

CBI WALES RESPONSE TO THE WELSH ASSEMBLY GOVERNMENT'S CONSULTATION 'SKILLS THAT WORK FOR WALES'

1. The CBI welcomes the opportunity to respond to the Welsh Assembly Government's consultation 'Skills that Work for Wales' (STFW).
2. This response is the result of consultations with members from across Wales, from different sectors of industry and from all sizes, from SMEs to multinational corporations.
3. The CBI deals principally with cross-sector issues which affect the business environment in which all companies operate. The CBI's strength lies in its breadth of membership, which includes companies of every size, including over 200 trade associations and academic institutions, and from all sectors of the economy – manufacturing, construction, retailing, financial services, e-commerce, leisure, transport and so on. The CBI represents companies employing about 50% of the private sector workforce in Wales.
4. It is clear from this consultation that the Welsh Assembly Government ('the government') has to respond to a demanding set of challenges at a time of reduced resources. The years of exceptionally high annual increases to the block grant appear to be over for the foreseeable future. The impact of this is being seen in more and more departments of government. The decision not to actively consider an alternative funding mechanism- such as PPPs- for major infrastructure requirements across government is leaving Wales with tangibly less funding than England and Scotland for schools, colleges and universities. The private sector stands ready to alleviate some of the financial pressures on the government by working towards creating a viable alternative private funding model.
5. In considering this paper, we invite the government to review the CBI Wales response to the Skills and Employment Action Plan 2004, CBI Wales best practice report on business-school engagement, 'Companies and Classrooms,' the CBI response to the Leitch Review on Skills 2005 and the Sir Adrian Webb Review into the Mission and Purpose of Further Education, 2007. All are available on request or at www.cbi.org.uk and www.cbi.org.uk/wales.
6. This response also includes consideration of the 'Proposals for a Learning and Skills (Wales) Measure 2008.'



INTRODUCTORY REMARKS

7. The Leitch Review on Skills provided a wake-up call for business and government. It revealed a third of UK adults do not hold a basic school leaving qualification, and while Wales is producing 25,000 graduates every year, China and India are producing four million.¹ With new structures set up in response to the Leitch Review, the education and business sectors in Wales must move forward together to urgently address skills shortages if we are to remain competitive and retain the quality of life it brings.
8. Investment by employers and employees must be supported by government action to deliver on its ambitions. Business is clear: the government's number one priority must be for young people to leave compulsory full time education literate and numerate- so that firms can give them the skills to succeed in the workplace. But it's critical too that young people develop softer employability skills (such as team working and problem solving, underpinned by a positive attitude). Over three quarters of CEOs say they look for these skills when recruiting graduates.²
9. We applaud the progress made by the government on facilitating the increase in the proportion of the working-age population with level 2 skills by seven percentage points to 22%- some 5% ahead of London. This is significant progress; however, we remain two percentage points behind London in level 3 skills and 11 percentage points behind the South East of England in terms of level 4 skills.
10. We welcome the new skills strategy's emphasis on employer-led investment in generic skills. Strengthening the voice of employers and placing that at the 'heart of government'³ is required if we are to respond effectively to changing employment trends and employer demand.
11. We welcome the government's recognition that 'a more highly skilled workforce is a route for employers to achieve higher productivity.'⁴ Improved productivity is the number one priority for business skills and we welcome that this is now a shared objective. Productive companies aided by well skilled staff are key to a growing economy.
12. Integral to investing in these skills is a commitment from the government to create an attractive business environment. This entails investing in transport, international links, modern premises and high quality homes, as well as a company's workforce.

STRUCTURES AND PERFORMANCE

13. The government's target to increase the employment rate to 80% of the 1.7m working age population in Wales is welcome but it is also highly ambitious. Achieving this target would require employing an additional 153,000 people. As a comparison, there are currently 158,000 people employed in manufacturing in

¹ <http://new.wales.gov.uk/topics/statistics/headlines/post16ed2008/hdw20080319/?lang=en>

² Taking stock: CBI education and skills survey 2008, p 4.

³ Skills that work for Wales, Welsh Assembly Government, p 2.

⁴ Skills that work for Wales, Welsh Assembly Government, p 10.

