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## Introduction

The Wales Employment and Skills Board was created in May 2008 to advise Government on employment and skills policies, with a particular remit to articulate the employer perspective. Skills, like education, are to be valued for their own sake, not merely as means to economic success. Skills are a source of self-fulfillment and pride and they are the bedrock of high quality service to others whether delivered through public, voluntary, or private providers. But skills are also an increasingly vital passport to employment for individuals and to economic survival for high income nations. Given the challenges facing our economy, it is to this equation that we must devote our attention in this report.

In this our first Annual Report, we will touch only lightly on the work we have done in our first few months. Rather, we will focus on our view of where we are as a nation and on a small number of recommendations to Government reflecting what we see as the core - the irreducible minimum requirements - of a way forward. We outline them here and expand upon them in later sections.

## The Challenges Before Us

Wales has a history of innovative - even ground breaking - achievement in pioneering aspects of the skills and employment agenda: in promoting literacy (through the early Sunday schools movement), in cutting edge technology (in the Industrial Revolution) and in freely available learning and education (worker supported Grammar Schools, miners' libraries and the people's University College of Wales). This should remind us that it is within our capabilities as a small creative nation to lead the world, not just to play-catch up with more successful economies.

Devolution placed only a limited amount of control over economic policy in the hands of the Welsh Assembly Government (WAG), but in the last decade much has been achieved in terms of increasing employment and improving our skills base by using devolved powers within the context of what was, until recently, a stable UK economic climate. Modest optimism about the future was not out of place.

The recession is a grievous blow. Vigorous attempts to minimise the damage to our economy will be needed - and are already being taken through the Government's Economic Summits, which we strongly support - if Wales is even to suffer no worse than other parts of the UK.

But such an outcome cannot be the height of our ambition. The aim must be to emerge from the recession on a much stronger upward trend than before. Despite all the hard work that was put in, the economy had been seriously under-performing that of the UK for decades: it was performing at a level that cannot and must not be seen as acceptable. A fundamental transformation is needed if the Government's economic objectives are to be achieved.

A transformation of the economy is also essential if any of our social goals are to be reached: a weak economy (whether nationally or in a sub region) condemns too many citizens to poverty, loss of independence and low morale - and thereby to the very social ills we seek to combat.

## Our Messages to Government

An ambitious employment and skills strategy is an essential component of the necessary transformation. But an employment and skills strategy, no matter how excellent, cannot itself drive economic success: there is no point in stockpiling skills and qualifications if they are not needed and used in the economy. And crucial as the public and voluntary sectors are, a powerful private sector is essential if we are to create far more jobs and raise standards of living. *Our first and over-riding message* to Government is therefore a simple one.

**We recommend that the Government adopt as its overarching goal the transformation of the economy, with a central focus on fostering, retaining and attracting a dynamic private sector.**

**This can only be achieved by a *Whole Government approach*. Economic renewal cannot be the business of just one or two Government departments: it requires a contribution from every arm of central and local government and the social partners.**

**This has been recognised in the concerted effort generated by the Economic Summits. We therefore urge WAG to build upon the model of the summits to develop this *Whole Government approach to post recession renewal*.**

Given such an approach, an employment and skills strategy can play a full part in delivering economic renewal. The Government's economic strategy highlights three goals in particular:

- fuller employment;
- lower economic inactivity; and
- higher productivity/Gross Value Added (GVA).

An employment and skills strategy might include countless detailed policies, but a few are paramount. We offer six recommendations that flow directly from these goals.

Fuller employment is about creating jobs, but it is also about ensuring people can fill those jobs effectively. Our first priority is to ensure that everyone in our society has the basic skills they need to secure their own well-being and to contribute to economic success.

**1. We recommend that the Government redouble its efforts to eliminate the *basic skills* deficit within the adult population and ensure that all education and skills providers give far stronger emphasis to basic skills and *employability*.**

We also need to enhance skills within the existing workforce, since 75% of those who will be in the workforce in 2020 are already of working age. Raising levels of productivity and GVA requires a change in the structure of the Welsh economy - in the economic sectors in which Wales is well represented - but also higher performance in all sectors. To make progress we need high levels of innovation, which in turn depend upon the creation and utilisation of knowledge and a ready supply of key high level skills.

**2. We recommend that the Government further stimulate the flow of transferable knowledge into the Welsh economy (for example, by funding far more research that bridges the gap between that which can attract support from UK research bodies and that which local employers will fund), and complement it with targeted support for high level skills which places a far stronger emphasis on areas of strong potential growth (for example, by enticing the brightest and best through selective funding of attractive post-graduate studentships linked to local employers or industry clusters).**

We also need ambition among employers; ambition that translates into greater demand for and utilisation of advanced skills. Critical to both is the quality of management and leadership.

**3. We recommend that the Government give particular priority to raising the demand for, and supply of high-quality management and leadership training throughout the private, public and voluntary sectors - but with particular emphasis on those SMEs that have growth potential.**

Tackling unemployment and reducing levels of economic inactivity requires a seamless approach which puts the experience of the user (whether the individual needing help to access work or the employer) at the centre of Government thinking. This is made more complex in Wales by the fact that skills is a devolved matter but employment is not.

**4. We recommend that the Government seek maximum policy, financial and administrative flexibility within the Department for Work and Pensions at the Wales level and that users' experiences - the customer journey - are placed at the centre not just of policy formation but of policy implementation.**

The response to the recession, channeled through the Economic Summits, has shown that Wales is more than capable of generating policies that are both innovative and relevant and we strongly support initiatives such as *ProAct* and the efforts to protect Apprenticeships threatened by the crisis. But the test of these policies will be their implementation. They will rightly be judged against five criteria:

- **SCALE** - whether the response is commensurate with the size of the need;
- **PACE** - whether the response is sufficiently timely to be of value;
- **FLEXIBILITY** - whether the response can meet diverse needs and circumstances;
- **SIMPLICITY** - whether the response is easy for employers and individuals to understand and access;
- **OUTCOME** - whether the response delivers as needed and intended.

However, we believe these criteria apply to the whole employment and skills agenda (including the crucial reforms to bring about the transformation of education for 14 - 19 year olds), not just that elicited by the recession. They are the basis on which we shall, as a Board, monitor performance.

**5. The Government should focus on these five dimensions of scale, pace, flexibility, simplicity and outcome, not just in introducing new initiatives but in streamlining existing business support, employment and skills interventions to provide a more coherent service from the perspective of the customer.**

We are concerned to see improvement along each of these dimensions, but we are most especially struck by the mismatch between the scale of the task and that of the employment and skills programmes.

The demand from young people for full time education inevitably grows during a recession, placing pressure on the funding available for part-time and adult training - which is precisely that which needs most to be expanded if skills are not to be lost, long term unemployment is to be contained, and the skills needed during the upturn are to be available. We are acutely aware of the extreme and growing pressure on WAG resources and the need to make limited funds stretch far. Yet we cannot believe that - at a time when the Government is telling employers not to cut back on training - it makes sense to reduce funding, for example, for further education.



