



Skills That Work for Wales

A skills and employment strategy

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Consultation

Consultation document No: 047/2008

Date of issue: 17 January 2008

Action required: Responses by 10 April 2008

Skills That Work for Wales

- Audience** All bodies concerned with education and training in Wales, including Higher Education Funding Council for Wales, Heads of Secondary Schools with Sixth Forms, Further Education Colleges, work based learning providers, employer organisations and forums, Trade Unions, Sector Skills Councils, Jobcentre Plus, Careers Wales, Voluntary and Community organisations, professional institutes, Prison and Probation Services and Youth Offending Teams.
- Overview** This document consults on a skills and employment strategy to raise skills levels and increase the economic activity rate in Wales. The strategy will supersede the Skills and Employment Action Plan 2005 and provides both a response to the Leitch Review of Skills in the UK and a preliminary response to the independent review on mission and purpose of further education (Promise and Performance).
- Action required** Responses to this draft consultation document should be sent by **10 April 2008** to Melanie Lewis-Clubbe at the address given below or emailed electronically to skillsthatworkforwales@wales.gsi.gov.uk.
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This document is also available on the internet at:
<http://new.wales.gov.uk/consultations/> and can be copied from there.
- Related documents** One Wales
The Learning Country: Vision into Action
Prosperity for all in the global economy – world class skills
Promise and Performance

Ministerial Foreword

In a world of rapid economic and technological change, skills are increasingly vital to the success of people, businesses, and communities. Investment in skills is investment in our future.

We have been making progress. Today's Welsh workforce is better-skilled and more highly-qualified than it was before devolution. Over the last decade we have achieved higher employment than many European countries.


However, we cannot be complacent. Wales still has a lower employment rate, and a higher proportion of adults without qualifications, than the UK average. The Leitch Review of Skills concluded that the skills of the UK workforce as a whole are not world class. The independent review of the mission and purpose of further education in Wales, chaired by Sir Adrian Webb, has likewise told us that we need to be much more ambitious and radical in our response to the skills challenge.

Our vision, set out in *One Wales*, is of a strong and enterprising economy with full employment based on quality jobs. We want to generate sustainable economic growth in all parts of Wales, and employment opportunities that will help to reduce the poverty, disadvantage and exclusion that still afflicts too many of our communities.

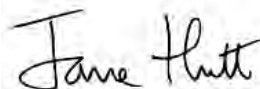
We recognise that skills and employment services must be more responsive to the needs of people and businesses. Employers have told us that they are unclear about the range of business support on offer, and they want our products and services to be streamlined, more integrated and more flexible. This strategy aims to strengthen the voice of our customers – employers and individuals – in the skills system, and ensure that our programmes are increasingly tailored to the unique needs of people, businesses, and communities.

However, with responsiveness comes responsibility. Our vision will only be achieved if learners, employers and learning providers all raise their aspirations, increase their investment in learning and work with us to create the skills that Wales needs.

This consultation exercise is your opportunity to help shape our agenda for skills and employment over the next 5 years and beyond. We also look to the Wales Employment and Skills Board, which will be in place in early 2008, to consider the responses to this document and give advice on the way forward.



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Executive Summary

Our Vision for Skills and Employment in Wales

Our vision, described in *One Wales*, is of a strong and enterprising economy with full employment based on high-quality, highly-skilled jobs. The Assembly Government, individuals, employers and learning providers must all work together to turn this vision into reality.

In a global economy, skills are critical to the success of individuals, businesses and communities. While we have made significant progress in improving skills in Wales over recent years, we need to go further and faster if we are to maximise our future economic growth and create a society where everyone has the opportunity to succeed.

This document sets out the Assembly Government's strategy for skills and employment in Wales. We want to respond to calls for simplified business support; create a stronger partnership with employers; target our funding where it is needed most, and develop a more efficient learning network that will take us from success today to excellence tomorrow.

Meeting Needs, Meeting Demand

Employers are key customers of skills and employment services, so they must have real influence on the content and delivery of our programmes. We will strengthen the voice of employers at the heart of Government through the new UK Commission for Employment and Skills and the Wales Employment and Skills Board, which will advise Ministers in London and Cardiff on skills and employment policy, delivery and targets. A key objective of the new Board will be to advise us how to achieve greater integration between employment, skills, business support, and other policies.

We will give employers a clear role, through their Sector Skills Councils, in ensuring that the real needs of business inform new vocational qualifications. As well as making a contribution to national skills needs, we expect learning providers to work closely with employers in their area so that the supply of learning opportunities matches local demand. We will also focus on the needs of individual learners, with the aim of providing the skills they need to enter and then progress in employment.

We believe that the responsibility for improving skills in Wales is shared between Government, employers, individuals and learning providers. We will work with employers and individuals to drive up skills in Wales, ensuring that the education and training opportunities offered by our network of learning providers are relevant to their needs.

Education and training provision in Wales is improving and there are many examples of excellence. However, we appreciate that there is more to do. We will recognise and reward the excellence of the best providers, and spread best practice to all through collaboration and partnership. Over the next few years, we will reshape our learning network, creating the right structures and capacity to deliver the skills of the future.

Workforce and Business Development

Skills will make the biggest difference to the prosperity of Wales when they are used effectively in the workplace. We will ensure our skills support is fully joined up with our broader programme of business support and addresses skills alongside wider business issues such as leadership, innovation, and business planning. We will encourage more employers to sign the Basic Skills Employer Pledge and work with trade unions to engage hard-to-reach workers in learning.

We will refocus our funding by creating a major Sector Priorities Fund to deliver many of the strategic learning priorities identified by employers, for example through Sector Skills Agreements. A fundamental principle of the Sector Priorities Fund will be encouraging partnerships between employers, sector bodies, and post-16 learning providers, deepening the engagement between business and the provider network.

Modern Apprenticeships will continue to be our premier work-based learning route. We have made a commitment to increase the number of Modern Apprentices and we will explore ways of engaging more learners and employers in a programme proven to be extremely effective.

Many Welsh higher and further education institutions already have strong relationships with employers. We will build on these growing links, encouraging Higher Education and Further Education institutions to work with employers to develop programmes that meet their higher-level skills needs.

Towards Full Employment

Evidence shows that people are better off, healthier and happier when they have a job. If we can achieve the ambitious goal of full employment in Wales, we will transform the lives of thousands of people and improve the well-being of communities throughout Wales.

Our long-term programme of educational reform, including initiatives such as Flying Start, the Foundation Phase and 14-19 Learning Pathways will create a progressively better-educated Wales where more people are equipped with the skills they need to succeed in work and life.

However, we also need to help people today, including young people not in education, employment or training; people with complex needs, such as offenders and ex-offenders; and adults who are unemployed or economically inactive. There is a particularly urgent need to help people who have poor literacy and numeracy skills because these skills are crucial for getting a job and participating fully in society.

By integrating employment and skills services, we will develop more flexible and comprehensive individual support packages for people outside the labour market. Our new 'offer', delivered in concert with the Department of Work and Pensions, Jobcentre Plus and other partners, will be called Careers Ladders Wales. It will include first-class advice and guidance, improved skills support, more (and higher-quality) employment opportunities, and once someone enters employment, ongoing support.

People and Communities with a Future

Acquiring skills and getting a job are two of the most powerful ways in which individuals from all backgrounds can transform their life chances. Empowering people to improve their skills will make a powerful contribution to promoting equality of opportunity for all. Our strategy will help to realise a just Wales where everyone has the chance to succeed.

The education and training system must equip and prepare people for work. This means ensuring that both young people and adults achieve a basic level of literacy and numeracy. We will drive forward our commitment to tackling basic skills deficiencies across Wales by making basic skills an explicit part of GCSEs and considering a new entitlement for those over 19 to basic skills provision.

For people who have not engaged in learning for some time, Adult Community Learning can help to develop confidence and skills in an accessible, non-threatening environment. We will bring forward reforms to the delivery of Adult Community Learning, maximising its ability to engage the 'hardest to reach' learners.

We want to encourage young people to continue in learning beyond 16, and to offer them a wider range of learning experiences. Learning Pathways 14-19, and the Welsh Baccalaureate are transforming learning for young people in Wales. We will work closely with employers in the development and delivery of 14-19 Learning Pathways to enable more young people to have access to learning that prepares them for the world of work.

Skills that work for Wales

We will only succeed in achieving our vision if learners, employers, learning providers, and other partners all work together. We will know that we have succeeded if:

- we make progress towards our ambitious goal of full employment;
- the skills and qualifications of the Welsh workforce improve;
- more employers and individuals participate in learning at all levels and express satisfaction with the learning that they have received;
- more employers are engaged in a skills and employment system that responds to their needs and is simpler to work with; and
- more people currently disengaged from the labour market are helped into sustainable employment.

The consultation on this strategy provides you with an opportunity to shape our agenda. The questions in annex A invite your responses. We will listen to the feedback we receive and issue a final strategy and detailed action plan early in the summer.

Chapter 1: Our Vision for Skills and Employment in Wales

Our vision, described in *One Wales*, is of a strong and enterprising economy with full employment based on high-quality, highly-skilled jobs. To help deliver this we aim to create seamless skills, employment and business support services that are responsive to the needs and demands of employers, individuals, communities and the Welsh economy.

Mission

1.1 This strategy describes our ambition for a highly-educated, highly-skilled and high-employment Wales. It builds on *The Learning Country: Vision into Action*, *Wales: A Vibrant Economy*, the *Skills and Employment Action Plan* of 2005, and *Words Talk – Numbers Count*, our Basic Skills Strategy (2005). It also draws on the recent analyses and conclusions of two major independent reviews – Lord Leitch’s review of skills in the UK, and Sir Adrian Webb’s review of the mission and purpose of further education in Wales.