Wales. This objective requires careful planning and the absence of an apparent end-date is perhaps wise in these circumstances.⁵

14. We recognise the 80% target is present within the coalition government's One Wales' agreement. However, we suggest it must not be given undue prominence in the final strategy. The emphasis of quantity over quality of jobs created has not served Wales well in the past.⁶ The quality and sustainability of the jobs and whether they have been created in the public or private sectors should be given much more prominence in any final target. Supporting unsustainable jobs will not assist either the long-term objective of regenerating a community or reintegrating the economically inactive back into the world of work. At a time of reduced resources it would be a mistake to increase public sector employment which is already at an unsustainable level.
15. We support the government's plans to target skills support in regeneration areas like West Wales and the Valleys. We agree with the government that people are much better off when they are in sustainable employment. A job has many benefits including increased self-reliance, self-esteem and improving health and well-being.
16. The Wales Employment and Skills Board (WESB) is intended to be an effective means of identifying demand and incentivising change to meet demand. However, it is uncertain how truly employer-led it can be if it is planning provision on a regional basis and not at an employer-level.
17. While larger firms are more proactive in providing training (91% of larger employers train their staff) they would benefit from a skills system that is more able to meet their specific skills requirements.⁷
18. According to the Office of National Statistics, medium and large enterprises account for 68% (£54bn) of total annual turnover in Wales.⁸ They also employ 53% (529,000 employees) of the private sector workforce. The importance of these companies extends to the regeneration areas of West Wales and the Valleys. Of the total £43bn turnover of companies in these areas, medium and large enterprises account for £28bn (66%) of annual turnover and employ over 273,000 people.⁹ Given their importance to the economy as a whole, the government must ensure the reformed skills system can plan skills provision to meet these companies' individual specialist skills needs.
19. In addition, the role of the Sector Skills Councils (SSCs) is of growing importance. Currently, firms in Wales still report little or no interaction with the majority of SSCs. This is substantiated by the consultation submission by the Enterprise and Learning Committee that reported fourteen of the twenty five SSCs have no Wales office.¹⁰
20. It is crucial that SSCs are resourced sufficiently and engage effectively with the employers in Wales they are intended to represent. Given the issue of resources, the remit of SSCs must remain tightly focused on their sector if more of them are to identify specialist skills gaps and increase the basic level of transferable skills within the workforce.

⁵ <http://www.statswales.wales.gov.uk/TableViewer/tableView.aspx?ReportId=1526>

⁶ See the Objective One 'Mid-Term Evaluation Update,' Old Bell Three, 2006.

⁷ 'Shaping up for the future: the business vision for education and skills,' CBI, April 2007, p35.

⁸ <http://new.wales.gov.uk/docrepos/40382/40382313/statistics/economy/econ-2007/sdr105-2007.pdf?lang=en>

⁹ Ibid.

¹⁰ <http://www.assemblywales.org/bus-home/bus-committees/bus-committees-third-els-home.htm>

21. The consultation document's emphasis on the importance of the SSCs 'Sector Qualification Strategies' (SQS) creates an uncertainty as to how responsive to demand the WESB will be. Many SQS have already been drawn up by SSCs that are still growing their capacity in Wales. The SQSs will need to be 'live' documents if the WESB is to make decisions that are based on accurate and timely information.
22. We are aware of the government's intention to identification of certain sectors of the economy for funding. The funding of these sectors must be balanced with the need to ensure a high standard of support to those sectors outside the first round of the Sector Priorities Fund (SPF). WESB must ensure a rigorous evidence base is in place when determining which sectors to choose and the level of additional funding classification will bring. Choosing different sectors every two or three years may be insufficient time to secure progress, be out of step with market fluctuations (that shape need) and create uncertainty. Any longer than three or four years however and the compound effect to those sectors outside of the SPF will begin to be felt.
23. The final strategy must develop clear and meaningful key performance indicators (KPI). The absence of transparent milestones is a key weakness in the consultation document. Businesses need to be able to clearly judge the progress of the strategy based on outcomes not inputs.
24. A KPI structure - at a strategic and local labour market level - that enabled flexibility of process and targeted qualitative outcomes is far more valuable to employers than numerical administrative targets that have no real benefit/meaning to the individual employer.
25. We note the 2010 KPIs from the original 'The Learning Country: Vision into Action' remain unmet. These will need to be revised and tougher targets put in their place.
26. The consultation document actively compares Wales' progress on key skills with other parts of the UK. As a result, the CBI has compared the 2011 targets for 'World Class Skills' (the skills strategy for England) with the consultation document. The result leads us to believe that Wales needs to be much more ambitious in the final strategy:

Target (of working age adults)	Wales- 2004/2006 position	Wales- 2010 ¹¹	Differential- Wales 2004/6-2010	England- 2011 [2005 position] ¹²	Differential - Wales 2010/ England 2011 target
Level 1 literacy	75% (2004)	80%	-5%	89% [85%]	-9%
Numeracy	47% (2004)	55% (level 1)	-8%	81% (level 3) [79%]	Not comparable
Level 2	68% (2006)	70%	-2%	79% [69%]	-9%
Level 3	46% (2006)	50%	-4%	56% [48%]	-6%
Level 4	26% (2006)	30%	-4%	36% (by 2014) [29%]	-6%

¹¹ Skills that work for Wales,' Welsh Assembly Government, p 10.

¹² World Class Skills: implementing the Leitch Review of Skills in England,' Department for Innovation, Universities and Skills, 2008, p 9-10.

27. As the table above shows the skills strategy for England has more ambitious 2011 targets for level 1 (literacy), level 2, level 3 and level 4 skills. Wales needs to at least match this ambition if it is to keep pace with the nations and regions of the United Kingdom let alone the rapid progress being made by countries like India and China on level 3 and 4 skills.
28. While we recognise that England is coming from a stronger position (having achieved better results from earlier strategies) Wales' strategy must put in place urgent and radical changes if we hope to resolve our country's long-tail of low skills.
29. The 'Vision into Action' 2010 target of an additional 85k people in Wales to acquire 'level 1' literacy will not close the literacy gap with England. By 2011, England will remain 10% ahead. More worryingly, reaching this target will still leave 340,000 people (20%) in Wales without a basic literacy qualification. This is in no way acceptable when the Leitch report projects that 85% of jobs will require a level 3 qualification by 2012.
30. For numeracy the situation in Wales would be worse by 2010 if the government keeps the current KPI. The 'Vision into Action' target would leave 765,000 people without level 1 numeracy. We would support a secondary target of level 3 numeracy that at least matched the target for England of 81%. This would reduce the number without basic numeracy to 323,000 people which is still unacceptably high.
31. For level 2 skills, there is no reason for Wales not to match England's 2011 target of 79% of working age adults. Wales' 2006 position of 68% is largely equivalent to England's 2005 position (69%). It would be a failure not to match England's ambition to raise our populations' level 2 skills.
32. For level 3 skills it is a similar story. England and Wales currently have largely the same proportion of the population qualified to this level- 48% to Wales' 46%. However, if the government kept the 'Vision into Action' target, by 2011 England is planning to have 6% more of their population qualified to level 3. The government must not allow Wales' population to become the least qualified. There is little point in the Department for the Economy and Transport attempting to increase our country's share of the knowledge economy if the Department for Children, Young People and Skills is not planning to keep pace with the other nations and regions of the United Kingdom.
33. For level 4 skills the situation between Wales and England is less clear. The planned percentage increases are largely the same- a 4% increase to 30% by 2010 and a 6% increase to 36% by 2014 for England. Achieving a 30% target by 2010 would be a useful increase for Wales.
34. 'World Class Skills' also has ambitious 2020 targets- 95% to have basic literacy and numeracy, shift the balance from level 2 to level 3 skills with 1.9 million more achieving this target and more than 40% of adults to have level 4 skills. We would welcome WESB developing a similar timeframe with annual progress reports. However, we recommend the final strategy has mid-point goals to ensuring the right interventions were being made to meet the final targets.

