



**Cynulliad Cenedlaethol Cymru
The National Assembly for Wales**

**Y Pwyllgor Menter a Dysgu
The Enterprise and Learning Committee**

**Dydd Iau, 10 Mawrth 2011
Thursday, 10 March 2011**

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Cofnodir y trafodion hyn yn yr iaith y llefarwyd hwy ynndi yn y pwyllgor. Yn ogystal,
cynhwysir cyfieithiad Saesneg o gyfraniadau yn y Gymraeg.

These proceedings are reported in the language in which they were spoken in the committee.
In addition, an English translation of Welsh speeches is included.

Aelodau'r pwyllgor yn bresennol
Committee members in attendance

Christine Chapman	Llafur Labour
Jeff Cuthbert	Llafur Labour
Paul Davies	Ceidwadwyr Cymreig Welsh Conservatives
Brian Gibbons	Llafur Labour
Gareth Jones	Plaid Cymru (Cadeirydd y Pwyllgor) The Party of Wales (Chair of the Committee)
Darren Millar	Ceidwadwyr Cymreig Welsh Conservatives
Jenny Randerson	Democratiaid Rhyddfrydol Cymru Welsh Liberal Democrats
Leanne Wood	Plaid Cymru (yn dirprwyo ar ran Nerys Evans) The Party of Wales (substitute for Nerys Evans)

Eraill yn bresennol
Others in attendance

Gwawr Hughes	Cyfarwyddwraig, Skillset Cymru Director, Skillset Cymru
Huw Jones	Dirprwy Gadeirydd, Bwrdd Cyflogaeth a Sgiliau Cymru Deputy Chair, Wales Employment and Skills Board
Yr Athro/Professor Andy Penaluna	Athro Entrepreneuriaeth Greadigol, Prifysgol Fetropolitan Abertawe Professor of Creative Entrepreneurship, Swansea Metropolitan University
Yr Athro/Professor Danny Saunders	Athro a Chyfarwyddwr Canolfan Dysgu Gydol Oes, Prifysgol Morgannwg Professor and Director of the Centre for Lifelong Learning, University of Glamorgan
Peter Sishton	Rheolwr Cymru, e-skills DU Manager for Wales, e-skills UK
Stephen Studd	Cadeirydd, Cynghrair y Cynghorau Sgiliau Sector Cymru Chair, The Alliance of Sector Skills Councils, Wales
Sioned Wyn Williams	Pennaeth Datblygu ac Arloesi, Cyngor Gofal Cymru Head of Development and Innovation, Care Council for Wales

Swyddogion Cynulliad Cenedlaethol Cymru yn bresennol
National Assembly for Wales officials in attendance

Dan Collier	Dirprwy Glerc Deputy Clerk
Joanest Jackson	Uwch Gynghorydd Cyfreithiol Senior Legal Adviser
Siân Phipps	Clerc Clerk
Anne Thomas	Gwasanaeth Ymchwil yr Aelodau Members' Research Service

Dechreuodd y cyfarfod am 9.30 a.m.

The meeting began at 9.30 a.m.

Cyflwyniad ac Ymddiheuriadau Introduction and Apologies

[1] **Gareth Jones:** Bore da i chi i gyd a chroeso cynnes i'r cyfarfod cyhoeddus olaf ond un Pwyllgor Menter a Dysgu'r Cynulliad Cenedlaethol. Mae rhai cyhoeddiadau, yn ôl yr arfer. Mae'r cyfarfod yn ddwyieithog gyda chlustffonau ar gael i dderbyn gwasanaeth cyfieithu ar y pryd o'r Gymraeg i'r Saesneg ar sianel 1 ac i chwyddleisio'r sain ar sianel 0. Bydd Cofnod o'r cyfan a ddywedir yn gyhoeddus. Yr wyf yn atgoffa pawb i ddiffodd eu ffonau symudol ac unrhyw ddyfeisiau electronig arall. Nid oes angen cyffwrdd y meicroffonau yn ystod ein trafodaethau. Nid ydym yn disgwyl ymarfer tân, felly os bydd rhyw fath o larwm yn seinio, bydd yn rhaid symud o'r ystafell ac efallai o'r adeilad dan gyfarwyddiadau'r tywysyddion. Mae dau ymddiheuriad y bore yma wrth Andrew Davies a Nerys Evans, a deallaf y bydd Leanne Wood yn ymuno â ni i ddirprwyo ar ran Nerys nes ymlaen. Dyma gyfle Aelodau i ddatgan unrhyw fuddiant yn ymwneud â'r materion a drafodir. Gwelaf nad oes gennych unrhyw beth i'w ddatgan.

Gareth Jones: Good morning, everyone, and a warm welcome to the penultimate public meeting of the National Assembly's Enterprise and Learning Committee. I have the usual announcements to make. This is a bilingual meeting and headsets are available to receive a simultaneous translation service from Welsh to English on channel 1 and to amplify the sound on channel 0. There will be a Record of everything that is said publicly. I remind everyone to turn off their mobile phones and any other electronic devices. There is no need to touch the microphones during our discussions. We do not expect a fire drill, so if any kind of alarm sounds, we will have to leave the room and perhaps the building under the instructions of the ushers. There are two apologies for absence this morning from Andrew Davies and Nerys Evans, and I understand that Leanne Wood will join us to substitute on behalf of Nerys later on. This is Members' opportunity to make any declaration of interest regarding the matters under discussion. I see that there are none.

9.31 a.m.

Adolygiad o'r Cynghorau Sgiliau Sector yng Nghymru Review of Sector Skills Councils in Wales

[2] **Gareth Jones:** Rhoddaf gair byr o gefndir i'r eitem hon. Mae dwy ran i'n cyfarfod heddiw. Yn gyntaf, yr ydym am drafod sgiliau yng Nghymru, gyda phwyslais arbennig ar gapasiti'r cynghorau sgiliau sector. Yn hwyrach, byddwn yn edrych ar gyfraniad economaidd addysg uwch yng Nghymru. Fodd bynnag, mae'r rhan hon yn ymwneud â'r adolygiad o'r cynghorau sgiliau. Yn gyntaf, yr wyf yn croesawu'r cynrychiolwyr o Gynghrair y Cynghorau Sgiliau Sector yng Nghymru. Croeso i Stephen Studd, cadeirydd y gynghrair; Peter Sishton, rheolwr Cymru e-skills UK; Sioned Wyn Williams, pennaeth datblygu ac arloesi Cyngor Gofal Cymru; a Gwawr Hughes, cyfarwyddwraig Skillset Cymru. Hefyd, ar ran Bwrdd Cyflogaeth a Sgiliau Cymru, mae

Gareth Jones: I will give a brief word about the background to this item. There are two parts to our meeting today. First, we will discuss skills in Wales, with a special emphasis on the capacity of the sector skills councils. Later, we will look at the economic contribution of higher education in Wales. However, this part is to do with the review of skills councils. First, I welcome the representatives from the Alliance of Sector Skills Councils in Wales. I welcome Stephen Studd, the chair of the alliance; Peter Sishton, the manager for Wales at e-skills UK; Sioned Wyn Williams, the head of development and innovation at the Care Council for Wales; and Gwawr Hughes, the director of Skillset Cymru. In addition, on behalf of the Wales Employment and Skills Board, we have Huw

Huw Jones, dirprwy gadeirydd y bwrdd, a'r Athro Danny Saunders, sydd yn athro a chyfarwyddwr canolfan dysgu gydol oes Prifysgol Morgannwg. Croeso cynnes i chi i gyd. Yr ydym yn hynod falch eich bod wedi ymuno gyda ni. Mae'r gwaith yr ydych yn ei ymgymryd yn allweddol i'r hyn sydd yn digwydd yng Nghymru heddiw. Yr ydym hefyd yn falch ein bod wedi derbyn tystiolaeth ysgrifenedig wrthoch. Yr ydym eisoes wedi cael cyfle i'w darllen, fel Aelodau, a bydd cwestiynau fel rhan o'r sesiwn graffu.

Jones, the deputy chair of the board, and Professor Danny Saunders, who is a professor and the director of the centre for lifelong learning at the University of Glamorgan. A warm welcome to you all. We are extremely pleased that you have joined us. The work that you are undertaking is key to what is happening in Wales today. We are also pleased to have received written evidence from you. We have had an opportunity to read that evidence, as Members, and there will be questions during the scrutiny session.

[3] Gwahoddaf un o gynrychiolwyr y gynghrair i wneud cyflwyniad byr o ryw dri munud ac wedyn cynrychiolydd ar ran y bwrdd i wneud cyflwyniad byr o'r un hyd cyn i mi wahodd Aelodau i ofyn eu cwestiynau.

I invite one of the alliance's representatives to make a brief introduction of around three minutes and then one of the board's representatives to make a brief introduction of the same length before I invite Members to ask their questions.

[4] **Mr Studd:** To introduce myself a little more fully, I am the chief executive of SkillsActive UK, which is the sector skills council for active leisure, learning and wellbeing, namely sport and recreation, health and fitness, children's play, the outdoors, camping and caravanning, and now, hair and beauty, which illustrates the breadth that sector skills councils are required to cover. That is my day job. Each of the alliance's national committees are chaired by a chief executive from one of the SSCs to ensure that what happens at a national level can also be integrated into the UK work of the sector skills councils. So, that is a little background about the structure.

[5] We are pleased to have the opportunity to meet you and to contribute to your legacy report. I was here with the group about three years ago, in 2008. I would like to think that we can point to some really positive progress made in that time. The key step was the re-licensing process for sector skills councils. That was undertaken by the National Audit Office across the four nations, with extensive consultation with stakeholders and employers in each part of the UK. It is worth recalling the criteria of the review. The reviewers were looking for well-run organisations as the first stepping stone. They were looking for quality core products, because the essence of a sector skills council is about engaging employers and giving them a particular form of authority and a measure of responsibility in the skills system. The core products of labour market intelligence and national occupational standards, which define the skill needs of a sector, are the real driving force for what the sector skills council does. The third aspect of the re-licensing was about sector-specific solutions.

[6] So, if we are looking at the journey that the sector skills councils are on—and most of the councils are between five and seven years old now—we can see that it is about growth and maturity. What we can point to now is the fact that the sector network has come quite a long way in that time. Recent figures show that employer awareness of sector skills councils in Wales is the highest in the UK for any region or nation, at 44 per cent. The sector skills councils do not promote awareness of their brand—we are not a McDonald's in that sense. It is about engaging employers at a strategic level initially in defining their skill needs. Often, people do not recognise the name of a sector skills council, but they recognise the products that come out, such as the apprenticeship programmes, the national framework qualifications and so on.

[7] In their evolution, the sector skills councils and the network are going through a

process of ensuring—which I think the relicensing programme did—a fit-for-purpose network that forms the basis, we hope, as we look forward, for really driving skills and economic development through sectors with employers at the heart of the partnership with the Welsh Assembly Government. Looking forward, it is that relationship that we are ready to and want to expand upon.

[8] **Mr Jones:** Hoffwn roi gair o rybudd iechyd o ran gallu Bwrdd Cyflogaeth a Sgiliau Cymru i roi manylder yn y dystiolaeth. Bwrdd ymgynghorol ydym—mae 12 ohonom yn cyfarfod yn fisol i gynghori'r Llywodraeth ynghylch ei pholisïau ac am sgiliau a chyflogaeth. I'n helpu i wneud hynny, yr ydym wedi creu grŵp sydd, ymysg pethau eraill, yn edrych ar waith y cynghorau sgiliau sector. Mae'r grŵp hwnnw wedi cyfarfod rhyw hanner dwsin o weithiau.

