 4.1 The SGW Extension was not openly advertised and promoted through Business Wales and other channels; businesses were introduced through existing contacts through the Workforce Development Programme (WDP), the Department for Economy, Science and Transport (EST), sector networks and existing Welsh Government links to companies of identified economic or regional importance

operating in Wales. Compared to the first phase of SGW, more introductions were made by the WDP Workforce Development Advisors (WDAs) and far fewer from EST. Interviewees indicate that while this approach prevented over-recruiting businesses to express an interest, it could have been too low profile to reach out to potential high growth employers in all parts of Wales who were not well-networked or recipients of other business support.

- 4.2 Some but not all WDAs were active in considering SGW as a support for business success and growth; some of these felt that the administrative requirements meant that they could only engage businesses which could cope with these and could benefit from training they could not otherwise afford. A few WDAs may have been deterred by the fees they were paid.
- 4.3 WDA advice and support was generally highly valued by employers who needed it. Large employers generally had less need. Most of the companies surveyed had help with the Business Case and Training Plan submissions needed to gain approval, with more than half having help with Learning and Development Plans (LDPs) and arranging training providers. Interviewees reported that because of their complexity, more time had to be given by them to the Business Case and Training Plans. Most could have produced an LDP without the support of the WDA.
- 4.4 Employers were constrained by the processes and rules of the programme (12 month deadline, specified training without variation, named employees, and delays in approval, especially in 2014/15). Employers and WDAs reported that these did not fit well with changes to business needs and the availability of employees for training. Businesses were generally not able to meet the targets agreed in Training Plans and some paid for training themselves as a consequence.
- 4.5 Some stakeholders and WDAs interviewed felt that not requiring a contribution from employers to training costs (which were in excess of £50,000 in many cases) may have encouraged some companies to apply without strong ambitions to increase turnover/jobs, because they did not have to weigh up the cost benefits.

5. Views on training

- 5.1 There was generally a high level of satisfaction with the training, with around three-quarters of employers fairly or highly satisfied (with the relevance, content, quality) and over 90 per cent of learners agreeing it was relevant, well organised and high quality. Businesses and training providers interviewed generally understood the value of accredited training. A few felt that it was a constraint where training was very new and had not yet been reflected in vocational qualifications.
- 5.2 Most employers welcomed the choice of training providers to meet their needs, but seeking quotes was not possible where the training was only available from a single provider. Training providers and WDAs reported that obtaining quotes was not always practical where training had to be customised to fit employers' needs.
- 5.3 From the employers surveyed there was no difference in the quality of private and public training providers' responsiveness. Employers in Mid and West Wales were reported by interviewees to have experienced more difficulties in sourcing training.

- 5.4 Welsh medium and Welsh language training was not actively promoted but was available to employers, though few employers requested it.

6. Outcomes

- 6.1 SGW training resulted in employees improving their knowledge and skills as well as learning new things that were relevant to their jobs, as reported in interviews with employers and learners in surveys and case study visits. Training had positive effects on learners' job satisfaction and work productivity, as indicated by survey and case study findings. Learners identified that more training opportunities were available at their workplace since their employers' participation in SGW. Training resulted in improved career prospects for more than two-thirds of learners surveyed. This manifested in job promotions and pay rises for around a fifth of employees.
- 6.2 Learners who had a choice about attending training (i.e. where participation was voluntary, not obligatory) were more likely to report gains in knowledge and skills and productivity improvements than those learners who did not have a choice. The difference was statistically significant. Learners in ICT, financial and professional services were more likely to report positive outcomes of training than employees in other sectors.
- 6.3 Almost all employers reported having a better skilled workforce because of participation in SGW. Training also benefitted employers by reducing the number of skills shortages and gaps and improving the productivity and flexibility of their workforce. Employers generally reported a positive impact from participating in the programme on improving awareness of training needs (45 out of 54) and better focusing of training resources (33 out of 54).
- 6.4 Most employers reported positive impacts of the training on their business. Around three-quarters reported improved quality of products and services and ability to meet customer needs; around two-thirds reported making cost savings and increasing sales; and over half reported introducing new products and winning new contracts. Without SGW, just over half of employers would have delivered similar training but over a longer period, while just under a half would have delivered shorter or cheaper training as an alternative.

7. Economic impacts for employers

- 7.1 Job growth in SGW was mostly driven by smaller employers (though the sample size does not allow for statistical testing). Nearly two-thirds of employers who created jobs were SMEs. 24 out of 44 employers who responded to this question in our survey did not create any full-time jobs as a result of SGW. Among the 20 employers who did create jobs, most created fewer than five jobs, though on average 7.1 full-time jobs and 0.7 part-time jobs were created.

