



Cynulliad Cenedlaethol Cymru
The National Assembly for Wales

Y Pwyllgor Menter a Dysgu
The Enterprise and Learning Committee

Dydd Iau, 12 Mawrth 2009
Thursday, 12 March 2009

Cynnwys
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Cofnodir y trafodion hyn yn yr iaith y llefarwyd hwy ynddi yn y pwyllgor. Yn ogystal, cynhwysir cyfieithiad Saesneg o gyfraniadau yn y Gymraeg. Mae hon yn fersiwn ddrafft o'r cofnod. Cyhoeddir fersiwn derfynol ymhen pum diwrnod gwaith.

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. This is a draft version of the record. The final version will be published within five working days.

Aelodau'r pwyllgor yn bresennol
Committee members in attendance

Christine Chapman	Llafur Labour
Jeff Cuthbert	Llafur Labour
Paul Davies	Ceidwadwyr Cymreig Welsh Conservatives
Nerys Evans	Plaid Cymru The Party of Wales
Gareth Jones	Plaid Cymru (Cadeirydd y Pwyllgor) The Party of Wales (Committee Chair)
David Melding	Ceidwadwyr Cymreig Welsh Conservatives
Sandy Mewies	Llafur Labour
Jenny Randerson	Democratiaid Rhyddfrydol Cymru Welsh Liberal Democrats

Eraill yn bresennol
Others in attendance

Nick Blundell	Aelod o Gyngor Cyffredinol Cyngres yr Undebau Llafur ac Ysgrifennydd Rhanbarthol ar gyfer Cymru a De Orllewin Lloegr yr Undeb Adeiladu, Crefftiau Perthynol a Thechnegwyr Trades Union Congress General Council Member and Regional Secretary for Wales and the South West of England of the Union of Construction, Allied Trades and Technicians
Sarah Dawson	Cyfreithwraig, yr Adran Gwasanaethau Cyfreithiol, Llywodraeth Cynulliad Cymru Lawyer, Legal Services Department, Welsh Assembly Government
John Griffiths AM	Y Dirprwy Weinidog dros Sgiliau, Llywodraeth Cynulliad Cymru Deputy Minister for Skills, Welsh Assembly Government
Dr Dennis Gunning	Cyfarwyddwr Sgiliau, Addysg Uwch ac Addysg Gydol Oes, Llywodraeth Cynulliad Cymru Director of Skills, Higher Education and Lifelong Learning, Welsh Assembly Government
Leighton Jenkins	Cyfarwyddwr Cynorthwyol, Polisi, Cydffederasiwn Diwydiant Prydain Cymru Assistant Director, Policy, Wales Confederation of British Industry
Martin Mansfield	Ysgrifennydd Cyffredinol, Cyngres yr Undebau Llafur Cymru General Secretary, Wales Trades Union Congress
Barbara Morris	Pennaeth y Gangen Polisi Gweithredol a Datblygu Rhaglenni, yr Is-adran Busnes a Sgiliau, Cynulliad Cenedlaethol Cymru Head of Operational Policy and Programme Development Branch, Business and Skills Division, Welsh Assembly Government
David Rosser	Cyfarwyddwr, Cydffederasiwn Diwydiant Prydain Cymru Director, Confederation of British Industry Wales

Swyddogion Gwasanaeth Seneddol y Cynulliad yn bresennol
Assembly Parliamentary Service officials in attendance

Dan Collier	Dirprwy Glerc Deputy Clerk
Dr Kathryn Jenkins	Clerc Clerk
Bethan Roberts	Cynghorydd Cyfreithiol Legal Adviser
Ben Stokes	Gwasanaeth Ymchwil yr Aelodau Members' Research Service
Anne Thomas	Gwasanaeth Ymchwil yr Aelodau Members' Research Service

Dechreuodd y cyfarfod am 9.02 a.m.
The meeting began at 9.02 a.m.

Cyflwyniad ac Ymddiheuriadau
Introduction and Apologies

[1] **Gareth Jones:** Bore da a chroeso cynnes i'r cyfarfod hwn o'r Pwyllgor Menter a Dysgu. Fe'ch atgoffaf i ddiffodd ffonau symudol ac unrhyw ddyfais electronig arall. Nid oes angen cyffwrdd â'r meicroffonau. Nid ydym yn disgwyl ymarfer tân, ac os bydd argyfwng bydd yn rhaid inni symud o'r ystafell a'r adeilad o dan gyfarwyddyd y tywyswyr. Mae'r cyfarfod yn ddwyieithog; gallwch ddefnyddio'r clustffonau i dderbyn gwasanaeth cyfieithu ar y pryd o'r Gymraeg i'r Saesneg ar sianel 1, ac i chwyddleisio'r sain ar sianel 0. Paratoir cofnod o'r cyfan a ddywedir yn gyhoeddus.

Gareth Jones: Good morning and welcome to this meeting of the Enterprise and Learning Committee. I remind you to switch off mobile phones and any other electronic device. There is no need to touch the microphones. We are not expecting a fire drill, and if there is an emergency we will have to exit the room and the building in line with the ushers' instructions. The meeting is bilingual; you can use the headsets to receive a simultaneous translation service from Welsh to English on channel 1, and audio amplification on channel 0. A record of everything that is said in public will be provided.

[2] Daeth ymddiheuriad i law gan Huw Lewis; hyd y gwyddom, nid oes dirprwyo ar ei ran. Yr wyf yn deall y bydd Nerys yn gadael yn gynnar.

An apology has been received from Huw Lewis; as far as we are aware, there is no substitute. I understand that Nerys will be leaving early.

9.04 a.m.

Y Mesur Prentisiaethau, Sgiliau, Plant a Dysgu—Craffu ar Lywodraeth
Cynulliad Cymru
Apprenticeships, Skills, Children and Learning Bill—Scrutiny of the Welsh
Assembly Government

[3] **Gareth Jones:** Yn ystod y cyfarfod, byddwn yn trafod dau faes ond mae'r ddau yn gysylltiedig. At ddiben adroddiad y pwyllgor hwn, sydd i'w osod gerbron y Cynulliad, bydd yn rhaid inni gadw'r ddau bwnc ar wahân cystal ag y gallwn.

Gareth Jones: During the meeting, we will be discussing two areas, but they are linked. For the purposes of this committee's report to be laid before the Assembly, we will have to keep both subjects separate as best as we can.

[4] Yn fyr iawn, fel cefndir, cyflwynodd y Pwyllgor Menter a Dysgu ei adroddiad dros dro ar y Mesur prentisiaethau drafft gerbron y Cynulliad ar 10 Hydref 2008. Mynegodd yr adroddiad ddymuniad yr Aelodau i graffu eto ar y Dirprwy Weinidog dros Sgiliau pan fyddai cymalau Cymreig y Mesur seneddol yn hysbys. Cyflwynwyd y Mesur Prentisiaethau, Sgiliau, Plant a Dysgu yn Senedd y Deyrnas Unedig ar 4 Chwefror. Os yw'r Pwyllgor Menter a Dysgu am ddylanwadu ar y Mesur, bydd yn rhaid iddo gyflwyno gwelliannau cyn gynted â phosibl, gan y bydd Cyfnod Pwyllgor y Mesur yn dod i ben ar 31 Mawrth, sef diwedd y mis hwn.

Very briefly, as background, the Enterprise and Learning Committee tabled its interim report on the draft apprenticeship Bill before the Assembly on 10 October 2008. The report expressed Members' wish to scrutinise the Deputy Minister for Skills once again, when the Welsh clauses of the Bill were known. The Apprenticeships, Skills, Children and Learning Bill was laid before the United Kingdom Parliament on 4 February. If the Enterprise and Learning Committee wishes to influence the Bill, it will have to present amendments as soon as possible, as the Bill's Committee Stage will come to an end on 31 March, which is the end of this month.

[5] Felly, yr ydym yn croesawu'r sawl sydd yma ar ran Llywodraeth Cynulliad Cymru y bore yma: John Griffiths, y Dirprwy Weinidog dros Sgiliau, Dr Dennis Gunning, cyfarwyddwr sgiliau, addysg uwch a dysgu gydol oes, Sarah Dawson, cyfreithwraig o'r adran gwasanaethau cyfreithiol, a Barbara Morris, pennaeth polisi gweithredol a datblygu rhaglenni'r is-adran busnes a sgiliau. Ar ran y pwyllgor, yr wyf yn eich croesawu'n fawr. Diolch am y dystiolaeth ysgrifenedig yr ydym eisoes wedi ei derbyn a'i darllen. Yr wyf yn eich gwahodd, Ddirprwy Weinidog, i wneud cyflwyniad o bump i 10 munud, ac wedyn bydd cyfle i Aelodau ofyn cwestiynau.

Therefore, we welcome the Welsh Assembly Government representatives this morning: John Griffiths, the Deputy Minister for Skills, Dr Dennis Gunning, the director of skills, higher education and lifelong learning, Sarah Dawson, a lawyer in the legal services department, and Barbara Morris, who is the head of operational policy and programme development in the business and skills division. On behalf of the committee, I warmly welcome you. Thank you for the written evidence that we have already received and read. I invite you, Deputy Minister, to make a five to 10 minute introduction, and then Members will have an opportunity to ask questions.

[6] **Y Dirprwy Weinidog dros Sgiliau (John Griffiths):** Diolch yn fawr, Gadeirydd, a bore da, bawb.

The Deputy Minister for Skills (John Griffiths): Thank you, Chair, and good morning, everyone.

[7] I very much welcome this opportunity to discuss the provisions relating to apprenticeships in Wales set out in the Bill that is currently before Parliament. 'Skills That Work for Wales' is the Assembly Government's strategy to build on the success of the apprenticeship programme, and it has been successful, given that we have had something like double the number of apprentices per head of population as compared with England. We very much want to strengthen that through, for example, our 14-19 learning pathways, with apprenticeships being a very strong option within those learning pathways. The drive, as ever, is about improving the quality and raising the status of apprenticeships. We believe that this Bill gives the Welsh Assembly Government a useful opportunity to drive up the standards of quality and the status that apprenticeships enjoy in Wales. We could put on a statutory footing clear standards and lines of responsibility for developing apprenticeship frameworks, which we think would be valuable.

[8] The evidence paper that we have provided for the committee, as you mentioned, outlines the provisions that we are seeking for Wales, but I would like to update the committee on an amendment that we have sought to the Bill since that paper was submitted. Clauses 5 to 8 of the Bill make provisions about the issue of apprenticeship certificates in

Wales, and clause 8 provides that the certifying authority for apprenticeships in Wales will be persons designated for that purpose by the Welsh Assembly Government. We have looked again at that clause, and consider that the designation of the certifying authority should be made by Order, rather than as a simple designation in writing. That will allow Welsh Ministers more control over the implementation of these provisions; for example, provisions can be made in an Order to allow for such matters as data sharing between incoming and outgoing certifying authorities, whereas such issues might not properly be covered in a written designation by letter. So, we could direct an outgoing organisation to pass on its work to an incoming organisation, and there would then be a smooth transition in a timely manner. So, we are seeking an amendment to that clause to provide for the designation of the Welsh certifying authority to be made by Order by Welsh Ministers.

[9] I believe that the provisions that we are seeking in the Bill will help to enhance the status of apprenticeships, by developing a robust statutory basis for the programme in Wales. The legislation will underline the importance attached to high-quality standards in the curricula to be followed and ensure that appropriate arrangements are in place to meet the needs of Welsh learners and employers.

9.10 a.m.

[10] **Gareth Jones:** Diolch yn fawr, **Gareth Jones:** Thank you very much, Dirprwy Weinidog. Trown at Jeff yn gyntaf. Deputy Minister. We turn to Jeff first.

[11] **Jeff Cuthbert:** Thank you, Chair, and thank you, John, for the oral presentation and the written paper. I have a few points to make on the principles involved, although I am glad that you have clarified the concern on the amendment. In paragraph 9, you mention the ability to vary the apprenticeship specification standards that apply to England and maybe to Wales. I can see some reason for having that. However, I want you to comment on the importance of ensuring that there is no significant difference between the specifications in Wales and in England—or, for that matter, in Scotland and Northern Ireland. I note your comment in paragraph 29 on addressing cross-border issues and harmonising the delivery arrangements. We want to ensure that apprenticeships obtained in Wales are comparable with those in England as far as possible, since young people from Wales will go to England for work and we do not want them to perceive themselves to be at a disadvantage.