Mr Jones: I would like to issue something of a health warning about the Skills and Employment Board's ability to furnish the evidence with detail. We are an advisory board—12 of us meet monthly to advise the Government on its policies and on skills and employment. To help us to do that, we have created a group that, among other things, looks at the work of the sector skills councils. That group has met about half a dozen times.

[9] Ein pwrpas yw ceisio darganfod i ba raddau y mae'r drefn sy'n hyrwyddo sgiliau a'r ddarpariaeth ohonynt yng Nghymru'n gweithio. Yn hynny o beth, mae cyrff sy'n adnabod anghenion cyflogwyr ac yn rhoi llais i gyflogwyr parthed sgiliau yn eu sectorau hwy yn ddolen gyswllt allweddol.

Our purpose is to try to discover to what extent the regime that promotes skills and skills provision is working in Wales. In that regard, organisations that identify employers' needs and give a voice to employers with regard to skills in their own sectors form a key link.

[10] Mae cwestiynau ynglŷn â gallu'r cynghorau i gyflawni'r dasg honno o fewn yr adnoddau sydd ganddynt—ac effallai yr hoffech drafod hynny yn ystod y sesiwn hon. Yng Nghymru, mae hefyd gwestiynau ynglŷn â'r gallu i gyrraedd cwmnïau bach yn ogystal â rhai mawr ymhob rhan o'r wlad.

There are questions about the ability of councils to achieve that task within the resources that they have—and you may wish to discuss that during this session. In Wales, there are also questions about the ability to reach small companies as well as the large ones in all parts of the country.

[11] Mae eisiau cofio mai trefn Brydeinig yw'r cynghorau sgiliau sector sy'n cael ei hariannu yn ganolog. Felly, mae cwestiwn o ran pa hawliau sydd gan Gymru. Mae'r hyn sydd gan Gymru'r hawl i'w ddisgwyl gan y cynghorau hyn am yr arian a roddir iddynt gan Gomisiwn Cyflogaeth a Sgiliau'r DU yn bwynt pwysig, ac mae swyddogion yn Llywodraeth y Cynulliad yn ceisio sicrhau ei bod yn deg.

It should be remembered that the sector skills councils are a British arrangement, and they are funded centrally. So, there is a question as to what rights Wales has. What Wales has a right to expect from these councils in return for the funding given them by the UK Commission for Employment and Skills is an important point, and officials in the Assembly Government are trying to ensure that it is done fairly.

[12] Yr hyn sydd ar flaen ein meddyliau ni ar hyn o bryd yw'r toriadau y mae adrannau gwasanaethau cyhoeddus yn eu hwynebu, gan gynnwys toriad o 40 y cant sydd yn wynebu'r GCS y DU. Beth fydd effaith hynny ar y cynghorau sgiliau sector, ac yn benodol i ni, beth fydd effaith hynny ar eu gallu i gefnogi'r gwaith angenrheidiol maent yn ei wneud ar hyn o bryd yng

At the forefront of our minds at the moment are the cuts that public service departments are facing, including a cut of 40 per cent facing UKCES. What will be the impact of that on the sector skills councils, and specifically for us, what will the impact of that be on their ability to support the vital work that they currently undertake in Wales?

Nghymru?

[13] **Gareth Jones:** Diolch yn fawr ichi am roi'r cefndir hwnnw inni, Huw. Trof yn awr at Aelodau i ofyn cwestiynau. Jeff Cuthbert sydd â'r cwestiwn cyntaf.

Gareth Jones: Thank you for giving us that background, Huw. We now turn to Members for questions. Jeff Cuthbert has the first question.

[14] **Jeff Cuthbert:** Thank you for the written submissions and the two presentations that we have had. My questions are pretty fundamental. I have read the papers, and I was a little concerned that the first bullet point in the alliance's paper under 'Recommendations for the future' states that

[15] 'If a sectoral approach to skills is a WAG policy commitment, SSCs must be adequately resourced'.

[16] I do not think that anyone would deny that, but the fact that you have put the words 'adequately resourced' in bold suggests that you think that that is not the case. So, I would be grateful if you could amplify that a little. You say in the second sentence of the bullet point that

[17] 'The statement that SSCs are an essential part of the skills system should not be undermined by inappropriate question marks left hanging'.

[18] Again, could you expand on what you mean by 'inappropriate question marks'? Where does that come from?

[19] I am a great supporter of sector skills councils; I think that they have an essentially valuable role to play and that they are getting there—some ahead of others. My understanding of the philosophy of sector skills councils is that they are meant to be industry-led. So, how good is the engagement with industry, in both directions—because, if industry does not engage with you, you cannot be expected to develop occupational standards that meet requirements, whether they are tweaked for Welsh issues or not, because I appreciate that they have to meet a UK-wide standards, broadly speaking?

[20] My final point is that it is made clear, quite rightly, in the Wales Employment and Skills Board's written submission that what characterises the Welsh economy is the number of small and medium-sized enterprises, which is proportionally far higher than any other part of Britain. The point has been made before and in the paper that it is proving difficult for SMEs to engage with sector skills councils—indeed, a number of them do not even know which is the right SSC for them. Is that still true, and if so, what is being done about it?

[21] **Mr Studd:** The issue about how sector skills councils are funded is key to the future. We are in a situation that raises a lot of question marks over how we will be funded; the situation is unclear to sector skills councils at the moment. The 40 per cent cut that we heard about from Huw on the commission is true. It looks like that will probably mean a 7 per cent cut this year for the core services of each sector skills council. However, the bigger potential concern is that that might be the last year in which the funding of an SSC is provided on a core basis. After that, there could be more of a project approach, and we hope that there is a lot of discussion to be had about that impact.

[22] It is important that you start with a clear definition of what you expect a sector skills council to provide and a concept of its service. There is no doubt that what comes from the engagement of employers at a strategic level runs the skills system, particularly the publicly funded aspects of it. The national occupational standards define for employers what is meant by competent performance as a coach, instructor, engineer or plumber. Those standards have

become UK currency—in fact, for some sectors, it is UK currency used internationally to recognise qualifications and their applicability in other countries.

[23] It is difficult at one level to engage employers in that, but we have successfully done that. The way in which we now engage employers on the development of standards is heavily scrutinised. We are expected to show evidence of engagement with employers from each of the four nations and from each of the relevant sub-sectors that we represent. That is monitored and tested. So, it is not just a question of sitting in a dark room and writing a set of standards, it is based on consultation.

[24] **Gareth Jones:** How do you monitor specifically?

9.45 a.m.

[25] **Mr Studd:** The monitoring is done in partnership with the Department for Children, Education, Lifelong Learning and Skills. DCELLS can co-ordinate monitoring within Wales with all the stakeholders. It is done on a quarterly basis for the action plans, and this is another important aspect that has developed: each sector skills council now has an employer-led action plan for each nation, and, again, it is progress against that plan that is monitored in those quarterly meetings. There are half-yearly meetings on the standards as well. What you get from a sector skills council is the evidenced voice of what employers say are their skills priorities and employment issues.

[26] I was talking about moving forward, but I would also pose the opposite side of the question. Yes, the economy is dominated by small businesses, but if you did not have a sectoral approach, if you did not bring those small employers around a table, whatever the shape of that table, how would you engage them in developing the industry? There are some big companies that can do their own thing: they have their resources and can develop their training and skills to meet their own requirements. However, if we are really to get leverage on the baseline of skills in the country, we have to have a way of bringing those small businesses around a table, and SSCs are a vehicle for that. They work in partnership with their trade associations, professional bodies, and other networks in the sector to provide that engagement. I have used an analogy with colleagues that the Welsh bit of a sector skills council is like the tip of the iceberg. Behind every Welsh manager is a UK-wide team that deals with the research and the national occupational standards—the technical work that drives what we do. The concern is that we might have a bit of global warming in the funding arrangements. If the iceberg shrinks a little, will our Welsh managers drown without that core of support to draw on? That is our concern about future funding. There is a balance to be struck, which was well-highlighted in the response from the Wales Employment and Skills Board, between the alternative ways of funding that sector engagement. We expect employers to give it a lot of time, and to sit around the table and commit to standards and be advocates for that work afterwards.

[27] **Jeff Cuthbert:** Do they?

[28] **Mr Studd:** They do. The evidence of the ongoing review is that that is heavily monitored. They do give that time, and what is really interesting, if you look at the reports on the relicensing process and at the richness of the sector solutions aspect, is that that is where the work goes—it comes from that core service that deals with sector issues like licence to practice, professional development programmes, and passport schemes to transfer skills. Those are the things that grow out of that, which sectors can then adopt. Those are the bits that, going forward, we need to inject some life and some resource into. Those are the bits that, ultimately, will provide potential sources of income for sector skills councils. However, you could compromise the independence of the sector skills councils if you change the funding model at the heart of the licensed role. If you think about the system, we provide the

standards and approve qualifications and advise on them. It is then the awarding bodies and the training providers that take the money from the system. There may be other ways to look at that funding. Historically, there was a £10 levy on each national vocational qualification. That was a marginal amount within the total cost of the qualification, but it funded the development of the standards on which those NVQs were based. Those, perhaps, are the sorts of methods that we need to look at. If money is not going to come directly from the public purse, we should look at those sorts of schemes so that the system itself generates some return for the employer side of the equation for all the time and effort that has gone into the development of the qualifications.

[29] **Mr Jones:** It can be dangerous to use as a performance indicator the extent to which SMEs are aware of their SSC, as it could lead to the sector skills councils becoming publicity-driven. They would want to be well-known, and therefore they would do more and more publicity activities. What is important is that individual companies benefit from work that the SSC has done on their behalf because it has accurately understood their training needs and has helped to provide for them. We have examples of people on our board who initially said that they did not know their SSC and had never been in touch with it, but when asked whether they had used a certain product, they would say, ‘Oh yes, we have used that’—and that product had been developed by the SSC. What is crucial for employer engagement for SSCs in Wales is to have a Wales advisory board that is representative of that sector’s employers in Wales, meets regularly, and influences the training and skills priorities of that sector. That, for us, is quite an important indicator.

[30] **Gareth Jones:** Peter, did you want to come in on a specific point?

[31] **Mr Sishton:** In terms of SSCs being employer led, I think that Stephen and Huw have got it absolutely right: you cannot operate in Wales without an employer board. It gives you the authority to speak to the Welsh Assembly Government and influence stakeholders and regional agendas. In e-skills UK, we have an employer board for business and technology that meets at least twice a year. It comprises 15 of the key employers in Wales, alongside small and medium-sized enterprises, including one who, instead of getting down to the business of making ends meet, gives of their time to attend to try to influence the skills agenda. We really appreciate their time, which means coming along to Llandrindod Wells for a day and an evening and to four meetings a year.