**6. The Government should do everything in its power to reallocate resources so as to increase the quantum available for the employment and skills agenda during the period of the recession.**

# 1. Background

## 1.1 Our Role

The Wales Employment and Skills Board (WESB) was established in spring 2008 as an independent source of advice to Welsh Ministers on skills and employment policies and practices. This is our first Annual Report.

In setting up the Board, the Welsh Assembly Government's intention was that it should drive forward the skills and employment strategy (set out in "*Skills that Work for Wales*") and should:

- strengthen the employer voice on skills in Wales;
- give expert advice to Welsh Ministers; and
- help Wales to develop a high-skills economy with opportunities for everyone.

The Board is made up of 13 members<sup>1</sup>, appointed as individuals rather than representatives of organisations or sectors. Each of us brings a range of very practical experience of grappling with skills and employment issues in a Welsh context, with a strong representation of "*the employer perspective*". For this reason, we are pre-occupied not just with the design of policy but with its implementation and, crucially, how it is experienced "*at the coal face*" by employers and by individuals looking to secure their future in a rapidly changing economy. As such, we believe we have a unique opportunity to explore and comment on the *connectivities* and *alignment* between different Government initiatives and programmes in addressing the employment and skills challenges which Wales faces.

As well as having a direct remit to advise Welsh Ministers, we also have a role to play in respect of issues which are not devolved, above all employment policy. We are autonomous from the UK Commission on Employment and Skills (UKCES), but connected to it through the fact that the UKCES' Welsh Commissioner and the Chair of WESB are one and the same. We can therefore ensure that a Welsh perspective on "*what works*" (and equally importantly, what does not work) in employment and skills policy is fed through to the Commission which in turn has a key role to play in influencing the UK Government.

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<sup>1</sup> See Annex 1

## 1.2 Our Values

We fully share the vision of the Welsh Assembly Government of Wales as *“a strong economy, based on full employment and high quality jobs”*<sup>2</sup> and are committed, above all, to providing a source of independent and thoughtful advice and challenge to Government on the means of moving towards this goal.

Of course, this goal is far from being achieved<sup>3</sup>. For this reason, while we share the view that *learning* has a far broader role to play in terms of enhancing our quality of life, both as individuals and as a society, we firmly believe that skills and employment policy must be driven first and foremost by the urgent need to improve Wales’ economic performance.

This is not the same as saying that we must prioritise only high level skills or ignore social justice. A crucial component of Wales’ poor economic performance is the fact that we still have (by UK standards) relatively low rates of employment, a situation which is deteriorating with the current recession. Ensuring that the most vulnerable have the skills and the support they need to get and keep jobs is a critical part of a skills and employment policy driven by the concern to make Wales more prosperous. As a Board, we believe strongly in a twin-track policy which prioritises access to *“entry level”* jobs for those that need them and helps to drive up the level of skills of all those already in work in order to transform the Welsh economy, boost our competitiveness and our prosperity and give opportunities to all, regardless of their circumstances.

It follows from this that our main concern is with developing skills relevant to, and applied in the workplace and in the wider society, not with qualifications as an end in themselves. While we believe that progress towards the qualifications targets set by Lord Leitch in his report<sup>4</sup> and developed further by the UKCES<sup>5</sup> are important as an *indicator* of whether we are on the right track, what really matters is whether, as a nation, we develop the skills which are useful and are used to generate wealth and enrich society.

In carrying out our role, it is critical that we seek to engage with, listen to, and voice the concerns of employers, in the private, public and voluntary sectors: we have made a start with the major conference we held in January 2009 in Cardiff. We are strongly committed to ensuring that Government is given a clear understanding of *“how things are”* from the viewpoint of the employer.

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<sup>2</sup> *“Skills that Work for Wales”*, p.8

<sup>3</sup> See Section 3

<sup>4</sup> *“Prosperity for All in the Global Economy - World Class Skills”*, 2006

<sup>5</sup> *“Ambition 2020: World Class Skills and World Class Jobs for the UK: The 2009 Report”* UKCES

At the same time, we strongly believe that we have to take a long-term view of what is needed in employment and skills terms if Wales is to succeed - to counteract perhaps the pressures on both Government and employers to focus on immediate problems and solutions. If we need an economic transformation of Wales, rather than *“more of the same”*, it is important that we are both a critical advocate of the employers’ perspective and an independent voice to Government, sharing long-term goals but free to question whether the means chosen to achieve them are the right ones.

Independence of view; a focus on how Wales can succeed economically; a concern with the utilisation, not just the acquisition of skills, as a way of achieving economic growth and advancing opportunity and social justice; a commitment to reflecting the employer perspective; and putting the long-term first: these are our core values.

### 1.3 Our Annual Report

WESB is still new and we are very conscious that we have only started to get to grips with what is a huge agenda. Equally, the Welsh Assembly Government’s Skills and Employment Strategy and Action Plan, *“Skills that Work for Wales”*, has been in place for less than a year. While future Annual Reports will provide detailed scrutiny of the progress in implementing this Strategy, we believe it would be premature to build this first Annual Report around that task.

Rather, in this Report, we first report on our own activities to date (Section 2), then set out the scale of the challenges facing Wales (Section 3), put forward our views on the priorities for Government to address (Section 4) and provide some initial views on measuring success (Section 5). In each section, we provide our current plans for our work in 2009/10.

## 2. Our Work to Date

Since first meeting in May 2008, we have, as a Board:

- Contributed actively to the Economic Summit process convened by the First Minister, in particular championing the need to support employers to use the downturn to train workers, not to make them redundant, an argument which was reflected in the launch of *“ProAct”*<sup>6</sup>;

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<sup>6</sup> A scheme which provides support towards the cost of training and wages for workers in companies with short-time working because of the recession

- Launched a process of engaging with, and listening to employers through a range of events and activities, including a very successful and well attended conference in Cardiff;
- Scrutinised and made extensive comments on the consultation draft of *“Skills that Work for Wales”* arguing that it was insufficiently radical, and begun the process of monitoring the implementation of the resulting Strategy and Action Plan;
- Provided advice to Ministers on issues such as the Higher Education Review, the Integration of Employment and Skills, and the UKCES Five Year Strategy;
- Participated in the DCELLS Advisory Panel on Welsh Medium Education Strategy. This is due to be published shortly.

An important part of our work is also being taken forward by our five Task and Finish Groups, which are due to complete their work by May 2009.

The Task and Finish Group on **Funding Reform** has worked closely with officials to challenge and develop their thinking on a fees policy (as promised in *“Skills that Work for Wales”*), and in particular has facilitated consultation with employers on the principles which should inform the policy. This will lead to the publication of a consultation document in April 2009.

The Task and Finish Group on **Targets and Performance Indicators** has focused on agreeing a small number of priorities, where it believes additional policy attention is needed, and identifying potential performance indicators which will reflect progress on these, while the **Sector Skills Councils (SSCs) Relicensing and Performance Assessment** Group has worked to ensure that the relicensing process takes fully into account the perspective of Wales and the other devolved nations. The Task and Finish Group has also brought an employer perspective to the Welsh input into the process, stressing the need for appropriate employer engagement with SSCs.