INVESTING IN SKILLS

35. A skilled workforce and prosperous economy demands action from us all- employers, individuals and government. Firms are investing a great deal in employees' skills- over £33bn every year in the UK- equivalent to £1-2bn a year in Wales. On this basis, businesses in Wales are already matching the devolved government's spending on education and skills- pound for pound.¹³
36. The CBI recognises the government is entering a period of tighter public spending compared to the significant budgetary increases enjoyed in the early years of devolution. The move towards a more pronounced 'contributions policy' that focuses public money 'where it can make the greatest impact' is logical and should rationalise use. However, such a policy will need to be balanced by a recognition of the impact an economic slowdown will have on firms' ability to plan and invest in additional training.
37. As the government develops the new 'financial contributions policy' it must consider the following:
- Economically-valuable skills are not necessarily those that are most portable/generic. Reducing the maximum government contribution from 50% to 25% for bespoke in-company learning may have the unintended effect of imposing a barrier for SMEs.¹⁴ The government should monitor the impact of the 25% contribution policy to ensure early intervention if such a pattern emerges.
 - As employers move to pay a greater contribution to the cost of this training, the government must recognise that in return employers have a right to expect that it will be the right training delivered to a high quality and in a way that meets their needs. Anything less will reduce confidence in the new system.
 - We welcome the government's recognition that improving profitability is a key strategic priority for many businesses. This fact is underlined by the CBI's 2008 education and skills survey which found that 32% of CEOs identified this as a key business priority.¹⁵ CEOs recognise profitability requires dynamic and effective leaders and managers to drive the business forward. The final skill strategy must support this when courses are designed and marketed.
 - The difference in approach to training between large firms and small/medium size firms is only marginal (only 13%). It is the very smallest- the micro firms- who train the least.¹⁶ Micro firms (employing 0-9) account for 32% of private sector employment in Wales and contribute £15bn a year in annual turnover.¹⁷ These firms would benefit from a 'skills needs analysis' tailored to the employer, firmly linking investment in training with productivity improvements and the bottom line.

¹³ 'Skills that work for Wales,' Welsh Assembly Government, p9. Welsh Assembly Government's total investing in skills and employment in 2007-8 is £1.2 billion.

¹⁴ 'Skills that work for Wales,' Welsh Assembly Government, p 19.

¹⁵ 'Taking stock: CBI education and skills survey 2008,' p 10.

¹⁶ 'Shaping up for the future: the business vision for education and skills,' CBI, April 2007, p35.

¹⁷ <http://new.wales.gov.uk/docrepos/40382/40382313/statistics/economy/econ-2007/sdr105-2007.pdf?lang=en>

- Investors in People (IiP) and Basic Skills Employers Pledge (BSEP) are two ways to judge a company's commitment to training its workforce but they are not the only way a company can demonstrate its commitment to training its employees. As a result, we would oppose any move towards imposing compulsory conditions on any company in receipt of government support for business development or training that would commit them to the IiP standard or the BSEP. While IiP is an excellent standard, with a recognised brand, part of the reason for its success among businesses is that it is voluntary process, leading to an accredited badge. Furthermore, IiP is not yet suitable for all companies; it is not flexible enough, particularly for SMEs. Altering the government's financial contribution may result in companies undertaking the standard in order to receive higher support, rather than seriously entering into the spirit/commitment on the IiP standard.

38. The CBI supports the comments made by Higher Education Wales (HEW) in their submission to this consultation. The government must urgently seek to address the current £61m¹⁸ investment gap between the Higher Education sector in Wales and England. HE is vital in supplying the economy with graduate and postgraduate skills and engaging in research and development partnerships with business. While HE is as yet performing well, Wales cannot hope to fully achieve a 'knowledge driven economy' with an underfunded HE sector. It is almost inevitable that underfunding will lead to Wales falling behind EU nations and greatly undermining this major driver to a knowledge economy. It will be extremely difficult to rectify this at a later stage. Preventative action must be taken immediately.

BUSINESS SUPPORT

39. The joining up of the government's business support and training offering, to make a more seamless and bespoke package is a positive aim. Members are concerned that the quality of the new advisers will be a key weakness within the new structure. Members value high quality, timely and consistent advice. Building up a relationship with an adviser that is able to deliver trusted advice will do a great deal to increase engagement. The quality and training of the new 175 HRD Advisers will be critical to the successful delivery of the Workforce Development Programme.

40. Firms should be able to make a single application form that actually addresses their business needs- support that covers finance, training, collaborative work, R&D and general advice. We hope the Single Investment Fund will address much of our concerns. However, as yet detailed proposals on how skills support will be integrated into the new 'flexible business support' package is not known.

41. The failure of the current business support system to be joined-up with that offered by local authorities needs to be urgently addressed in a meaningful way. Businesses would greatly value a seamless support service from government.

14-19 EDUCATION AND TRAINING

42. Employers in Wales expect sixth forms and colleges to deliver increasing achievement at level 2 (5 good GCSEs) - the basic platform for employability- and

¹⁸ The funding gap 2005-6, Higher Education Funding Council Wales, 2008.

improving progression to level 3 (2 A-levels) and beyond. The development of effective links between schools and colleges and employers will be essential throughout the 14-19 phase if young people in Wales are to benefit fully from the proposed reforms.