- 7.2 Turnover grew for just under half of the participating employers. Turnover growth also appears to have been greater in smaller companies. Two-thirds of SMEs reported turnover increases, compared to one-third of larger businesses.
- 7.3 As such, it is estimated that SGW Extension companies created an estimated 3,300 jobs since participating in the programme. However, only 1,400 of these jobs can be attributed the companies' participation in SGW Extension (i.e. are additional to what would have happened without SGW Extension). This is lower than the target of 2,000.
- 7.4 SGW Extension is estimated to have created Gross Value Added (GVA) of around £49.1m to the Welsh economy as a result of increases in turnover (best estimate). The sensitivity analysis suggests additional impact from turnover is approximately in the range of £15.1m GVA to £116.4m GVA. The sensitivity analysis suggests that SGW has created in the range of 700 to 2,800 jobs (£26 to £109.2 million GVA).
- 7.5 SGW Extension is estimated to have delivered around £5 in GVA for every £1 of public (ESF and Welsh Government) spending on the project. When private costs are included (employers paying wages of learners), the estimated return on investment is approximately £3 in GVA for every £1 spent. This indicates there may be a higher return compared to other training programmes.
- 7.6 The cost per job created is £13,000 in private, public and ESF contributions. This is relatively expensive compared to other programmes reviewed.

8. Programme's delivery and achievements compare to other similar programmes

- 8.1 Evidence from **other publicly-funded employment-training programmes** indicates that SGW:
- Experienced similar challenges around administrative burdens, which could have reduced the achievement of outcomes;
 - Encountered similar challenges in ensuring that employers set realistic targets for volumes of employees to be trained and delivered these in the timeframe;
 - Reported similar findings around the additionality of employer-led programmes where employers may use training subsidies to deliver what was planned in the absence of the intervention and thus limiting the added value of the programme; and
 - May not have considered and catered for the specific needs of small businesses, nor for those employers which are not engaged in well-known networks or have pre-existing relationships with the Welsh Government and various business support intermediaries.
- 8.2 Evidence from **other high growth support programmes** indicates that SGW:
- Demonstrates comparable results in terms of programme impacts with greater additionality reported on turnover and business benefits and lower

additionality on employment outcomes;

- Included a more limited service offer and offered less intensive and targeted support than the most effective programmes; and
- Unlike successful programmes elsewhere, did not include opportunities for partnerships, networking and cohesion with other Welsh and UK Government initiatives which are included in successful programmes elsewhere.

Lessons for future programmes

8.3 The evaluation of SGW indicates that the following should be considered when designing **programmes that provide financial support to employers directly for workforce development:**

- Programme design should reflect the rationale for a public intervention which is to address employer underinvestment in training and eliminate skills gaps;
- Programme objectives, targets and metrics should therefore include outcomes in relation to investment in training and achieving business benefits related to this - sales, profit, productivity - and impact on turnover in the longer term – rather than employment growth; and
- As evidence in SGW, advice and support can ensure that businesses are better able to invest in training effectively.

8.4 The SGW evaluation also suggests that the following should be considered when **designing programmes that are expected to support growth:**

- Programme design should reflect the rationale that it is small businesses that are most likely to create jobs and that large businesses are most likely to increase productivity and job survival. Programmes are generally focused on specific groups of businesses with different needs and solutions; and
- Although training can be a component of support, high growth programmes focused on small employers, for example, require business advice and support which enables the implementation of plans (coaching, mentoring, peer support, and networking), not just their development of the plan.

8.5 And that when **implementing programmes that provide funding to employers and include an intermediary, they should:**

- Establish and sustain links to other programmes which can be mutually supportive;
- Map relationships to other targets and impacts and build these into referral processes and support mechanisms to businesses;
- Train the intermediaries, closely monitor their performance and sustain relationships through further briefing;
- Ensure payments to intermediaries reflect the cost benefits of their support towards achieving targets. Adjust these if experience suggests they are not

well matched and ensure there is flexibility in what support businesses are offered;

- Provide clear information to businesses at the point of application with a straightforward account of administrative requirements and scheme regulations; and
- Promote flexibilities and systems to businesses to reduce the paperwork burden.

8.6 For programmes **to support equalities, sustainability and Welsh language aims**, they should:

- Determine the key aspects of the programme which could affect a change in outcomes
- Integrate these aspects throughout the delivery to well-defined outcomes and targets.

8.7 **And that to evaluate their impact, they should:**

- Design the programme to enable a comparative group of employers who are not taking part in the programme to be identified. This could be through restricting a programme to a defined area or through random allocation of different levels of support; and
- Ensure adequate privacy wording is in place so that data collected can be shared with evaluators for analysis and so evaluators are able to send invitations to participate in research.

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Full Research Report: Evaluation of Skills Growth Wales

<http://gov.wales/statistics-and-research/evaluation-skills-growth-wales/?lang=en>

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

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Mae'r ddogfen yma hefyd ar gael yn Gymraeg.

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