The focus of the Task and Finish Group on **the Integration of Employment and Skills** has also been firmly on the employer perspective, stressing the need to consider the effectiveness of Government employment programmes from the viewpoint of the employer as well as the individual job-seeker. This has led to research being commissioned on the employer perspective.

Finally, the Task and Finish Group on **Information, Advice and Guidance** was originally intended as an External Reference Group on the Review of Careers Wales announced in *“Skills that Work for Wales”*. The Group has, however, argued strongly for a more broad-based Review of Information, Advice and Guidance, which will take as its starting point the present and future needs

of the whole population and how they are currently being met (or not). As a result of these arguments, Ministers have now decided to broaden the Review in this way, a decision which we warmly welcome.

As we have already emphasised, WESB is still very new and we are conscious that our achievements to date are necessarily modest. The main focus of our work, however, has been on scoping the challenges facing Wales and the action needed to address them. In the following sections, we set out our emerging view of these issues.

**In 2009 - 10, WESB will:**

- **Build on our successful conference by seeking to engage with employers across Wales**
- **Review the work of the Task and Finish Groups**
- **Continue to scrutinise the work of SSCs in Wales**
- **Continue to contribute to the Review of Information Advice and Guidance**

## **3. The Context: The Challenges Facing Wales**

### **3.1 The Underlying Challenge**

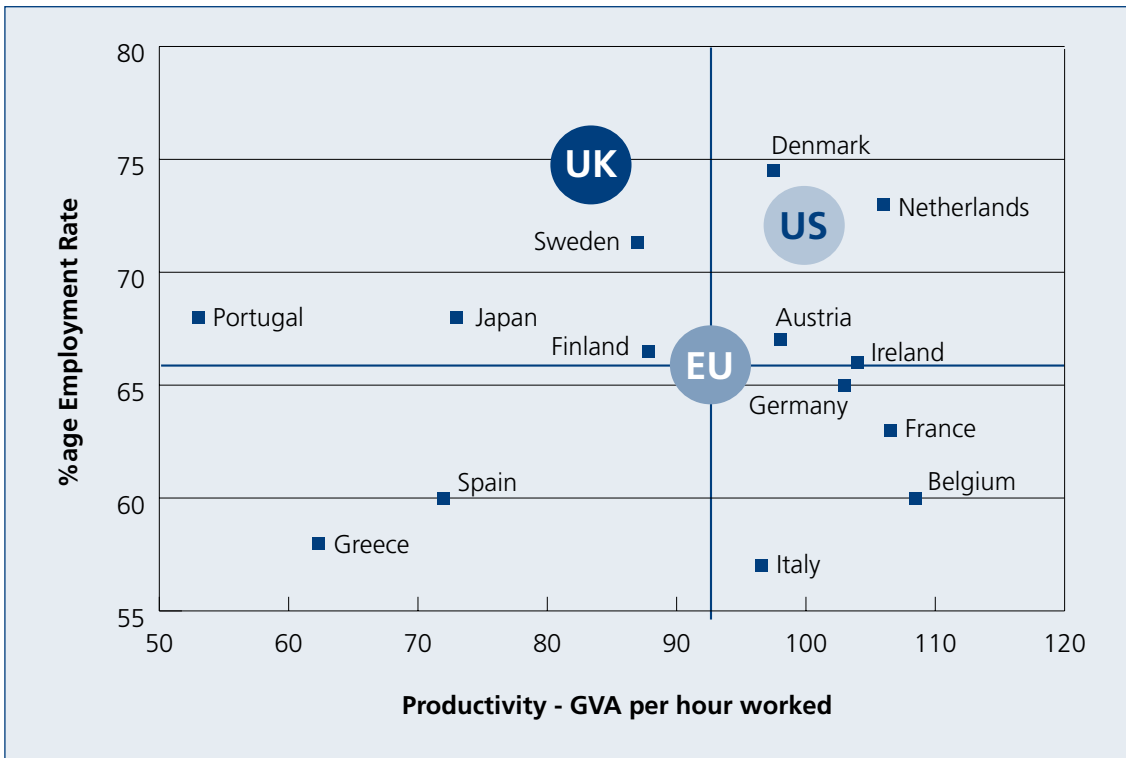
While much progress had been made in terms of increasing both employment and skills in Wales in the decade since devolution, it is clear that, even before the current economic crisis, Wales was not on the right path.

The performance of the UK economy was only partly reassuring before the recession, with the UK performing well in terms of employment rates but less well in terms of productivity by comparison with other OECD countries (Figure 1). But within the UK, Wales was performing poorly in both these key components of economic growth and prosperity (Figure 2)<sup>7</sup>.

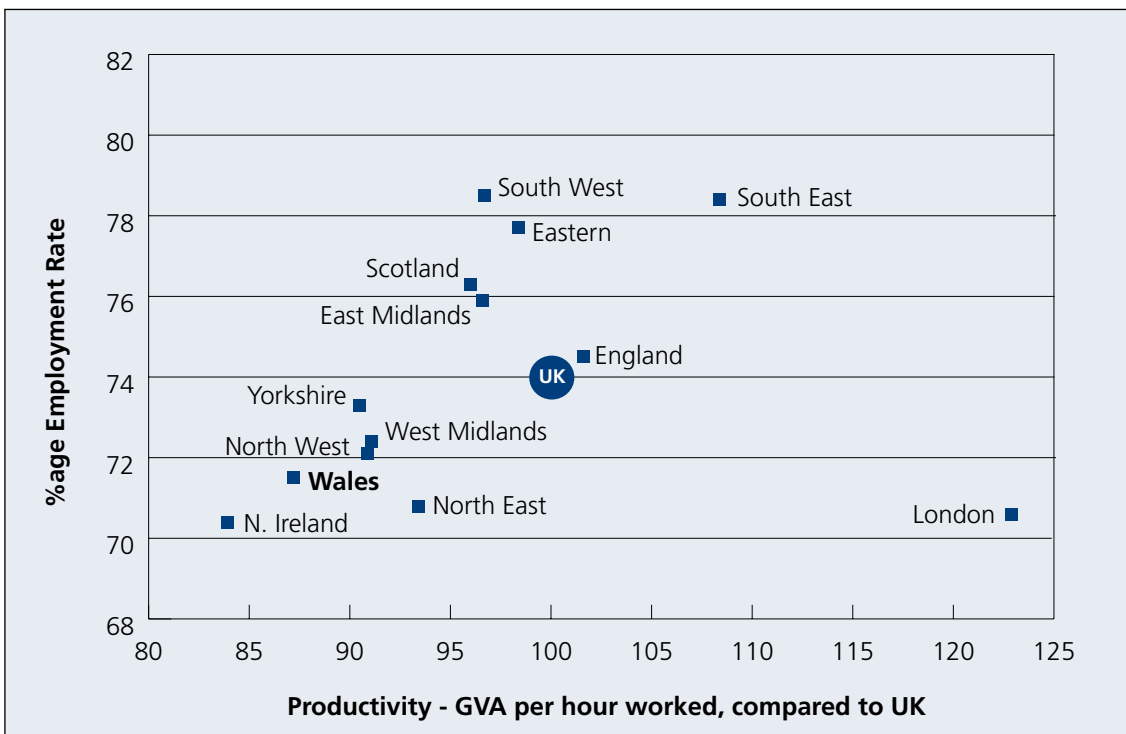
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<sup>7</sup> Source: UKCES