[12] In your paragraph 11, you refer to the sector skills councils, working in partnership with standard-setting bodies, being the issuing authorities. We had evidence on another matter last week from the sector skills councils, and there is no doubt that their framework is developing. Some, such as the Sector Skills Council for Science, Engineering and Manufacturing Technologies and ConstructionSkills, are at a good stage and are clearly competent to carry out the work that they are meant to. How confident do you feel that other sector skills councils within the framework—and there are 25 in total—are at a level at which they can seriously undertake the work? If not now, do you feel that they are headed in the right direction?

[13] You mention in paragraph 23 the importance of apprentices having employed status. I fully support that. Perhaps you could outline whether you anticipate that being generally accepted by employers throughout Wales, or whether there are barriers. I notice the good example that you are setting, by the Welsh Assembly Government committing to recruit 100 apprentices over the next five years.

[14] The final point from me, Chair, you will be pleased to hear, is this. In paragraph 24, you refer to an apprenticeship unit being established. What exactly will be the relationship between that and, say, the rest of the Department for Children, Education, Lifelong Learning and Skills and the Department for the Economy and Transport? What will be the joined-up

thinking in that? How will it work, and what contribution do you expect it to make?

[15] **John Griffiths:** First, you are right to say that we must ensure that we are discussing essentially the same apprenticeships for Wales as in England. If we think of apprenticeships in Wales and England, we must understand easily that we are talking about the same jobs, in essence. It is entirely right that the qualifications, the work experience and the abilities developed through those apprenticeships be the same in Wales as in England. Nonetheless, we feel that it is important to have separate arrangements, to some extent. We are discussing the particular needs of the Welsh economy, and our overall training, skills and education strategies. We have to make sure that there is a good fit between those and apprenticeships. For example, Wales has a large number of small and medium-sized enterprises and we have an all-age apprenticeship programme. We want to make sure that such circumstances are factored into the way in which we develop apprenticeships. We have the shared apprenticeship model that we believe is working well. It allows small and medium-sized enterprises to come together and train and employ an apprentice jointly. Therefore, we have some distinctive policies in Wales that are working well, and we want to see those protected in the new arrangements.

[16] There are particular industries in Wales and technological developments that need to be factored into what takes place. For example, I was talking to representatives of Airbus in north Wales only yesterday, and they referred to the new composite wings that they have great plans for, and the need for some flexibility in the apprenticeship arrangements so that the skills necessary for the production of those composite wings can be developed.

[17] There are particular circumstances in Wales that we need to ensure are addressed, but, essentially, the points that you make are absolutely right, Jeff. There has to be portability between apprenticeships in Wales and those in the rest of the UK. Nothing that we propose would undermine the ability of Welsh apprentices to work in England or vice versa, and, indeed, throughout the UK.

[18] Sector skills councils will have a big role to play, as they do currently. We will seek to ensure that they are up to the job. They are going through a relicensing process at the moment, which has the aim of ensuring that they are fit for purpose in all the roles and responsibilities that they will have, including the aspect relating to apprenticeships. The UK Commission for Employment and Skills is leading on the relicensing process, but all the devolved Governments in the component parts of UK have a role to play and will have to prove the fitness for purpose of their sector skills councils. Our own Wales Employment and Skills Board has a role there: it has a subgroup to ensure that the circumstances of Wales are properly factored into the work of the relicensing process, as well as the need for our sector skills councils to be able to do the job required of them in Wales.

[19] We feel that employed status for apprentices is important, as you recognise, Jeff. We know that, for apprenticeships to carry the status and weight that they should, they need that employed status. It is our aim to ensure that all apprenticeships in Wales have employed status, and we are working towards that. We believe that employers understand increasingly the advantages of apprenticeships, and we can say that on the basis of good evidence, namely the success that we have had in increasing the number of apprenticeships impressively. We want to continue that progress. It will be a real drive of the programme to ensure employed status for apprentices.

[20] The unit will be significant in taking all that forward. It will join up the Welsh Assembly Government, and particularly DCELLS and DET, as you mentioned. It will seek to foster good relationships with employers, with the sector skills councils, and with the sectors' representative bodies. It will have a co-ordinating and a leading role, ensuring that the number and status of apprenticeships are improved, and that overall strategies, such as 'Skills That

Work for Wales', are joined up and are successful. So, it will have a big role to play that will lead to real improvements.

[21] **Jeff Cuthbert:** I just want to return to the first point very briefly, if I may, Chair, as we may want to reflect that in our evidence on the Bill. I will leave it for the committee to decide.

[22] Deputy Minister, I am grateful for your answer on the comparability between any apprenticeship specifications that we have in Wales and in the UK as a whole, particularly in England. Bearing in mind that, by and large, they are qualifications based on competencies and on national occupational standards, we want to see robust arrangements in place to ensure that there is full discussion and that, as far as possible, it is national, UK-wide occupation standards that apply to the specifications of apprenticeships. I do accept your point that, from time to time, there will be niche industries that apply only to Wales and where we will look for our own standards, by and large. In general terms, however, I hope that there will be such robust arrangements to ensure that there is proper comparability.

9.20 a.m.

[23] **John Griffiths:** I will bring in Dennis Gunning on the matter, but, first, I want to say that, in practice, we believe that the differences will be small. For example, they will relate to the differences in the key skills competencies between England and Wales. Those are developing because of our overall strategies for education and training, as I mentioned earlier, Jeff. We want to make sure that any differences are managed so that there is no difficulty involved in individuals working across borders, or indeed in employers understanding what apprentices can bring to their companies, regardless of which side of the border their apprenticeship was being completed.

[24] The other matter is bureaucracy. We are keen to ensure that there is no additional bureaucracy involved as far as employers are concerned. Perhaps Dennis Gunning could add to that.

[25] **Dr Gunning:** Thank you, Deputy Minister. It is important to remember that there are two main parts to the apprenticeship framework. One is the national vocational qualification, where the national occupational standards are embedded. The other is the technical certificate that provides the underpinning knowledge and is often college based. The technical certificate is where the differences will be most likely. National occupational standards are designed to be national, and are generally accepted in Wales and Scotland. The technical certificate has to link into the education system of the country. For example, if we want to bring together the learning for apprenticeships and for the Welsh baccalaureate, it may mean the technical certificate in Wales is slightly different from that in England. The key concern, however, is that occupational standards, and so the competence in the workplace, are comparable.

[26] **Jeff Cuthbert:** I accept that. However, the only point that I make—and I will shut up after that, I promise—is that the technical certificate must be linked to the knowledge requirements of the national occupational standards. So, that has to be taken into account as much as the education system.

[27] **Dr Gunning:** That is absolutely right. Where there are differences, they tend to be where there is a connection with the education system, as the Deputy Minister said, for example with key skills and perhaps the requirement for the Welsh language to be taken account of in Wales. The differences will tend to be at that level, rather than in the knowledge that underpins the technical competence in the workplace.

[28] **Gareth Jones:** We have raised a number of important matters there. I think that

Sandy wants to come in on one or two others.

[29] **Sandy Mewies:** In a way, my point relates to that harmonisation, as it is about working towards harmonisation and how to achieve it. It is my understanding that apprenticeships are offered for some occupations in England but not in Wales, and the print industry is one of them. I wondered whether you had examined that while doing the work. It always seems unfair to me when someone wants to work in Wales and when a job exists in Wales—and I know of people who want to give apprenticeships in Wales—but they cannot access it, because the apprenticeships are not available and there is no funding. The employer wants to give somebody a chance, but he or she is not able to. While all that was going on, I wondered whether any consideration had been given to the gap.

[30] **John Griffiths:** These are issues that have been raised with us, and the print industry apprenticeships have featured, Sandy. Essentially, it is a matter of supply and demand. We ask further education colleges and private training providers to understand what demand there is in Wales for training from employers, of which apprenticeships are a part. We then ask them to respond to the demand.

[31] We undertake national assessments of the skills required in Wales, and therefore of the training that needs to take place in Wales. That also concerns supply and demand. What economic activity is taking place in Wales? Which skills are available in Wales? Where are the gaps, and what assessments are needed around that? There will always be room for differing views on what should be provided in Wales, and what gaps there are. Some people may point to the print industry as one such gap. In essence, it is about supply and demand. We are always going to reassess that, monitor it, and look at how we might change and improve matters. However, there will always be some gaps, given that the demand for particular training from companies and individuals in Wales is not always sufficient to warrant the provision of that particular training.

[32] **Sandy Mewies:** May I come back on that, Chair? I was not necessarily saying that the training courses have to be provided in Wales; I was talking about the money. I understand that other educational opportunities mean that there are difficulties with spending the Welsh pound across the border. However, when the employer is Wales-based, are there ways getting around that? I hesitate to use that phrase, but has anything like that been looked at—ways of enabling employers in Wales to offer such apprenticeships despite the fact that the training course runs elsewhere?

[33] **John Griffiths:** Perhaps I can ask Barbara or Dennis to provide some information on that.

[34] **Sandy Mewies:** It may be down to legal implications—I accept that.

[35] **Ms Morris:** There are cross-border arrangements that allow apprentices from Wales to undertake their training in an English college, or with an English training provider. It would probably have to be done through a sub-contractual arrangement. However, there are issues in connection with travel, and so on, which have to be addressed. The sector skills councils are looking at areas where there is lack of provision in Wales, and we will be seeking to address those issues through the funding that is available through our sectors priorities fund.

[36] **Paul Davies:** I just have a brief question about the sector skills councils. You mentioned that, as a Government, you want to ensure that the SSCs are fit for purpose. Are you suggesting that they are not currently fit for purpose?

[37] **John Griffiths:** No. There have been various developments that will require sector

skills councils to do new work, on a bigger scale. We are trying to move to a more demand-led system where the skills that we develop are those that employers need, and that the economy needs—both nationally and locally. We have tasked the sector skills councils with providing more robust and intelligent labour market information. The councils will be undertaking lots of new work, and therefore the UK Government feels that there should be a re-licensing process to ensure that they are able to do that work, and that they have sufficient capacity to fulfil those tasks. They have not been considered unable to do the work required of them, either in the past or currently; it is just that new and more demanding tasks will be required of them. They must be helped with that, and that is why the UK Commission on Employment and Skills is going through the re-licensing process, and why the Wales Employment and Skills Board, and the sub-group that sits on it, is involved in the same process.

[38] The National Audit Office is involved in gathering evidence on how well the sector skills councils are doing that job, and will be part of the process that produces the eventual report. The UK Commission on Employment and Skills will obviously produce the final verdict, but Welsh Ministers will feed into that—as will the Wales Employment and Skills Board.

[39] **Gareth Jones:** Before Nerys Evans asks the next question, I must tell the committee that, up in the public gallery, I see an impressive array of visitors. I welcome them all; *croeso*. I believe that our visitors include a delegation from the Catalan employment agency. I hope that they will find our deliberations relevant to certain aspects of their work in Catalunya.

9.30 a.m.

[40] **Nerys Evans:** Hoffwn ofyn cwpwl o gwestiynau ynglŷn â'r broses cyn imi fynd i fanylder. Mae'r Mesur wedi ei ddrafftio ar gyfer Lloegr yn unig, ac yr oedd Cymru wedi'i hystyried yn hwyr iawn yn y broses. A gredwch fod digon o amser wedi bod i gael ymgynghoriad llawn gyda Llywodraeth San Steffan? A ydych yn hapus gyda'r cymalau sydd yn ymwneud â Chymru fel y maent? A ydych wedi gosod unrhyw welliannau pellach nad ydynt wedi cael eu derbyn? Os felly, a fyddai modd cael manylion am y rheiny a pham nad ydynt wedi'u derbyn?

Nerys Evans: I would like to ask a couple of questions regarding the process before I go into the detail. The Bill has been drafted for England only, and Wales was taken into account very late in the process. Do you believe that there has been adequate time for a full consultation with the Westminster Government? Are you happy with the clauses relating to Wales as they currently stand? Have you laid any further amendments that have been rejected? If so, could we have details of those and of why they were rejected?