[32] The board takes the labour market intelligence from Wales—a number of SSCs will go to over 400 small and medium-sized enterprises to seek out the future needs of the industry. For business and technology, we can see what the issues are going to be five years ahead. That resonates with the board and, because it resonates, it is then able to get behind the e-skills or the sector skills strategy. That converts into an action plan, the delivery of which is then supported by employers. For example, the University of Glamorgan is piloting a degree in September that blends IT and business. The employer board for e-skills met last Friday, and every single one on it said that they would be interested in supporting that degree by becoming gurus, supporting the students through virtual means such as video-conferencing, with support for the degree throughout the United Kingdom.

[33] Support for modern apprenticeships is available, as there is for continuing professional development for teachers in delivering an appropriate curriculum. Employers are fully behind that. In terms of being industry-led, we start with the board, but you also have to work with intermediaries. IT professionals, for example, are across the board and are relevant to every single sector. So, it is important that e-skills UK works through our sister SSCs, as well as through key intermediaries such as the Federation of Small Businesses, the Institute of Directors, and the Confederation of British Industry. As important is the work with the Department for the Economy and Transport at the Welsh Assembly Government as the sector teams are emerging, and I am pleased to say that we are very much involved in that in terms

of ICT, which we are pleased is a priority sector, along with creative industries. As those panels and sector teams emerge, it is important for all sector skills councils and officials to work together so that we are all pulling on the same rope and in the same direction. You cannot do it on your own. Stephen made a point about the maturity of SSCs; these things do not happen overnight. I have been in post for three years and it is at this point that we can say, hand on heart, that we have strong relationships with key stakeholders, with the Department for Economy and Transport, with DCELLS, and with Lesley Griffiths bridging both departments. That might only be embryonic, but we welcome that and want to see it grow. Work with Careers Wales in promoting the LMI is important, and getting the message from employers about skills needs is critical. We are mature, we are employer-led and we need to work with those intermediaries to expand our depth of penetration—not the brand of SSCs, but the solutions.

[34] **Gareth Jones:** That is helpful, Peter. I have one comment in passing, which may or may not be relevant. We have undertaken a review of science, technology, engineering and mathematics, and you referred specifically to science and technology. There are two important developments, as far as we can see: the setting up of the science academy, and the work undertaken by the chief scientific adviser, whose work is informed by a cross-section of interested stakeholders. Are the SSCs involved in that at any stage? You do not have to answer me now, but I would recommend that you look at that body to see whether we are missing out. If you do not have that involvement, I think that there is a possibility that we will face certain gaps in the future, which is something that we want to avoid.

[35] **Christine Chapman:** I have a question on employer engagement. I appreciate the comments that you have made, Stephen, about the different levels of engagement with SSCs and I appreciate that there is a resource issue. I had a helpful meeting with the Alliance some weeks ago, so I think that I better understand how things work. However, I am still concerned about one issue. We have a lot of SMEs in Wales and we cannot get away from that, but we know that they are completely isolated in some areas and are not part of the networks. Small businesses will say that they do not have time to do such things as they just have to get on with their business. What difference will the SSCs make to them in encouraging them to regenerate and to do better with their businesses? Some businesses have always been part of these networks and will always succeed, but I just want to see where the difference will be. What step change will the SSCs make to those small businesses that are sitting in their units and not really knowing what is going on out there? They need to know. What difference can you make for them, so that it is not just about more of the same, but about improvement?

[36] **Mr Sishton:** It is important that our sector has something to offer them. At this stage of the game, I am excited about how we can do that. We do not want to be knocking on the doors of small and medium-sized enterprises just to say that we are a sector skills council for IT and telecoms or business and technology. We have to be able to articulate that we have something that is of use to them that will increase their bottom line. We were pleased that we were able to secure a project under the sector priorities fund. It is a shared apprenticeship programme, and, although it is on the back burner now, it is still ready to go. Many small to medium-sized enterprises cannot afford to employ apprentices, but through Microsoft and e-skills coming together, it is possible to offer apprentices to a range of small to medium-sized enterprises. That becomes a useful commodity to talk to small to medium-sized enterprises about, and they can see the business benefits of it.

[37] Also, through the Welsh Assembly Government—a number of other SSCs have done this—we are developing a pathways to modern apprenticeship programme, creating that pool of talent that we know we need in business and technology. We need to fill 3,500 jobs, some of which require certain skills that we do not have currently. Creating that talent pool involving small to medium-sized enterprises is about getting involved with those individuals who have the capability to add value to what they are doing. So, the small to medium-sized

enterprise is not concerned about someone coming from school who might just deconstruct a whole computer system, but about someone who could add value. It is that kind of approach that I am looking to develop, especially through the intermediaries.

10.00 a.m.

[38] So, we would do that as we develop our links with the information and communications technology team, which has 900 employers—small and medium-sized enterprises—on its list, as does the Federation of Small Businesses. We want to talk to them about those kinds of programmes, where they add value. Does that make sense?

[39] **Christine Chapman:** Yes.

[40] **Gareth Jones:** Do you want to add to that, Professor Saunders?

[41] **Professor Saunders:** Both of the questions about SMEs are getting to the heart of the need for highly strategic action, which is particularly relevant in the Heads of the Valleys, where there is a high proportion of SMEs and social enterprises, which I would like to add to the list. The Wales employment and skills board has taken a great interest in the role of anchor companies in Wales, which are defined as very significant players with supply chains around them that would include SMEs and micro enterprises. The sector skills councils could work strategically with anchor companies to reach beyond that single employer to the satellite companies around it. The SSCs also have a huge role to play in terms of best practice and advertising the successes of individual SMEs to inspire other companies that may not be so successful. Finally, the human resource development advisers and the relationship managers in the Assembly Government, through the Department for Children, Education, Lifelong Learning and Skills and the Department for the Economy and Transport, are a fantastic resource that could work strategically with the SSCs to develop these kinds of things.

[42] **Darren Millar:** Professor Saunders has picked up on the issue that I wanted to raise, which is that SMEs are not the only ones that need skill sets; the third sector and other organisations such as social enterprises might also need to be skilled up. I do not see much in your papers about how you are engaging with third sector partners to ensure that there are skills in those areas. Mr Sishton skirted around the economic renewal programme that the Assembly Government has embarked on, which this committee has been very supportive of. There are just six key sectors identified in that programme. Are there other sectors that have the opportunity to grow and add economic value to Wales that have not been included in that list? I do not know who wants to tackle those issues.

[43] **Ms Williams:** Mae'r chwe sector blaenoriaeth yn hynod o bwysig. Fel yr ydych yn dweud, nid yw pob cyngor sgiliau sector yn cael ei gynrychioli o fewn y sectorau hynny. O fewn y trafodaethau y mae'r cyngorau sgiliau sector wedi bod yn eu cynnal, yr ydym yn nodi nad yw rhai sectorau'n cael eu cynnwys a bod angen meddwl am y sectorau hynny yn y dyfodol. Un o'r pethau mwyaf pwysig inni ei wneud yw edrych ar sut mae'r sectorau nad ydynt yn cael eu cynrychioli yn y rhaglen yn sail, efallai, i symud ymlaen gydag adfywiad economaidd y chwe sector. Mae pob un yn sôn am ei sector ei hun, yn naturiol, ond o fewn y sectorau yr ydym yn gyfrifol

Ms Williams: The six priority sectors are extremely important. As you say, not all sector skills councils are represented within those sectors. During the discussions that the sector skills councils have been having, we have noted that certain sectors are not included and that we need to consider those sectors in the future. One of the most important things for us to do is to look at how the unrepresented sectors can be a foundation, perhaps, for progress on economic renewal in the six sectors. Everyone naturally talks about their own sectors, but within the sectors for which we are responsible, for example, early years and education, the services that are provided

amdanynt, er enghraifft, blynyddoedd cynnar ac addysg, mae'r gwasanaethau sy'n cael eu cynnig yn sicrhau bod pobl ar gael i fynd i weithio a bod cefnogaeth i rieni; efallai bod y sgiliau technegol sydd eu hangen ac sy'n cael eu nodi o fewn y chwe sector yn angenrheidiol mewn mwy nag un sector. Yn y sector cyhoeddus, er enghraifft, mae angen sgiliau technegol ar draws y bwrdd, felly mae angen ystyried y mater hwn.

ensure that people are available to enter the workforce and that there is support for parents; the technical skills that are required and noted within the six sectors might be required in more than one sector. In the public sector, for example, technical skills are needed across the board, so we need to consider this matter.

[44] **Darren Millar:** That is an important point, because childcare, for example, is crucial if people are to become economically active and return to the workplace. I wonder whether those sorts of issues have been overlooked in the development of the six key areas that the Assembly Government wants to embark on. I noted that in your evidence, Huw, you referred to some of the other sectors that are important parts of the Welsh economy already, such as tourism, and to the fact that tourism was not listed as one of the six key sectors. Do you think that we are missing a trick?

[45] **Mr Jones:** It is not so much that we are missing a trick; it is just that it is obvious that jobs exist and are needed in all sectors. Whether or not you agree that those are the six key sectors that need to be driven, there will still be skills needs and growth needs in the other sectors. So, you need to have provision for that. One cannot ignore the dynamic of the individual organisation or company, which is where the drive is generally focused. In the interaction of the individual company with the Assembly Government and its services, there are two features. One is the focus on business growth, which tends to come through the Department for Economy and Transport, and the other is the focus on workforce development growth and skills growth, which tends to come from the Department for Children, Education, Lifelong Learning and Skills. We can see that there are huge opportunities for those two to be more closely linked. For example, it strikes us that the companies that are most likely to wish to innovate in their organisations and to develop the skills of their people are also those that are most likely to innovate in their products and services. At the moment, they are dealt with in two separate ways by the Assembly Government. That, for us, is part of the key. Clearly, the sector skills councils will then underpin the understanding of the overall skills that are needed in those sectors, as well as the six sectors.

[46] **Darren Millar:** Do you think that the area of skills should be part of the Department for the Economy and Transport?

[47] **Mr Jones:** No, not necessarily. You have to divide up the cake and the work in some way.

[48] **Darren Millar:** Do you think that having them part of the same department would help?

[49] **Mr Jones:** I do not think that we have evidence to say that, but there should be closer working together at the individual company level.

[50] **Darren Millar:** To come back to the issue of engagement with the third sector and social enterprises, you all seem to have pretty good evidence that you are working with business, but what about those other organisations, which are such important employers in Wales?

[51] **Professor Saunders:** With reference to the voluntary sector, there has been a long-standing debate about whether it should have a sector skills council of its own. It was a UK-

wide decision that that would not be done, but that other sector skills councils would have a brief, such as Skills for Justice, for example. This is a huge agenda in Wales, given our community regeneration priorities. I am concerned that, given the demise of Lifelong Learning UK, a lot of the training of the trainers, which is a crucial part of running a voluntary organisation, needs to be supported and developed. There is, again, a strategic role for the 23 SSCs in making sure that the voluntary sector is covered. LLUK has left a footprint, and I am not clear as to what will fill it. We have many learning coaches, teaching assistants, teachers, lecturers, librarians and so on, all of whom play a key role in community regeneration. In the voluntary sector, there may be an urgent need for upskilling in voluntary organisations in order to fulfil the economic renewal programme. So, this is a future agenda item. The sector skills councils can manage that strategically, but at the moment we have a little emptiness as regards what is happening with the voluntary sector.

[52] **Mr Studd:** From the alliance's perspective, we would like to see a sector skills council solution to issues relating to the lifelong learning footprint. That would not necessarily be an agency solution but a sector skills council solution. We also see that there is a gap in Wales with regard to third sector coverage.