**Figure 1: UK performance in productivity and employment compared to other OECD countries**

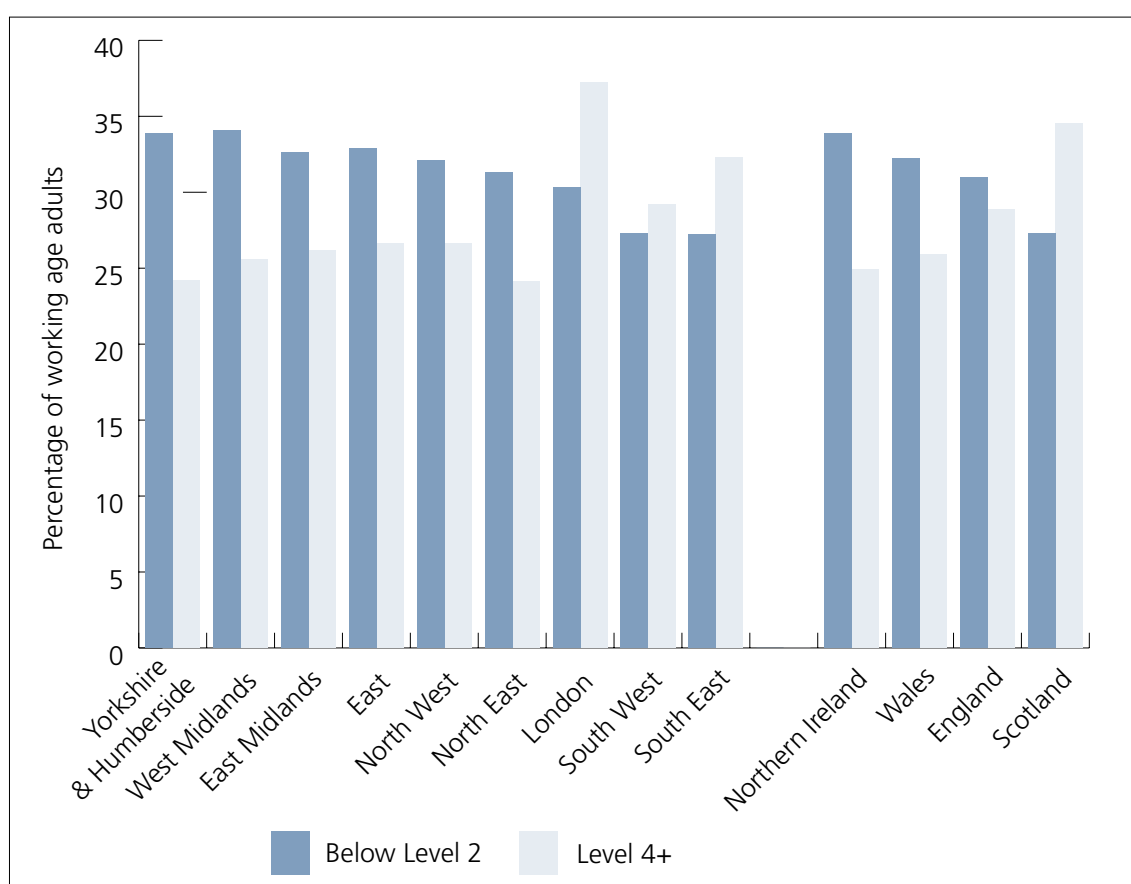


**Figure 2: Wales' performance in productivity and employment compared to other regions/nations**



The Leitch Review presented clear evidence that the UK was also performing relatively poorly in comparison with other developed economies in terms of the qualifications of the working age population and set ambitious targets for increasing qualifications levels by 2020. Again, Wales was amongst the weaker parts of the UK, with a higher proportion of adults with no qualifications at all (15.4% compared to 13.1% for the UK as a whole) and with only two-thirds of the population with qualifications above NVQ level 2 (Figure 3)<sup>8</sup>. This compares with a target adopted by the UKCES for 90% of the working age population to have qualifications above Level 2 by 2020. It is perhaps not surprising that in its first progress report, UKCES believes that on the basis of current trends, this target will not be achieved<sup>9</sup>.

**Figure 3: Qualifications Profile Across the UK 2006**



<sup>8</sup> "Skills that Work for Wales" using data from The Levels of Highest Qualification held by Working-Age Adults in Wales, 2006

<sup>9</sup> "Ambition 2020: World Class Skills and Jobs for the UK", UKCES



More generally, as is well known<sup>10</sup>, Wales was also lagging the rest of the UK in a series of other key indicators of skills and employment with:

- Low rates of economic activity, high levels of working age men and women not wanting to work<sup>11</sup>, and high levels of Incapacity Benefit Claimants.
- Low average output per employee (as illustrated in Figure 2) partly related to problems over industrial structure and the *“branch plant”* syndrome.
- Relatively low proportions of employment in the managerial and professional occupations<sup>12</sup> and high proportions in manual and unskilled occupations.
- Largely as a result of these factors, wage levels persistently below the average levels for Great Britain as a whole<sup>13</sup>.
- Widespread basic skills (literacy and numeracy) deficits in the population as a whole<sup>14</sup>.

Within Wales there are also large differences in the performance of local economies, with for example, Blaenau Gwent having almost three times as many adults with no qualifications as Ceredigion or Monmouthshire<sup>15</sup>, and with the West Wales and the Valleys area lagging behind the East of Wales on almost all these indicators.

Even without the recession, Wales needed a major change of direction to achieve the goal of *“a strong economy, based on full employment and high quality jobs”*. This was underlined by the UKCES projections for the labour market for the period 2007 - 2017 which suggested that, without major policy change, Wales' growth would be below that of the UK as a whole, with economic inactivity rates in 2017 still the highest in the UK and with unemployment at significantly higher levels than most other regions<sup>16</sup>.

## 3.2 The Current Economic Crisis

While WESB's focus is on the longer term, we cannot, of course, ignore the current economic crisis.

Wales, along with the rest of the UK, now clearly faces a deep recession, which is likely to last more than a year. After more than a decade of employment growth, employment is falling and unemployment is rising: unemployment for the quarter

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<sup>10</sup> See for example *“Skills that Work for Wales”*, pp. 12 - 21

<sup>11</sup> Economic Activity Rates: Wales 75.8%, GB, 78.8%; Working age individuals not wanting to work: 17.8%, Wales, 15.8%, GB: Labour Force Survey, July 2008

<sup>12</sup> 38.4% of employees in these categories compared to 42.9% across Great Britain

<sup>13</sup> 11-12% for full-time employees in 2008

<sup>14</sup> See Figure 4, p.19 below

<sup>15</sup> The levels of highest qualifications held by working age adults in Wales, 2006: Statistics Wales

<sup>16</sup> *“Working Futures, 2007 - 2017”*: UKCES pp. 295, 302 & 304

October - December 2008 was 1.7% above the same period in 2007, with the rate of growth significantly higher than for the UK as a whole<sup>17</sup>. High profile job losses are only examples of a broader trend in manufacturing, while sectors which until recently have grown strongly (construction, retail, financial services) are also now shrinking.