43. The recent OECD report, ranking Wales' secondary school pupils below 33 other countries for standards in mathematics and in 28th place for reading, underlines the need for radical new action to address basic skills but also the importance of ensuring the new 14-19 offering gets the basics right.¹⁹ It also asks the question why these skills were not mastered by pupils while in the primary sector.
44. The CBI believes 90% of young people should achieve the basic skills modules at Level 1 by age 16 (including English and maths GCSE) and 70% at Level 2. At present only 45% of young people leave school at 16 with an A*-C grade in both subjects. The government's aim for '95 per cent of young people by the age of 25 to be ready for high skilled employment or higher education by 2015' will require very significant progress to be made in the next seven years.²⁰
45. The new 14-19 offering, underpinned by the 'Proposals for a Learning and Skills (Wales) Measure' is a positive step forward. The CBI supports the objective of the measure to 'ensure that Learners of all abilities... are able to choose from a wide range of applied and generic programmes, from a collaborative options menu' in addition to the effective delivery of the basic curriculum.²¹
46. We welcome the government's recognition that in order to respond more effectively to the needs of employers greater choice and quality are needed.
47. We support placing a duty on Local Education Authorities (LEAs) to produce an options menu for 14-16 Learners in Wales. We fully recognise hard decisions must be made but the government should try to maximise the number of incentives within the new system to aid more rapid and voluntary collaboration between and within institutions.²²
48. The government must ensure that young people have a clear idea about what to expect from the 14-19 pathways. Vocational courses need to be of the highest quality to motivate the best student and to retain employer confidence. Obvious routes of progression must be mapped out. For example, they need to be articulated as clearly as the move from an Advanced Modern Apprenticeship to a Foundation Degree. Young people entering a vocational route are entitled to know the various opportunities for progression.
49. We would appreciate more information from the government on how the 14-19 offering will respond to the needs of employers. Whether or not the government decides to require a minimum level of vocational courses across a number of local learning domains, it is important that due consideration is given to basic and employability skills and the relevance of the courses to appropriate skills gaps. Courses must enable students to learn more advanced skills.
50. While we recognise there is an increasing requirement for pupils to experience modern day industry, employers must not be required to offer work placements to young people, although the vast majority, in our experience, are supportive. Providing worthwhile work experience is difficult for smaller firms who often do not

¹⁹ <http://icwales.icnetwork.co.uk/news/wales-news/2007/12/05/wales-poor-in-school-league-tables-91466-20204151/>

²⁰ http://new.wales.gov.uk/topics/educationandskills/policy_strategy_and_planning/learning_pathways/?lang=en

²¹ *Proposals for a Learning and Skills (Wales) Measure 200*, 'p 1.

²² *Proposals for a Learning and Skills (Wales) Measure 200*, 'p 4.

have the time or the opportunities to offer. In addition, there are a few companies whose business or working environment is not conducive to work experience. Therefore, the CBI would oppose attempts to make work experience a requirement of business support assistance.

51. The UK government intends to raise the compulsory education age to 18 in England. The CBI is aware that the government does not intend to implement this policy in Wales. The 14-19 Learning Pathways method seeks to give individuals attractive options, both vocational and academic sufficient to encourage them to voluntarily remain in education beyond 16. We ask the government to carefully monitor the number of 17 and 18 year olds that remain in education in Wales compared to those in England and to monitor the comparative numbers that leave education at 18 with a qualification. If there is a clear indication that Wales' qualification levels are falling behind England, early action should be taken to address this.
52. We support the introduction of a Skills Framework for 3-19 year-olds. We believe an approach that helps them to acquire skills in thinking, communication, information and communication technology and number will pay dividends in the long term if the focus on employability skills is maintained as children progress through the education system.