[41] Mae'r Mesur seneddol hwn yn rhoi nifer o bwerau i Weinidogion Cymru wneud rheoliadau. A yw'n rhoi pwerau inni wneud Mesurau Cymreig hefyd? Nid yw cyfleoedd fel hyn yn codi yn aml iawn, felly, a allwch roi mwy o esboniad inni o'r pwerau a fyddai'n dod i Gymru ac, os nad yw'n rhoi'r pŵer inni wneud Mesurau yng Nghymru, pam nad yw'r cyfle hwnnw yn cael ei ystyried?

This Bill gives several powers to Welsh Ministers to make regulations. Does it give us powers to make Welsh Measures? Opportunities such as this do not come up very often, so, could you give us a more detailed explanation of the powers that would come to Wales and, if it does not give us the power to make Measures in Wales, why is that opportunity not being considered?

[42] Yr ydych wedi sôn am gydlyn prentisiaethau gyda'r faglورياeth Gymreig. A allwch ymhelaethu ar hynny? A yw'r cymalau sy'n ymwneud â Chymru yn ddigon

You have talked about co-ordinating apprenticeships with the Welsh baccalaureate. Can you expand on that? Are the clauses that deal with Wales broad

eang ichi wneud yr hyn yr ydych am ei wneud gyda'r fagloriaeth Gymreig yn y cyddestun hwn?

enough to allow you to do what you want to do with the Welsh baccalaureate in this context?

[43] Bu ichi hefyd sôn am y problemau posibl o recriwtio busnesau bach a chanolig i gymryd rhan yn y cynlluniau. Yr oeddech yn sôn am y prosiect peilot a cheisio goresgyn y problemau hyn. A oes gennych unrhyw gynlluniau pellach i geisio cael mwy o fusnesau i fod yn rhan o'r broses?

You also mentioned the potential problems of recruiting small and medium-sized businesses to take part in the schemes. You mentioned the pilot project and trying to overcome these problems. Do you have any other schemes to try to get more businesses to become part of the process?

[44] **John Griffiths:** I will start with the consultation question. We feel that we have had a good relationship with the UK Government in taking forward the Welsh clauses and being part of the process. That comes from the fact that we are very much moving ahead on the same lines. It goes back to the question that Jeff raised about the importance of ensuring that the status that apprenticeships carry, the content of the apprenticeships, and their portability around the UK is very much factored into this Bill and what will come out of it. So, we very much work together, because there is so much commonality between us in terms of what we are trying to achieve. Obviously there are differences in terms of some of the new structures that are being set up in England, but that has not caused any difficulties. We have simply said that we do not wish those to apply in Wales. So, we have taken it forward in a constructive and efficient way.

[45] On co-ordination with the Welsh baccalaureate, we think that it is important, in terms of our development of choice and options in Wales and the 14-19 learning pathways, that there is this apprenticeship pathway that allows for a good linkage between the Welsh baccalaureate and apprenticeships. So, it will be possible, for example, for some parts of the Welsh baccalaureate to count towards the apprenticeship framework, so they can sit together very well. To use Airbus as an example again—as I was talking to Airbus yesterday—many of Airbus's apprentices are also getting a Welsh baccalaureate qualification while doing their apprenticeship, because it has been developed to sit very well with that. That is obviously an advantage for the apprentices, because they get that additional qualification. Airbus also feels that it is an advantage because it gives the apprentices wider learning experiences and then, when they go on to work for Airbus, as nearly all of them do because of the quality of employment there, they are able to do a better job, because they have had that more rounded training and education.

[46] Small and medium-sized enterprises are very important in Wales, because they make up such a big part of the Welsh economy, and that is why we are really pleased that the shared apprenticeship model is working so well, and apprentices and the small and medium-sized employers are reporting that. So, we want to develop that further. However, as you say Nerys, we have to ensure that other parts of what makes up the employment pattern in Wales are also engaged in our apprenticeship programme. We have had a lot of success, but we want more. The public sector, for example, is very important, and we are increasingly trying to engage the public sector in increasing apprenticeship opportunities. We think that we are setting a good example in the Welsh Assembly Government by providing 100 additional apprenticeship opportunities over the years to come, and I hope that the rest of the public sector in Wales will follow that example. However, in general, we reach out to employers to try to ensure that they understand the advantages that being part of the apprenticeship programme can bring. Of course, the apprenticeship unit, when we set that up, will have a big role to play in ensuring that employers are fully engaged. I shall ask Sarah Dawson to deal with the legal aspects of the questions you raised.

[47] **Ms Dawson:** I think that the questions were on whether we had asked for any

amendments that had been rejected and whether there were any Measure-making powers in these parts of the Bill. On amendments that we sought that were rejected, you would go through a literature process in any case, trying to determine which words most accurately reflect the policy intention and how they will be interpreted when the Bill becomes live, but we would not see that in terms of rejection so much as a part of the normal knockabout process. The only example that comes readily to mind relates to a very technical issue about what happens when apprenticeships move between Wales and England—another of the cross-border issues—and the issue there was whether an apprentice who starts in Wales and then moves to England as part of his or her employment stays on a Welsh framework or moves to an English framework.

[48] As part of a normal discussion with Parliamentary Counsel and with our opposite numbers in the Department for Children, Schools and Families and the Department for Innovation, Universities and Skills' legal advice office, our starting point was that it should be where the apprentice finishes that fixes the framework, so that if the apprentice starts in Wales and moves to England, he or she moves to an English framework. That was not accepted and to make certain that both are consistent, and that an apprentice who finishes is entitled to a certificate from either the English or the Welsh certifying authority, the Bill as currently drafted has the place where the apprentice starts as fixing the framework, so that, if you start on a Welsh framework, even if you move to England, you stay on a Welsh framework and you are entitled to your apprenticeship certificate from a Welsh certifying authority. That is the one example that comes readily to mind where something that we had sought had been rejected, but I do not think that it was rejected in policy terms, so much as part of a legal and technical arrangement. We were satisfied that, either way, an apprentice would have an entitlement to a certificate.

[49] We did not seek any Measure-making powers because the Bill contains what we want it to contain and I cannot think of any reason why we would have Measure-making powers in this area. The Bill confers executive functions on the Welsh Ministers, such as designating a certifying authority, designating somebody to issue frameworks and setting the specification. Those were considered sufficient for what was needed.

[50] **David Melding:** Are the Welsh Ministers involved in defending the Welsh clauses in the Bill committee?

[51] **John Griffiths:** Is anybody able to answer that?

[52] **David Melding:** How are the Welsh clauses being scrutinised if there is no Welsh involvement?

[53] **Ms Morris:** I do not think there has been a Welsh Minister actually on the committee, but obviously, at Report Stage, the Welsh Ministers will be able to respond.

[54] **David Melding:** In committee work, though, which is where the scrutiny happens, these Welsh clauses are not going to be examined effectively, are they? Not with a Minister, anyway.

[55] **John Griffiths:** Obviously, the usual Westminster parliamentary scrutiny procedures will take place and that will involve scrutiny of all aspects of the Bill.

[56] **David Melding:** It will not involve line-by-line scrutiny at Committee Stage. The other curious thing is that, in England, it has been decided to put the apprenticeships Bill in with its learning and skills Bill and you have decided to do exactly the reverse. We have a Proposed Learning and Skills (Wales) Measure, but it does not deal with apprenticeships. It is a dog's dinner legislatively, is it not?

[57] **John Griffiths:** I do not think that that is the case at all.

[58] **David Melding:** Objectively, it is true. That is what has happened. We will not have a unified legislative vehicle, which England does. You have separated them.

[59] **John Griffiths:** We have 'Skills That Work For Wales' as an overarching strategy; the Measure is very much a part of that and it will come before Plenary next week and be debated and discussed and voted upon, and we will then seek other legislative opportunities to further our policies under 'Skills That Work for Wales'. This is one example of a legislative opportunity that came along that we very much wanted to be part of, because of many issues that we discussed earlier about ensuring that there is a commonality of standards and taking forward the status of apprenticeships in both England and Wales and, indeed, across the UK.

[60] We have overarching strategies and we seek legislative opportunities to further those overarching strategies. Within that context, both this Bill and the Measure that we will discuss next week fit together very well.

9.40 a.m.

[61] **David Melding:** Is it not the case that you did not seek framework powers to deal with apprenticeships in Wales in an apprenticeship, skills and learning Measure because you did not want detailed scrutiny through our legislative process relating to apprenticeships?

[62] **John Griffiths:** No, that is not the case at all. We would welcome scrutiny.

[63] **David Melding:** So where in the legislative system is that scrutiny going to take place? You have said it is not going to happen in London, because Welsh Ministers are not involved in the Committee Stage there, and you are not going to have to defend it in a Committee Stage here, so it is not going to get scrutinised.

[64] **John Griffiths:** I think that today is an example of scrutiny.

[65] **David Melding:** One hour?

[66] **John Griffiths:** That is a matter for the committee; I am not going to discuss that.

[67] **Gareth Jones:** I will just intervene, as this is an important point. I think that this is new territory for all of us, David. You have raised a very important issue, but I think that we have all picked up on the fact that the approach in Wales is very much reliant on the statutory basis of the Measure going through and that is where we tend to invest. However, this matter of scrutiny is a point well made by the committee and, certainly, we respect the fact that the decision has now been made, but there could well be an opportunity for us as a committee to elaborate upon it.

[68] I know that Jenny wants to come in on this. This will have to be the final point, because I need then to invite Christine.

[69] **Jenny Randerson:** Thank you. Following on from the issue of the intention, or not, to ever seek Measure-making powers, I noted that the Welsh Affairs Committee was extremely critical of the approach to this Bill and it seems to me that, in the light of the criticism by the Welsh Affairs Committee that the UK Government had failed to give any recognition of the issue in relation to Wales, I am surprised that you did not seek Measure-making powers in the Bill. You may well be content with the approach currently being taken by the UK Government to apprenticeships, but should its approach to apprenticeships

collapse, we would be forced to tag along behind because of the approach taken in this Bill.

[70] I wish to make a point to the Chair, before you answer that, Deputy Minister. I think that it might be useful to refer this issue to the Subordinate Legislation Committee, because that is a place where there might be an opportunity for some proper line-by-line scrutiny here.

[71] **Gareth Jones:** Thank you for those points, Jenny. From my recollection, we did draw attention, as a committee, to this serious aspect a few weeks ago and, in fairness to the Deputy Minister, he has followed the procedures as they are. However, we have highlighted—and this has been endorsed, in a way, by David Melding this morning—that this is a matter of some concern that needs looking at not only in the context of this Measure and what we are seeking here, but for the future and for the development of devolution in Wales. I believe that the Subordinate Legislation Committee has expressed an interest in what we have been expressing here. Deputy Minister, do you want to respond?

[72] **John Griffiths:** Yes, briefly, just to say that we will be providing a paper for the Subordinate Legislation Committee on the Bill. We felt that this was a timely opportunity to emphasise that we are very much enmeshed with England on apprenticeship policy, but, nonetheless, there is scope for differences, as I outlined earlier. There is nothing in this Bill as it will apply to Wales that conflicts in any way with any strategy that the Welsh Assembly Government has. It sits very well with those strategies and that is why we wanted to take an early opportunity to make sure that apprentices in Wales are not disadvantaged in terms of the opportunities that the Bill will bring.

[73] **Gareth Jones:** The points have been made, Deputy Minister, and thank you for that response. I now invite Christine Chapman to ask her questions.

[74] **Christine Chapman:** Some of my questions have already been answered. On a specific point, Deputy Minister, in the paper, you talk about the online apprenticeship vacancy matching system regarding the careers service. What progress has been made on that? Also, have you made an estimate of the total number of apprenticeships that may be available in Wales that have been accessed by the careers service? Can you put a percentage on it, because I am aware that not everything that is available would naturally come to careers services?

[75] **John Griffiths:** Not unless any of the officials have information on the latter point, Christine, which I do not believe they do. Perhaps we can write to the committee on that point. Barbara, would you know where we are with the vacancy matching service at this moment?

[76] **Ms Morris:** Yes, we are about to go to contract with Careers Wales for the development of the online, web-based matching service to complement Careers Wales Online and we are hoping to have that introduced and up and running by 2010.