The major dislocation in the banking sector, the instability of the financial system and the unprecedented action by Governments to intervene in the markets to prevent even worse chaos, all suggest that - in contrast to the assumptions of economic forecasters even six months ago<sup>18</sup> - it may be dangerous to assume that **“normal business”** will resume soon, or that when the economy emerges from the recession, growth patterns will reflect trends over the last two decades. As a recent Report by the House of Commons Committee on Innovation, Universities, Science and Skills pointed out, reskilling may become - in the medium term at least - as high a priority as upskilling<sup>19</sup>.

The recession threatens not only jobs, but also the prospects of those who remain in work. Previous recessions have led to employers cutting back on investment, including in training and skills development. There is a real danger that the momentum of recent years, with increasing commitment of employers to investing in skills<sup>20</sup>, could be lost.

Wales thus faces more severe challenges to its aspirations to increase the employment rate and to **“improve dramatically our national skills base”**<sup>21</sup> than might have been anticipated when **“Skills that Work for Wales”** was published in July 2008.

### 3.3 Conclusion

The challenge for Wales is not just to get through the recession but rather to achieve a strong improvement in the post-recession economy in order to lay the basis for long-term prosperity for the whole of Wales.

While much of this analysis is bleak, there is no inevitability in Wales' fate. We strongly believe that Wales can rise to this challenge, and that devolution offers opportunities to integrate skills, employment and economic development policies far more closely than can be easily achieved elsewhere.

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<sup>17</sup> LFS First Release, February 2009: Unemployment rate for October - December 2008, 7.0% Wales (6.3% for the UK), an increase of 1.7% (1.1% for the UK) over the same period in the previous year

<sup>18</sup> See e.g. UKCES *“Working Futures”* p. xii

<sup>19</sup> *“Reskilling for Recovery: After Leitch, implementing skills and training policy”*

<sup>20</sup> UKCES *“Skills for the Workplace: Employer Perspectives”*, 2008 reports a gradual, if slow, improvement in employer engagement with training and skills, and reports that Welsh employers were the most likely to invest in some form of training (69% as compared to 65% for the UK as a whole)

<sup>21</sup> *“Skills that Work for Wales”*: p. 21

But this will need strong action from Government. In the next Section we set our views on what this should entail.

## 4. Key Challenges for Government

### 4.1 Introduction

In this Section, we set out what we believe to be the four main areas where additional focus and attention is needed from Government in Wales. Three of these reflect fundamental and long-term issues - the need to *get the basics right*, the importance of *raising ambition*, and the need for a *Whole Government approach*. The last of them - *coping with the crisis* - concerns the short-term.

These priorities reflect both our own conclusions from our consideration of skills and employment policy over the last year and the issues which emerged strongly from our major conference with employers in January.

However, underlying all of these areas for action is a fundamental conviction that putting in place a robust skills and employment agenda will not in itself be enough to enable us to emerge on an upward trend from recession. The demand for labour and skills is itself a product of the success of the economy - investing in employment and skills cannot itself drive economic performance.

It is therefore essential that employment and skills policies sit within a framework of clear and powerful policies for improved economic performance. It is only within such a framework that employment and skills policies that will make a difference can be developed and delivered on the ground.

Our belief, from all that we have heard to date, is that the Welsh Assembly Government must put the economy and the role of an enhanced private sector within it, at the very heart of government if Wales is to emerge on an upward trajectory. Only with significant growth in the private sector can Wales hope to match, and indeed, out-perform other parts of the UK and the wider developed world - and offer jobs and increased prosperity to all of its people.

Since the Welsh Assembly Government lacks control over many of the factors that can drive private sector growth (e.g. tax policy), we need to be even more skilled at ensuring that Government policies and operation of the public sector are as private sector friendly as it is possible to be. This means a *Whole Government* approach: it requires all central government departments, local authorities and the

social partners to work collectively to make Wales a place where business thrives, and where employers want to locate not just a branch plant or a back office but their headquarters and their research and development facility.

The mechanisms now exist to make this a reality. The approach developed through the Economic Summits (with its strong focus on cross-government working and on ensuring the accountability of Government departments for the delivery of key policy initiatives) must become a permanent feature of the way Wales does business as a nation.

**We recommend that the Government adopt as its *overarching* goal the transformation of the economy, with a central focus on fostering, retaining and attracting a dynamic private sector.**

**This can only be achieved by a *Whole Government approach*. Economic renewal cannot be the business of just one or two Government departments: it requires a contribution from every arm of central and local government and the social partners.**

**This has been recognised in the concerted effort generated by the Economic Summits. We therefore urge WAG to build upon the model of the summits to develop this Whole Government approach to post recession renewal.**

## 4.2 Getting the Basics Right

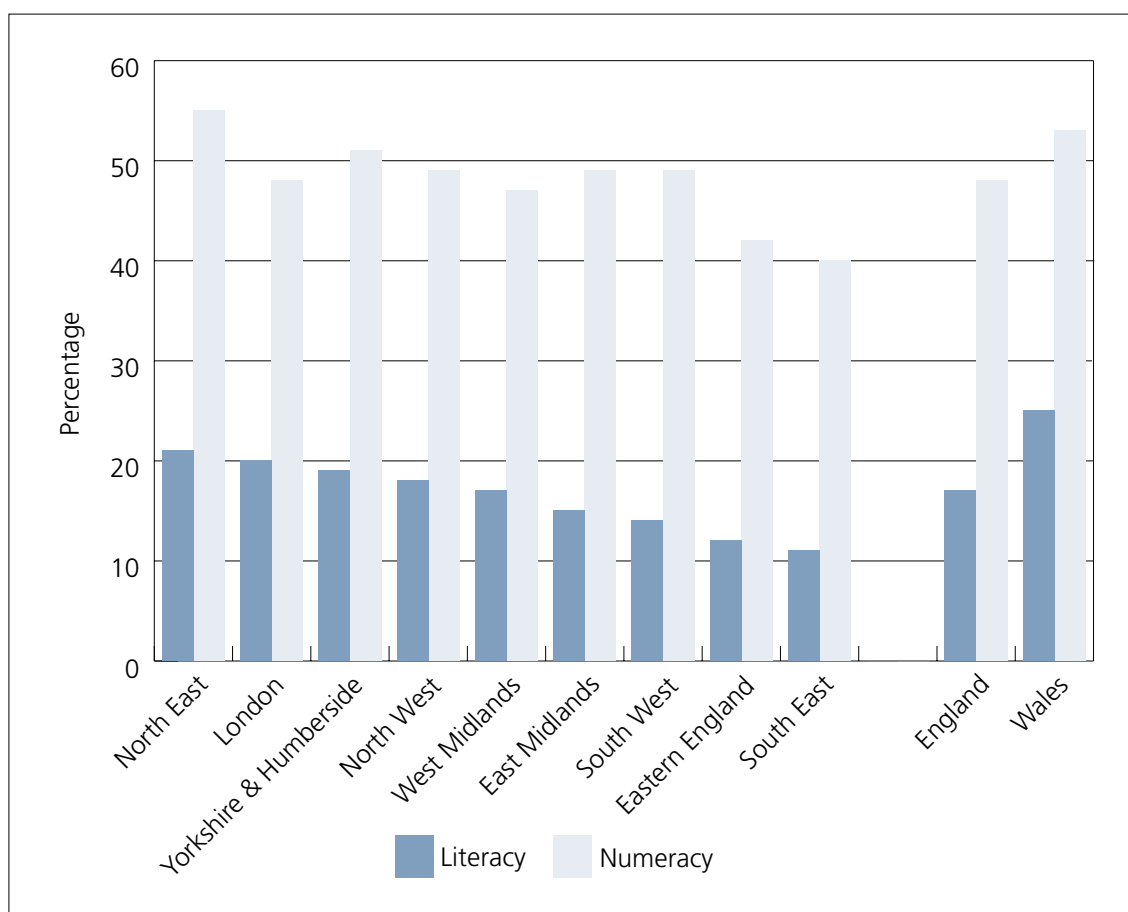
No-one disputes that Wales continues to have a major problem with basic skills: the UK ranks 20th out of 23 OECD countries in terms of the share of the population having adequate levels of literacy and numeracy and Wales has more severe problems than almost any other part of the UK (Figure 4)<sup>22</sup>. This suggests a fundamental problem with our education system.