1.2 Lord Leitch’s review of skills argued that the UK must urgently improve its skills base at all levels in order to deliver economic growth and social justice¹. The global economy is changing rapidly, putting a premium on skills. New technologies allow an increasing range of work to be automated or relocated to low-cost countries. Emerging economies like India and China are growing dramatically, bringing new challenges and opportunities.

1.3 If we fail to improve workforce, leadership and management skills, Welsh businesses will gradually find it more difficult to compete. Wales’ economic growth will diminish. The low skilled will be progressively marginalised in the labour market and our communities will become increasingly unequal. Wales, and the UK as a whole, cannot afford to be satisfied with the *status quo*.

1.4 We therefore commit to a compelling goal - to achieve full employment in Wales through radical improvements in our national skills base. To do this we will create a successful post-compulsory education and training system that:

- provides individuals with the knowledge and skills they need to achieve personal and career fulfilment and to contribute to community life;
- provides businesses in Wales with a skilled workforce, enabling them to be enterprising and profitable;
- drives economic and social development through the creation and exploitation of new knowledge and research;
- helps to create a confident, competitive Wales with healthier and more prosperous communities; and
- has high-quality, flexible, responsive, entrepreneurial and innovative providers.

¹ *Prosperity for all in the global economy – world class skills*. Final report of the Leitch Review of Skills, 2006.

1.5 The opportunity for Wales to maximise the benefits of European funding, particularly through the European Social Fund, must not be missed. We have already agreed priorities for economic inactivity and upskilling with the EU Commission, and will ensure that our programmes take full advantage of available European funding.

Principles

1.6 We have a set of guiding principles that underpin our strategy and will inform the development of our policies: integration; responsiveness; shared responsibilities; quality; and equality of opportunity.

- Integration: we see skills, employment and business development as being inextricably linked. We will work with our partners to deliver flexible, joined-up skills, business support and employment programmes, providing integrated services focused on the customer².
- Responsiveness: we will be responsive to the unique needs of our customers. Being responsive means giving our customers real influence over our programmes, funding and delivery. Our customers are employers, learners and communities across Wales.
- Shared responsibilities: if we are to deliver a radical improvement in Wales' skills, the Assembly Government, individuals and employers must all increase their investment in learning. We believe that public funding should support priority skills needs, especially ensuring that everybody is equipped with the basic platform of skills necessary for employment and participation in community life. Individuals and employers should contribute to the costs of learning where they derive the biggest benefits.
- Quality: we will only fund post-16 providers who deliver high-quality education and training that meets the needs of employers, learners and communities.
- Equality of opportunity: equality of opportunity and Welsh language skills are cross-cutting themes integral to the skills and employment strategy. We will expect our partners, providers and stakeholders to recognise this principle. This strategy will contribute to the Assembly Government's Mainstreaming Equality Strategy³ and the vision of achieving a truly bilingual Wales outlined in *Iaith Pawb*.

The increasing importance of skills

1.7 Across the developed world, including Wales, there is a general trend towards more highly-skilled and knowledge-intensive employment, a trend driven by globalisation and technological change. The number of employees in the best-paid occupational groups (managers and senior officials, professionals, and associate professionals) has substantially increased, and the number of people doing routine

² *Making the Connections: Delivering Better Services for Wales*. Welsh Assembly Government, 2004.

³ In the preparation of this strategy a full equality impact assessment was conducted.

manual and non-manual jobs has declined⁴. Despite the increase in the supply of qualified labour over recent decades, the earnings returns to qualifications remain high, demonstrating the continued strength of demand for skills in the labour market⁵. Knowledge and skills are playing an increasingly important role in economic development and a successful Wales needs to invest in skills at all levels.

1.8 Gaining skills and qualifications can help people to get a job, make progress at work and secure higher earnings. Less than half of people with no qualifications are in employment, compared with nearly 9 out of 10 people who hold qualifications at National Qualifications Framework⁶ levels 7-8. Employees with qualifications at levels 7-8 earn on average 74% more per week than those qualified to level 3 or below⁷. Skills pay, but learning also has a range of wider benefits for individual health, well being and relationships.

1.9 A more highly-skilled workforce is a route for employers to achieve higher productivity⁸. In the private sector, skills are a potential source of competitive advantage and profitability; and in the public sector, skills can help deliver more efficient and effective public services.

1.10 Skills are essential for social inclusion, the cohesion and regeneration of our communities. Local skills are an important determinant of the location of economic activity, and help to explain a large part of geographical disparities in income⁹. Learning can create aspiration in disadvantaged communities, and it enables people to take part in economic, civic and community life.

Where we are now

1.11 The Welsh economy has taken steps forward over recent years. Unemployment, once a perennial problem in Wales, is now at the UK average - 5.4% of the economically active population¹⁰, which is in turn lower than the levels seen in many countries including France, Germany and Italy.

1.12 The economic inactivity rate is also decreasing. It stood at 24.5% of the working-age population in July to September 2007 and has fallen by 1.1 percentage points since the Assembly came into being in 1999. By comparison, the UK as a whole has seen a 0.1 percentage point reduction over this period. However, economic inactivity in Wales is still higher than the UK average of 21.2%. Economic inactivity and unemployment are both strongly associated with low skills¹¹.

⁴ *Statistics on Job Quality in Wales, 2001 to 2006*. Welsh Assembly Government, 2007.

⁵ *Economic Futures for Wales*. Welsh Assembly Government, 2006.

⁶ The National Qualifications Framework (NQF) for Wales, England and Northern Ireland sets out the levels at which qualifications are recognised. The NQF has 9 levels, from entry level through to level 8, which is equivalent to a doctorate.

⁷ *The Levels of Highest Qualification held by Working Age Adults in Wales 2006*. Welsh Assembly Government, 2007.

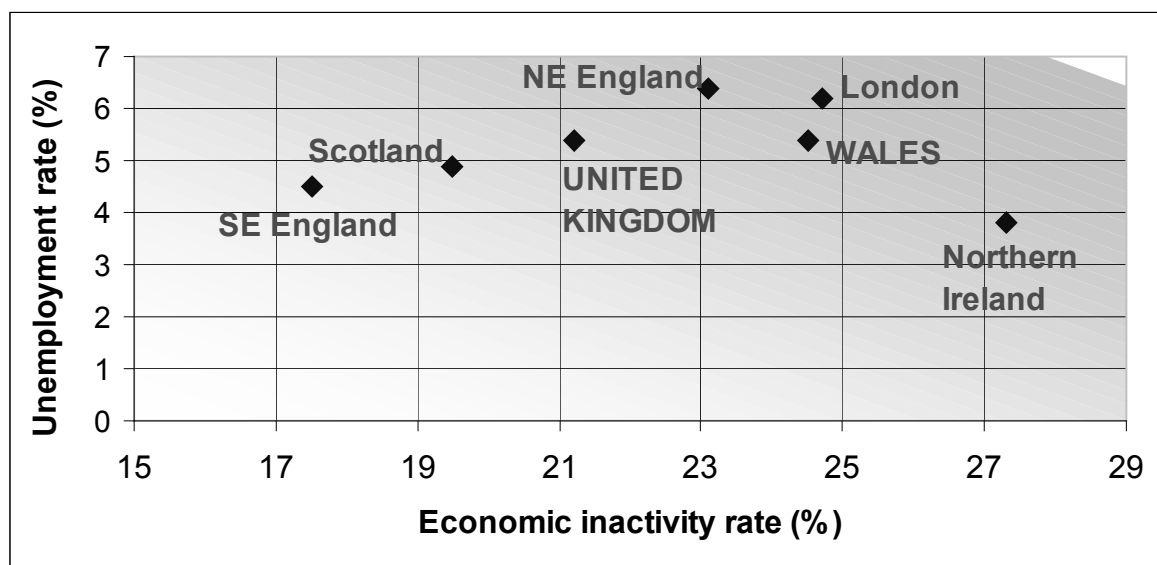
⁸ Dearden, L., Reed, H. and Van Reenen, J. (2000), *Who Gains when Workers Train? Training and Corporate Productivity in a Panel of British Industries*, IFS Working Paper No. 00/04.

⁹ *Economic Futures for Wales*. Welsh Assembly Government, 2006.

¹⁰ July-September 2007. See *Economic Statistics Monthly – November 2007*. Welsh Assembly Government.

¹¹ *Raising Economic Activity Rates*. Welsh Assembly Government, 2004.

**Chart 1: Unemployment and economic inactivity by region
July - September 2007**



Source: Labour Force Survey.

1.13 We have made significant progress in recent years in improving the skills of the Welsh workforce. The proportion of working-age adults with no qualifications declined by around 6 percentage points between 2001 and 2006, while the proportion with a level 2 qualification¹² increased by 7 percentage points.

1.14 However, more needs to be done. Wales still has a higher proportion of adults without qualifications compared to England or Scotland and fewer people with high-level skills (table 1). In global terms, we contrast unfavourably with many advanced countries (chart 2). Our poor qualifications profile contributes to our relatively low earnings when compared with better performing countries and regions of the UK¹³.