[77] **Christine Chapman:** Would you be able to come back to me with a report on the estimate?

[78] **Ms Morris:** Yes.

[79] **Christine Chapman:** That would be good. Thank you.

[80] **Gareth Jones:** I have no further questions, so, Jeff, feel free to come in.

[81] **Jeff Cuthbert:** I wish to raise a point that Dennis made earlier in response to my questions on the issue of the technical certificates. I accept that the apprenticeship consists of

the NVQ, the competency side, the performance side and the knowledge side, usually delivered in the form of a technical certificate. There have been occasions—I do not know whether this is still the case—when certain organisations have marketed and promoted a technical certificate as a qualification in its own right and young people who have got it have then thought that they are qualified to be a plumber, for instance, and, of course, that was not the case; they had not demonstrated the competency. As part of this, do you feel that it is appropriate to try to ensure that that type of practice, if it still exists, of falsely marketing things such as technical certificates as being the end game, is done away with?

[82] **Dr Gunning:** Absolutely. That is a really important point. There is always the danger that you market yourself as something you are not. The technical certificate provides the underpinning knowledge, but does not provide the competence in the workplace. It is the kind of thing that we work very closely with Sector Skills Councils about because, for example, they can help us to inform employers so that they are better aware of what certificate they should be looking for. I would expect that, through Careers Wales and the new matching service, we can ramp up the level of awareness, because it is a really important issue.

[83] **John Griffiths:** As a point of interest, there has been considerable publicity about plumbers, for example—they tend to get cited a lot—marketing themselves on a self-employed basis with a technical certificate without having had the necessary on-the-job experience, and that has led to many horror stories. There are lots of issues around that and it is interesting when Dennis refers to employers understanding the qualifications and certificates that prospective employees have, because there is also an issue for consumers. I do not think that many people, when a tradesperson comes to do a job, ask to see a certificate, or even what their qualifications are. They probably see an advertisement, ring up and somebody comes along, gives them a quote and that is it. So there are a lot of issues around this, but, on the status of apprentices and sectors of industry, as we were talking about earlier, it is very important that there is a better understanding of all this. Perhaps there is a job of education to be done by some of the consumer protection bodies here.

[84] **Jeff Cuthbert:** Could that, though, be part of the work of the apprenticeship unit, to make sure that it is properly understood and that, where cases of abuse come to light, something is done about it?

[85] **John Griffiths:** I am sure that the unit will want to look at that, because it will be concerned with the status of apprenticeships and good relations with employers and with showing that there is a common understanding of the issues.

9.50 a.m.

[86] **Gareth Jones:** Would that link in then with trading standards or other departments, so that the unit could be flexible in that approach?

[87] **John Griffiths:** It would, because the unit needs to take an overview of everything that is relevant.

[88] **Dr Gunning:** It is also important that we work with training providers to ensure that they make students aware of exactly what it is they are qualified or not qualified to do. In this way, we can avoid the spread of misinformation.

[89] **Paul Davies:** I have a general question. Your paper notes that 180 apprenticeship schemes are available at the moment. You mentioned right at the beginning that apprenticeship placements have doubled per head of population compared with England. How many placements are available at the moment compared with 12 months ago? I want to see whether your policies are successful. From what you are saying, you seem confident that the

new Bill will improve apprenticeship placements. As a Government, have you set targets?

[90] I note that the Bill will place an obligation on schools in England to ensure that pupils, as they are being advised on careers, are advised on apprenticeships as well. I understand that that will not be the case in Wales. Perhaps you would care to explain why that will not happen here.

[91] Previous scrutiny leads me to believe that you want to see people with disabilities being supported to serve apprenticeships. What progress is being made on that?

[92] **John Griffiths:** On Careers Wales's involvement and what we are doing, the 'Careers and the world of work' curriculum is important in ensuring that young people are provided with the necessary advice to understand the opportunities that apprenticeships can offer. Young people have an entitlement at key stage 4 to professional careers service advice. Something like 90 per cent of young people take up that entitlement—I am not sure of the exact figure. The careers service provides advice in the round as to what is in young people's best interests, and that would include advice on apprenticeship opportunities. We can, therefore, say with some confidence that young people in Wales, through their careers advice, would be made aware of apprenticeship opportunities and apprenticeship routes. The new Careers Wales online apprenticeship service will be an important part of that in making the necessary advice available.

[93] Unless the officials with me have statistics readily to hand to paint the current picture for apprenticeship numbers compared with last year, Paul, we will have to write to you. We do know that we have made impressive progress against targets. You referred to the fact that there are around twice as many apprenticeships per head of population in Wales as there are in England, and much work and the meeting of targets has gone into getting to that stage.

[94] We have reached our 50 per cent target for attainment rates for full apprenticeship frameworks. It has always been an issue that apprentices, for a variety of reasons, fail to complete the whole framework. That has been a good achievement, and one on which we would want to build.

[95] When it comes to our progress with apprenticeships for those who have learning difficulties, again, unless any of the officials are in a position to provide information, we will have to write to you.

[96] **Paul Davies:** I would like to come back with one brief question. Are you saying that, once the Bill is passed, you will set new targets?

[97] **John Griffiths:** We are constantly reviewing and monitoring our targets and that process will continue, Paul. That will be reviewed in light of the Bill.

[98] **Jenny Randerson:** I am not persuaded at all by your response, Deputy Minister, on why there is no obligation on Careers Wales to provide advice on apprenticeships to pupils in schools. In your written evidence, you point to the fact that there will be no obligation to stay on at school after the age of 16, which is in contrast to England. However, that is irrelevant. The fact of the matter is that those who are in school and seeking careers advice deserve the best. Every service is liable to failure from time to time. Every service works to a framework of legislation. So, by enshrining the obligation to provide advice on apprenticeships in legislation, you are ensuring one step towards pupils getting the best possible advice. Given that you are mirroring so many of the decisions made in England, why was the specific decision taken that it was not necessary in Wales?

[99] **John Griffiths:** There are differences in careers advice in Wales and England.

Obviously, what is happening in England under this Bill, with regard to what you have mentioned, Jenny, is very much tied up with its plans to raise the compulsory education and training age. We think that, in Wales, Careers Wales already provides a good service to our young people. As I said, unlike in England, at key stage 4, all young people in Wales have an entitlement to personalised careers guidance with a qualified careers adviser. Over 90 per cent of young people at that age take up that entitlement. Those decisions are then recorded in a written career plan. As I also mentioned earlier, in addition to that, Careers Wales online is available to children in our schools. That contains information and advice on apprenticeship opportunities. We are working with Careers Wales to include an apprenticeship matching service, which will allow young people not only to access information on apprenticeship opportunities when making their choices, but to apply for these online.

[100] I mentioned the world of work framework for the 14-19 learning providers earlier, but I did not mention that we are taking forward our programme for learning coaches—the training modules and building up the numbers of learning coaches. That does not apply in England but is a valuable resource for our young people in terms of general advice on the opportunities that are available to them and the choices that they can make in their own best interests.

[101] **Gareth Jones:** Credaf ein bod wedi dod i ddiwedd y sesiwn yn ymwneud â'r Mesur Prentisiaethau, Sgiliau, Plant a Dysgu. Diolchaf i'r Dirprwy Weinidog a'r swyddogion. Mae cwestiynau digon caled wedi eu codi ac yr ydym yn ddiolchgar am yr atebion. Y bwriad yn awr yw inni lunio adroddiad yn fuan a fydd, yr wyf yn mawr obeithio, yn cael ei gymeradwyo gan y pwyllgor. Cawn weld pa ddylanwad fydd yr adroddiad hwnnw yn ei gael ar y datblygiadau cyn belled ag y mae'r Mesur Prentisiaethau, Sgiliau, Plant a Dysgu yn y cwestiwn. Diolch i bawb am eu cyfraniad go bwysig y bore yma.

Gareth Jones: I believe that we have come to the end of the session on the Apprenticeships, Skills, Children and Learning Bill. I thank the Deputy Minister and officials. Difficult questions have been raised and we are grateful for the responses. The intention now is to draft a report soon that, I very much hope, will be approved by the committee. We shall see what influence that report has on the developments as far as the Apprenticeships, Skills, Children and Learning Bill is concerned. I thank everyone for their important contributions this morning.

10.00 a.m.

Ymchwiliad y Pwyllgor i Ymateb Llywodraeth Cynulliad Cymru i'r Dirywiad Economaidd Rhyngwladol Presennol **Committee Inquiry into the Welsh Assembly Government's Response to the Current International Economic Downturn**

[102] **Gareth Jones:** Mae'r pwyllgor yn cynnal ymchwiliad i'r dirywiad economaidd presennol gan roi sylw arbennig i'r cymorth sydd ar gael i fusnesau. Mae Aelodau eisoes wedi craffu ar y Dirprwy Brif Weinidog, Ffederasiwn Busnesau Bach, Menter Cymru a Chynghrair y Cynghorau Sgiliau Sector. Heddiw, cawn gyfle i graffu ar gynrychiolwyr Cydffederasiwn Diwydiant Prydain Cymru a Chyngres yr Undebau Llafur Cymru. Mae'n bleser, ar ran y pwyllgor, estyn croeso i David Rosser,

Gareth Jones: The committee is undertaking an inquiry into the current economic downturn with particular focus on the assistance available for businesses. Members have already scrutinised the Deputy First Minister, the Federation of Small Businesses, Venture Wales and the Sector Skills Councils. Today, we will have the opportunity to scrutinise representatives from the Confederation of British Industry Wales and the Wales Trades Union Congress. It is a pleasure, on behalf of the committee, to

cyfarwyddwr CBI Cymru ac i Leighton Jenkins, cyfarwyddwr cynorthwyol polisi CBI Cymru. Diolch am y dystiolaeth ysgrifenedig yr ydym eisoes wedi ei derbyn a'i darllen. Fe'ch gwahoddaf i wneud cyflwyniad byr o rhyw bum munud ac wedyn bydd Aelodau yn eich holi.

welcome David Rosser, director of CBI Wales and Leighton Jenkins, assistant policy director of CBI Wales. Thank you for the written evidence that we have already received and read. I invite you to make a brief presentation of around five minutes and Members will then ask you questions.

[103] **Mr Rosser:** Mae'n bleser gennym fod yma heddiw a diolch am y gwahoddiad i roi dystiolaeth i'r pwyllgor.

Mr Rosser: It is a pleasure to be here today and thank you for the invitation to give evidence to the committee.

[104] We are in the midst of possibly the worse recession that most of us can remember. There are some key features to the recession today. The first is that it is truly global—it is affecting all main markets around the world. Secondly, the number of sectors of the economy that it covers is truly remarkable. The manufacturing, construction and automotive sectors are clearly among the worst hit, but there is no industrial sector of the economy that has not been impacted by the current recession. The failure of the credit markets is another distinct feature of the situation in which we find ourselves today.

[105] Against that background, the CBI is working with its members and with Governments to try to suggest measures that could be taken to try to alleviate the situation. As you can imagine, we have a daily dialogue with the UK Government, where most of the big levers lie, but we have also had a good working relationship with the Welsh Assembly Government during this process. While the scope of the Welsh Assembly Government's powers and budgets mean that it could probably only affect the margins of the fortunes of businesses in Wales at this time, it has made significant efforts in terms of its reaction to the current downturn.

[106] The economic summit process has been well taken through—some measures have been implemented with greater success than others, but that is to be expected. However, we fully support the Welsh Assembly Government's direction of travel in terms of the actions that it has taken and we have been pleased to participate in the economic summit process.

[107] **Gareth Jones:** Thank you. David Melding has the first question.

[108] **David Melding:** Following up on that point, you commend, as does the TUC, the economic summit process and it is fair to say that there is consensus that it has been useful. You also say, in paragraph 22, that we now need a co-ordinated post-recession strategy for the Welsh economy. How does the Government's decision to postpone the publication of its manufacturing strategy strike you? Do you see the rationale behind that or do you feel that it should get a move on, publish that and start to focus on the post-recession phase?