BASIC SKILLS

53. Basic skills in the current and future workforces need to be urgently addressed. 20% of the current workforce lacks either the literacy or numeracy expected of an 11 year old.²³ A CBI/Pretemps Employment trends survey 2007 found that around half of employers are concerned about school leavers' basic skills and graduates' literacy and numeracy.²⁴
54. The result of poor basic skills costs the UK economy around £10bn or approximately £300-500m for Wales every year. The consequences are poor customer services, low productivity, low employee morale, poor health and safety and lost sales.²⁵
55. The quality of written English- constructing properly spelt sentences with accurate grammar- is a major literacy concern for employers. For numeracy, spotting errors and rogue numbers are the key shortcomings.
56. Extending the Basic Skills Employer Pledge ('the pledge') is welcome but we have concerns about the ability of the government to reach 50% of Welsh employees by 2010. Meeting this goal would require securing an additional 520,000 employees in the next two years. It must be recognised that the pledge would be meaningless for employers that already employ people above the basic.
57. While the ambition to extend the pledge to 50% of Welsh employees is to be applauded, members believe this is unlikely to be realised unless significant additional investment is made to support the implementation of the pledge in a range of areas. Better marketing of the pledge and its benefits will be important in seeking to reach this goal. More attractive and specialist basic skills resources that engage employees and can be flexibly delivered will be critical.

²³ Fresh Start- Improving literacy and numeracy, Department for Education and Employment, (also known as the Moser Report), 1999.

²⁴ Taking stock: CBI education and skills survey 2008, p 15.

²⁵ Taking stock: CBI education and skills survey 2008, p 17.

58. Signing up companies that in total account for 520,000 employees is not meaningful if the level of funding provided is not sufficient to meet demand and if the penetration into the workforce is low. The result is likely to be disillusionment and the discrediting of the pledge which will serve no purpose.
59. The government should make it clear what percentage of those that sign the pledge are from the private, public and voluntary sectors.
60. In England, the government is pursuing a specific action plan for the public sector structured around a joint commissioning commitment of a core offer to employees with a wider sector-specific offer to follow in the long term. The CBI supports this model and believes the government should consider similar developments for the Welsh public sector.
61. Support for the former Basic Skills Agency (now incorporated into the Department for Children, Education, Lifelong Learning and Skills) needs to be significantly enhanced to enable it to have a more proactive and in-depth relationship with those employees that have signed the pledge.
62. Furthermore, funding for basic skills needs to be sufficient to guarantee all relevant employers will be able to access resources to up-skill their employees to level 2. To date, the Basic Skills Employers Pledge has been too focused on level 1 skills. While there is a notional ability to gain access to level 2 this needs to be a reality if we are to truly increase the nation's skills base.
63. The UK government adopting the pledge in England is a positive example of devolved government in Wales delivering a benefit to business. However, England has allocated £650 million to implement the pledge for 2008/9 alone. If allocated on a per capita basis, matching this would require the government to invest approximately £33m a year on Wales' pledge. However, since 2005, only £13m/yr has been allocated to Wales' basic skills strategy- Words Talk-, Numbers Count. ²⁶If Wales fails to deliver the pledge in a meaningful way we will lose our hard fought gains in level 1 skills and fall further behind in level four skills.

EMPLOYABILITY SKILLS

64. We strongly support the consultation's emphasis on 'generic and practical skills necessary to secure jobs that match their academic achievements.' Employability skills are of fundamental importance to employers. CBI research reveals that just 30% of graduate jobs demand a specific degree discipline.
65. The wider employability skills that good graduates possess are their most valuable skills. Almost all of CEOs responding to the 'CBI education and skills survey 2008' (86%) ranked employability skills as their most important consideration when recruiting graduates. The final strategy must give far greater prominence to teaching these skills to both pupils and students.
66. The employability framework we support is as follows: self-management, teamworking, business and customer awareness, problem solving, communication and literacy, application of numeracy and application of information technology.
67. Despite the importance of these competencies, too many graduates still lack adequate employability skills. The CBI/Pretemps employment trends survey 2007 found that nearly half of employers (48%) are dissatisfied with graduates'

²⁶ <http://wales.gov.uk/news/archivepress/educationpress/edpress2005/706618/?lang=en>

business awareness, over a quarter (26%) with their literacy skills and 27% with their generic employability skills.

68. We are pleased to see these employability skills are in the Welsh Bacculaureate and would ask the government to consider widening the teaching of this framework of skills.

HIGHER LEVEL SKILLS

69. Employers in Wales have a good track record of engaging with higher education institutions. The majority of universities in Wales have positive relations with employers. Driving up the engagement between higher education (HE) and business is needed as businesses require higher level and more specialist skills. Closer links can help tackle graduate quality issues, increase the relevance and value of HE courses and foster productive research and development activity. As such, we welcome the comments within the consultation in support of stronger business-HE collaboration.