[53] The third sector is quite a difficult one to discuss, because the sector that I represent is the largest sector for volunteering: there are voluntary support clubs, children's play clubs and so on, and there are over 2 million volunteers. The Home Office will tell you that it is the biggest sector. We deal with those organisations integrally with the sector approach. A sports club will employ and pay people, and it will have volunteers, and the interaction there is what drives the development of those organisations. Our standards and training programmes are designed for the volunteers in those scenarios as well as the paid professionals. Asset Skills, which deals with cleaning and office services areas, is in exactly the same situation. The housing associations are integral to its work with that sector. There is a broader voluntary charitable sector as well, with very specific needs around the running of those sorts of organisations, which needs some additional support.

[54] **Gareth Jones:** With reference to what Darren said, my understanding is that Lesley Griffiths, the Deputy Minister for Science, Innovation and Skills, is accountable to, or works closely with, Ieuan's department, the Department for Economy and Transport, and not the Department for Children, Education and Lifelong Learning. So, there has been that alignment as far as skills are concerned. Christine is next.

[55] **Christine Chapman:** My question has been answered, thank you.

[56] **Gareth Jones:** Thank you, Christine. We move on to Paul Davies.

[57] **Paul Davies:** In your written evidence, the Alliance says:

[58] 'The skills agenda in Wales remains overly complex and funding for education and training is not sufficiently flexible to meet employer needs especially in comparison with England.'

[59] How difficult is it to predict the skills needs of the Welsh economy, particularly given that, according to the FSB research, 71 per cent of small businesses have never heard of sector skills councils? You also say that the Welsh Government's Department for Economy and Transport and Department for Children, Education and Lifelong Learning need to integrate their work on skills. I think that you touched on that a bit earlier. Can you give us practical examples of where that would benefit everyone?

[60] I want to ask you some questions about apprenticeships, because, in your written evidence, you say that we need clarity on how such new work can be carried on without

sector priorities fund pilot support in future as well as measures to overcome the lower apprenticeship uptake in some sectors in comparison with Scotland and England. Therefore, is funding for apprenticeships effective in Wales? Are apprenticeships effective in the most appropriate sectors? Is there a comparatively low uptake of apprenticeships in certain sectors? If so, how can that be improved?

[61] **Mr Studd:** There were quite a few questions there. On the first one, I will reiterate the percentage issue. The UK Commission for Employment and Skills' survey of all employers—and not just members of the Federation of Small Businesses—indicated that the figure was 44 per cent in Wales. So, your figure was slightly higher, but I think that we have dealt with that issue in other ways. Going through the paper, looking at the partnership work and the number of agencies and organisations—and this is not a Welsh issue, but a UK issue—in every country, whether you are talking about the careers service, higher education or further education, linking the skills system together is a key role for a sector skills council. We can do that on the basis of the evidenced voice of employers that we have developed over a number of years. Having those standards, having that labour market intelligence and having that understanding allow us, on behalf of those employers, to interact with those agencies.

[62] How else, I challenge, do you get the employer voice into those arenas in a structured way? The alternative is absolute anarchy, with all of those organisations, colleges and universities knocking on the doors of employers individually and getting an individual view. The sector approach in 'Skills That Work for Wales' is the only sensible manageable way of engaging that employer voice. What we would like to stress is that we have perhaps had one or two wasted opportunities to strengthen those SSC links. The research and development advisers could be one of those, as could the advocates who are now emerging alongside the SPFP projects. Those are opportunities, in which additional resource has been put into the system, that have perhaps not linked up to that sector role as well as could have been done.

[63] If we are saying, through 'Skills That Work for Wales', that the sector route is a way of engaging, we need to be thinking, when we start new initiatives, about how we blend those initiatives into that structure from the beginning, rather than just coming along later and saying, 'Can we start to talk to these advisers and give them a sector perspective?' It is a very important role in taking those messages to some of the smaller businesses.

10.15 a.m.

[64] **Ms Hughes:** I think that there has been quite a considerable change over the past few years. Our sector, in the creative media industries, has seen a considerable change in terms of partnerships or better communication between departments within the Welsh Assembly Government. Hopefully, that will continue with the establishment of the sector panels. However, we found it fairly difficult at the beginning, when we had to bring departments together to talk about the skills needs of our sector and how to address those skills needs. We are one of the six priority sectors and we should have some sort of a strategy in terms of skills for those sectors. As it currently stands, we do not have one. We need to bring the Department for Economy and Transport, the Department for Children, Education, Lifelong Learning and Skills, higher and further education together with the sector skills council and have a proper skills strategy in place. As discussed, we currently have action plans that have been approved by the Welsh Assembly Government and the UK Commission for Employment and Skills. Presumably, that would be the ideal place for that strategy to lie. We have those action plans and we will be producing another one this year, so it would be great if we could be the lead on skills, essentially, within those discussions. It is key for the priority sectors, because we need to demonstrate an effectiveness and impact over the next few years. We need a strategy in place, not just for our sector but for all of the other five sectors.

[65] To pick up on the point about apprenticeships, several sector skills councils have, as

you know, received funding through the sector priorities fund pilot programme this year, primarily. As Stephen explained, the problem has been the delay in establishing the fund in the first place and then in sector skills councils bidding and starting to develop and implement projects. A key element of that has been financing for apprenticeships; Asset Skills and Creative and Cultural Skills have all been awarded funding to establish new apprenticeship frameworks. Apprenticeships are key for our sector. We have a massive development in Cardiff bay, with the BBC drama village crying out for new crews for large-scale productions. We are stuck at the moment because we do not have a clue where the sector priorities fund will lie next year. Where is the funding? There has been no confirmation. That is the only source of funding that we can get, because the work-based learning fund within further education, as it currently stands, is not adequate to do the work that we want to do if it is to be responsive to employer needs. This is a cry for a decision from the Welsh Assembly Government on where the sector priorities fund will lie at the end of this year. The fund finishes at the end of this year.

[66] **Gareth Jones:** Cyn i Paul ddod yn **Gareth Jones:** Before Paul comes back, I
ôl, hoffwn alw ar Leanne. would like to call on Leanne.

[67] **Leanne Wood:** Thank you for explaining about the strategy and the need for strategic plans in each sector. I was trying to understand how it would work in terms of making sure that groups of people were skilled to do the jobs that the Government wants people to do in the future. Excuse me for my basic question, as I do not normally sit on this committee—I am substituting for Nerys Evans today. Could you tell me, specifically, about the energy and the environment sector? It strikes me that there is potential for huge growth in jobs in that area in the future, particularly in the production of renewable energy, microgeneration, new technologies, green construction and so on. How will it work? What is happening now to make sure that we have the skills that people will need in the future to do that work—if we want to grow that sector in Wales? Can you explain the process of how it happens? I am using that example because the environment is the area with which I am most familiar.

[68] **Gareth Jones:** Do you want to add to that, Brian?

[69] **Brian Gibbons:** Yes. This week, in England, Chris Huhne announced the green apprenticeships as part of the green deal in England and so forth. I do not think that the Assembly Government has reciprocated that, but, further to some of Leanne's comments, I presume that the English sector skills councils are celebrating Chris Huhne's announcement—perhaps they are not. However, what are the implications for us?

[70] **Mr Studd:** Unfortunately, I am not an expert on all 23 sectors with regard to detail. However, the green agenda and sustainability is certainly a key focus for the network and is now one of the most important area of cross-sector activity, with SSCs coming together to offer these apprenticeships. Everyone is agreed that that agenda spans every organisation and job; it is like management and leadership, which we also deal with on a cross-sector basis. So, it is down to basic management. For example, the costs of running a swimming pool, such as for heating the water, are phenomenal, so it would make a major difference if we could tackle the skills issues around that as well.

[71] So, I can assure you, with regard to collaboration, that these new apprenticeships are a major opportunity. I have some evidence from Energy and Utility Skills around its passport schemes and its health and environmental awareness programmes. There is some exciting work being done, and we could perhaps provide that level of detail to you afterwards for your consideration.

[72] **Leanne Wood:** The fourth bullet point of the alliance's paper talks about local public sector procurement and the opportunities for that. There are potentially a lot of opportunities

to use public sector procurement to generate jobs and apprenticeships. What would help small businesses win those contracts? Could you include training clauses, stating that a percentage of local people must be trained, within contracts, to make it easier for small businesses to apply for contracts and to take on apprentices? Could you also introduce carbon reduction clauses, to reduce the amount of travelling involved, so that companies from further afield find it less attractive to apply for local contracts? I am trying to think of ways to stimulate growth. What are your views on that?

[73] **Mr Studd:** It is probably not my place to comment on some of those measures. There are a number of levers at a governmental level that you could pull, of which public procurement is a crucial one. With the changes in the public sector, more services are going to be procured rather than delivered, so we have to help that process. From our point of view, we must ensure that, if small businesses are to compete for those contracts, they have access to the training and the specialist skills that they need locally. Some trends might mitigate that; for example, placing contracts for training with larger companies, which tend to squeeze out the niche training providers, many of which are very valuable and important to other specialist skills in some specific geographical areas. So, we must be careful about how we manage the whole system, because the principle of getting specialist quality provision into a system that wants to be efficient and work with big contracts is a challenge. If possible, this needs to be linked with the university network and with local authorities.

[74] **Professor Saunders:** I just want to refer to the importance of curriculum design, which takes place all of the time, within the area of energy, green studies and sustainable construction. We spoke about apprenticeships in a previous question, and we are pleased with the way that SSCs identify a pathway that goes beyond level 3 apprenticeships. There is a group of highly trained individuals who want to continue their studies, so we come in at the higher education level with foundation degrees. However, in order to do that, we have what we call a curriculum design triangle, in which you have a provider, which could be an FE college or a university offering degrees, a company and the SSC. So, that kind of triangle of partnership works effectively, and, in the area that you highlighted, foundation degrees have developed in sustainable construction, but with the support of SSCs throughout. This is backroom work, and a lot of it is goodwill work, but it is highly strategic. Once that qualification is in place, we are preparing graduates five or 10 years down the line for the growth in jobs. We still have concerns about the accuracy of labour market intelligence, which is another big issue, but the key for us as providers is to get the right qualifications in place for the growth of employment opportunities further down the line.

[75] **Gareth Jones:** Thank you for that, and I thank Leanne for raising the procurement issue. It will be challenging for the next Welsh Assembly Government, as it has been for this one, but there is a clause somewhere on social and corporate responsibility that could be acted upon more fully, in my opinion, to respond to what Leanne said. However, as you mentioned earlier, it is also something that we need to pay attention to in our legacy report.

[76] **Jenny Randerson:** Building on the last comments, we have not talked about the link with schools, because employers are building on, or hoping to build on, the skills or the lack of skills that young people come with. There was an independent report in England recently that talked about inappropriate vocational qualifications not being up to scratch and so on, and the UK Government has indicated that it will review vocational qualifications. In Wales, as well, the Minister recently cast doubt on the extent of vocational qualifications and their effectiveness for school pupils and indicated a possible shrinking back to the academic curriculum. There is an obvious read across with your work. Are you involved in the resulting consultations, either in Wales or in England? If not, at what point should you become involved and how should it work in order to enable you to maximise your opportunities later on?