[109] I would also like your view on how the business partnership council is working. The FSB said that it thought that the council had been put into the background to some extent. You made the point that, however appropriate the outcomes of these summits in terms of policy, it is their implementation that really matters. You hinted that the reference groups that have been set up are not really monitoring that and that there is a lack of a monitoring mechanism. John Guthrie has written in today's *Financial Times* that he is yet to find any measure of how the Government has dragged expenditure forward into the current financial year and that he is suspicious about whether much will occur next year that was not planned in routine budgets. There is an issue in that the Government says, 'Yes, we are going to bring stuff forward'—the rhetoric we all agree with—but it is very difficult to find out if things are happening on the ground, is it not?

[110] **Mr Rosser:** There is certainly an issue about tracking the implementation of announcements. Certainly at a UK level, the CBI has been critical of the Government for delaying implementation and for the lack of clarity about how these have been put in place. Our director general, Richard Lambert, wrote to our members only yesterday to try to outline those announcements that he believes are now happening and those on which, frankly, we are still awaiting real action on the ground. The two areas where we have focused our attention, whether we have been talking to the Welsh Assembly Government or the UK Government, have been around scale and pace. We think that the UK Government and, to some extent, the Welsh Assembly Government, within the terms of its budget, are now talking about scale in the right sort of terms and the announcements are quite large. I think that we are now focusing more on pace—pace of delivery and pace of implementation—at a time when the economy is still getting worse. So, we share those concerns around tracking implementation. We think that the economic-summit process got off to a very good start, with very strong intentions and actions to try to deliver in the background. I think that it is probably now time for us to pause and check for delivery against a Welsh Assembly Government idea, to check what has been achieved against the various strands of work that have been jointly set out alongside the TUC. We need to understand where delivery has not progressed as far as we would like and what we could all do together to try to achieve that. So, we would agree that that check against strategy is needed.

[111] As for the manufacturing strategy, we certainly think that there is a need to look at what a post-recession economy as a whole is going to look like. The CBI is starting some work on that now. I suspect that 70 to 80 per cent of our activity at the moment is firefighting, dealing with current issues, but we are very keen that, as an organisation, we continue to spend some time looking to the future. I think that it is clear that the UK economy is going to look different in future to what we have seen in the last five to 10 years—I think that the reliance on financial services is no longer going to be there. There are some big trends out there at the moment around globalisation, climate change and moving to an economy where carbon has a price. There are issues around future levels of public spending not being at the level that we have seen in the past and how businesses should react to and plan for that. A manufacturing strategy is just one part of that whole picture. I think that we are likely to see a greater appreciation of manufacturing in the future, certainly at a UK level, than it has enjoyed recently, although I think that Wales has always maintained its appreciation of the role of manufacturing in the economy. A strategy to look at what key actions Government needs to take alongside businesses to underpin a good manufacturing economy would be useful. However, a strategy is only as good as the measures that it contains and the way in which it is implemented. We are unsighted as to where the Welsh Assembly Government has got to on that.

[112] **David Melding:** I have a specific question now, although that was a very helpful general answer. I accept what you say, that the Welsh Assembly Government can help at the margins, as you put it, although I think that perhaps it has a bit more economic clout than that, but it is definitely the case that the UK Government in terms of its macro policies is most important, as are international responses. Businesspeople often tell me that the lack of credit is a particular challenge and is perhaps the biggest challenge that they face because the financial system has seized up. That is a great difficulty at the moment.

10.10 a.m.

[113] Are there any responses that you could make in the short term or, perhaps—as we look at the post-recession strategy—sounder financial mechanisms that we might see emerge? Many people have suggested to me that Finance Wales should have a slightly different mission where it could provide more routine credit. I think that there are difficulties with that and I well understand why the Government is at least trying to use Finance Wales more. Instead of it being the last source of investment, it is now often much higher up the chain due

to the lack of availability in previous areas. Do you think that Finance Wales could be used even more ambitiously? I credit the Government with what it has done thus far; I think that that is worthy of support.

[114] For the future, I notice that, in the United States, credit unions are permitted to lend to small businesses. I wonder whether we need to look at other models that are much more diversified. One of the problems is that we have had mega banks that have functionally gone bankrupt. Now, we will have to work through the consequences of that, which most economists think will take between five and 10 years. Therefore, in a way, when we look at credit, it is not just the immediate situation that we are in; it could be an ongoing problem over several years. I just wonder whether we need to be very flexible and imaginative in how we could see new financial organisations develop that are, perhaps, much more rooted in the local community.

[115] **Mr Rosser:** The reason why I referred to the Assembly Government being able to operate at the margins is because the big issue, as you rightly pointed out, is the availability of credit. The sums involved are colossal. Therefore, the Assembly Government's whole operating budget for one year would not make a slight dent on the availability of credit. There are steps that we can take to try to free up credit availability to banks at present; many of those are being taken by the UK Government, but they are being patchily implemented, as I have already said. We have recently seen Northern Rock change its policy on lending and effectively move from being an arms-length bank to being a tool of Government policy. We have seen some agreements now being struck with the Lloyds Banking Group and the Royal Bank Scotland. These should start credit flowing again to businesses at some stage this year. At present, we are still seeing the situation worsening. We have quite a widespread survey of members across the United Kingdom specifically asking them about credit availability, which we have introduced this year. Thus far, we have seen conditions continuing to tighten.

[116] Against that picture, there is a role for Finance Wales. We see ourselves as supporters of Finance Wales. We believe that it has a role to play in providing risk finance to businesses, perhaps more so than straight bank lending. It is likely that Finance Wales will have a stronger role to play when the availability of more traditional bank lending is constrained, but even so, I think that the sums that we are talking about that are available to Finance Wales are at the margins of the problem. Therefore, we would support Finance Wales, and we would support additional finance being made available to it, but I think that we need to be realistic that is probably the tone of my answer to your point about credit unions too. We need to have a diversified financial services sector. The more strands of finance that we have available, the more different models could be in institutions which, I think, only adds to the available mix. At present, credit unions, in business terms, operate at a micro level and there would need to be a significant change in both their operating methods and to the funding available to them to make a real difference.

[117] **Nerys Evans:** Yn dilyn y pwynt a wnaed ynglŷn â chredyd, clywsom gan y Ffederasiwn Busnesau Bach ychydig wythnosau'n ôl ynglŷn â'i ddyhead i gael uwchgynhadledd ar gyllid yn ogystal ag uwchgynadleddau ar yr economi. Beth yw eich barn chi am hynny? Hefyd, mae llawer o sôn am y cynllun ProAct. Pa mor effeithiol yw'r cynllun hwnnw ar lawr gwlad? A dybiwch fod digon o allu o fewn y cynllun i ymateb i ofynion busnesau? Yn ogystal, a oes pethau eraill yr hoffech weld Llywodraeth y Cynulliad yn eu gwneud i ymateb i'r

Nerys Evans: Further to the point made about credit, we heard from the Federation of Small Businesses a few weeks ago about its aspiration to have a summit on funding as well as on the economy. What is your opinion on that? There is also a lot of talk about the ProAct scheme. How effective is that scheme on grass-roots level? Do you believe that the scheme has adequate capacity to respond to the needs of businesses? Also, are there other things that you would like to see the Assembly Government doing in responding to the current economic crisis?

argyfwng economaidd? A oes pethau yr Are there things that you would want to see
 hoffech i Lywodraeth y Cynulliad eu the Assembly Government doing, for which
 gwneud, ond nad oes arian neu bwerau i'w is has no funding or powers to implement at
 cael yng Nghymru i'w gweithredu ar hyn o the moment?
 bryd?

[118] **Mr Rosser:** Regarding a finance summit, I would need to have a clear idea in my mind of what it was intending to achieve. The most effective way of influencing the banks to change lending policies is probably through their head office, or in discussions between the Treasury and the Financial Services Authority and those large institutions at head office level. It is then about making sure that those decisions flow down to the operational arms of the banks at a more local level. So, I am a little unclear what a financial services summit that hauls in the area directors of the big clearing banks into a room in this building, and beats them up for not lending to companies, is likely to achieve in practice.

[119] **David Melding:** It might have a therapeutic effect.

[120] **Mr Rosser:** It might make many of us feel better—you are quite right. In terms of freeing up the flows of finance to companies, I remain to be convinced. Credit will remain difficult to obtain for some time. As I have already said, big schemes are being put in place which should start to make a difference during the course of this year. Credit will remain more expensive than it was in the past; many people would say that that is not necessarily such a bad thing. There has probably been an over-correction, and that will come back. At the moment, we must understand that the risk posed by many companies in terms of lending to them has increased significantly.

[121] So, there are many reasons—most of them very logical—why the banks are acting as they are at the moment. We are in the throes of a dreadful recession and more companies will fail and go bankrupt, so banks need to reflect that in their lending decisions. We have just introduced new international banking regulation standards, which have increased the amount of capital that banks need to hold against loans. So, if you hear a company talk about how disgraceful it is that they now have to pay charges for their unused overdraft, it is because international banking regulations have changed and that banks now have to hold capital against unused portions of overdraft.

[122] If there are ways in which companies can better present themselves or better manage their finances to relieve financial pressures, there would be some use in a summit which explored those issues. However, as I said, hauling in regional bankers and beating them up will probably not make much of a difference.

[123] You also asked about the ProAct scheme. We have been supportive of this scheme, because we think that it makes sense to help companies to train individuals at this time, and they will increasingly need support to do that. We have yet to work with any companies through the whole process, from applying for ProAct assistance through to being in receipt of it. We are aware of one or two companies that are going through that process, and we would be keen for the implementation to be as speedy and effective as the decision to set up the ProAct scheme. There were some teething problems with the ways in which it was being implemented, but it is very early days and we have yet to see companies go through the whole process.

[124] As for other WAG actions, we listed a whole range of them jointly with TUC Wales before the first economic summit. Some of them have been implemented very well; we think that good progress has been made on the payment of bills by the public sector in Wales. We note the continued progress in public sector procurement. Others have been implemented on a lower scale, such as affordable housing, and getting the construction industry back to work.

Some progress has been made in that area. We think that one or two actions have been unhelpful, such as the decision to raise business rates by 4.9 per cent—

[125] **David Melding:** Quite right.

10.20 a.m.

[126] **Mr Rosser:** Thank you—it is nice to have an endorsement. It has happened, by tradition, to be based on inflation in September. Inflation peaked in September 2008, and it is likely to be negative within the next two to three months. So that is unfortunate. Giving money to companies with one hand and taking it back with the other is a mixed message, and we think that it could bear revisiting.

[127] **Paul Davies:** You mentioned teething problems with the ProAct scheme. Could you expand on that?

[128] **Mr Rosser:** I emphasise that we have been tracking only two or three companies that are going through this process, and that it is early days. The degree of detail required from companies on the individuals who are going to be trained—the paperwork and procedures around that—has been flagged up to us by those few companies. In their view, it is something that is going to slow down the process at a time when, as I have said, pace is key. There is always a balance to be struck on the proper stewardship of public funding; we understand that very well indeed. The decision to set up ProAct was taken, I think, pretty quickly and effectively by the Welsh Assembly Government. The point is that the implementation of it needs to continue in the same spirit.

[129] **Paul Davies:** So this scheme is easily accessible?

[130] **Mr Rosser:** I do not think that I said that. We do not have a sufficiently wide evidence base at the moment to make very definitive statements, either positive or negative. All I am saying is that the one or two companies we have tracked through it have said they wished the processes were somewhat more streamlined. However, we understand that these are early days in the introduction of a new scheme.

[131] **Christine Chapman:** In point 17 of the paper you talk about the construction sector in Wales, and you recommend that we should postpone the ‘zero carbon homes ambition’ until 2016. It is currently 2013. What evidence are you using to make that recommendation?

[132] **Mr Rosser:** At the moment we are planning to define, as I understand it, zero carbon to a higher standard than is being proposed across the border in England. We are also planning to implement it significantly earlier. That presented challenges to the construction industry before the current recession hit: both practical challenges, of how you actually deliver zero carbon to this higher standard with the technology currently available, and also challenges of cost. The market value of property in Wales is traditionally lower than in most parts of England. Those challenges are, we think, significantly increased at a time when we have a recession in place, with property values falling, not rising. The construction industry—particularly the housebuilding industry—is weak and trying to survive, rather than strong and prosperous. So, what were significant challenges before are now critical issues. We would suggest to the Welsh Assembly Government that it should pause and rethink its plans to go down a more advanced route in Wales, compared to the rest of the UK.