70. High level skills (level 4 and 5) are vital for any modern economy. By 2012 85% of jobs will require skills and competencies at or around Level 3. Yet 'Vision into Action' only plans to require 50% of working adults in Wales to reach this level by 2010. This is clearly unacceptably low if we truly plan to become a 'small, clever country.'

71. We concur with the Leitch Review of Skills which stated 'One of the most powerful levers for improving productivity will be higher level skills. Postgraduate, or Level 5 skills, such as MBAs and PhDs, can provide significant returns to organisations, individuals and to the economy as a whole. These higher level skills are key drivers of innovation, entrepreneurship, management, leadership and research and development. All of these are critical to a high skills, high performance economy and increasingly in demand from high performance, global employers.'

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72. The new skills strategy must give far more strategic and financial support to the role level 4 and 5 skills play in productivity and economic growth if Wales is to stay one step ahead of growingly sophisticated global competition. The strategy will struggle to achieve the aim of a 'highly educated, highly-skilled and high-employment Wales' if it fails to give due prominence to the role high skills play. This is recognised by the response for England to the Leitch Review, 'World Class Skills' which states that 86% of those with a level 4 qualification will be in employment compared to 75% of individuals with level 2 qualifications.²⁸ This point is reinforced by the government's economic development strategy 'Wales: a vibrant economy' (W:AVE). It reports the lowest rates of inactivity levels in Wales are for those with level 3 or 4 skills, even in the regeneration areas of West Wales and the Valleys.²⁹ As W:AVE states '...with increased competition from low cost industrialising nations with an ample supply of labour, such as China and India, it will be ever more important to improve qualifications and skill sets throughout the workforce.'³⁰

²⁷ 'Leitch Review of Skills,' 2006, p.14.

²⁸ *World Class Skills: implementing the Leitch Review of Skills in England,* Department for Innovation, Universities and Skills, 2008, p.23.

²⁹ 'Wales: a vibrant economy;' Welsh Assembly Government, 2006, p 76.

³⁰ 'Wales: a vibrant economy;' Welsh Assembly Government, 2006, p 76.

73. In order to match England's 40% target for level 4 skills by 2020, Wales would need to up-skill a further 420,000 adults.³¹ This would equate to a 14% increase on 2006 levels. However, a lot of work still needs to be done to meet current commitments. In order to meet the 2010 target (34%) a further 240,000 adults will need to acquire level 4 skills.
74. If Wales fails to invest equivalent sums in level 4 and 5 skills than its neighbour we risk losing ground on the critical economic driver of high value added employment. As W:AVE states '...We expect a growth in professional and managerial occupations and a decline in routine and elementary occupations.'³² The government need to invest in level 4 and 5 skills in order to meet that rising demand.
75. We welcome the government's support for Foundation Degrees (FD). Members value the existing franchise arrangements between Higher Education Institutions and Further Education Institutions. FDs are growing slowly and represent a good opportunity for employers to give their staff a vocational qualification with a technical content focused on meeting business needs. However, a recent report by the Quality Assurance Agency (QCA) concluded that 'sustaining an effective level of employer engagement continues to present challenges for some providers.' The reason for this is that one quarter of FDs reviewed were developed and delivered without the participation of employers. We would welcome employers being able to make their high quality training count towards credits or full accreditation for Foundation Degrees.³³
76. Many employees have high skills, but not the qualifications required to gain formal recognition. If the government is serious about equipping adults with recognised qualifications it must empower employers to accredit workplace learning. CBI members greatly value the trial in England of the accrediting of in-house training provision. We look forward to the government introducing similar opportunities for businesses that have chosen to operate in Wales.

STEM SKILLS

77. The CBI strongly supports the strategy's commitment to improving the uptake of STEM (science, technology, engineering, and maths) skills. It remains unclear exactly how the government intends to 'encourage' students to choose STEM skills. If it fails to do so it is unlikely to create the 'culture of innovation' sought by the government's strategy 'Wales for Innovation.' Employers in STEM-related sectors are already working to address concerns and increase supply- by offering workplace experience, attending careers fairs or giving talks to schools.
78. In addition, how such uptake will be linked to local industry to ensure students understand the local career options that could be available to them is unclear. Despite recruitment problems, CBI research indicates that manufacturers- many of them SMEs- are less likely to engage with schools and colleges than firms in other sectors.³⁴ Relatively lower engagement could be due to firms concentrating on more immediate concerns of profitability. More structured government support would help companies focus their resources and form more valuable partnerships.