[77] **Mr Studd:** The Wolf report in England raises some interesting issues and I am sure that we will want to challenge some of the conclusions, rather than some of the issues. Without doubt, vocational education and training is about being a pathway to employment. If that is the case, employers and, as we would obviously say, sector skills councils need to be partners with education. At the alliance, we have a diagram that describes the position of sector skills councils as a crucial interface between education and employment. It should be life long and begin at school. We want young people at school to develop the skills that will equip them for life, which include employability. Some of the pathway programmes that we have been involved with in Wales and the young apprenticeship programmes in England in our sector have been hugely valuable to young people, because they give them leadership skills, an opportunity to get out into the community and they come back able to work and to organise others. The management and leadership advisory panel that worked at a UK level a few years ago said that we do not start early enough in giving young people those sorts of skills. Those skills can be picked up in a sector context, but are applicable throughout life.

[78] We would say that the sector skills councils have a crucial role in advising on the reform and relevance of the vocational curriculum and advising on the career structures and job opportunities that operate in the sector—where you can go with a qualification. With the pressure on tuition fees and so on when you get to university, young people will want to make informed choices. It is not just about what they want to do, but where it will take them, because it is a much bigger investment of their resource. Giving people a career picture based on a sector picture is a valuable contribution.

[79] Similarly, the most effective foundation degrees in our sector are those that are being offered to people who are already in employment, in particular, in family businesses, giving business skills to the son or daughter who is the next generation that will take on the caravan park, while they are still working and running the family business. You can build that sort of flexibility into the system to integrate your employment and education.

10.30 a.m.

[80] You should be able to take a step back through lifelong learning and change your career. As to how that is done, I believe that a sectoral approach, with that relationship between employment and education, is the real dynamic in the system.

[81] **Jenny Randerson:** Are you sufficiently involved? Has the Welsh Assembly Government indicated that you will be involved in any review of the approach to vocational qualifications in Wales, and the scaling back of those? Have you been involved up to now? Are there any indications that you will be involved by the UK Government? I do not think that it is talking about scaling back—it is talking about changing those qualifications, and making them more fit for purpose.

[82] **Mr Studd:** I am not sure that I can answer those points accurately. You have the offer from the sector skills councils to be involved in these things. There is some valuable work being done on the pathways and the baccalaureate in partnership with SSCs. If we are getting to the end of the session generally, the message from this end of the room is that we have only just started to work on the potential of the partnership between the Welsh Assembly Government and the education system and the sectors. ‘Skills That Work for Wales’ points to a sectoral approach, and I believe that that can be the only really effective way of engaging employers and testing them about their ambition and their skills issues. We want to be involved as we move forward. It starts with schools. Let us keep some of the pathway programmes that have been so effective in getting young people to integrate work with the development of those skills, taking it all the way up to higher education level, in partnership with them.

[83] **Professor Saunders:** I would like to add that the sector skills councils can really develop the work experience placements for younger people in schools and colleges to ensure that the placements are matched with the most disadvantaged learners, so that they get a top-quality experience. Strategically, the sector skills councils can develop a kind of gold standard work placement that Wales could lead on.

[84] **Mr Sishton:** May I add one thing? The debate about vocational versus academic is one that we could spend a long time on, but there is great potential in the Welsh baccalaureate and the principal lines of learning. We have been working with the Welsh Assembly Government and the Department for Children, Education, Lifelong Learning and Skills to promote the Welsh baccalaureate principal lines of learning, and it is a jolly difficult subject to move forward with. The employers see this as a gold-standard qualification to the extent that they will offer continuous professional development to teachers, and work experience placements for pupils, and yet there is reluctance for the 14-19 networks to get involved with delivering those qualifications. That is the challenge; in our sector, business and technology, we know that there are vacancies coming through, and that we need to grow the pipeline talent, but the issues are getting that qualification out, getting the teachers to understand the new curriculum, and getting them to engage with employers in the area, working through Careers Wales and education-business partnerships. We have developed some of that work in the last year or so, but we really need to drive that forward if we are to create the pipeline talent of the future.

[85] **Gareth Jones:** Yr ydym yn dod at **Gareth Jones:** We are coming to the end of derfyn y rhan hon, ond mae un cwestiwn oddi this part of the meeting, but there is one wrth Brian Gibbons. question left from Brian Gibbons.

[86] **Brian Gibbons:** My question should probably have been one of the first. The board's statement that, at present, there is no evidence of a substantial skills shortage, seems to be completely at odds with everything that we have heard. I do not know whether you are saying that, in 2011, in the middle of a recession, there is no skills shortage, but that if you were asked this question in 2008, you would have given a different answer. From what you have written, it seems that you anticipate that there will be a skills shortage in the future.

[87] The one thing that I am not clear about is how the labour market intelligence is gathered. The only things that I have heard so far are anecdotal reports of people sitting around and having chats in the various Welsh sector skills councils. We are obviously going to find out that that is not the case. In any case, I am very surprised at that comment. I will now move on to my final question. The impression that I get is that many young people have not been able to complete their apprenticeships due to the recession. The factory has closed down, or work has stopped at the construction site and so on. Is this a big problem, and is it something that requires a strategic response from the Government or whoever, in order to allow these young people to complete their journey?

[88] **Mr Jones:** That particular comment relates to the perception—and please correct me if I am wrong, Danny—emanating from higher education that science and engineering graduates are not necessarily finding work. Therefore, there is not an overt lack of supply; currently, there is perhaps more of a lack of demand. The crucial point that we are trying to make is that we will need detailed labour market intelligence in the future. The intelligence has to be accurate from a sectoral point of view in relation to the UK, but it also has to be accurate and forward-looking—‘granular’ is the term that we use—in terms of its localness, so that it can drive provision in a particular area. Perhaps the SSCs will say more about how LMI is generated. However, I can say that it is survey driven at the UK level and at the Wales level. There is a legitimate question as to whether, at present, it is sufficiently analytical in local terms. That is one of the reasons why we have supported a concept that is being developed in south-west Wales, namely the south-west Wales regional learning partnership,

which brings together a range of providers, such as sector skills councils, local authorities and so forth. We do not know yet whether that is a practical vehicle. It is still early days, and the programme is a European-funded pilot. However, this is one possible way of bringing all of these sources of information together and connecting them with delivery.

[89] **Gareth Jones:** Yr ydym wedi dod at ddiwedd eitem 2 ar yr agenda, sef ein hadolygiad o'r cynghorau sgiliau sector yng Nghymru. Wrth gloi, hoffwn ddweud gymaint yr ydym yn gwerthfawrogi eich presenoldeb yma heddiw, a gwn fy mod yn siarad ar ran fy nghyd-Aelodau yn hynny o beth. Mae dau bersectif wedi dod i'r amlwg heddiw: persectif y bwrdd a phersectif y gynghrair. Yr ydym yn hynod o ddiolchgar am y wybodaeth yr ydych wedi ei rhannu â ni. Rhanasoch eich pryderon hefyd; mae hynny'n naturiol. Gobeithiaf eich bod yn teimlo nad sesiwn beirniadol oedd y sesiwn hon. Yr ydym yma heddiw oherwydd ein bod yn deall pwysigrwydd sgiliau i ddyfodol ein pobl ifanc ac i Gymru gyfan.

Gareth Jones: We have come to the end of item 2 on the agenda, namely our review of the sector skills councils in Wales. In conclusion, I would like to say how much we appreciate your attendance here today, and I know that I am speaking on behalf of my fellow Members in saying that. Two perspectives have emerged today: the perspective of the board and that of the alliance. We are extremely grateful for the information that you have shared with us. You shared your concerns as well; that is natural. I hope that you feel that today's session was not a critical one. We are here today because we understand the importance of skills to the future of young people and to Wales as a whole.

[90] Dymunwn y gorau ichi yn y gwaith pwysig hwn. Yr unig gysur y gallaf ei gynnig ichi yw'r ffaith y byddwn yn ystyried y cryfderau a'r gwendidau yn y system, fel y gwelwn ni bethau ac fel y nodwyd gennych chi, ac yn eu nodi yn ein hadroddiad diwedd tymor, sef yr adroddiad etifeddiaeth a gaiff ei chyflwyno i'r pwyllgor nesaf yn nhymor nesaf y Cynulliad. Gallaf eich sicrhau y bydd y materion sy'n peri pryder ichi, sef y materion yr ydych wedi tynnu ein sylw atynt heddiw, yn cael eu hystyried yn faterion tra phwysig. Nid fy lle i yw ymyrryd yn y penderfyniad hwn un ffordd neu'r llall, ond gobeithiaf y bydd gweithredu yn y meysydd hynny lle mae angen newid pethau er gwell, yn eich barn chi.

We wish you the best of luck in carrying out this important work. The only words of comfort that I can offer you are that we will be considering the weaknesses and strengths of the system, as seen by us and identified by you, and we will note them in our end-of-term report, namely the legacy report that we will present to the next committee in the next Assembly term. I can assure you that the issues that are of concern to you—that is, the issues that you have drawn to our attention today—will be considered as extremely important. It is not my place to interfere in this decision one way or the other, but I hope that there will be action in the fields where you see that there is a need to change things for the better.

[91] Yn y cyfamser, hoffwn ddiolch ichi am eich parodrwydd i weithio gyda ni drwy gydol y tymor hwn. Mae'r gwaith hwn wedi bod yn ddefnyddiol iawn. Gobeithiaf y cawn fudd o'r adroddiadau yr ydym wedi'u llunio ar y cyd, a dymunaf y gorau ichi.

In the meantime, I would like to thank you for your willingness to work with us throughout this term. This work has been very useful. I hope that we can derive some benefit from the reports that we have drawn up together, and I wish you all the best.

10.41 a.m.

Cyfraniad Economaidd Addysg Uwch yng Nghymru The Economic Contribution of Higher Education in Wales

[92] **Gareth Jones:** Rhoddaf air byr o **Gareth Jones:** I will provide a little

gefndir. Yr ydym am ailedrych ar adroddiad y pwyllgor ar gyfraniad economaidd addysg uwch yng Nghymru a gyhoeddwyd gennym ym mis Hydref 2009. Mae llawer wedi digwydd yn y sector addysg uwch ers inni gyhoeddi ein hadroddiad. Felly, y teimlad oedd y byddai'n ddefnyddiol cael gwedd newydd ar y mater hwn. Dyna pam yr ydym wedi gwahodd yr athro entrepreneuriaeth greadigol cyntaf erioed yng Nghymru o Brifysgol Fetropolitan Abertawe i rannu ei syniadau â ni heddiw. Felly, mae'n bleser croesawu'r Athro Andy Penaluna ar ran y pwyllgor. Diolchaf i chi, Athro, am gyflwyno'ch tystiolaeth ysgrifenedig i ni. Yr ydym eisoes wedi darllen y dystiolaeth ac yr ydym yn barod i ofyn cwestiynau i chi. Cyn i ni wneud hynny, mae croeso i chi wneud cyflwyniad byr o ryw bum munud, os ydych yn dymuno gwneud hynny. Byddai hynny yn ddefnyddiol iawn i ni, cyn i mi droi at gwestiynau'r Aelodau unigol.

background information. We want to reconsider the committee's report on the economic contribution of the higher education sector in Wales, which was published in October 2009. So much has happened in the higher education sector since we published our report that we felt that it would be useful to take a fresh look at this issue. That is why we have invited the first ever professor of creative entrepreneurship in Wales from Swansea Metropolitan University to share his ideas with us today. Therefore, it is my pleasure to welcome Professor Andy Penaluna on behalf of the committee. Thank you, Professor, for presenting your written evidence to us. We have already read the evidence and we are ready to ask you questions. Before we do so, you are welcome to give a brief presentation of around five minutes, if you would like to do so. We would find that very useful, before we turn to individual Members' questions.