[133] The UK is making progress on zero carbon. It has a strategy in place and the Confederation of British Industry, CBI, is very supportive of the need to move to zero carbon construction. We think that the industry is working with Government to achieve that. Our point is to question whether it is advisable for us to do that earlier in Wales and to set higher

bars in Wales.

[134] **Christine Chapman:** Following on from that, you may be aware that one of the aspirations of the Heads of the Valleys programme is to promote green jobs. That ambition for zero carbon homes is not the only green aspiration. However, if we were to delay, do you think that could have a detrimental effect on the programme? Bearing in mind that we are in a recession now, but we should look to the future to see what progress can be made once we start—

[135] **Mr Rosser:** Both we and our members who work with us on climate change issues are very clear that the recession should not be used as an excuse to stop that work. Climate change will remain with us when we are in recovery mode. I am never quite sure what is meant by 'green jobs'. Business opportunities arising out of a low-carbon economy and the need to address climate change should be drivers out of the recession. We need to point out very clearly that the CBI continues to be supportive of the need to work on this. However, the construction industry is on its knees in Wales. Property values have fallen, although they may be starting to bottom out. Nonetheless, the ability of people and businesses to pay a premium for property at the moment, whether it is for commercial, industrial or residential use, is reduced. If you increase the costs, you will need to pay a premium on the product. Moving to a similar timescale to that adopted in England will not, I think, stop us from pressing ahead with a green jobs strategy. Although, as I said, I am unclear about precisely what is meant by that.

[136] **Jenny Randerson:** My points follow on very closely from that. I see a contradiction in what you are saying on zero carbon because surely, if we move to higher building specifications, we are actually employing a whole new raft of people who are specialists in energy efficiency. So, we should be creating jobs. You have written in your paper about proposals that were not adopted, and you have specifically linked the idea of reductions in the business rate multiplier with those companies that are adopting energy-efficiency measures. So, you personally see energy-efficiency measures as a contributor to business efficiency and business sustainability.

[137] **Mr Rosser:** Yes, but I do not agree that there is a contradiction here. We continue to see climate change as being important. We believe that more could and should be done to incentivise both companies and householders to put in place energy-efficiency measures. Energy efficiency is one of the best ways of tackling climate change because it saves money, so it should have no net cost to the economy: it should be a net saving. The biggest contribution to climate change here is in the existing building stock. We should be well positioned now to get a lot more people employed very rapidly, helping to improve the energy efficiency of the existing housing stock. We should put in place the mechanisms to do that, and it will require incentives from Government. I think that is different from saying that new construction has to be delivered to zero carbon standards in advance of England. We feel that is going to have a detrimental impact on construction activity, at a time when it is already pretty low.

[138] **Jenny Randerson:** I do not want to labour that particular point. However, I honestly see a contradiction in the idea that you build a house next year and then, in five years' time, you say, 'It would be a good thing to improve its energy efficiency; there are jobs in it.' It does not seem logical to me.

[139] **Mr Rosser:** New houses, under current building regulations, are built to much higher energy-efficiency standards than most of our existing housing stock. We are dealing with huge legacy problems; solving those legacy problems would probably involve lots of people out there, fitting insulation. It is a huge job. Requiring new properties to be built to a higher level than current improved housing standards may, we feel, hamper the property market in

the current financial climate. In fact, we are pretty sure it would.

10.30 a.m.

[140] **Jenny Randerson:** I will leave that topic and move on to something different. First, the issue of unbundling. This is included in your paper for the economic summit, and I gather that the Government is taking some measures on it. Are you satisfied that the Government's measures so far, on the unbundling of contracts and the way it approaches framework contracts, are proceeding satisfactorily from the point of view of Welsh firms?

[141] Secondly, on a completely different issue, which is public-private partnership, your view is that the Assembly Government has missed out on a great deal of capital investment because it has not adopted the PPP model. I agree with you wholeheartedly and, this week, so did the committee. What I wonder is whether, in the current economic climate, that is the best way ahead in the short term. I am very keen on the Government planning for the longer term, and I take that into account. However, I wonder whether it is realistic at the moment because of the problems with credit.

[142] **Mr Rosser:** I attended the recent meeting of the business procurement taskforce, two weeks ago I think, chaired by the Minister. It was the first one that I had been to for a while, and I was quite impressed by the progress that has been made around public sector procurement in Wales. I was certainly impressed, as I have been for quite a while, by the intent behind that progress. There remains frustration not only among the business community, but also, I sense, within the Welsh Assembly Government and among some of the senior officials, at the challenge of turning that intent into real changes on the ground. There is a myriad of public sector organisations in Wales that have very patchy procurement skills. The issue of unbundling and framework agreements was raised at that meeting. Framework agreements are actually quite powerful, and can deliver a lot of benefit to the public sector in better procurement, better value procurement and more innovation from their suppliers. That is because it provides suppliers with the knowledge that they will get long-term business from a public sector client, which enables the private sector contractor to invest more in that relationship and to deliver better value. Clearly, what framework agreements also do is to cut out, for a period of time, those who were unsuccessful in being appointed to them. There is a real tension there. However, framework agreements are very powerful procurement tools for the public sector.

[143] With unbundling, I think that a clear distinction was drawn between splitting contracts up into sizes that fit nicely under the *Official Journal of the European Union* requirement, which is not permissible, and letting contracts for discrete pieces of work. There is a strong intent to try to do that in many cases, I think. However, many public sector procurement officers believe, because it has been the received wisdom, that if they buy in bulk they get better value. That needs to be challenged, and I think it is being challenged by the business procurement taskforce and the Value Wales process. However, it is taking a long time to get that message through. It is only when you get better procurement practices on the ground with the individuals in public sector organisations who are actually taking decisions and letting contracts that things will change for our members. We are a long way from that yet, but I know that the intent is there.

[144] You talked about public-private partnerships, and we believe that we have missed out in infrastructure investment in Wales. The Welsh Local Government Association believes that, too, and, as you said, the National Assembly's Finance Committee also reported that. We do not believe that it will not work in a recession; actually, as I imagine the Minister for Finance and Public Service Delivery will find out in his meeting in Scotland today, the need to drive greater efficiencies through public sector spending will only increase. PPP is about more than dragging in private sector finance. I cannot say that often enough, and even this

week's report from the Finance Committee focused too much on the funding element and not enough on the innovation element that comes from working with different providers, whether from the private sector or the voluntary sector. Now is not the time to take our minds off PPP and now is not the time to stop looking for different ways to provide public services in Wales, where they can help us to improve.

[145] **Jeff Cuthbert:** Thank you for the written paper and for the points that you have made so far, David and Leighton. I have a few points to make. In your joint paper with the TUC, which you have included as annex A, under point 1, on procurement, you refer to injecting an estimated £0.5 billion into the Welsh economy simply by reducing public sector payment times and so on. Likewise, there could be £1.3 billion more if local procurement rose from a third to two thirds. Is that a per-annum figure, or is it over a different period altogether?

[146] On housing, I do not want to go over the issues that have just been dealt with, but I heard on the radio yesterday that we are now building fewer houses than at any time since 1921. That was the date that was given on the radio, and I do not know whether it is true, but we have a Union of Construction, Allied Trades and Technicians official before us next, so I dare say that we can clarify it. I cannot contradict that, but it is incredible. In your joint paper, under point 3 on housing, you refer to such issues as improving the planning process. How significant do you think that that would be for helping the beleaguered construction industry at this time?

[147] My final point is about European structural funds. We have talked about ProAct and ReAct, so I do not want to go over them. More generally on convergence and competitiveness funding, but particularly convergence, which is the bigger of the two schemes, the Welsh European Funding Office has been authorised to seek to renegotiate intervention rates with the European Commission, so that more European money can be awarded upfront and so that the point at which match funding kicks in would be reduced. At times like this, the ability of the public and private sectors to provide match funding will be handicapped, but do you feel that those are the right steps? No-one suggests that the European structural funds will solve the problems in Wales, but they can help, if used properly. Do you have other concerns about them, and is there more that you would like to see WAG and WEFO doing at this time on private sector involvement?

[148] **Mr Rosser:** I will try to deal with those points in the order in which you raised them. On procurement, I am afraid that the figure given of a £500 million cash injection was a simple calculation based on what we know the level of public sector buying in Wales to be in a year, and so working out what 60 days' debt would be and what 15 days' debt would be. It would be a one-off injection if we made that improvement. It was deliberately a simplistic calculation.

[149] Are we building fewer houses than at any time since 1921? I do not have the evidence base in front of me, but it would not surprise me one bit if that were the case. We have been building fewer houses in the UK for quite some time, largely due to problems with the planning processes. So, I have no difficulty in believing that that is the case, from the conversations that I have had with housebuilders among our membership. There is every possibility that we are sowing the seeds of the next house-price boom by building so few houses at present. It is a shame that we are not building more affordable homes and social housing to try to keep the housebuilding industry occupied.

10.40 a.m.

[150] The planning system has consistently been a problem for business, and not just for housebuilders or property developers, but for ordinary businesses that need to change the configuration of their plants and their buildings. The process is too long and cumbersome.

The planning system is one of the larger impediments to moving towards having a low-carbon economy. The problems that we have in putting new energy generation capacity in place are affected by our planning system. We strongly support action to streamline the process, and we were disappointed that the Welsh Assembly Government did not support in principle the Planning Act 2008, and particularly the creation of an Infrastructure Planning Commission, which we think is the key to delivering large-scale infrastructure in a timely fashion. I believe that the Minister has recently announced her intention to review the planning system in Wales, and we welcome that and look forward to participating in it. There is less activity for housebuilders and property developers at present, and the bigger problem is demand, credit and financing. As those problems ease, as we know they will, probably some time next year, we will see the planning system emerge once more as the biggest problem facing the construction industry. I will ask my colleague to deal with your questions on convergence.

[151] **Mr Jenkins:** As you are aware, Ann Beynon of BT represents us on the all-Wales programme monitoring committee. The move by the European Commission to decrease the amount of match funding required is good news, and will help many projects to get off the ground. On the programme monitoring committee, we have seen a need to push up the spend profile, not just the commitment. However, we applaud the announcement of the Pre-VENT scheme a few days ago. From talking to others on the PMC, we realise that there may be a need to look at the evidence base that underpins some of the programmes, given the credit crunch. We need to ensure that they are delivering, and that there are no gaps. We would be keen to support that.

[152] **Jeff Cuthbert:** Thank you both for those answers. I appreciate that you made a quick arithmetic calculation with those two figures, but will the CBI be monitoring the impact on the economy of the faster turnaround and of the increased local procurement? If so, will you feed your findings back to the Welsh Assembly Government?

[153] **Mr Rosser:** We will certainly talk to our members about their experiences with payment times for their public sector clients. The figures quoted by Welsh Assembly Government officials suggest that we are down to some 10 days for payments. We have no basis for challenging that. We are undoubtedly seeing improvements in payments, as that is the message that we get from companies in Wales, but I would question whether 10 days is the norm across the public sector.

[154] **Jeff Cuthbert:** Perhaps 90 per cent of the time.

[155] **Mr Jenkins:** At the economic summit, the Assembly Government talked about the targets that it had set for itself; we were looking for a target across the public sector, including all the local authorities. That is significantly more challenging. The Assembly Government does not have all the levers to pull to ensure that that happens, but many of our local members will appreciate that higher target.

[156] **Mr Rosser:** There is an interesting issue here of the importance of money to organisations as opposed to the value of money at a time of zero interest rates, effectively. If you are an organisation that has cash, holding on to it does not generate much income for you at current interest rates. If you are an organisation for which the availability of cash is critical—typically, that will be a business that is in supplying—there is no reason for buyers to hang on to cash. If you are a public sector organisation, your cash is guaranteed, so you may as well pay your bills early. It costs you nothing in forgone interest but it means everything to your supplier. Therefore, we very much encourage more action in the field of procurement.

[157] **Gareth Jones:** Thank you, David. Finally, Paul has a very brief question.

[158] **Paul Davies:** I notice that you submitted a paper jointly with the Federation of Small Businesses to the strategic reference group, which the Welsh Assembly Government set up. In the paper, you mention business rates and that you want to see a more flexible method of implementing business rates. Can you expand on that?