Table 1: Level of highest qualification held by adults of working age, 2006

	No qualifications	Below Level 2	Level 2	Level 3	Level 4+
Wales	16	17	22	20	26
England	13	18	21	19	29
<i>North East</i>	14	18	23	22	24
<i>London</i>	13	17	17	16	37
<i>South East</i>	9	18	20	20	32
Scotland	14	13	19	19	34
Northern Ireland	22	12	22	19	25
UNITED KINGDOM	14	17	21	19	29

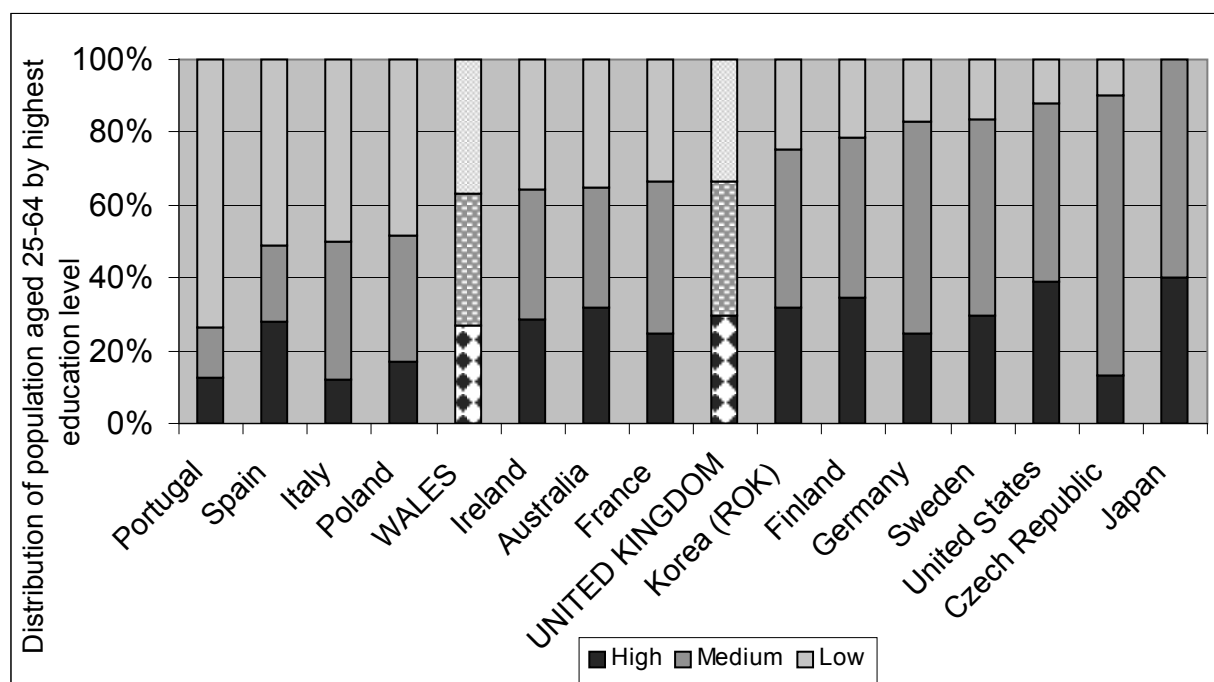
Source: Annual Population Survey 2006. Reproduced in *The Levels of Highest Qualification of Working-age Adults 2006*. Welsh Assembly Government.

Note: Figures may not tally due to rounding.

¹² Level 2 qualifications equate to a GCSE grade A* - C.

¹³ *Wales: A Vibrant Economy*. Welsh Assembly Government, 2005.

Chart 2: International comparison of qualification profiles, 2005



Source: OECD/EU Labour Force Survey.

Note: OECD figures do not disaggregate medium and low skills in Japan.

Our investment in skills

1.15 We will invest over £1.2 billion in the skills and employment agenda in 2007-08¹⁴. Almost half (over £597 million) will be spent on lifelong learning and skills (excluding higher education); more than a third (around £420 million) will be allocated to higher-level learning, and the remainder will provide support for students and learners across post-16 education and training. We also intend drawing down over £31 million from European Structural Funds and other external receipts to support skills and employment in Wales.

Our ambitions

1.16 Our ambitions are to increase Wales' employment rate from 71.2% to 80% of the working-age population, and to improve dramatically our national skills base in support of Lord Leitch's recommendation that the UK should aspire to 'world class' skills by 2020¹⁵.

1.17 We will assess the success of our skills and employment strategy by:

- tracking progress in a range of indicators, notably qualification levels, employment and economic activity rates, in absolute terms and relative to other parts of the UK and EU; and
- robust objective-setting and evaluation of individual programmes.

¹⁴ Assembly Government draft budget 2007.

¹⁵ World class skills are defined by the UK being in the upper quartile of OECD nations in any assessment of educational achievement.

1.18 In *The Learning Country: Vision Into Action* we announced a series of short-term targets for lifelong learning in Wales.

- The percentage of working-age adults with level 1 or above basic skills in literacy to be 80% by 2010 (in 2004, the proportion was 75%).
- The percentage of working-age adults with level 1 or above basic skills in numeracy to be 55% by 2010 (in 2004, the proportion was 47%).
- The percentage of adults of working age with a qualification equivalent to level 2 or above to be 70% by 2010 (in 2006, the proportion was 68%).
- The percentage of adults of working age with a qualification equivalent to level 3 or above to be 50% by 2010 (in 2006, the proportion was 46%).
- The percentage of adults of working age with a qualification equivalent to level 4 to be 30% by 2010 (in 2006, the proportion was 26%).

1.19 We remain committed to achieving these ambitions, but we take advice from the new Wales Employment and Skills Board on reviewing our targets to ensure that they reflect our longer-term ambitions for substantial improvements in Wales' skills base. For example, we need to consider measures such as:

- employer satisfaction with the services they receive;
- learner satisfaction with the services of providers;
- learners' success in achieving their desired pathway into further learning or into employment; and
- providers' attainment of quality benchmarks.

Chapter 2: Meeting Needs, Meeting Demand

We intend to:

- strengthen the voice of employers at the heart of Government through the new UK Commission for Employment and Skills, the Wales Employment and Skills Board and a strong network of Sector Skills Councils;
- make sure we have the right intelligence to underpin our decision-making and provide accurate information, advice and guidance to our partners, individuals and employers;
- focus our funding on the priorities and targets set by Welsh Ministers – especially the skills most needed by employers – with individuals and employers also increasing their investment in learning;
- reform vocational qualifications so that they better match the needs of employers and learners;
- develop a revised quality assurance framework that will recognise and delegate more responsibility to providers with a track record of good performance; and
- reshape the network of learning providers so that it has the right structure and capacity to deliver the skills of the future.

The questions in Annex A invite your responses and comments.

Strengthening the employer voice

2.1 Employers are key customers of skills and employment services - we want them to have real influence on the content and delivery of these services. We will work with partners in England, Scotland and Northern Ireland in creating the new UK Commission for Employment and Skills that will strengthen the employer voice on skills and employment issues across the UK. The UK Commission's role will include advising on how skills and employment programmes across the UK can respond effectively to changing employment trends and employer demand. The Commission will be fully operational in 2008.

2.2 There will be a Commissioner for Wales to represent Welsh interests at UK level. The Commissioner for Wales will chair a Wales Employment and Skills Board that will provide advice to the Assembly Government and other key partners on all issues related to skills, employment, and business support in Wales. In line with our commitment to simplify the institutional landscape for employment and skills, the Wales Employment and Skills Board will replace a number of current advisory bodies including the Joint Skills Advisory Panel and the Wales Employment Advisory Panel.

Understanding needs

2.3 Traditionally, the skills system was based on employers collectively specifying their needs to education and training providers through a detailed planning process.

However, as the Leitch Review of Skills concluded, in a rapidly-changing global economy it is impossible to predict accurately future demand for particular skill types and then plan all learning provision to meet them. Skills and employment services must be flexible and adapt to changing patterns of demand.

2.4 As the skills system becomes more responsive, with providers' vocational qualification offer informed by Sector Qualification Strategies and supported by new approaches to funding, the match between the supply and demand for skills will improve. However, we will continue to produce regular analyses of future national skills needs to inform decision-making by our partners and providers.

2.5 Our research and evaluation programme, which includes Future Skills Wales (FSW), helps the Assembly Government to design effective policies, providers to understand their markets, and Careers Wales and Jobcentre Plus to give accurate information, advice and guidance to individuals and employers.

2.6 The Assembly Government will continue to play the lead role in co-ordinating and disseminating learning and labour market intelligence (LMI) in Wales, working closely with Sector Skills Councils (SSCs) and other agencies. Our role will include conducting national surveys, producing and analysing our own official statistics, and supporting the work of our Economic Research Advisory Panel.

2.7 We will support SSCs to provide sector-specific regional or local level LMI where we believe strategic gaps in the information base exist. We will build on the success of Future Skills Wales by using the Learning and Skills Observatory as a single shared hub for education, learning and skills intelligence in Wales, working closely with the SSCs, learning providers, academic institutions and others.

Sectors – demand-led skills

2.8 A strong network of Sector Skills Councils in Wales (SSCs), working closely with employer bodies, will help to strengthen the employer voice in decisions on skills provision. The Leitch review recommended a clearer remit for SSCs. We will work with partners across the UK in developing the criteria for reformed and re-licensed SSCs. We want SSCs to focus on:

- increasing demonstrably employer engagement, demand and investment in skills;
- undertaking national analyses of sectoral labour market and skills needs and demands; and
- informing the development of new vocational qualifications, to ensure that they meet the needs of business.

2.9 SSCs will be a strategic interface between employers and the Assembly Government. Employers working with SSCs can use this interface to make a stronger impact on the policies and programmes supporting skills and employment in Wales. We want to support the capacity of SSCs where we see a strategic need, and we expect them to work collaboratively where their industry footprints do not directly align with sectors we define as of key significance.

2.10 SSCs will advise the Assembly Government on the vocational qualifications they see as priorities for public funding, ensuring that the supply of skills is clearly informed by sector needs. The Sector Skills Agreements (SSA) produced by SSCs will map out the skills needed by employers in each sector and show how these skills can be supplied. Sector Qualifications Strategies (SQS), based on the SSA, will indicate what learning provision and qualifications are required to meet those skills needs. We will expect new vocational qualifications and units to reflect the SQS for each sector.

Investing in Skills – a shared responsibility

2.11 The Assembly Government's budget will always be insufficient to meet the whole demand, from the entire population of Wales, for all types of post-compulsory learning. If we are to deliver a radical improvement in Wales' skills, we must focus our funding on the priorities and targets set by Welsh Ministers, with individuals and employers also increasing their investment in learning.