[93] **Professor Penaluna:** Thank you for inviting me. I am a relative newcomer to enterprise education; I have only been in this for five years. I tend to describe myself as a 'pracademic'—that is, someone who has run businesses and who has perhaps lost a bit more money than they should on some occasions, and has had some hard knocks, as well as being an academic and an educator. I first started teaching what I now know to be enterprise education in 1987. It involved trying to help creative students to get some business acumen and to enable them to enter the industries that they wished to enter. I am currently employed as a senior lecturer, which I do for two days a week. I spend the rest of my time on a number of funded projects. In addition to this, I have been involved with a number of voluntary projects. I was recently elected as the chair of Enterprise Educators UK, which is a network that involves approximately 80 universities. I also run the Higher Education Academy's entrepreneurial learning group, which is a group that was set up by the business management, accountancy and finance subject centre. That is slightly odd for me having come from a creative industries background.

[94] I have a background in design, which sits at the intersection of business and creativity because you are often responding to business needs. I have found myself running things such as the first national enterprise educator awards, of which I was a founding member. They cover all of the UK and offer awards to people who have done particularly well in their own institutions. The reason for that was that many of these people were not being recognised or being rewarded for the type of work that they were doing. Together with the National Council for Graduate Entrepreneurship, we put together this award system.

10.45 a.m.

[95] I say 'found myself' a lot, because an awful lot has happened in the last five years. I am now working with the Quality Assurance Agency for Higher Education, chairing a new group on entrepreneurial education that is looking at graduate enterprise skills. We have only had one meeting so far. I have also found myself advising the Department for Business, Innovation and Skills in London on three or four occasions. As of January, I am a member of the United Nations Conference on Trade and Development's entrepreneurship learning group.

[96] These roles mean that one day I am in the classroom, and another day I am at the United Nations. I am trying to fill a lot of holes in for myself, so please bear that in mind as I give my evidence. I hope to be perceived as a critical friend—a new policy member.

[97] **Gareth Jones:** Thank you, Professor, for that introduction. Christine Chapman has the first question.

[98] **Christine Chapman:** Thank you for your paper, I found it very interesting. I have a few questions. I know that you might not be covering all of this yourself, but I am aware of the fact that there are quite a number of entrepreneurship projects, and some of them have been around for quite a time. If they have not, they appear to be similar to those that have been around for some time. People get rather excited about them, as they think that they will offer the answers that we want. What, in your opinion, is the step change that would make Wales a really entrepreneurial country? There are some really good initiatives, of course, but what will make the difference?

[99] I would also welcome your comments on the Welsh baccalaureate, how you think it is faring and whether it will make a difference. Also, how can the Welsh Assembly Government encourage even greater collaboration between higher education and employers and industry?

[100] **Professor Penaluna:** You may need to remind me of some of those questions. The first was on the greatest influence. We have to remember that, on a particular day, I could be standing in front of a classroom of students and it can be very difficult to get through the minefield of bringing professional people into the classroom. There is evidence from as recently as yesterday that some academics do not welcome that. So, with the enterprising educator, you will find that, in my considered view, the majority of those who are involved in enterprise education are enthused individuals; they do it because they see the benefit to pupils and students. Pupils from St. David's Church in Wales Primary, Colwinston, were in the public gallery just now—I cannot see if they are still there—and these young people are looking to their future.

[101] If you look to the academics—I use the term 'academics' rather cautiously because I have been picked up on that, when I was told, 'I am not an academic', by someone whom I rate very highly—in terms of recognition of what these people bring, it is very limited. I have picked that up in my summary. You can bring something to the table as a highly professional person, but then you move into academic circles and because you do not have a PhD or a particular academic qualification, you are not always recognised in the same way. That is why I got into research. I mention a particular award in my paper that came as something of a surprise, because my paper was merely a matter of tracking students over five years to see what they did and how they assisted teaching and learning. To me, that is a fairly obvious thing to do. However, I am pleased to have won an international award in Brazil, but that is frankly all I did. So, getting involved in that kind of agenda has raised my profile and given me the opportunity to engage, and I really want to represent these people. That is why I use the term 'pracademic', combining the practical and the academic, because that mix is incredibly important in our education. At the moment, it is an uphill battle to realise people's potential, if you can do that.

[102] Your second question was about the Welsh baccalaureate. I must first say that I really do commend the fact that enterprise and entrepreneurship are in the Welsh baccalaureate, but they are among a number of things that teachers have to deal with. You do not necessarily have the engagement levels that you might expect from that. It seems to be variable. From what I have seen, it comes back to the few enthused individuals, and they do not always get the opportunity to promote the messages that they want to see brought forward. I have the Welsh Assembly Government's 'Youth Entrepreneurship Strategy: An Action Plan for Wales 2010-15' in front of me, and I am very supportive of it. The people who have been involved

in that have also helped to empower what I do by offering projects and opportunities to engage with the broader community. If I had not been given that support, I would not be here now. I hope that goes some way to answering the questions.

[103] **Christine Chapman:** You talked about enthusiastic individuals and that is the point that we are looking at. However, how can we get more enthusiastic individuals, because we are always debating whether entrepreneurs are born or made? I do not know what your views are on that. It is about how we can get more people involved, because we will always have those exceptional individuals, but to make a step change we need more of them in Wales.

[104] **Professor Penaluna:** I agree 100 per cent. However, if you want to join the higher education sector, for example, you may have 30 or 40 years of experience in business, but when you come into academia, you have a whole new set of skills to learn about the way in which academia works. Part-time staff are in very precarious positions—they may be employed for an hour or two a week, and they are often given the Friday afternoon slot. They are dropped into positions. Again, I speak with some authority, in that I know of one very able individual who has been working for the last year who will not have a job from September. If we recognise these types of people within the system and appreciate that there is something to be gained by having more of a two-way conversation, that would be very much the way forward.

[105] In the summary of my paper, I picked up on the fact that there has been very little consistent funding; it has always been about this proposal or that proposal. I have seen on a number of occasions, not just in Wales, that you get very talented people coming in and engaging the agenda, they do some incredible things with the students—some of these people are incredible—you think that things are going well, but then the funding goes. The step-up that is needed to take over that funding is not always there.

[106] My organisation, Enterprise Educators UK, was originally a UK science and enterprise council initiative. Towards the end of the life cycle of that initiative, in about 2004—I might need to check the details on that—the UK Government funding stopped, but the university sector felt that it was so important that enthused individuals banded together and kept it going, and eventually changed it to have the broader remit of Enterprise Educators UK. I am the elected chair of that organisation, but everyone on its board is a volunteer. Every one of us gives a considerable amount of our time to make that happen. There is no central funding for it. It is run from an institutional fee of £500 and from putting on a conference, which I am pleased to say was hosted in Cardiff University this year. That is the way in which we look after ourselves. In this year's conference, it was quite entertaining because we had people there from *Who Wants to be a Millionaire?* with their clickers, so we got instant responses from the 300 or so delegates. I do not have the figures to hand—I can come back on this later—but when we asked how many people thought that their jobs were at risk, a phenomenal number of people in that room answered that they thought that they were.

[107] **Gareth Jones:** Before I ask Jenny Randerson to come in, I was listening very carefully when you said that you have knowledgeable people in this field who can come in to enthuse, everything changes and there are positive outcomes. However, to what extent are we trying to achieve the impossible? Is our education system not based on conforming, being uniform and keeping to the curriculum and the syllabus and so on? The question has been asked about how we can break through. If that is the culture, that if you are a pupil, you need to do your work and conform and so on—I am making an obvious point—we need to break through that somehow, if we are to reward leadership and radical and different thinking by an individual. Very often, that is difficult for teachers to tolerate, as the individual pupil may be a bit of a nuisance, but, somehow, we have to incorporate all aspects of learning if we are going to make a breakthrough.

[108] **Professor Penaluna:** One of the papers that I have written is about engaging with difficult students. Quite often, the type of student that you described is the one that will be enterprising and innovative, and quite rightly so. Those students look for challenges and opportunities to prove themselves, so the education system, as far as I am involved, takes that on board. Although I am not an enterprise teacher per se—I teach enterprise within a certain range of disciplines; however, what I have now found is that I work on MBAs and all sorts of areas with this strategy—what we often have to do in the first few months and, again, there is consensus about this, is to undo the expectations of the assessment system that is already in place. The term that has been used to describe this is ‘to partially unlearn’. We have to partially break up what is already there.

[109] You mentioned what I would term ‘positivistic approaches’ against which most education systems are looking to be measured. Once they are measured, we are talking about 67.32 per cent or something. If you are measuring into that level or degree, you can only measure against predicted outcomes, so you may feel that a pupil is doing well because they can be measured against whether they know this or that, or they are able, in higher education, to know the canons of thought or cite the right people. It is very predictable and relatively easy to assess, especially when you have large numbers of students. One of my classes has 106 students. However, you must then think about the enterprising individual. I ask the committee to think for a moment about the most creative thing that you have seen or heard of recently—if you cannot think of one this second, maybe reflect on that later—and then ask yourself a simple question: how predictable was that? If you actually look at predictable outcomes, you are limiting the creativity of some of your students.

[110] The enterprising mind is more about looking at the process, which is why I commend the ACRO model. One of the things that we are talking about at the QAA at the moment is the understanding of something called divergent production. I am not going to give you a full lecture on divergent production, but, in essence, it means that you learn five, six, seven, eight answers and then you start to evaluate them. You might not have the right answer until the last moment, because the context or the educational situation will change, so, by the time that you come to be assessed, you are primarily assessed on the way that you got to the answer. We term it glorious failures: if somebody has got nine-tenths of the way there, but gets the wrong answer having, through the process, realised why they got the wrong answer, we see that as a more valuable way of learning.

[111] I hope that explains the perspective of Enterprise Educators UK; this has been a ground-breaking approach in many areas of business. However, as I alluded to in my paper, you can take a step next door and get into the creative industries and to art and design. I mean, would you like to define for me right this second what art is? How well can you define art or evaluate it? I am not in the fine art department, but I certainly value the way that they can help those students develop and progress their skills.

11.00 a.m.

[112] **Jenny Randerson:** What could turn Wales within Britain or Wales within the world into a leading technological nation is the release of more intellectual property. In fact, it is the researchers working on a very intense applied field that will produce the answers that could create the greatest wealth. They are not likely to be thinking of entrepreneurship, in the very nature of it. So, the release of intellectual property is key to our future. The number of patents held by academics in Wales is relatively low in comparison to other countries, but releasing intellectual property satisfactorily into the commercial sector is a complicated thing to do. I am sure that I can recall academics being suspicious of business in that regard. There is a feeling that you hang onto it in case it gets exploited in the wrong way, and so on. What needs to be done, in simple, practical terms, to remove that suspicion in order to provide a good, secure and effective channel so that totally non-entrepreneurial applied academics doing

cutting-edge research release their intellectual property into the commercial sector at the right moment?