[159] **Mr Jenkins:** This paper combined the ideas of the CBI and the FSB, so that particular detail was to do with what the FSB was after for business rate relief. The larger circumstances of the paper are around trying to get home the message that some sort of forum is needed to discuss the increase in business rates because, to date, there has been only an announcement that the multiplier will go up by 4.9 per cent. There has been no consultation that we know of with our members to discuss the implications of that, and no-one has tried to work out a scheme to mitigate the impact on the viable companies that are suffering. That was the point that we were trying to make.

[160] **Gareth Jones:** On that note, I thank both of you. It has been a very important contribution to the work that we are doing, looking into the Government's response. One point has made an impression on me, personally. David, you mentioned that you are impressed with the intent, as it were, but you also hinted at the fact that there is some way to go before we transform that into actual implementation. My concern is about sharing this sense of urgency throughout Wales. While I believe that the Government is delivering on its policies, we need to make sure that everyone else shares that sense of urgency. Local authorities, for example, as you have just mentioned, are the key, through procurement, unbundling, bringing projects forward, and all those aspects. Therefore, it is not only the Government's responsibility; there is a shared responsibility. I picked up on that point. We are very grateful to you. This session has been very informative and will be helpful to us in our work. Diolch yn fawr iawn.

[161] **Mr Rosser:** Diolch yn fawr.

[162] **Gareth Jones:** Symudwn ymlaen felly at ail ran y sesiwn graffu. Dyma gyfle inni estyn croeso i Gynghres Undebau Llafur Cymru. Estynnwn groeso arbennig i Martin Mansfield, ysgrifennydd cyffredinol TUC Cymru, a Nick Blundell, aelod o gyngor cyffredinol y TUC ac ysgrifennydd rhanbarthol yr Undeb Adeiladu, Crefftau Perthynol a Thechnegwyr ar gyfer Cymru a de-orllewin Lloegr.

Gareth Jones: We will now move to the second part of the scrutiny session. This is an opportunity to extend a warm welcome to the Wales Trades Union Congress. In particular, we welcome Martin Mansfield, general secretary of the Wales TUC, and Nick Blundell, TUC general council member and regional secretary for Wales and the south-west of England of the Union of Construction, Allied Trades and Technicians.

10.50 a.m.

[163] Croeso i'r ddau ohonoch. Ar ran y pwyllgor, diolch i chi am y dystiolaeth ysgrifenedig yr ydym eisoes wedi ei derbyn ac sydd wedi'i dosbarthu. Gofynnaf i chi wneud cyflwyniad byr o rhyw bum munud ac yna caiff Aelodau gyfle i ofyn cwestiynau. Diolch yn fawr.

Welcome to you both. On behalf of the committee, I thank you for your written evidence, which we have already received and distributed. I ask you to give a short presentation of around five minutes and then Members will have the opportunity to ask questions. Thank you.

[164] **Mr Mansfield:** Thank you, Chair, and thank you for the opportunity to provide evidence and to make an oral contribution. I do not intend to go through the written evidence page by page, because I believe that you have all seen it. We should start by saying that Wales has been hit earliest and hardest by the economic downturn. It is an indication of the seriousness with which the trade union movement takes that effect on Wales that we took the

unusual step of working in partnership with the CBI to produce a joint statement on the areas where the Welsh Assembly Government could take some action. I believe that you have had a copy of that. I did not hear all of the CBI's evidence, so I apologise if I am repeating it. However, that reinforces the fact that the social partners in Wales share some of these concerns on the broader scale.

[165] We have put aside some of the areas of our disagreement. We have agreed to disagree on some areas and look at other areas where we believe that we could take a joint approach to the Assembly Government. I will not go through these in detail, but it is fair to say that, in comparison with the English regions, Scotland and Northern Ireland, Wales has taken a far more effective and speedy response to the economic downturn and we should congratulate the Assembly Government on doing that. Our evidence highlights a few areas where we have been particularly pleased with progress, but also areas where we believe further steps are required in order to counter or mitigate against the worst effects of the downturn. Wales, by itself, cannot counter the full effects of the downturn, but we can attempt to assist employers to maintain employment through the worst of the downturn, prepare for the brighter economic times that will come, and ensure that Wales has an industrial strategy that can place us in a position to benefit from that upturn when it comes.

[166] We would like to see the economic summit approach—which we strongly welcome—move from being an emergency response to the recession while still maintaining and ensuring that that response is implemented fully in each of the areas. In addition, consideration needs to be given to longer term and medium-term approaches to the industrial strategy, particularly on skills, and responding to the move to a low-carbon economy. We believe that that is crucial for us, because, while we welcome the move to a low-carbon economy, we believe that it has to be done through just transition processes. We cannot have the full effects of any industrial change being felt by the workers of Wales in the way that past industrial changes have affected us.

[167] In summary, we welcome the approach taken by the Assembly Government, but we are concerned that the scale and the pace of that approach and its implementation are adequate and we have to keep a watching eye on that. However, we also want to look at the longer term and work with Government and social partners to plan the economy's needs.

[168] **Gareth Jones:** Thank you, Martin, for those remarks and for setting the background to it all. I now turn to Christine Chapman.

[169] **Christine Chapman:** Earlier on—and you have touched upon it, Martin—I put a question to the CBI regarding its recommendation that we should postpone our zero-carbon homes ambition by three years. What is your take on that, bearing in mind the point picked up in your paper that there is an aspiration in the Heads of the Valleys strategy that this should be an area of green jobs? I am concerned that, if we were to go down the road suggested in the CBI's paper, it could be detrimental to the ambitions that we have there. What comments do you have on its recommendation? Do you agree that we should postpone it or should we stick with the targets?

[170] **Mr Mansfield:** I believe that that was part of its written evidence; it was not part of our joint paper. As I said, we have put aside areas of disagreement and have targeted areas where we do agree. I believe that was part of their written evidence and not part of a joint paper. We put aside areas of disagreement in order to target areas where we agree. I would want to see evidence that that postponement was required and that there was substantial damage being done to the industry as a result of that requirement. I have not seen any evidence of that. I know that that is the CBI's opinion but I have yet to see any evidence that the postponement would have the effect that they are suggesting. Far more important from our point of view is the moves on energy efficiency and the more labour-intensive approaches to

energy efficiency such as mass improvement of attic insulation. That has the potential to lead to fairly low-skilled, easily trainable employment and a good effect on the labour market as an emergency response and could have a knock-on effect on fuel poverty, energy efficiency and carbon emissions. We would like to see far more emphasis, therefore, on energy efficiency in the current housing stock. I would also like to see the evidence about the postponement.

[171] On the Heads of the Valleys approach and the green jobs, there is an opportunity with the unfortunate all but full closure of Hoover to provide that large site to look at some kind of low-carbon manufacturing base. We believe the Assembly Government should be looking at doing some serious work on a low-carbon green-jobs future in the Heads of the Valleys, particularly around that site.

[172] **Jeff Cuthbert:** Thank you for the paper and the oral statement that you have just made. Again, I apologise to my colleagues, as these are points that I raised with the CBI, many of which relate to the joint statement. I congratulate you for working with the CBI under these circumstances. The joint statement is an excellent way forward in terms of co-operation at this difficult time. I accept that you will, nevertheless, have disagreements on other issues and we have just had an example of that.

[173] It is appropriate that Nick is here as he is with UCAT. I heard on the radio yesterday—although I do not know how true it is—that we are now building fewer houses than in 1921. I do not know whether that is the case but it is a shocking statistic if it is true. In your joint statement, part of the blame for that is the planning process. I want to tease out a little more about how you think improvements or greater flexibility in the planning process would assist the beleaguered construction industry at this time.

[174] My other, more substantive question is on the use of European structural funds. I know that Martin sits on the programme monitoring committee. No one suggests that the use of the structural funds will solve all of the problems in Wales but they can help if they are used properly. As you may be aware, we are seeking to renegotiate the intervention rates and the points at which match funding will kick in. What is the view of the trade unions on the relevance of that and how well it may help to stimulate the use of structural funds and therefore the economy as a whole?

[175] **Mr Blundell:** On the issue of planning, there is a feeling that it can be a bit cumbersome and overburdensome. Any moves to simplify the planning process will be welcome, particularly in the current situation. On the comments about 1921, I did not hear the radio programme so I cannot comment on whether the number of houses built is lower now than in 1921. What I can say to the committee is that new-build housing stock fell by three quarters in 2008 compared to 2007. The housing market, therefore, has been devastated. It is well documented that housing companies have been in dire straits and laying off massive numbers of staff. Martin, do you want to comment?

11.00 a.m.

[176] **Mr Mansfield:** We believe that provision of social housing is an important part of the Assembly Government's intervention role as well as achieving the quality housing standard in current social housing stock. This also provides opportunities to the construction workers and construction companies to bid for that work. On the structural funds and intervention rates, the change in intervention rates will help because it will allow the smaller pot of available private sector funding to go further. We welcome many of the interventions and support from the structural funds, from ESF on schemes like ProAct, which has been extremely welcome. We are concerned that there should be the flexibility within the structural funds as a whole and within the programmes and measures of the structural funds to respond

to a quick-changing situation. WEFO, the Assembly Government and Europe itself has to allow that flexibility to respond, to ensure the structural funds mitigate the effects of this recession and to plan longer term for the Welsh economy in the future.

[177] **Jenny Randerson:** You said earlier that you want the economic summits to look at the longer and medium-term approach and you specified the lower carbon economy. What is your view on the speed with which the Government should be bringing forward its manufacturing strategy? It has been shelved at the moment because they are very busy. You may have a view on that approach and whether it is realistic at the moment to be expecting them to bring forward a manufacturing strategy, and the importance of that strategy. With regard to the sectoral approach the Government takes to industry, do you think they have the right sectors and what approach should they be taking to the newer high-tech industries?

[178] **Mr Mansfield:** We want the economic summits to look at the longer term, without losing the focus on the implementation of the emergency response. That is crucial. Although they have taken earlier action than the equivalent devolved governments in the UK, we have to see that implementation and, where the implementation is put into practice early, that we are ensuring that the scale and the pace of that is sufficient. We cannot therefore lose the emergency response focus. I understand that that is the background against which the Assembly Government is saying that the time is not right for another strategy, albeit on manufacturing. My belief is that Wales has to focus on manufacturing, as does the UK. There has been too much emphasis in the UK on the role of the City and the finance sector in boosting our GDP and our economy. There has been too much emphasis on deregulated financial markets achieving for our economy and not enough on manufacturing and making goods and employing people with high skills in Wales. We did not have the benefits of the high end of the financial sector either. We believe therefore that manufacturing has a crucial role to play in Wales in the future. It is more important to our economy than to other areas of the UK but we also have a reliance on the higher carbon-emission end of manufacturing. We also have more potential to suffer a detrimental effect as we move towards the lower carbon economy. This is why we think that we have to look at some actions now on planning towards moving to that lower carbon economy in Wales—whether it is called a manufacturing strategy, an industrial strategy or a strategy for green jobs. We would welcome a manufacturing strategy if the actions within that strategy are the correct ones. We have to look very carefully with the social partners and the business groups, including the CBI and ourselves, to identify the future for our economy in Wales post-recession and what the impact of this recession will be on the sectors that we are likely to be strong in.

[179] I know that the Assembly Government had that second strategy. The emphasis was on the higher value end. My concern about that was the absence of the high employment end. I understand that you have to invest to ensure the GDP so that we have the wealth to have a proper public sector as well as a private sector. However, we have to look at employment as well as high value.

[180] **Sandy Mewies:** Thank you Mark and Nick for your paper. People have touched on what I was going to ask. You have taken a good look at what is happening and you have identified what is good about it but also taken the trouble to see where it should go next. That is a monitoring role as well as a development role. Would you see that being on the agenda of the next economic summit? Do you think that has to be dealt with quickly? We are where we are and we have to look at what we have done and move on. You also mentioned that there has been improvement in public procurement contracts and that you would like to see a more can-do approach. Within convergence funding and social funding, how flexible do you think state aid and procurement rules can be? Is there a lot of room for manoeuvre in them from your point of view? You were talking about getting ready for the future. How can we improve basic skills support in the workplace? We accept that that needs to happen but how do you see it happening?