*“Our education system seems to be failing our young people. A significant proportion of young people are still leaving school without basic skills, and this is a damning indictment of our education system.”*

Karen Dugate, Merthyr Tydfil Housing Association

<sup>22</sup> “Skills that Work for Wales” p. 13, drawing on data from National Survey of Adult Basic Skills in Wales (2004) and Skills for Life Survey (2003)

**Figure 4: Proportions classed as Entry level in literacy and numeracy assessments**



For employers, making the education system *“fit for purpose”* is the top priority, and one which sits firmly with Government. While Ministers are trying to address this through curriculum and qualification reform, a more robust approach is needed - and change cannot come too soon.

We recognise the major challenges facing teachers and believe that a stronger emphasis must be placed on judging success in terms of learners’ progression so as to recognise the achievements of those working with the most challenging learners. But we also understand the motivation for the proposal in the Webb Review to *“designate Head Teachers and Further Education Institution [FEI] Principals as Accountable Officers with direct responsibility for Basic Skills attainment levels incorporating a measure of value-added”*<sup>23</sup>. The need is substantially to raise the status of basic skills in schools and colleges. We strongly believe that Government can do more (for example through the national qualifications structure) to ensure that the importance of basic skills teaching and of all learners acquiring good basic skills is recognised throughout the education system.

<sup>23</sup> *“Promise and Performance: the Report of the Independent Review of the Mission and Purpose of Further Education in Wales”* p. 20

Of course, 75% of those who will be in work in 2020 are already of working age and stopping the flow of young people with poor basic skills into work will not solve the immediate problem. We therefore strongly support the commitment of the Government to providing funding and support for Adult Basic Skills, including promoting the Employer Pledge. However, there are serious concerns about the availability of sufficient basic skills tutors and courses which must be addressed.

Getting the basics right is about more than basic skills: it is also about employability, a term which embraces not just the right skills, but the right attitudes and behaviour. Nearly two-thirds of employers in Wales believe the education system does not supply enough people with the skills they need to start work - far more than is the case in other parts of the UK<sup>24</sup>. Similar numbers of employers in Wales also report recruitment difficulties - again more than the other parts of the UK<sup>25</sup>.

This is not just a problem with school leavers - employers also find graduates often lack fundamental employability. We believe greater effort is needed to place employability at the centre of all learning provision - for young people, for the unemployed and inactive and for those already in work - drawing on the excellent work recently undertaken by UKCES<sup>26</sup>. For schools, success in fostering employability should be as important as the proportion of A\* - C GCSEs they achieve.

**We recommend that the Government redouble its efforts to eliminate the *basic skills* deficit within the adult population and ensure that all education and skills providers give far stronger emphasis to basic skills and employability.**

While employability is about more than vocational skills, ensuring that young people have a genuine choice of appropriate learning pathways from 14 is also crucial if we are to improve employers' experiences of recruiting young people. Along with many stakeholders at our Conference, we are sceptical that a voluntarist approach to the "*Transformation Agenda*", intended to offer better choices to young people, will work and believe the Government will need to monitor this carefully.

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<sup>24</sup> "*Skills for the Workplace: Employer Perspectives*" UKCES, p. 7: 63% agreed with this view in Wales, with comparable figures for other nations being Scotland 48%, England 49%, Northern Ireland 50%

<sup>25</sup> *Ibid.*, p. 5

<sup>26</sup> "*The Employability Challenge*", UKCES

More positively, we believe the Welsh Baccalaureate is, potentially at least, a major advantage for Wales, offering a single, coherent framework embracing academic, vocational and personal developmental opportunities. But it will require strong promotion so that employers and other stakeholders understand what it means as a qualification and a philosophy of learning and development.

**In 2009 - 10, WESB will:**

- **Investigate the availability of support for improving Adult Basic Skills**
- **Use the work undertaken by UKCES to develop a better understanding of what employability means to employers and how the education and employment system in Wales can respond**
- **Scrutinise progress in achieving greater choice, including of vocational pathways, for 14 - 19 year olds**

### **4.3 Raising Ambition - Utilising Skills**

We have already seen that *“more of the same”* will not produce the change to Wales’ prosperity which we all want to see. We need to come out of recession on a new growth path, not just resume the old one.

*“We have become extraordinarily hung up on qualifications ... you cannot automatically assume that just because somebody has another qualification that they become more productive”*

Prof. Alison Woolf<sup>27</sup>

We believe that the key to this is not *“stockpiling”* qualifications - though it is essential that if, as in past recessions, the current crisis leads to higher demand for full-time courses for those who cannot find appropriate employment opportunities, these are available and funded.

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<sup>27</sup> In oral evidence to the House of Commons Select Committee on Innovation, Universities, Science and Skills

Rather it is about ensuring that employers are able and encouraged fully to utilise the skills within their workforce, and that by doing so, they come to appreciate the *“virtuous circle”* of investment in skills, leading to increased competitiveness and profitability, enabling further investment in, and demand for, higher level skills.

Welsh employers appear to have a relatively good level of knowledge about, and a positive attitude to, vocational qualifications<sup>28</sup>. We therefore believe Government should be wary of accusing employers of *“insufficient demand for skills”*<sup>29</sup>. But it can and should encourage and support them to move up the value chain, not least to ensure opportunities are there for some of our brightest young people who currently leave Wales to study and do not return. This is less about skills than about attitudes - the willingness to embrace change and to take calculated risks.