[113] **Professor Penaluna:** This is a personal view. I do not mention it in my paper, but I have also worked with the Intellectual Property Office for a few years, developing some education materials. There is an underlying assumption that people in academia understand intellectual property and that they have been exposed to it and have some working knowledge of it. I want to pick up on some research—I think that it was from Bournemouth University—that involved a review of the UK. I am afraid that I cannot speak for Wales; it was a review of the entire UK. It provided two answers that I think will help you on this. If you go into the university sector and ask where intellectual property lies, it will be primarily in the law school or with someone who has some expertise in law. According to this report, these people are loath to advise in case they get it wrong, because they are not in a system where they are safeguarded. If someone who is just starting out—someone who might be going into high-level IT, for example—had been exposed to basic intellectual property coursework early on in the curriculum, then that would find its own natural answer.

[114] I have attended the Welsh innovation network group a few times, and this issue has come up many times. People come to this group expecting to have accurate and clear guidance, but you have to pay a lot of money for that kind of legal support. However, as I said earlier, if this is introduced into the education system early on, people will have a better understanding. For example, I question how many people in this room would know about the essentials of copyright. You mentioned holding patents, but what about design rights, copyright and trademarks? I have done a number of workshops on trademarks alone, and people make all kind of assumptions about what images they can use and what is appropriate. Then, when they come to one of our groups, they realise that they are either going to be upsetting some other company or that they do not know the process.

[115] We talk to students about copyright in a simple way, and I will give you an example, if I may. I want you to imagine that you are in one of our classrooms and that you have 100 or 120 students in front of you. You ask the students whether anyone in the room is an artist—I use this in master of business administration courses and at big conferences, and so on. You eventually persuade some poor victim and they draw something. Then you ask them to give the drawing to a friend. You have whispered in the friend's ear, 'You hate this, you think it's rubbish, you don't think this has any intellectual value, so, you screw it up in a ball and you throw it away somewhere else in the room', if you can visualise this. Then someone else, who had no idea that it was landing at their feet, picks up the drawing. You say to them, 'You open this and realise that it has some value: look, there is someone over there with some money—sell it'. Then you get a negotiation going in that room.

[116] Then the person who has bought it is told to sell it to a printer—you give someone a £1 coin to represent £1 million with which to buy it. Therefore, the printer owns the drawing. They will then want to print it and make some money out of it, but is that legal? I wonder whether anyone in the room can answer that question. We then go on to a photograph of the drawing being taken: it goes to the press, which takes a photograph of it and the image is shown on the news that night. Is that legal? I wonder whether anyone can answer that. So, in that way, we give students situations in which they have to think about the problem and deal with it. We do not tell them the answer; we do a series of exercises that lead them to understand that, in fact, the author is the owner of the property. The intellectual property or copyright value and the actual article are different things. Design rights, trademarks and patenting are based on the same premise. If people understand those elementary principles at an earlier stage of their education, I suspect that it would be less of a problem.

[117] **Jenny Randerson:** You have illustrated the complexity of the issue well, but that underlines my point that you could not expect anyone to pursue a commercial deal with a

company on this basis. It is a very useful start to have a lesson such as that early on in your university career, as it alerts you to basic principles, but it does not provide you with what you have just said is expensive legal advice. I thought that you might ask why every university in the United Kingdom does not have a department or an office—a resource—to which any academic can go to say, ‘I have been working on this and have discovered this; please provide me with the support that I need’. I can see why lecturers in the law departments do not want to give legal advice; it would be dynamite if that advice was wrong, as they do not have the cover for it. However, if you are employed by the university to provide legal advice, that cover is given, and one assumes that you would not be employed without being an expert.

[118] **Professor Penaluna:** That is an interesting perspective, and it would be helpful to have that kind of resource. Frankly, it is not something that I had considered before, primarily because of the financial implications of bringing in someone with that level of expertise. I would certainly value something like that, where academics could go to a central resource to get that kind of advice, because most of the academics I know are not that familiar with the processes, as you said.

[119] Perhaps I could illustrate the issue of patenting a bit more by talking about design rights. Major companies make major mistakes. Most of you will have eaten a jelly baby in the last few years. If you look at the packaging of those jelly babies, you will find that they may be made by the Co-operative or Tesco, because Bassetts did not trademark them when the design rights ran out. As you get further into the complexities of the patenting process, non-disclosure agreements become significant. In a meeting yesterday, I said that we had better get an NDA on a particular product, and was met with a sea of blank faces. The whole idea is that if you are bringing a product forward, you have to have a fairly tight circle to ensure that it is taken through the patenting process. Even though patenting has been sped up of late, it is still a detailed process. Quite often, people—including the UK Intellectual Property Office—say that companies are better off going straight to market with a product rather than patenting it; I have taken that advice on the chin. I certainly welcome the premise that there would be some kind of support mechanism for academics.

[120] **Brian Gibbons:** There is the knowledge transfer fund, the Go Wales scheme and so on, but do you feel that there is strategic coherence here in Wales as regards the support that is available, following on from what Jenny said, to bring ideas from academia through to value added and so on? As a corollary to that, how useful is international experience in doing that? Culturally, north America is not northern Europe, and Europe is not Britain, and there is also Australia and New Zealand. How readily transferrable is best practice to allow what Jenny was talking about within the strategic framework that we have in place? Finally, we talk a lot about university graduates and so on, but do you have a view on the apprentice as an entrepreneur? I represent Port Talbot and I would say that 95 per cent of the entrepreneurs are not university graduates: they are former apprentices who have identified market opportunities.

[121] **Professor Penaluna:** You asked a number of questions, so you may have to remind me of them. You are quite right that a lot of enterprising people, especially in Wales, come from backgrounds where they have worked in businesses—quite often small businesses—and have then decided that they are ready to go out on their own. A number of studies that look at the university experience—higher education is more my area of expertise than further education—say that the desire to be enterprising and entrepreneurial diminishes through the education system. That is something that we have been trying to address in Enterprise Educators UK. Some of the things that I alluded to earlier on with to regard assessment relate to that. Therefore, I think that your observation is correct. There is also quite a bit of evidence that suggests that if people come to university and gain more expertise and skills in certain areas—information technology being a particularly good one—that mentality, if maintained, can bring more wealth and riches to that area, simply because you have merged those two

things, rather than just looking at one or the other. Unfortunately, at the moment, there is a bit of a divide.

[122] Your second question was on the international approach. First, I should draw your attention to the United Nations' approach to this. It has a six-prong approach, looking at policy, and I can pass on some of that information to the committee. It is in draft form; it is being developed at the moment. I am also working with the University of Tasmania on a related project. One of the things that the international community is looking at is the development of the future training that underpins all of these things. That picks up on the work of the Quality Assurance Agency for Higher Education. For those who are coming into teaching at the moment, there is no accredited route to obtaining a qualification for enterprise or entrepreneurship education. I am pleased to say that the first one in the UK is being set up in Swansea Metropolitan University. We have been working with Barry College and other partners in a consortium and this will be the first course of its kind in the UK. There are others in Finland, Switzerland and so on. I was asked to go to the United Nations to talk about that because it had not found anybody other than us, one in Tasmania, and one in Barcelona, that were really managing this problem of bringing enterprising minds into the education system. Sorry, I cannot remember the first question.

11.15 a.m.

[123] **Brian Gibbons:** Do you feel that there is strategic coherence with regard to what we are trying to deliver at a national level here in Wales? Even your answer to Jenny almost suggests that there is not a mechanism whereby an academic who has an idea can bring it to be challenged, to see if it has legs. What is your semi-anecdotal or professional view? Do you feel that we have a nationally coherent approach that goes with the flow of what you are doing, or do you feel that you are pushing a stone uphill, against a hostile and alien environment?

[124] **Professor Penaluna:** The National Council of Graduate Entrepreneurship has started a new scheme in the UK called the enterprising academic programme. We are talking about something that has literally had two meetings. The idea is to try to empower academics, and Doug Richard of *Dragons' Den* fame is leading on it. However, an awful lot of people in the higher end of the academic structure do not see that as appropriate. Regarding your reference to pushing a stone uphill, thank you; yes, it is very much that kind of thing.

[125] I touched on enterprise champions in my paper, and perhaps this is something that I should elaborate on. I am thinking as I am speaking. At the moment, the enterprise champion at my university is my wife. She has the necessary network and knowledge. She knows about the GO Wales projects and so on, and she can pull things together. When the enterprise champions were set up, most of them were senior people in the institution. Most of them had power at very senior levels. Over the years, a number of those powers have diminished. Some of the powers have been passed down—in fact, they are not so much powers as responsibilities. Quite often, we find cases of responsibility without authority. We therefore find that the individuals who could pull this together do not get out to meet other people as often as they could, or they have problems getting funding for basic things such as overnight stays. This goes back to the same point, but if you were able to raise the status of the value of these people within institutions, you would be going a long way.

[126] I am going to repeat myself here, but I think that this is a point worth making: I have seen champions of enterprise who have done some crazy and amazing things with students, but, in terms of recognition within their own institutions, they have received next to nothing. In fact, there has even been negative feedback in some instances.

[127] **Jeff Cuthbert:** Much of what I wanted to say has been said by others in one way or

another, so I can be brief. I read your paper with great interest. Within your summary and recommendations, you make no specific references, unless I have missed them, to links with industry and the role that industry should be playing in supporting entrepreneurship, whether for its own interests or for the interests of the general economy. How do you see industry engaging with educationalists—whether at school, FE or HE level—and what has your experience been of engagement by industry in entrepreneurship?

[128] **Professor Penaluna:** I can answer that on two levels. First of all, I value the work of the sector skills councils, and I reference that work. In fact, I was looking at an draft SSC document last week. I also had a conversation with senior academics last week, the tone of which was pretty much a case of, ‘Oh look, those are the things that are missing and those are the boxes that we need to tick; oh look, it is enterprise education’. Surprise, surprise: the holes that are there in employability and the holes that employers see, in terms of what students need, are widely addressed by the enterprise agenda.

[129] Speaking as an enterprising academic, I have no problem whatsoever with bringing companies and businesses into my institution. In fact, part of the problem is finding educationally valid projects for the students to work on, so that I can see some step-up, shall we say, from the opportunities that they have. A colleague of mine, Angela Williams, has just brought Fenchurch Clothing into our department, and we have been doing a live project with that company.

[130] I am not sure how much I can say, but, in relation to the course that I work on, a major national company is looking to rebrand and launch a new product next year, and we are involved directly in that. In relation to the course that I helped to develop, every student in the final year has to engage with an employer or outside body in order to complete the course. That is not common, but it is common across every course in the faculty in which I work. We have no problem whatsoever in engaging professional people. For example, Nick from the Tredz cycle company came in and said, ‘I thought I came here to help you, but I have realised that you can help me enormously’.

[131] **Leanne Wood:** I would like to take you back to the first question that Chris Chapman asked, about the lack of entrepreneurship in Wales compared with other parts of the UK. It is right to say that there are fewer entrepreneurs in Wales, is it not? What is your view on why that is?

[132] **Professor Penaluna:** I will partially repeat what I have said, so please push me if I do not answer your question. If you consider anyone who has been outside of education, as was rightly said, they are motivated to do what they want to do. If you pick up that motivation, I would suggest that it is usually based on their thinking that they have a good idea. That good idea might simply be ‘I am a plumber and I can make more money’.