2.12 There is broad consensus that publicly-funded education and training should ensure that everybody is equipped with the basic platform of skills necessary for employment and participation in community life. We believe that free learning should continue to be available for learners aged 16-19 and adults pursuing basic skills courses and/or in receipt of income-related benefits.

2.13 Beyond the age of 19, individuals and employers should invest in higher-level skills that earn a good private return. We propose developing a contributions policy that will more closely align the Assembly Government's expenditure on post-16 learning with the priorities and targets set by Welsh Ministers. The new policy will also help providers to diversify their income base and develop a higher-quality, more customer-responsive service.

2.14 In the year ahead, we will publish a consultation document exploring the options, with a view to introducing new arrangements for Further Education (FE) and work-based learning (WBL) from 2010. Welsh Ministers have announced a review of Higher Education (HE) student support arrangements that will report in 2008. We will consider wider options for future HE funding in the light of the UK Government's independent review of HE variable fees policy, due in 2009.

Qualification reform and Credit

2.15 In a world of rapid economic and technological change, new skills needs are emerging while many older skills are becoming obsolete. Qualifications must reflect these changes if they are to remain relevant. We are working with partners in England, Northern Ireland and Scotland on the UK Vocational Qualification Reform Programme, a far-reaching initiative to rationalise and reform vocational qualifications, creating a new generation of awards better matched to the needs of employers. All future vocational qualifications used across England, Wales and Northern Ireland will have credit as an integral element, forming a part of the wider Credit and Qualifications Framework for Wales (CQFW).

2.16 Credit is important because not everyone wants or needs to study for a full qualification, and many employers prefer their staff to undertake short, focused training courses. Credit is a new way of recognising achievement that will enable learners to work towards qualifications in small steps and at their own pace, receiving credit for completing accredited short courses, on-the-job training or even informal learning. Ultimately we wish to see people combining those credits towards appropriate learning goals such as qualifications.

2.17 When the CQFW is fully implemented, the opportunity will exist for learners in Wales to have a unified online record of all their learning and qualifications. They would be able to use this record to track their progress and share their achievements with employers and learning providers.

High quality providers

2.18 Post-16 education and training provision in Wales is improving and there are many examples of excellence. Since the introduction of the Provider Performance Review in 2005, we have seen a steady improvement in providers' quality and standards: 87% of performance areas are now categorised as 'satisfactory' or better, and in 2005-06 Estyn assessed 76% of lessons in further education institutions as good or outstanding¹⁶.

2.19 We celebrate success, but appreciate that there is much still to do. We aspire to the highest possible quality and want to spread best practice from high-performing providers to those who are still catching up. We will develop a revised quality assurance framework, using models of effectiveness and benchmarking, which will recognise excellence and delegate more responsibility to providers with a track record of good performance.

2.20 From 2008 we will recognise and reward excellent providers that consistently deliver high-quality learning, supported by strong leadership and management. These providers will be awarded a prestigious status to celebrate the high standards they have achieved.

2.21 To ensure providers with the very best practice are recognised and rewarded, the criteria will be challenging but achievable:

- inspection outcomes that are good or outstanding;
- high standards in Provider Performance Review; and
- a commitment to work with others to share best practice.

2.22 For providers who reach this standard, we intend developing a package that will include a 'lighter touch' on quality assessment, funding incentives and the opportunity to contribute their expertise and knowledge to high-level strategic projects aimed at reforming the sector.

¹⁶ Estyn Annual Report 2005-06.

2.23 We will also work with a network of excellent providers to disseminate best practice, helping other providers improve their delivery and raise their standards through collaboration.

Efficient and effective – a network that delivers

2.24 Learners and employers in Wales must have access to world-class education and training opportunities. We will not be satisfied with excellence for a few: our whole network of learning providers must be efficient and effective.

2.25 The next few years will bring new challenges for providers. One of the earliest will be implementing the entitlement of young people to 14-19 Learning Pathways, but adult skills will also be critical. Many people – including older workers, migrants and the economically inactive – will need to return to learning and improve their skills. These learners will have a diverse range of needs very different from those of young people. They are more likely to require part-time courses, innovative teaching and learning strategies, and delivery in the workplace or community settings.

2.26 Providers must offer the very best education and training opportunities to meet national and local needs and priorities. Sir Adrian Webb was asked to lead an independent review of the mission and purpose of further education in Wales, considering all aspects of post-14 lifelong learning. We are considering the Webb Review's recommendations carefully and we will implement those proposals that will help to secure a strong network capable of delivering the high-quality learning expected by employers, individuals and communities.

2.27 Meeting these expectations will require a reshaped network of providers with the right structure and capacity to deliver the skills of the future. We will need providers, or networks of providers, with the potential to innovate; sufficient scale to sustain a broad range of curriculum options; the ability to realise efficiencies; and a clear quality profile and brand image that learners, employers and other stakeholders can recognise and trust.

2.28 A combination of high-quality provision in every part of Wales and centres of excellence in key sectors will help Wales to foster the capacity to innovate and develop cutting-edge skills. We want to support some providers and networks to develop special expertise and excellence in particular industry sectors, such as the skills academies proposed in *One Wales* for key manufacturing sectors. We believe these national or regional centres will attract employers and students from beyond the provider's local area.

Chapter 3: Workforce and Business Development

We intend to:

- align our economic development priorities with our funding for skills;
- ensure that businesses receive joined-up skills and business support services that deliver flexible solutions;
- respond to businesses skills needs by significantly expanding our Workforce Development Programme, focusing our investment where it will have the biggest impact and generate the best value;
- introduce a new Sector Priorities Fund to deliver business-critical skills and qualifications;
- strengthen our focus on leadership and management and our broader commitment to the Investors in People standard;
- strengthen our apprenticeship system and expand the number of Modern Apprentices;
- forge strong partnerships between further education institutions, higher education institutions and business;
- encourage more employers to take the Basic Skills Employer Pledge;
- work with trade unions so that more employees can benefit from learning opportunities; and
- work to ensure businesses receive joined-up and well-managed services delivering flexible business solutions.

The questions in annex A invite your responses and comments.

Skills that work for Welsh business

3.1 Skills will make the biggest difference to the prosperity of Wales when they are used effectively in Welsh workplaces. We will align skills with broader support for employers to develop their businesses, addressing skills needs alongside issues such as capital investment, new technology, innovation, and business planning¹⁷.

3.2 Many employers in Wales already make substantial investments in training. In 2007, 71% of establishments reported arranging on-the-job training for employees over the past 12 months, and 54% had arranged off-the-job training. Encouragingly, there are signs that employers' provision of training may be increasing. However, not all employers embrace a culture of learning. Smaller firms are less likely to provide training opportunities than larger firms, and some sectors do better than others¹⁸.

¹⁷ See *Post-16 Skills*. Ninth Report of Session 2006-07. House of Commons Education and Skills Committee.

¹⁸ CRP 2007-2010: Employer Panel Wave III Headline Findings.

3.3 Access to training is also unequal. In 2005, off-the-job training was most commonly provided to employees in managerial occupations, but only infrequently offered to workers in skilled trades or transport and machine operatives¹⁹. Older workers were less likely to be trained than younger workers even though the number of young entrants to the labour market is set to fall (around 70% of the Welsh labour force in 2020 has already reached working-age)²⁰. We want to ensure that employees at all levels, of all ages, and in every sector, can benefit from learning opportunities.

3.4 Our approach to supporting skills in the workplace is based on the principle of shared responsibility, offering employers and individuals greater opportunities in return for increased engagement. We understand that if businesses and the Assembly Government are to work in partnership to invest in skills, then delivery must also be flexible and responsive to needs.

3.5 The business community in Wales has told us that the wide range of business support schemes available is confusing, so that they are not always sure where to go for help or aware of the specific forms of support available. We aim to simplify and streamline our programmes, making it easier for business to access support and easier for us to ensure that our services are good value for money.

3.6 We believe that a greater proportion of the total funding for adult learning should support business growth through human resource development, i.e. training based on business needs and linked to business strategy. However, our skills development programmes for business also need to strike a balance between providing support to help increase the productivity and competitiveness of firms in Wales, while also equipping individuals with skills and qualifications that are portable in the labour market.

Business development through skills development

3.7 Assembly Government investment in business skills will focus on delivering the biggest impact and best value. Our intended approach is described below.

- *A focus on priority sectors and businesses.* We intend to prioritise financial support for human resource development (HRD) on businesses operating in sectors that are considered to be key to the future development of the Welsh economy.
- *Supporting businesses committed to growth and best practice in HRD.* HRD is an essential element of business development. To ensure public investment delivers value for money we will support businesses that aspire to develop best practice in HRD: businesses that recognise and measure the contribution that enhanced skills make to their long-term success.

¹⁹ Future Skills Wales 2005 Sector Skills Survey.

²⁰ *Wales Population: A Demographic Overview 1971-2005*. Welsh Assembly Government, 2007.

- *Encouraging leadership and management potential.* Leadership and management are critical to long-term business success and our aspirations for the long-term development of the Welsh economy. We intend to make leadership and management development a priority within the expanded Workforce Development Programme.
- *Greater rewards for transferable qualifications.* Training in economically-valuable skills should deliver qualifications that give individuals and employers portability within the labour market. However, in some circumstances there will be a need to support bespoke in-company learning. We will develop a consistent funding model that requires a greater investment on the part of business where less portable and widely recognised learning is being delivered²¹.

Business support

3.8 Our intended approach is that individual businesses will be able to access support through a significantly expanded Workforce Development Programme. For groups of businesses we also propose introducing a Sector Priorities Fund accessible to further education institutions working with sector bodies (including Sector Skills Councils) and/or other business representatives.

3.9 Any individual business coming through to the Workforce Development Programme will continue to be provided with rapid advice and guidance, and routing of enquiries through to:

- one of our national team of HRD advisors for more in-depth analysis, advice, guidance and brokerage as part of the Workforce Development Programme; and
- support available from the most appropriate partners or providers.