A key element of achieving this transformation - as recognised in *“Skills that Work for Wales”*<sup>30</sup> - is driving up the quality of management and leadership and encouraging the adoption of so-called High Performance Working Practices (HPWP)<sup>31</sup>, an area in which Wales, and indeed the whole of the UK lags many of its competitors.

*“There needs to be a greater emphasis on leadership and management. A lot of money’s been put into the core-skill development and if you haven’t got the right leaders and managers then the business is going to suffer”.*

Robert Williams, WRW Group

While we support the moves by the Welsh Assembly Government to develop a Centre for Excellence in Management and Leadership, we believe it is equally important to increase the availability of flexible funding to businesses through the Workforce Development Programme that directly link skills development with company improvement strategies.

**We recommend that the Government give particular priority to raising the demand for, and supply of high-quality management and leadership training throughout the private, public and voluntary sectors - but with particular emphasis on those SMEs that have growth potential.**

Of course, there are many different aspects of the demand for skills - demand from employers reflecting their views of their current and future needs, demand from individuals reflecting their career and broader aspirations and longer-term demand associated with economic change and economic strategy.

<sup>28</sup> *“Skills for the Workplace: Employer Perspectives”* p. 53

<sup>29</sup> See *“Ambition 2020: World Class Skills and Jobs 2009”*, UKCES p. 20 for discussion of this issue

<sup>30</sup> Pp. 56 - 7

<sup>31</sup> See *“Skills for the Workplace: Employer Perspectives”* pp. 20 on for discussion of this



The Government needs to work closely with employers and with Higher Education Institutions in those sectors which are changing most rapidly to ensure that higher level skills are available which meet the *future* needs of the economy. While we agree that employers and individuals need to take on a greater share of the cost of developing higher level skills<sup>32</sup>, it is essential that the future needs of the economy are not jeopardised by under-investment now. We recognise the necessity of balancing learner choice with economic needs: however a more targeted approach to some aspects of Higher Education funding could strengthen our science policy and bring major dividends. A critical mass of research is needed in support of key areas of economic potential, but Wales cannot depend solely on UK wide research funding to achieve this: significant funding targeted towards applied research undertaken collaboratively with employers is an example of what we have in mind. Similarly, and especially during recession, an investment in postgraduate studentships could attract the very brightest graduates to work in these areas of future economic growth.

**We recommend that the Government further stimulate the flow of transferable knowledge into the Welsh economy (for example, by funding far more research that bridges the gap between that which can attract support from UK research bodies and that which local employers will fund), and complement it with targeted support for high level skills which places a far stronger emphasis on areas of strong potential growth (for example, by enticing the brightest and best through selective funding of attractive post-graduate studentships linked to local employers or industry clusters).**

Finally, we recognise that the Welsh Assembly Government is strongly committed to an economic development policy focused on key strategic sectors<sup>33</sup>. This means that some sectors, which play a vital role in employment terms and which offer real opportunities for "*entry level*" jobs, such as health and social care or transport and distribution may not be eligible for the same levels of support as key strategic sectors. At the same time, Wales-level data on skills shortages and skills needs at a sectoral level remain patchy and often inadequate: it can be difficult to be sure where intervention to stimulate training supply is most needed. Although we are firmly committed to ensuring the integration of the skills and economic development agendas, we believe that there needs to be a further rigorous examination of the implications of a sectoral approach for employment and skills policy. It is at least conceivable that skills and employment interventions should focus on meeting the broadest needs of the labour market, in case current views on growth sectors turn out to be misguided, particularly in the prevailing economic climate. The issue is that of striking the right balance.

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<sup>32</sup> "Skills that Work for Wales" p. 29

<sup>33</sup> "Skills that Work for Wales" pp. 57 - 8

#### In 2009 - 10, WESB will:

- **Challenge the Welsh Assembly Government to focus on skills utilisation, responding to research being undertaken by UKCES**
- **Monitor performance against the commitment in “*Skills that Work for Wales*” to increase discretionary funding for employers through the Workforce Development Programme**
- **Scrutinise the results of the Review of Higher Education to see how far the needs of the economy (and of employers) have been reflected in its conclusions**
- **Investigate further the relationship between the sectoral focus of economic policy and skills and employment**

## 4.4 A Whole Government Approach

One of the strong points in the Welsh Assembly Government’s response to the economic crisis has been the emergence of a genuinely Whole Government approach with a real recognition that economic development, education and skills and social justice policy and delivery need to be inextricably linked. This is, potentially, a huge benefit for Wales, where Government has often extolled the advantages of being a small country in terms of joint working, but has only begun to escape from a silo mentality.

We challenge the Welsh Assembly Government to maintain and build on this approach, which in itself builds on the promise in “*Skills that Work for Wales*” to:

*“see skills, employment and business development as inextricably linked. We will work with our partners to deliver flexible, joined up skills, business support and employment programmes, providing integrated services focussed on the customer”<sup>34</sup>.*

While we commend this aspiration - which goes beyond the equivalent commitment in England to integrate employment and skills support - much remains to be done to turn aspiration into reality.

We believe Government support to business should be proportionate in scale to the challenge; sufficiently quick to respond to make an impact; sufficiently flexible to accommodate variations in need and changes over time; simple to access, even for smaller businesses; and effective in delivering the outcomes as needed and intended.

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<sup>34</sup> p.9

But these characteristics - **scale, pace, flexibility, simplicity and outcome-focused** - are not ones which Welsh businesses would attribute to Government skills, employment and business development programmes at present. Anecdotal evidence suggests that most businesses in Wales either cannot find their way to the support they need, or feel bombarded with offers of *assistance* from advisors and providers who they feel do not communicate with each other.

*“Only 7% [of FSB members surveyed] sought advice from government funded business support in 2006. The main reasons stipulated for this were, not being aware of the services and confusion over the provision”*  
Federation of Small Businesses response to *“Skills that Work for Wales”*

In line with this, Welsh employers are less likely to know who to approach for advice on training than their counterparts elsewhere in the UK<sup>35</sup>, despite the recent description of the training and skills system in England as *“impenetrable to anyone apart from possibly a few civil servants and a handful of academics”*<sup>36</sup>.

At the same time, employers with direct experience of the Knowledge Bank for Business talk much more positively of their experiences of Government support - a welcome success, suggesting a way forward.

As a Board, we are therefore looking for rapid and radical progress towards the simplification of employer-facing services promised by *“Skills that Work for Wales”*. This is above all a challenge of *implementation* and of changing cultures as the Beecham Review recognised:

*“The present system tends to be strong on policy development and on compliance but far from uniformly so on delivery... A transformed public service delivery model... must be every bit as strong on delivery as on policy and process”*<sup>37</sup>

**The Government should focus on the five dimensions of scale, pace, flexibility, simplicity and outcome, not just in introducing new initiatives but in streamlining existing business support, employment and skills interventions to provide a more coherent service from the perspective of the customer.**

<sup>35</sup> *“Skills for the Workplace: Employer Perspectives”* UKCES, p. 22

<sup>36</sup> *“Reskilling for Recovery: After Leitch, implementing skills and training policy”* House of Commons, p. 3

<sup>37</sup> *“Review of Local Service Delivery”* p. 58

We also believe it is essential to trust employers more and to allow them a greater role in shaping publicly-funded learning and skills support which is available to them.