[133] **Leanne Wood:** So, is it the case that schools in England pick up the kids who have those ideas and run with them, whereas we are not doing that in Wales?

[134] **Professor Penaluna:** From my experience, it is the same thing, but I do not know a great deal about how the school system works in England, whereas I know a fair bit about the FE system. Some work has been done at Oxford Brookes University to look at the FE system. In a number of instances, they are perhaps a little more connected than they are in Wales. Going back to the simple point of wanting to bring enterprising people in, if you give them academic situations where they do not develop their ideas and creativity, why is there a big surprise? Those people are unable to take that motivation forward.

[135] **Leanne Wood:** I am trying to work out the difference between Wales and England.

[136] **Professor Penaluna:** I can see that. At the moment I am seeing that the YES strategy, especially, has more opportunity for young people than it has in England. So, I am struggling a little—

[137] **Leanne Wood:** So, you think that it should be better in Wales.

[138] **Professor Penaluna:** It should be better. I also know that it is a slow burn. We are always looking for instant responses. If you look at the Global Entrepreneurship Monitor data, for example, you will see that very few people set up serious businesses that young. Therefore, expecting graduates, for example, to go straight out is unfair.

[139] **Leanne Wood:** To give you some anecdotal evidence about confidence levels, I live in the Rhondda Valley and regularly speak to kids in school and ask them what kind of thing they would like to do when they leave school. Very few of them say that they want to run their own business. I am guessing that that is to do with a general lack of confidence.

[140] **Professor Penaluna:** There is a whole raft of literature on self-efficacy that would support you on that.

[141] **Leanne Wood:** Okay, thank you for that. It was mentioned earlier that the majority of small businesses in Wales are run by people who did not go to university. That tells me that we need to do a lot more at school level to try to generate the confidence that you need to take a risk, because if you are going to set up business you have to be prepared to take a risk. I am guessing that the lack of confidence means that people are not willing to take that risk. What needs to change in school to give young people confidence in their own abilities to do things for themselves?

[142] **Professor Penaluna:** It is about the fundamental way in which you encourage and develop students' ability to challenge. That brings us back to the discussion that we had before. There is a wonderful piece on YouTube—I am trying to remember who it is from—discussing a ballerina, and she was brought in from school. She was told that she was too nervous and too agitated, that she was not really joining in the classes and so on. Someone said 'You are a dancer', and now she is running one of the biggest dance companies in the world.

[143] Are you familiar with Sir Ken Robinson? May I suggest that you go onto TEDTalks and listen to Ken? He talks about how we are stifling creativity in the education system. He is talking about America predominantly; he is a British gentleman, but he lives there now. However, a great deal of what he says applies here. It goes back to this way of looking at metrics. It was actually Sir Ken who made that comment, so you will find it on YouTube. May I also point you towards Steve Jobs at Stanford? I had the very good fortune to work for Stanford University earlier this year. There is some incredible thinking going on there at the d.school, and a great deal of that could come into our schools. They will set basic challenges, such as giving people a load of paper and pens and telling them to make a machine. It is the way that they approach the challenge that they are evaluated on, not whether the machine works.

[144] Steve Jobs talks about joining the dots backwards. I do not know whether any of you are familiar with that. I was fortunate enough at Stanford to be working with someone from SPECK, the Stanford project on emerging companies, who is one of the contributors to the Apple iPhone and iPad and so on, and he pointed this out to me. Steve Jobs is famous for having dropped out of university, but that is not the whole story. He actually stayed at his college and he selected his own courses. He bombed out, he slept on people's bedroom floors or whatever it took and studied typography and lettering and calligraphy and computing—he made up his own course to match his aspirations. This is not someone who dropped out of

learning; this is someone who developed their own learning. You can think of that as a premise and you should be able to be adaptable and flexible and accept challenge in the classroom.

[145] I remember doing a presentation at UWIC. I brought in a few of my students who I thought were probably going to do quite well. This is part of the international entrepreneurship educators' programme. The feedback from the 20 or so delegates was that they sounded like the difficult-to-teach students. I am pleased to tell you that, three years on, one of them is now driving around in a rather nice car in London, doing all sorts of promotion and development for games companies; another is in Cambridge at the centre of the Cambridgeshire Chamber of Commerce there; and the other is working with a hotel chain, helping to develop new business. However, seeing those students in the room, people's reaction was that they were the difficult ones to teach. My reaction was that those are the ones who challenge you: help them to develop their challenging skills.

[146] **Leanne Wood:** Those are very good success stories, but they highlight yet another problem: those success stories have left Wales.

[147] **Professor Penaluna:** I should also add that only about 25 per cent of the students on the course that I teach are Welsh students. It attracts students from all over the UK and overseas, so, in many cases, they have gone back home. However, one of them has stayed. The one working for the hotel chain is in the Llanelli area and she is from London.

[148] **Leanne Wood:** Excellent. Good work.

[149] **Christine Chapman:** I would just like to comment on this, Chair. Sometimes, it is about more than just setting up a business. It is about a state of mind and an attitude.

[150] **Professor Penaluna:** Yes, we talk about behaviours.

[151] **Christine Chapman:** Exactly. There is something in the paper about five-year-olds. Personally, I would not like to think of five-year-olds thinking that they will have a business. It is about how you go through life, whether in work or your own business. We want entrepreneurs in the public sector and the voluntary sector. So, it is more about attitude than just working in the private sector. Obviously, I hear Leanne's comments, and that is an interesting discussion, but I think that the Welsh baccalaureate will really help here.

[152] **Professor Penaluna:** It has the potential to help. However, I am making this heartfelt cry: if you do not value the individuals in your education system and bring this to the system, it is not going to go very far.

11.30 a.m.

[153] **Darren Millar:** I will be as brief as I can as I know that the clock is against us. You introduced yourself to us early as a 'pracademic', which I was quite impressed with. Do you have a view as to whether there are too many academics and not enough people with practical experience delivering the enterprise education that we have in Wales? Can you also comment on the Assembly Government's Dynamo project, which seeks to get businesspeople into the classroom to inspire, raise expectation levels, and create that sort of can-do attitude that Christine mentioned?

[154] You also refer in your paper to trying to get former students back into the classroom to talk about their experiences. It seems that you have some great examples of people who are working elsewhere, being enormously successful and putting into practice some of the things that they have learned. Perhaps you could tell us how the Government could help to do that.

[155] **Professor Penaluna:** I will start with the Dynamo models. Again, I am trying to remember all of the questions. The impact that they have, when they come in, is absolutely amazing. They talk to students at their own level and they are highly valuable to people like me. I would hate to see anything happen that meant that that model would be reduced. I will pick up on something you said—that is, ‘highly successful’—and give you some more anecdotal evidence. Some years ago, in 2005, one of my ex-students said that he really wanted to work for a major football company as a web designer. This was after he had left and I spoke to him shortly before his interview. He asked me what he should do and I asked him what was wrong with the current website. He quoted a number of things, so I said, ‘Take that to your interview and challenge them; if they are up for that challenge, you will get the job’. His challenge was that it needed to connect more with the fan base. This ex-student went to his interview, got the job, redesigned Manchester United Football Club’s website and came back and scared the living daylights out of my current students because he was such a success. What I have found is that if I bring in students one or two years on, who have not yet become great successes, who are struggling and who tell us of the problems as well as the successes, and if the students can relate to them and connect with them, so they turn around and make jokes about the lecturers and so on, those are the people who will have the most influence.

[156] **Darren Millar:** Is that really the case?

[157] **Professor Penaluna:** Yes. They can relate more—they are relating to their peers.

[158] **Darren Millar:** So, it is not a case of inviting in the Zuckerbergs and the Donald Trumps of this world.

[159] **Professor Penaluna:** No. However, some of those are great. I do not think that I am giving great secrets away, but I must be slightly careful about saying what some of my alumni are doing. Someone recently said to me, ‘Andy, you never know where you are. It does not matter who you know; it is a matter of who knows you’. So, whenever I go anywhere, some of the work that I am doing is on my iPhone. I was in a bar, just chatting to someone, who asked what I do and I showed them my iPhone. That individual is now working in the Apple cube in New York. If you asked him how he got those ideas, he would say, ‘Because of the way that we challenged everything in the educational environment with you’. That student is actually ‘Skyping’ in with my students and helping them to develop their abilities.

[160] I am afraid that I have forgotten your first question.

[161] **Darren Millar:** The first question was about your ‘pracademic’ introduction. Do we have too many academics delivering this, rather than people with practical experience?

[162] **Professor Penaluna:** I will answer that by saying that we can look at two sides to this story and the first of those two sides is the traditional academic mode. If you are in traditional academic mode, which I have to be sometimes, and there is value to it, you must talk about entrepreneurship, look at what has happened, evaluate what has happened and test what was done and what could have happened, however, that does not prepare people for entrepreneurship. If you want to prepare people to do it and to achieve it, that requires you to be in quite a different mode. We have a lot of people who can talk about it, evaluate it and draw on books and literature. You often hear people saying, ‘The literature says’, but what if it has not yet happened in the literature? The literature is often two years out of date.

[163] If you can encourage people to work with their students, to give them the confidence that you are talking about, and to develop their ability to see new things, that would be ideal. What is creativity? The bottom line is that it is a matter of going into a business school and

asking to find the most creative student with the most passion for something. However, I suspect that you will have a problem with that because the passion that you need to be enterprising and to be an entrepreneur needs to be built up, along with the required level of confidence. That is why I have gone from a creative industries background into the business schools, because I bring that level of understanding and the pedagogies and the teaching. That is why the Higher Education Academy: Business, Management, Accountancy and Finance invited me to lead the UK entrepreneurial learning group. So, it is a different type of academia, but it is still academia of sorts. It is a thoughtful and a totally different approach of being about all four.

[164] **Gareth Jones:** I thank you, Professor, on behalf of the committee, for coming along and sharing with us your ideas. My background is in education and it never ceases to amaze me that certain things never change. The essence, certainly from what I understood and still believe, is that education is about the relationship between the teacher and the individual pupil. That is what it is all about. You can have all the policies and the strategies in place, but the challenge is to establish that relationship, and you have shared with us your own approach to that. It is about our teachers acquiring the essence of what entrepreneurship is all about, and that is a really challenging area. There are practical difficulties as well, with regard to the classroom situation and so on, that need to be addressed.

[165] We are grateful to you because we have now had another look at the work that we undertook on the economic contribution of higher education. What we have learned this morning, and from your written evidence, will be incorporated into our legacy report, which we intend to pass on to the next committee that will deal with enterprise and learning in the next term of this National Assembly. We wish you all the best and every success in the important work that you are undertaking. Diolch yn fawr iawn.

11.37 a.m.

Cynnig Trefniadol Procedural Motion

[166] **Gareth Jones:** Cynigiaf fod

Gareth Jones: I move that

y pwyllgor yn penderfynu gwahardd y cyhoedd o weddill y cyfarfod yn unol â Rheol Sefydlog Rhif 10.37.

the committee resolves to exclude the public from the remainder of the meeting in accordance with Standing Order No. 10.37.

[167] Gwelaf fod y pwyllgor yn gytûn.

I see that the committee is in agreement.

*Derbyniwyd y cynnig.
Motion agreed.*

*Daeth rhan gyhoeddus y cyfarfod i ben am 11.37 a.m.
The public part of the meeting ended at 11.37 a.m.*