³¹ The current level of highest qualification held by adults of working age in 2006 for level 4 is 26% or 780,000.

³² 'Wales: a vibrant economy,' Welsh Assembly Government, 2006, p 24

³³ 'Shaping up for the future: the business vision for education and skills,' CBI, April 2007, p28.

³⁴ 'Taking stock: CBI education and skills survey 2008,' CBI, 2008. p 29.

79. We would welcome the government evaluating the potential for 'science and engineering ambassadors.' The SEA scheme has had a significant impact in influencing young people to look at STEM skills.³⁵
80. A CBI study reveals that 59% of employers that recruit individuals with STEM qualifications are having difficulty recruiting. Large firms now think internationally when recruiting STEM-skilled employees- with a third recruiting from India and a quarter from China.³⁶
81. The demand for STEM skills is only set to grow. By 2014, the CBI predict UK demand for such skills is expected to have expanded by 730,000 (37,000 for Wales) and net requirement for these jobs, taking account of those leaving the labour market, is predicted to rise by 2.4million (120,000 for Wales).³⁷
82. According to the European Innovation Scoreboard, 26% of the innovation gap between the US and the EU is due to the lower share of university graduates in the EU's workforce. That same Scoreboard ranks the South East of England 12th in terms of innovation performance, Wales is ranked 80th.³⁸
83. It is clear from our research that employer demand for STEM skills widens- not narrows- a student's career choice across a variety of job roles in every sector of the economy. We would welcome a stronger commitment within the final strategy to increase the take up of STEM skills. The government's support for such projects like Technquest is already doing much to widen access to such options.

MANAGEMENT SKILLS

84. We welcome the government's commitment to 'encouraging leadership and management' skills within the final strategy and the recognition that they are 'critical to long-term business success and our aspirations for the long-term development of the Welsh economy.'³⁹
85. We are disappointed with the absence of greater detail within the consultation document on management skills, given their importance in growing an economy. Effective leadership skills are fundamental to ensuring that a business has and acts on an effective strategic vision and a culture of continuous improvement. Managers are central to making such a strategy happen by managing people and resources.
86. The government's economic development strategy, 'Wales: a vibrant economy' professes the government's desire to get more companies to locate their head offices in Wales, expand R&D capacity and climb up the value added chain.⁴⁰ None of these will be possible without proper management skills training and a significant increase in such skills within the workforce.
87. Leadership and management skills are a key weakness for Wales. The Porter Report pointed to a particular weakness with lower and middle management and

³⁵ *Innovation Nation*, DIUS, 2008. p 66.

³⁶ 'Taking stock: CBI education and skills survey 2008,' CBI, 2008. p 26.

³⁷ 'Taking stock: CBI education and skills survey 2008,' CBI, 2008. p 26.

³⁸ http://www.proinno-europe.eu/doc/EIS2006_final.pdf

³⁹ *Skills that work for Wales*, Welsh Assembly Government, p 19.

⁴⁰ http://new.wales.gov.uk/docrepos/40382/4038231141/403821124153/wave_en.pdf?lang=en

relationships between management levels.⁴¹ Front line managers have a strong influence on the level of discretionary effort employees choose to put into their jobs- thus having a significant effect on performance and outputs.

88. The government must ensure its focus on basic and employability skills does not squeeze out appropriate provision for management and leadership training.

CONCLUSION

89. The CBI welcomes the opportunity to consider this document. For the strategy to be a success the intention to create an employer-led system needs to become a reality.

90. We would emphasise the need for skills support to be flexible, demand-led and to meet the needs of the economy and businesses in Wales.

91. While basic and employability skills are the foundations of an economy, our nation's future growth will rely on securing employees with level 3 and 4 skills. More emphasis must be placed on these skills in the final strategy.

92. The various actions in the final strategy must come with financial allocations for each action and must make it very clear who is expected to do what.⁴² It must have clear performance indicators and meaningful milestones. A 'big picture' strategy often leaves a significant 'action gap' that creates inertia and uncertainty, such an approach will benefit no-one.

93. The CBI looks forward to continuing to work with the government to take forward the final strategy to the benefit of the economy of Wales.

April 2008

⁴¹ *Taking stock: CBI education and skills survey 2008*, CBI, 2008. p 31.

⁴² Hughes Review of the Skills Employment Action Plan 2005, para 25.