At the same time, we need to acknowledge that Wales faces particular challenges in integrating employment and skills interventions, given that employment programmes are not devolved. At present, such programmes are largely delivered according to a GB-wide model developed by the Department for Work and Pensions (DWP)<sup>38</sup>. We have seen little evidence as yet of the Assembly Government putting flesh on the bones of its very promising Careers Ladders Wales model<sup>39</sup> and Wales appears to be lagging behind England in terms of guaranteeing access to skills funding and support to unemployed and inactive people who are helped into work by Government Programmes<sup>40</sup>. We are convinced that a greater emphasis is needed on ensuring that these individuals are given support to move into work and progress in their new jobs, particularly in the current harsh economic climate.

**We recommend that the government seek maximum policy, financial and administrative flexibility within the Department for Work and Pensions at the Wales level and that users' experiences - the customer journey - are placed at the centre not just of policy formation but of policy implementation.**

Finally, a Whole Government approach requires a radical approach to budgeting and a recognition that, if the economy has emerged clearly as the central challenge facing Government, then this needs to be reflected in financial decisions. The Webb Review presented clear evidence to suggest that Wales' spending on post-16 programmes relative to population had grown more slowly over the last seven years than was the case in England, with the result that it is now lower than over the border, with capital funding for the post-16 sector being significantly lower than in any of the other home nations<sup>41</sup>.

*"At a time when England seems to be announcing new initiatives and more funding for apprenticeships almost daily, WAG officials are talking about standstill budgets or even decreases"*

CBI Wales

<sup>38</sup> Although DWP has made clear its aspiration for greater tailoring of programmes to regional and local circumstances in its "Work Skills" White Paper, June 2008

<sup>39</sup> "Skills that Work for Wales" p. 43

<sup>40</sup> "New Opportunities: Fair Chances for the Future", HM Government White Paper Cm 7533, January 2009, p. 32

<sup>41</sup> "Promise and Performance" p. 102

We understand the pressures which Ministers face, but we firmly believe that the message to employers not to cut back on investment in skills in a recession must be reflected also in the Government's own decisions.

**The Government should do everything in its power to reallocate resources so as to increase the quantum available for the employment and skills agenda during the period of the recession.**

**In 2009 - 10, WESB will:**

- **Give high priority in monitoring the implementation of “*Skills that Work for Wales*” to challenging Government on progress towards integrating and simplifying support to business**
- **Draw on our research into the employer perspective of employment programmes to put forward recommendations on simplification**
- **Scrutinise progress on developing and implementing Careers Ladder Wales**
- **Monitor the budget process and advise Ministers if the ambitions of “*Skills that Work for Wales*” are likely to be compromised**

## **4.5 Coping with the Crisis**

We have been impressed with the speed with which Ministers in Wales have focused on the ways in which they can use the relatively limited range of policy levers they control to try to address the negative effects of the recession. We argued for, and strongly support, the concept of *ProAct*, the new Programme to support businesses to use short-time working to train staff, not lay them off. It is critical that the speed of the delivery chain in getting this support to individual businesses matches the urgency with which the policy has been developed. It is also important that close attention is paid to the skills and employment dimension of other measures introduced as a result of the Economic Summits: for example, ensuring that the Welsh Assembly Government and other public bodies fully utilise the scope for local labour clauses as they bring forward capital projects.

We are also deeply concerned at the impact of the recession on Apprenticeships. Apprentices who lose their jobs can also lose their training place - and quite possibly their future.

***“Wales has lost 90 Apprenticeship places in Construction in the last month alone”***

Construction Manager, Swansea at the WESB Conference, January 2009

Ministers have announced at the Fourth Economic Summit a series of initiatives (including a College-based ***“Programme-led Apprenticeship”***) to address this issue and to build on the pilot projects for shared Apprenticeships. These too need to be implemented speedily and we believe Ministers should retain an open mind about alternative approaches which ensure Apprentices are as fully integrated into the work environment as possible<sup>42</sup>.

**In 2009 - 10, WESB will:**

- **Monitor the implementation of ProAct and consider lessons learnt for the future**
- **Investigate ways in which Apprenticeships can be shielded from business closure**

## 5. Measuring Success

This report has already started to underline some of the key ways in which we believe success in taking forward the employment and skills agenda should be measured. Our Task and Finish Group on Targets and Performance Indicators will be developing these further.

At a fundamental level, we will be looking to see evidence that the Government has taken on the board our message of the need to fully integrate the skills and employment agenda with a coherent economic policy for Wales which puts nurturing the private sector at the heart of Government policy.

If the primary purpose of employment and skills policy is as an enabler to sustain our economy, to underpin our prosperity and to promote social justice and opportunity, its success or failure should be judged by economic indicators - above all, the employment rate (which we need to increase), the rate of economic inactivity (which we need to cut) and productivity (which needs to grow) - and by measures of inequality of opportunity (which we need to see reduce).

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<sup>42</sup> E.g. Those being considered in England where the UK Government is intending to create up to 10 new Apprenticeship Training Associations which *“will develop new and innovative approaches drawing on the Australian model, where apprentices are employed by a recruitment agency and hired out to host businesses”* *“New Opportunities: Fair Chances for the Future”*, HM Government White Paper Cm 7533, January 2009

Of course, factors wholly unrelated to skills and employment policy and practice - many of them totally outside the control of Government - may have a far greater influence on these measures, and we therefore need also to identify intermediate measures.

Progress towards targets in terms of qualifications achieved or the proportion of the population who have reached a particular level of qualification is important, but only insofar as it can clearly be related to these broader economic and social goals.

More valuable, perhaps are outcome measures related to the experience of the intended beneficiaries of skills and employment policies, such as:

- The destination of education leavers: what proportion are unemployed or inactive six months after finishing their learning?
- The sustainability of employment: what proportion of former jobseekers or inactive individuals assisted into jobs are still in employment six and 12 months later and what proportion of these have seen real terms wage increases after 12 months?
- The availability of skills: what proportion of employers are reporting skills shortages, skills gaps, and satisfaction with the employability of new recruits from the world of education? And how is this changing over time?

**In 2009 - 10, WESB will:**

- **complete the work of our Task and Finish Group and work with the Welsh Assembly Government to develop performance indicators and targets that make sense for Wales**
- **begin monitoring performance against these indicators**

### **WESB Members**

Sir Adrian Webb, Chair

Huw Jones, Deputy-Chair

Paul Egan

John Geraint

Wendy Giles

Alison Itani

Glyn Jones

Iwan Jones

Rob Lloyd

Martin Mansfield

Marcella Maxwell

Charles Middleton

Prof Danny Saunders