3.10 We will expand the HRD advisor network (to 175 by 2008) to support the development of our relationship management model and to enable more businesses to receive specialist advice and support. On a discretionary basis, selected businesses will be able to access funding to implement priority training as part of the revised Workforce Development Programme. The level of public investment will take account of a firm's commitments to work with recognised standards such as Investors in People (IiP), the Leadership and Management Model and the Basic Skills Employer Pledge. We remain committed to the value of the IiP standard and will continue to promote it to organisations across Wales.

3.11 As part of the programme an HRD advisor, working closely with a firm's relationship manager²² as appropriate, will undertake an in-depth analysis to understand fully a firm's development and training needs. The advisor will help

²¹ For example, we propose that where outcomes involve the delivery of recognised qualifications of value to individuals as well as business (i.e. those within Sector Qualification Strategies) the Assembly Government contribution should be up to 50% whereas for non-portable skills the Assembly Government contribution should be limited to a maximum of 25%.

²² The Assembly Government's relationship manager network co-ordinates the customer service we offer to key businesses in Wales.

managers prepare an action plan; source appropriate provision, making full use of “off-the-shelf” programmes where available and using the wider market when necessary; secure funding, if available; and follow-up with any help needed to implement the training plan successfully.

3.12 We aspire to deliver integrated services to businesses. We will:

- simplify and streamline referral processes, products and services;
- develop specialist capacity within the HRD advisor network to support sectors, inward investors and businesses of key strategic importance to Wales (KB4B);
- develop working practices and information systems to ensure businesses receive a joined-up service from the Welsh Assembly Government. This will include creating close alignment between investment in training and the Single Investment Fund administered by the Assembly Government’s Department for the Economy and Transport; and
- develop new ways of supporting leadership and management in Welsh businesses, using the opportunity provided by European Union Structural Funds.

Sector Priorities Fund

3.13 We propose introducing a significant fund to deliver the skills and qualification priorities identified by employers, for example through Sector Skills Agreements (SSAs). This fund will refocus a proportion of the resources historically distributed through the Learner Provision budget.

3.14 We intend to establish a process to enable partnerships between providers and sector bodies to secure funding to address needs identified in SSAs or other strategic skills assessments endorsed by the Assembly Government. A core requirement of any bid will be the involvement of a further education (FE) institution alongside sector bodies and/or other business representatives, which will help to develop and deepen the relationship between FE and business in Wales. Consistent with the Workforce Development Programme, we will seek a balance of funding contributions with business (and/or individuals) investing alongside the Assembly Government.

Modern Apprenticeships

3.15 Modern Apprenticeships (MAs) and Foundation Modern Apprenticeships (FMAs) are high-quality learning routes offering a unique combination of paid employment or work-experience, on-the-job training and the opportunity to develop the knowledge and skills needed for a career. A strong apprenticeship system has a number of benefits for Wales: it improves workforce skills, particularly at intermediate level; it helps new entrants to the labour market to secure sustainable employment; and it provides an alternative to full-time education for many young people and adults who prefer practical rather than classroom-based learning.

3.16 Recent evidence demonstrates a strong business case for employers to provide apprenticeships. Apprentices improve business performance through their contribution to a firm's productivity and quality. They are cost-effective. Once apprentices have completed their training, they can go on to become part of a wider 'pool of talent' available to their employer and a sector as a whole²³. Both MAs at level 3 and FMAs at level 2 offer excellent value for the Assembly Government's investment – new research has calculated the Net Present Value per pound of state funding (the lifetime surplus of benefits over cost) to be around £16 for a FMA and £17 for an MA²⁴.

3.17 We believe that the apprenticeship model needs strengthening to preserve its future value. We propose issuing separate contracts for MAs/FMAs and other forms of work-based learning, to bolster the discrete apprenticeship brand and ensure that we can work with providers able to deliver our ambitions for wider participation and higher completion rates.

3.18 We will significantly increase the number of Modern Apprentices in Wales, a commitment that we made in *One Wales*. In line with our principle of a shared responsibility for investing in skills, from 2010 we propose introducing a contributions policy for MAs and FMAs that will recognise the priority Welsh Ministers assign to specific sectors and groups of learners. We also intend reviewing the financial support packages available for Modern Apprentices and learners on other work-based learning (WBL) programmes to ensure that they are fair, transparent, and offer the right support and incentives for people to follow their preferred learning route.

3.19 We are aware that many employers, particularly small and medium-sized enterprises, struggle to provide MA and FMA places, and this can have a significant impact on the availability of provision. In the Work-based Learning Improvement Plan published in January 2006, we announced that we would explore the potential for Shared Apprenticeship schemes that could address these issues. We will be conducting pilots from 2008 onwards to determine the best way forward.

3.20 Simply increasing the number of MA and FMA places will not be enough. We need to do more to address the significant gender segregation²⁵ in work-based learning, and increase the low proportion of disabled people participating in these programmes²⁶. We have to break down the stereotypes, encouraging learners to consider a wider range of vocational options and challenging employers to offer opportunities to people from a more diverse range of backgrounds. Employers who do not appreciate the business benefits of diversity are missing a large pool of

²³ *Apprenticeships Task Force Final Report*. ATF, 2005.

²⁴ McIntosh, S. (2007) *A Cost Benefit Analysis of Apprenticeship and Other Vocational Qualifications*. DfES Research Report RR834.

²⁵ BMG Research (2003) *Evaluation of Modern Apprenticeships and National Traineeships in Wales*. A Report for EOC Wales.

²⁶ *Further Education, Work-based Learning and Community Learning in Wales Statistics 2004/05*. Welsh Assembly Government, 2006. Note that the proportion of learners in WBL with an ethnic minority background is similar to the proportion of ethnic minorities in the Welsh population as a whole.

talented recruits. We will encourage providers to use best practice guidelines on promoting diversity²⁷ and make sure that our own marketing is inclusive.

Higher-level learning and skills

3.21 Skills at level 4 and above are strongly valued by employers, and this is reflected in the continued strength of the graduate pay premium. However, there are significant variations in the earnings returns to degrees, mainly depending upon their subject²⁸. Moreover, a small proportion of graduates appear to lack the generic and practical skills necessary to secure jobs that match their academic achievements²⁹.

3.22 We will encourage higher-level education across all subjects to develop skills that will enhance graduate employability, including leadership, communication, and team working. We will also encourage more students to achieve high-level qualifications in those subjects that are highly valued in the labour market, in particular science, technology, engineering and mathematics, in line with our *Science Policy for Wales* and the recommendations of the Sainsbury Review of Science and Innovation³⁰.

3.23 Higher education institutions (HEIs) in Wales have built up strong direct links with employers. They all have a strategic plan for business support and a dedicated enquiry point for small and medium-sized enterprises (SMEs). Many offer a range of learning opportunities for business including distance learning or short courses. While Welsh HEIs account for only 5% of higher education in the UK, in the 2005/06 academic year they earned 11% of income from collaborative research involving both public and business funding, and almost 9% of income from consultancy contracts with SMEs. In the same year, Wales generated 13.5% of all higher education business spinouts and 13.6% of all graduate start-ups in the UK³¹.

3.24 While current performance is strong, more can be done to maximise the potential of a strong business-HE partnership across Wales. The Higher Education Funding Council for Wales (HEFCW) is supporting a project to examine the scope for a 'clearing-house' and brokering agency for work-based learning provision on behalf of HEIs in Wales and their partners. It would carry out accredited training, working with individuals, companies, professional bodies and lead agencies such as Sector Skills Councils. We look to the feasibility study to inform future developments³².

²⁷ *Diversity - Action for Change. Practical guidance for employers to open up non-traditional opportunities*. Co-publication of ATF, EOC and ESF, March 2005.

²⁸ O'Leary, N. and Sloane, P. (2006) *Returns to Education: An Update*. A Report for the Economic Research Unit, Welsh Assembly Government.

²⁹ Chevalier, A. and Lindley, J. (2007) *Over-Education and the Skills of UK Graduates*. Centre for the Economics of Education, LSE.

³⁰ *The Race to the Top. A Review of Government's Science and Innovation Policies*. October 2007.

³¹ Higher education-business and community interaction survey 2004-05 and 2005-06. HEFCE, 2007.

³² Strategic Development of High-level Learning for the Workforce in Wales: A formal proposal paper on behalf of UWIC and project partners to the HEFCW Strategic Fund Assessment Panel. February 2007.

3.25 We recognise the value of Foundation degrees in meeting businesses' needs for higher-level qualifications that balance academic understanding with relevance in the workplace. Foundation degrees can be designed and delivered to suit employers' needs, and employees do not necessarily need formal qualifications to apply for a Foundation degree as previous relevant work experience is taken into account. Welsh HEIs are free to develop and offer Foundation degrees in their portfolios, including through franchise arrangements with FEIs, but we do not propose expanding this route at the expense of other types of provision - such as Higher National Certificates (HNCs) and Higher National Diplomas (HNDs) - that already have strong employer recognition.

3.26 To help more businesses in Wales recruit people with higher-level skills and also to help students and graduates start their careers in Wales we will expand the Graduate Opportunities Wales (GO Wales) project, subject to employer demand. The project offers a variety of services including work placements, a free recruitment website for graduates and employers in Wales, and advice and support on training and development for SMEs with graduate staff. It has been particularly successful in developing the market for graduate employment among SMEs.

Getting the basics right at work

3.27 We intend expanding our successful Basic Skills Employer Pledge, which commits employers to 'help employees with poor basic skills to improve these basic skills'. The Pledge already covers 10% of Welsh employees and we have a target of 50% by 2010. We will encourage more employers to take the Pledge by taking account of a commitment to it when we allocate discretionary funding grants.

3.28 We understand that many people want basic skills provision to be more relevant to their daily work. We will support projects led by Sector Skills Councils and our provider network to ensure that adults across Wales have access to a range of high-quality, vocationally-relevant basic skills resources.

Working with Unions

3.29 Trade Unions have an important role in improving skills in Wales by raising the aspirations of people at work and opening up learning opportunities for their members. Union Learning Representatives are uniquely placed to reach out to groups who are otherwise hard to engage in learning, especially workers with low skills and people from disadvantaged groups.

3.30 The Wales Union Learning Fund (WULF) has been instrumental in building the capacity of unions to encourage and offer learning opportunities to their members. With support from the Assembly Government, the Wales TUC has created a dedicated Learning and Education Team that supports all unions to raise the demand for learning within workplaces and develop new opportunities for their members. In line with our commitment in *One Wales* we will increase the WULF by 50% to £1.5m in 2010/11.

Migrant workers

3.31 Migrant workers (and overseas students) make a growing contribution to the Welsh economy. For many migrant workers, English for Speakers of Other Languages (ESOL) Basic Skills courses have been a way to improve language skills and a significant expansion has taken place in the volume of this provision. We will ensure that language learning for migrant workers is funded appropriately in line with our contributions policy, while ensuring that vulnerable groups are protected.

Older workers

3.32 In common with all developed societies, Wales has an ageing population. An ageing workforce is both a challenge and an opportunity. Older workers (aged 50-plus) benefit from maturity, a wealth of experience, and tend to have more stable relationships with their employers. However, many older workers also rely on the knowledge and skills that they acquired before entering the labour market or in the early stages of their careers.

3.33 Without re-training, older workers' skills may become obsolete, undermining innovation and productivity. Lifelong learning will become increasingly important in maintaining and updating the skills of an ageing workforce³³. We have already made progress: the abolition of the upper age limit for Modern Apprenticeships has enabled many older workers to benefit from an MA or FMA, in line with our commitment to social justice. We will work with employers and trade unions to ensure that older workers are able to take advantage of all our existing skills programmes and the new, more flexible learning opportunities created through the Vocational Qualification Reform Programme and enabled by the Credit and Qualifications Framework Wales.

³³ Dixon, S. 'Implications of population ageing for the labour market'. *Labour Market Trends* Volume 111 No. 2, February 2003.

Chapter 4: Towards Full Employment

We intend to:

- establish an integrated skills and employment system in Wales. This will be driven by a labour market strategy based on joint planning arrangements between the Welsh Assembly Government and the Department of Work and Pensions and its delivery agents;
- introduce the Careers Ladder concept to help bring coherence and structure to the integrated services;
- introduce a new Employability Skills Programme to deliver tailored support to those not in work so that they can develop the confidence and skills they need to move forward;
- introduce an Ambitions programme, in partnership with businesses, helping individuals access existing work opportunities by equipping them with the right skills;
- reform existing programmes and services so that they work as part of this new structure. This will include focusing the Skillbuild Programme on young people and repositioning Individual Learning Accounts, making them available to those who have recently entered work to support immediate training needs;
- target the most deprived areas where there are high levels of worklessness; and
- find new ways of working with partners and providers, including Careers Wales, Jobcentre Plus and the third sector, to attract and enthuse those least likely to take up learning or employment.

The questions in annex A invite your responses and comments.

Tackling the employment challenge

4.1 Full employment (an employment rate of 80% of the working age population) is the long-term aim we have set in *One Wales*. In the context of a Welsh economy with approximately 1.25 million people in employment (an employment rate of around 72%), this is an extremely challenging objective. If Wales is to achieve full employment, we will need to help diverse groups of workless people enter the labour force.

4.2 We believe that people are better off when they are in work. Worklessness is strongly associated with deprivation and physical and mental ill-health. Finding a job can help lift someone out of poverty and improve their self-esteem, health and well-being. This is true for most people with and without disabilities³⁴.

³⁴ Waddell, G. and Burton, K. (2006) *Is Work Good for Your Health & Well Being?*

4.3 Many people face multiple barriers to work including poor physical or mental health, caring responsibilities, a lack of confidence and in particular low skills. We want to develop more integrated skills and employment services that will offer flexible, personalised support to address these barriers to work and help people find jobs.

4.4 Employment policy is not devolved and is the responsibility of the Department for Work and Pensions (DWP), which shares our ambition of full employment and promotes work as the best form of welfare. DWP aims to increase employment, with a special focus on disadvantaged groups. Devolution has enabled us to support the work of DWP with our own initiatives to address challenges specific to Wales, especially helping people to develop the skills needed for employment.

4.5 Wales has benefited substantially from this combination of devolution with an effective partnership between the Assembly Government and DWP. We will strengthen our relationship by developing a joint planning framework to ensure that we have a shared strategy for the Welsh labour market.

Working with partners

4.6 We support the work of DWP and its delivery agents, including Jobcentre Plus, in providing help to people looking to move into work, support for people who cannot, and a range of services for employers looking to fill their vacancies.

4.7 We were closely involved in the development of DWP's Pathways to Work initiative, which offers intensive support to help Incapacity Benefit recipients into work. Now running across Wales, Pathways to Work includes a Return to Work credit and the innovative Condition Management Programme, delivered in concert with NHS Wales, which helps people understand and manage their health condition in a work environment.

4.8 Alongside Pathways to Work, we are working with Jobcentre Plus to deliver a range of European pilot projects, such as Want2Work, across Wales. These pilots are testing different kinds of support for benefit claimants who want to find a stable job. They involve a range of professionals including health advisors, job coaches and mentors, working together to help people enter work and supporting them through their first 12 months of employment.

4.9 Third sector³⁵ organisations already help to deliver employment programmes such as the New Deal for disabled people. We are committed to strengthening our partnership with the sector because we recognise the unique strengths and expertise that it can offer, especially in our most disadvantaged communities. We will explore new ways of working with the sector to engage more of the 'hardest to reach' people least likely to take up learning and employment.

³⁵ The third sector includes organisations that are not profit-making and are independent of the state. They are value driven and principally re-invest surpluses or raise funds to further social, environmental or cultural objectives. The sector includes community groups, voluntary organisations, faith and equalities groups, charities, social enterprises, co-operatives, mutuals and housing associations.

4.10 We fund Careers Wales, the all-Wales service that gives people of all ages free careers information, advice and guidance. Careers Wales enables people looking for employment to understand their options, find out about learning opportunities, apply for jobs and prepare for interviews. Since its creation in 2001, Careers Wales has helped thousands of people to develop their skills, choose a career and find a job. However, it is time to re-examine how best to deliver these services. We will ask our partners and stakeholders whether new delivery models, such as a single national careers company or a merger between Careers Wales and the Assembly Government, could deliver a better customer experience.

Delivering seamless services to customers

4.11 The Assembly Government and DWP are committed to ensuring that skills and employment services work together effectively. We want to go further and make sure that they are seamlessly integrated. We propose a *Careers Ladders Wales* concept with six phases of information, advice, guidance, and support (see also figure 1).

- *Contact*. We will reach out to the 'hardest to reach', stimulating their ambition to work.
- *Stepping on*. We will introduce an Employment Gateway service, operated in partnership with DWP, to ensure individuals' needs are understood and to plan support and development opportunities.
- *Stepping up*. We will introduce a range of tailored skills programmes to complement the flexible New Deal.
- *Stepping out*. We will help more disadvantaged groups access employment vacancies.
- *Moving forward*. We will enable individuals moving into work to access flexible support funds during the first months of their employment. This will support their initial training requirements and help secure sustainable employment.
- *Targeting areas most in need*. We recognise that in areas where levels of worklessness are significantly higher than average, additional support may be required.

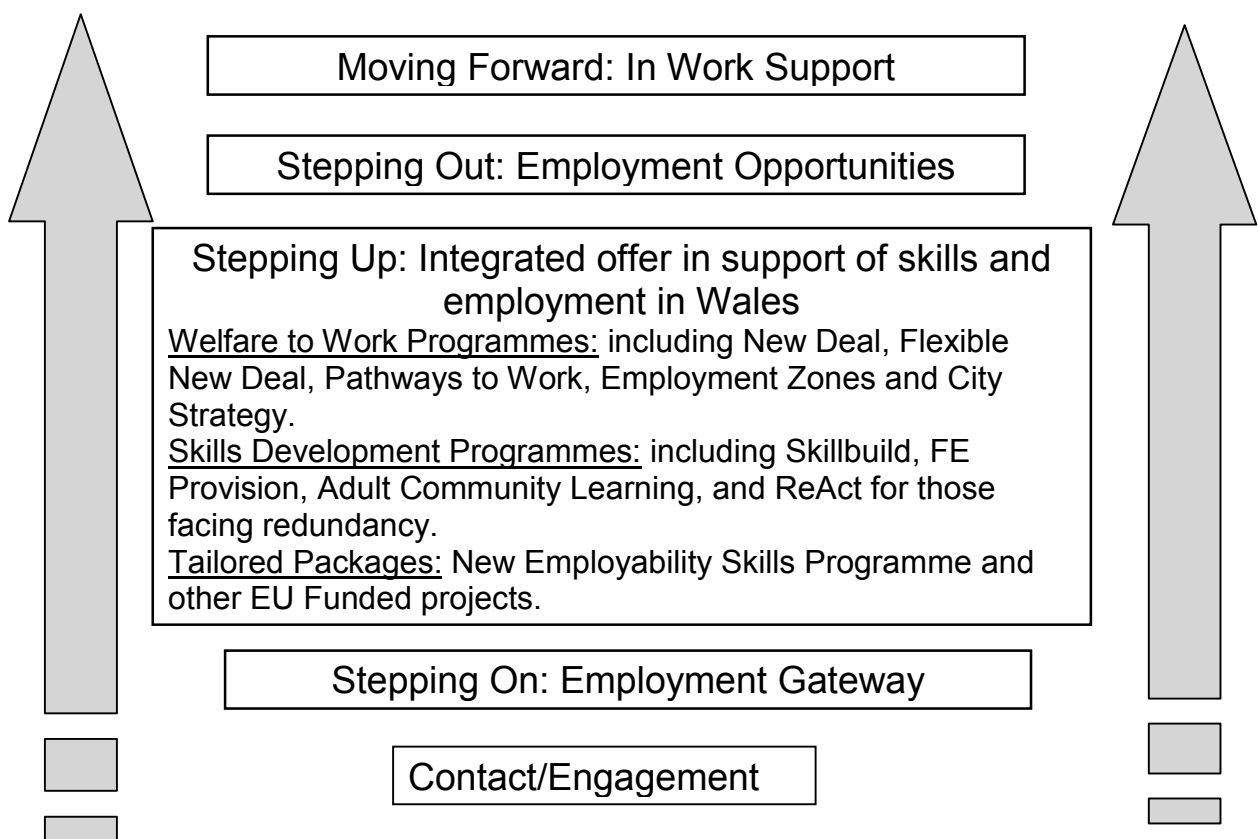
4.12 The transition from benefits to employment can be a fragile process requiring time, sensitivity and care from referral agencies and programme workers. A more closely co-ordinated service and tailored support will provide individuals with the confidence and encouragement they need to stay in work and move up the career ladder.

Contact

4.13 The 'first touch' engagement with clients is critical - many people have little confidence and many do not realise the extent to which they will be better off in work. We need to do more to stimulate people's ambitions by:

- reaching out to the most disadvantaged groups, using the skills and expertise of the third sector where appropriate;
- working with Careers Wales to give people clear information, advice and guidance on skills, qualifications and career options;
- explaining how help with childcare, care of other dependants, and the statutory right to request flexible working, can support part-time or full-time employment; and
- enabling people to understand the system of tax credits, benefit guarantees and other financial incentives to working.

Figure 1: Integrating skills and employment – the Careers Ladder



Stepping on the Careers Ladder – the Employment Gateway

4.14 The Employment Gateway will provide individuals with information and advice on benefits, employment and learning opportunities. The Gateway will incorporate an assessment of personal needs including a 'skills health check'. Advisors will work with individuals to develop an action plan; the action plan will describe the services and opportunities available from key agencies (Jobcentre Plus, the Assembly Government, and Careers Wales), explain how to access these services and take the first steps towards employment.

Stepping up the Careers Ladder

4.15 People outside the labour market have different needs. For some, signposting and ready access to job vacancies, supported by regular meetings with an adviser, are very effective. Around 60% of claimants leave Jobseeker's Allowance within 13 weeks³⁶. However, others will need intensive help to find a job, especially if they remain unemployed for 12 months or longer. DWP is planning to replace the current, separate New Deals for young people and unemployed adults with a new, flexible New Deal for all job seekers. The flexible New Deal will provide increasing levels of assistance to people who have spent longer out of work. We will work with DWP and its delivery agents to provide support that complements the flexible New Deal.

4.16 For unemployed young people, we propose retaining our Skillbuild programme. Skillbuild is aimed at unemployed learners who lack confidence or career focus: it identifies and addresses barriers to learning, provides help with basic skills and opportunities to acquire vocational qualifications.

4.17 For unemployed adults, we propose developing a new Employability Skills Programme offering a range of pre-employment learning. This will include provision to help clients overcome motivational barriers to employment, sample different work environments, and develop the attitudes, behaviours, and basic skills needed in the workplace.

4.18 For adults who need more support, we intend replacing the adult element of our current Skillbuild programme with an innovative, demand-led Ambitions programme. The Ambitions programme will match people wanting to move into work with job opportunities created by major new developments requiring significant labour; participants will learn the specific skills required for entry into these job opportunities. The new Ambitions programme responds to the positive feedback received from employers on a pilot in the construction sector and similar initiatives in the public sector. We plan to start by developing a new project in the health sector.

Stepping out into work

4.19 We want to improve access to employment vacancies for disadvantaged groups. There are many parts of Wales with high economic inactivity rates where Jobcentres are regularly notified of large numbers of vacancies³⁷. Jobcentre Plus actively tries to place clients from the New Deal and other schemes with employers. DWP has announced Local Employment Partnerships, a new collaboration between Government and business that will offer a quarter of a million job opportunities across the UK to people currently on benefit.

4.20 We will work with employers and our partners to establish an improved job matching service, enabling people from disadvantaged groups to access employment vacancies within a reasonable travel-to-work area. The job matching service will be linked to the Employability Skills Programme, so that employers can be confident that clients matched through the service will have the appropriate skills and motivation.

³⁶ *In work, better off: next steps to full employment*. DWP, 2007.

³⁷ *Raising Economic Activity Rates*. Welsh Assembly Government, 2004.

Moving forward into sustainable employment

4.21 For many people, the initial months in work following a period of unemployment or economic inactivity are critical. There may be a need to address specific training needs rapidly in order to respond to an employer's minimum requirements. Individual Learning Accounts (ILAs) should refocus on supporting these kinds of training needs, promoting sustainable employment. Alongside the ILA, new employees will have access to the broad suite of mainstream learning programmes for those in work including Skillbuild/Ambitions, Foundation Modern Apprenticeships and Modern Apprenticeships, and the wider general provision in FE and Community Learning.

Targeting areas of greatest need

4.22 The major direct causes of worklessness relate to the characteristics of individuals – notably, a low level of educational qualifications – rather than places. However, people with similar characteristics are often concentrated in certain locations, which is one reason why there is such a prevalence of economic inactivity in areas such as the Heads of the Valleys³⁸.

4.23 Communities Next, scheduled to begin in 2009-10, will be our flagship programme to improve the living conditions and prospects of people in the most disadvantaged communities across Wales. We will work with Communities Next partnerships to deliver a range of practical community regeneration projects including action on employment and skills.

4.24 The Assembly Government and DWP share the belief that we can achieve better outcomes by tailoring services to personal and local needs. The DWP City Strategy is based on the idea that worklessness in our most disadvantaged communities is best tackled by local partnerships with the freedom to innovate. Across the 15 City Strategy pathfinder areas, including the Heads of the Valleys and Rhyl, local consortia are pooling funding streams, commissioning joint services and supporting provision designed to match the requirements of local employers.

4.25 The City Strategy pathfinders will run until April 2009, testing which local solutions are most effective in delivering real improvements in the employment rate and reductions in the benefit claimant count. The Assembly Government will work with DWP to learn the lessons of the City Strategy pathfinders and use them to inform our future policies.

³⁸ *Wales A Vibrant Economy*, Welsh Assembly Government, 2005.

Chapter 5: People and Communities with a Future

We intend to:

- provide more help for young people and adults to acquire the basic skills needed for success in work and life;
- work with our partners to address the needs of people with complex needs, such as excluded young people and offenders;
- ensure that Adult Community Learning engages the 'hardest to reach' learners;
- encourage more young people to stay on in learning beyond 16, and offer them a wider range of high-quality learning experiences; and
- make sure that employers are closely involved in the development and delivery of 14-19 Learning Pathways.

The questions in annex A invite your responses and comments.

Skills and social justice

5.1 Skills and employment prospects in Wales are heavily differentiated by age, ethnicity, gender and disability³⁹. Learning skills and getting a job are two of the most powerful ways in which individuals of all backgrounds can transform their life chances. Empowering people to improve their skills will promote equality of opportunity for all.

5.2 No one should be denied opportunities because of their race, ethnicity, disability, gender, sexual orientation, age or religion. We aim to ensure equal access to, and participation in, skills and employment. We recognise the different needs and circumstances of individuals and communities, and want to remove the barriers that limit what people can do.

5.3 We are working with partners including the Equality and Human Rights Commission and Chwarae Teg to challenge stereotypes, break down barriers to opportunity and maximise the contribution that women and men, black and minority ethnic (BME) and disabled people can make to our society and economy. We expect our providers, and stakeholders to share our aspiration for a Wales free from discrimination and injustice.

5.4 All significant new strategies and policies developed by the Assembly Government are assessed with a Policy Integration Tool. The assessment ensures that policy development is joined-up and meets Welsh Ministers' objectives, including the promotion of equality, elimination of discrimination and prevention of harassment across race, gender, disability, sexual orientation, age, and faith/religion. The results at Annex B represent the agreed outcomes of the assessment of this strategy.

³⁹ For further information, see *A Brief Analysis of Key Topics by Main Equality Strands*, Welsh Assembly Government 2006.

Getting the basics right

5.5 Literacy and numeracy underpin virtually all the other skills needed in daily life, but around 440,000 working-age adults in Wales (25% of the total) do not have Level 1 literacy skills and 990,000 (53%) do not have Level 1 numeracy skills. In comparison with England, where a similar survey was done in 2003, these results show that the position in Wales is worse for both literacy and numeracy⁴⁰.

5.6 The Assembly Government's all-age Basic Skills Strategy, *Words Talk, Numbers Count*, aims to get the maximum number of people to Level 1 literacy and numeracy. Since its publication, we have delivered many successful initiatives to improve basic skills in Wales. The Basic Skills Employer Pledge, which commits employers to work with us to improve basic skills, already covers 10% of employees in Wales. Our Family Programmes help parents improve their own basic skills and those of their children. Our National Support Projects offer advice, training, and support to practitioners in further education (FE) and training providers.

5.7 However, we recognise that addressing the basic skills problem will take time. Moving to the next phase of our strategy will require a substantial increase in the amount of basic skills provision, using a wider range of courses and venues and delivered in ways that are accessible to the hardest-to-reach learners.

5.8 We will consider the scope for, and benefits of, a statutory entitlement to free basic skills learning for all post-16 learners. Delivering this entitlement requires more practitioners with the right skills and expertise, which is why we are introducing a Continuous Professional Development programme for teachers and trainers at levels 3 and 4.

5.9 At present, some essential qualifications do not ensure the levels of literacy and numeracy expected by employers; businesses have frequently expressed concern about the basic skills of young entrants to the labour market⁴¹. We are piloting a new generation of GCSEs that will make 'the basics' of English, Welsh, mathematics and ICT an explicit part of teaching and assessment, ensuring that all young people leave school with the literacy, numeracy and IT skills they need for further study or a job with training.

Targeting those most at risk

5.10 For many vulnerable young people, the transition from childhood to adulthood is complex and fraught with difficulties. Looked-after children, young people who have been truants or excluded from school, and serious or frequent offenders are at particular risk. Many experience a damaging period 'not in employment, education or training' ('NEET'), which can have a persistent effect on their future economic prospects⁴².

⁴⁰ The National Survey of Adult Basic Skills in Wales 2004.

⁴¹ CBI Employment Trends Survey 2007.

⁴² Gregg P. and Tominey E. (2004) *The wage scar from youth unemployment*. CMPO Working Paper Series No. 04/097.

5.11 We are developing a NEET strategy to re-engage young people excluded from learning and the labour market. The strategy will support Extending Entitlement, the Assembly Government's policy for supporting young people aged 11-25, and links to our agenda for reducing adult worklessness. Helping children and young people from poorer families to achieve is one of the best ways of guarding them from the risk of unemployment or economic inactivity in later life.

5.12 Substance misuse is a key cause of harm, especially for many young people – drug use among 20-24 year-olds is nearly three times higher than in the general population⁴³. We will work with our partners to raise their awareness of the needs of substance misusers, ensuring access to the learning opportunities people need for a more hopeful future.

5.13 Low skills and worklessness also prevent many offenders from becoming productive members of society. Over half of prisoners have no qualifications⁴⁴, and around two-thirds were unemployed before their sentence⁴⁵. There is good evidence that learning programmes can help offenders to secure stable employment⁴⁶, one of the keys to leading a crime-free life.

5.14 Currently, responsibility for the provision of learning for offenders in Wales resides with the UK Government (the Ministry of Justice, working through the National Offender Management Service, and the Department for Innovation Universities and Skills). The Assembly Government is working in partnership with the National Offender Management Service in Wales, the Department of Work and Pensions and Jobcentre Plus to support offenders in developing their skills and achieving sustainable employment. In March 2007 we jointly published a policy document, *Learning to Change – Developing Skills to Reduce Re-offending in Wales*, which sets out a programme for the delivery of offender learning in Wales by March 2010.

Adult Community Learning

5.15 Adult Community Learning (ACL) has been defined by Estyn as 'learning that is provided in local community venues and which is particularly designed to reach out to places and people which other forms of learning do not reach'. Traditionally ACL caters predominantly for adults and is usually non-vocational. This type of learning can help people who have no positive experiences of education, and often may not be in work, to develop confidence, knowledge, and skills in non-threatening settings.

5.16 We recognise the value of ACL and other provision delivered by specialist organisations, often in the third sector, that engages the 'hardest to reach', most disadvantaged people. In the past, these providers have sometimes found it difficult to access Assembly Government funding. A new concordat between the Assembly Government and the third sector will widen their opportunities to work with

⁴³ *Transitions: Young Adults with Complex Needs*. Social Exclusion Unit, 2005.

⁴⁴ *Through the Prison Gate*. Home Office, 2001.

⁴⁵ *Reducing Re-offending Through Skills and Employment*. DfES, 2005.

⁴⁶ Hurry et al (2006) *Rapid Evidence Assessment of Interventions that Promote Employment for Offenders*. NRDC/IOE.

us in delivering our shared aim of a more inclusive society where everyone has the chance to fulfil their potential.

5.17 We wish to see greater community ownership of priorities for ACL reflected in the way that we plan and commission this type of learning, and we want to ensure that the delivery of ACL is consistent with our proposed contributions policy. We will publish a consultation paper on the reform of ACL in 2008.

Pathways to success

5.18 Education has to prepare our children and young people for the opportunities, responsibilities and experiences of later life. Revisions to the National Curriculum and the introduction of a Skills Framework for 3-19 year-olds will help learners to acquire skills in thinking, communication, information and communication technology (ICT) and number, which are critical for success in school and the workplace.

5.19 We want to encourage more young people to continue in education or training beyond 16, and to offer them a wider range of learning experiences. Learning Pathways 14-19 is transforming learning provision for young people in Wales, with broader, more flexible learning options matched by enhanced support and guidance.

5.20 The Welsh Baccalaureate Qualification (Welsh Bac) is at the heart of Learning Pathways 14-19; it is currently being introduced into post-16 learning at two levels – Intermediate (level 2) and Advanced (level 3). A Foundation (level 1) version is being piloted both pre- and post-16. The Welsh Bac consists of a Core, including Key Skills and work-related education, and a wide range of options. We are keen that students in Wales have access to the new employer-led qualifications being developed as part of the 14-19 Diplomas in England, and they will be made available within the Welsh Bac framework from 2009/10.

Engaging employers

5.21 Our 14-19 policy includes an ambitious aspiration for everyone to be able to follow a learning pathway including preparation for, and engagement with, the world of work. Delivering this goal means involving employers much more closely in a wide range of education and training for young people.

5.22 The 14-19 Employer Engagement Task Force proposed a national ‘employer engagement system’, coordinated by the Wales Employment and Skills Board. The system would offer employers a menu of options for involvement in 14-19 Learning Pathways, with a greater obligation to participate falling on those in receipt of public funding. We will consider the recommendations of the Task Force and implement those that will help to secure more opportunities for young people.

Next Steps and Consultation Questions

Following the close of this consultation we shall produce a final strategy document. This will be followed by an action plan describing the steps we will take to deliver our aspirations for skills and employment in Wales.

The Assembly Government is committed to involving children and young people in decision-making on issues that affect their lives. As part of the consultation on this strategy, we will make specific arrangements to encourage and take account of comments from young people up to age 25.

We invite your responses to the following questions. If required, a consultation response form may be downloaded from <http://new.wales.gov.uk/consultations/> or sent on request.

General questions

1. Do you welcome the broad policy direction set out in *Skills that work for Wales*?
2. What should be the priority actions if we are to deliver in line with our ambitions for skills and employment?
3. Does the strategy strike the right balance between the needs and responsibilities of individuals, businesses, and communities?

Specific questions

4. What are your views on our proposed financial contributions policy? (see Chapter 2) In particular:
 - a) do you agree with the case for change?
 - b) do you agree that public funding should focus on ensuring that everyone is equipped with the basic platform of skills necessary for employment and participation in community life?
5. Do the proposals go far enough in giving employers, as customers of the skills system, influence on the content and delivery of skills programmes? (see Chapter 3).
6. This document sets out many specific proposals. We would welcome comments on all of these and in particular we would like to know if you support our proposals in the following areas:
 - a) recognising and rewarding excellent provision (2.18-2.23);
 - b) a focus on priority sectors and businesses in our workforce development programmes (3.7);

- c) directing more of the existing resource into a discretionary Workforce Development Programme and a new Sector Priorities Fund (3.8-3.14);
- d) encouraging stronger links between employers, Further Education Institutions and Higher Education Institutions (3.13-3.14, 3.21-3.26);
- e) establishing an integrated skills and employment service based on the overarching 'Careers Ladder' model (4.11-4.25);
- f) reviewing the operating model for Careers Wales (4.10);
- g) refocusing Skillbuild and Individual Learning Accounts (4.21);
- h) funding and support for basic skills (5.5-5.9);
- i) identifying and targeting groups most at risk (5.10-5.14); and
- j) supporting community-based learning through the reform of Adult Community Learning (5.15-5.17).

7. What are the most important measures of success (1.16-1.19)?

Annex B

Policy Gateway Summary

The results below represent the agreed outcomes of *The Skills and Employment Strategy 2007* tested against the Assembly's Integration Tool. The assessment involved representatives from The Department for Children, Education, Lifelong Learning and Skills; The Department for the Economy and Transport; The Department for Social Justice and Local Government; The Department for Health and Social Services; The Department for the Environment, Sustainability and Housing. These representatives agreed this is an accurate overview of their collective comments.

Key: **U** – Undermining; **P** – Poor; **N** – Neutral; **F** – Fair; **G** – Good; **E** - Excellent

Wales: A Better Country Commitment	Overall Contribution						Explanation
	U	P	N	F	G	E	
1. Promoting the Economy					X		Considered to have a significant positive impact on promoting the economy. By supporting better quality jobs and skills and encouraging businesses to invest in the skills of their workforces, productivity and employment will be increased.
2. Action on Social Justice for Communities					X		A positive contribution to promoting social inclusion, in particular by helping individuals address barriers to improving their quality of life, reducing inactivity, lowering dependence on welfare benefits and reducing the crime rate.
3. Action in our built and natural environment			X				Not thought to contribute directly to this objective – likely to be a range of benefits and disbenefits.
4. Strengthening Wales' cultural identity				X			The strategy makes a significant contribution to promoting equality of opportunity. By improving the skills profile and contributing to the growth of Welsh businesses, Wales will have more global impact.
5. Ensuring better prospects in life for future generations						X	A close to optimal contribution to enabling people to develop the skills they need to prosper in a modern economy, promoting lifelong learning and providing young people with the opportunities and resources they need for the best start in life. The strategy is also committed to improving services and skills for all age groups.
6. Supporting healthy independent lives					X		Thought to make a significant indirect contribution to preventing ill health, supporting health and well-being, reducing the causes of accidents and helping people gain access to services.
7. Promoting openness, partnership and participation					X		Improving basic skills provides a significant boost to confidence, enabling people to participate more fully in the decision-making processes of local and national government and encouraging active citizenship.

Annex C

Related documents

One Wales

The Learning Country: Vision into Action

Prosperity for all in the global economy – world class skills

Promise and Performance

Wales: A Vibrant Economy

National Basic Skills Strategy for Wales

Young People Aged 16-18 NEETs Strategy

Offender Learning Strategy – Learning to Change

Skills and Employment Action Plan 2005