[181] **Mr Mansfield:** The next summit is on 7 April. They seem to be happening very regularly, almost monthly. It provides the opportunity for us to look at the implementation, monitoring the implementation and receiving reports on each of the seven key areas. That should continue as an important function for the summit. There is a reference group as well which has been referred to in previous evidence, on which we are represented together with the CBI and the FSB and the key civil servants who are delivering under each of the areas. This has involved meeting prior to the economic summit to discuss agendas and arrangements for the summit rather than a monitoring role. Perhaps if there was a move towards less frequent economic summits that reference group would have to take on more of a monitoring role in its own terms of reference. There is the opportunity in the economic summits to start looking now at the medium and long term. That should happen, if not at the next summit certainly at the one after.

[182] On state aid and procurement, we have a worldwide economic downturn. We have a massive crisis in the international economy. The response from the UK, particularly in supporting the finance sector and the banks, has been endorsed. It would have been seen as state aid in other circumstances. We believe that flexibility from Europe, particularly in terms of the convergence funding, is important. This is an emergency response and so we should be more flexible on what is termed as state aid in those circumstances. The same applies to our procurement practices. We recognise that a Government cannot move completely against regulation. There has to be fairness and equity in its procurement policies. We believe more of a can-do approach can be undertaken on procurement and ensuring that there is local employment effect from public procurement. That does not necessarily mean that it has to be a Welsh firm that wins a contract but there should be an ability within the tender process to ensure that there is local employment effect from public procurement.

[183] On basic skills support, we welcome the moves to get more employers to sign up to the basic skills pledge, but what we want to see is more effective action on the back of that pledge. Some employers have had difficulties in the implementation stage, having already signed up to the pledge. The Assembly Government and the Wales TUC are assisting us to employ project officers solely working on basic skills in unionised workplaces to encourage union members to take up the opportunities on literacy and numeracy in particular.

[184] Where there is a threat of unemployment or redundancy, if employers go to their workforce and say, 'I want you to identify where you are weak on literacy or numeracy', they will get a more cautious response from them than if the trade union says, 'We are putting a course on for you about how to understand your payslip'. That is the approach that we are taking as a direct response to assistance from the Assembly Government.

[185] **David Melding:** Following on slightly from what was just said about basic skills, if we look at past experience of serious recessions, unemployment has increased to above 10 per cent to 12 per cent, sometimes a little more. If that happens—and a lot of commentators think that that is likely—we will have about 150,000 or 160,000 people unemployed in Wales. Many of those people will not have any basic skills difficulties whatever. They would have been, unfortunately, made unemployed from well-paid, high-skilled jobs. There could be tens of thousands of them.

[186] Is the general approach of our skills policy that you meet market failure at basic skills level, because that is where people can least afford to access or pay for the training and employers are least likely to want to provide it? We are now going to have problems at other skills levels in terms of people with high capabilities who need retraining and do not have the economic wherewithal to pay for it, and, as they are not in employment, employers are unavailable. I am not suggesting that we shift away from the needs of the low-skilled workforce, but do we need a few more strands to our skills policy? We are going to get

market failure much further up the skills agenda than previously.

[187] **Mr Mansfield:** It is fair to say that Wales' problem with basic skills is worse than that of any other area of the UK, so it is important to continue addressing that. People with basic skills problems will find it far more difficult to get alternative employment, even in terms of the process of application and seeking employment, let alone with regard to being skilled enough to obtain it through the interview process.

[188] The skills approach is not only about basic skills. ProAct, in particular, and ReAct are both schemes that can assist at the higher end of the market. We particularly welcome the 50 per cent increase in ReAct funding, which is targeted at people who are under direct threat of redundancy, and who are getting the training required to move onto an alternative employment, as well as arranging a subsidy to the new employer. We have to make sure that that training is adequate, professionally identified and delivered, and results in a move to alternative employment.

[189] The difficulty will be that people who have high-end skills, additional training and wage subsidy will be most likely to take up what vacancies there are—even in the worst recessions, vacancies continue to be created. That is going to make it even more difficult for people with basic skills to compete in the market and, of course, the economically inactive are going to be further deterred from becoming active. We have to continue to work on basic skills and with the economically inactive, as well as ensuring that higher-end skills are enhanced.

[190] **David Melding:** I agree that you cannot just turn your back on those that are economically inactive or low-skilled. However, I think that those mechanisms are likely to have a more immediate response when there is a shortage of labour. There are opportunities when you train people up from a very basic level.

[191] If you look at the ProAct scheme and ReAct in particular, as I recall there are 12,000 places—I am not sure whether that has been increased yet. Obviously, that was calculated when we did not think the recession would be as severe as it is going to be. Most people would accept that we face a very difficult recession. Do you think we now need to look at these schemes and prepare for them doubling or more in size? They are, in effect, also European programmes, which means that a very large part of Wales, where a lot of people would be made unemployed, lies outside of them.

[192] **Mr Mansfield:** I believe the 12,000 figure relates to ProAct: the £48 million funding would allow for 12,000 workers to be covered by that. Although it is assisted by ESF, it applies across the whole of Wales. We felt that was very important when we were discussing the potential for the scheme.

[193] **David Melding:** Is ReAct also across the whole of Wales? I have misunderstood if it is.

[194] **Mr Mansfield:** My understanding is that ReAct also applies across Wales. I can check that for you.

[195] **David Melding:** No, that is okay—I will need to check as well.

[196] **Mr Mansfield:** ProAct certainly applies across Wales, and it provides the same level of assistance throughout Wales. It has been implemented very quickly from concept to delivery. We have to ensure that the training and assistance is of high quality, and we need to keep a watchful eye on that. At the moment, £48 million seems to be adequate for this financial year.

[197] Flexibility is one of the issues I was talking about, both within the Assembly Government and the European Commission, to look at whether the scale of the response continues to be adequate. Those 12,000 workers have yet to be assisted, so we will have to keep an eye on it.

[198] **Mr Blundell:** On the issue of the jobless figures, I think that you mentioned 115,000.

[199] **David Melding:** I just think that if we did see 12 per cent of the workforce unemployed, that would take us to about 150,000, or even a bit more.

[200] **Mr Blundell:** Those would be the official figures for those claiming jobseekers allowance and so on. However, as members of the committee will be aware, in the construction industry there is a large proportion of self-employment. This group of people, who have lost their jobs in the thousands across the UK, are hidden from the figures because they are unable to claim JSA.

[201] **Gareth Jones:** That is a well-made point. Paul has the next question.

[202] **Paul Davies:** I would like to bring you back to the structural funds programmes. I think that you used the word 'flexible' on several occasions—you obviously want to see flexibility within those programmes. Do you believe that the flexibility is there currently, and do you think that these structural programmes in Wales should be changed to reflect current economic circumstances? I also notice in your paper that you want to see increased Government intervention. Could you tell us where, specifically, you would want to see that intervention?

[203] **Mr Mansfield:** In terms of the structural funds, I happen to be a member of the programme monitoring committee, and there has been a review to assess whether the overall programme is still adequate or relevant given the economic crisis and downturn. A response was made to that in the last meeting. The intervention rates changed, and reacting to unemployment, as opposed to economic inactivity, was prioritised; flexibility was shown there.

[204] We are concerned to ensure—in the same way that we approach ProAct—that the response is adequate, is shown to be adequate and, if additional changes are required, there is the flexibility to do that. We believe that there has been movement and we hope that the response will be sufficient. If not, we will not be slow in calling for additional changes.

[205] **Paul Davies:** Are you saying there is not enough flexibility at the moment?

[206] **Mr Mansfield:** I believe that flexibility has been demonstrated. I do not believe that the whole Lisbon agenda is called into question by this. The unemployment response side—as opposed to the economically inactive side—requires greater prioritisation than was the case before the downturn, and I believe that that flexibility has been shown. We do not have to tear up the whole of the programming document; we have to ensure that there is sufficient flexibility within it and that the responses are adequate. If the responses are shown not to be adequate, additional flexibility must be demonstrated. I would not say there is not flexibility there, but we need to see whether the response is sufficient, through implementation.

[207] On Government intervention, we are pleased to be talking about how much Government intervention there will be, and where and of what type; there was a lack of Government intervention in response to the two previous recessions of the early 1980s and 1990s, so we are very pleased to be talking about the scale and pace of the Government response.

[208] We need to ensure that whatever the Government does to intervene in the market has an effect on the labour market, and that individuals are assisted. Active labour market interventions such as ProAct and ReAct, which I keep returning to, are the type of response that we want to see. We want to ensure that any Government resources put into responding to the crisis prioritise those kinds of interventions that will have a good effect on individuals' skills levels and companies' ability to take advantage of any upturn.

[209] **Paul Davies:** You mentioned ProAct and ReAct as examples of what the Government is doing. What else do you want to see?

[210] **Mr Mansfield:** We would like to see the energy-efficiency approach, social housing build and the bringing forward of capital projects really delivering in employment terms on the ground.

[211] **David Melding:** Have you seen any evidence of capital spend being shifted yet? In my view, it is difficult to track. I notice there is an article in the *Financial Times* today saying it has not been able to spot any at the UK level yet. I am not suggesting that it is easy but is there much evidence of movement out there?

[212] **Mr Mansfield:** Nick can come back on projects on the ground, because he is directly involved, with his membership, in construction projects. As far as the economic summit approach is concerned, that is exactly what we have been calling for in the summits. It has moved from an agreement of the sorts of areas of response, which we put forward jointly with the CBI, to what areas can be subject to Government intervention, and then to how that intervention is being implemented. We are looking for facts and figures on a real employment effect and real projects being brought forward. We will be asking about that in April.

[213] **Mr Blundell:** On the question of projects being brought forward, what I have seen is evidence of what I refer to as social partner interests. We are all in this together as social partners: the Welsh Assembly Government, the CBI, Wales TUC and local government in Wales. I have seen evidence of one or two local government contracts being put on the back burner. They have either been pulled back in to re-tender or delayed for some other reason. It is a shame when that happens, when I have massive redundancies occurring within local construction companies that could engage their workforce in undertaking those projects. It is a shame that others do not act as responsibly as the Welsh Assembly Government has acted in this difficult time.

[214] **Gareth Jones:** That concludes matters, but I will just ask one question from the chair. You have referred there to social partnership, and we understand how important it is. We have also listened to various points of view on PFI, PPI and on that sort of approach in this time of need. It has also been brought to my attention that there is some merit in a social enterprise approach and that approach is being applied to a major project in Aberconwy—the new Assembly building there. It has merit in that it may well bring about sustainable jobs, because we have to act in the short term, but the longer term is also important. Do you have any views on that kind of model and whether the Government here should be looking to implement that further, with a more intense approach?

[215] **Mr Blundell:** I am a little short of information on the model you are referring to. I would need to see more.

[216] **Mr Mansfield:** From the Wales TUC perspective, in response to the previous recession we established the Wales Co-operative Centre as a development centre. We continue to support that and it plays a very active role in establishing workers' co-operatives throughout Wales. We believe that is an important part of our future economy, particularly

when you talk about the scale and ability to respond to the transition to the low-carbon economy, which I keep referring to. It is the biggest issue for us in the longer term. Those kind of smaller scale, workers' co-operative, social enterprise models will be a bigger feature of our economy.

[217] **Gareth Jones:** My understanding is that, whereas with a big contract under normal circumstances, the craftsmen—the plumber or the electrician—would come and do that work, finish it and that would be the end of it, the social enterprise means that the skills of individuals would be enhanced in terms of accessing supplies and so on and being able to manage their affairs and become more sustainable, as it were, for future opportunities. That is part of this process, so do you have any views or information on that? Do not worry, if you do not; I just wanted to make that point and I can raise it with you again.

[218] That concludes this session. Thank you to both of you for your important and valuable contributions to our deliberations.

[219] Mae papur i'w nodi, sef tystiolaeth There is a paper to note, namely written ysgrifenedig gan y Dirprwy Weinidog dros evidence by the Deputy Minister for Skills. Sgiliau.

[220] I remind Members that our meeting next week will start at 9 a.m.. With that, I declare the meeting closed.

Daeth y cyfarfod i ben am 11.27 a.m.
The meeting ended at 11.27 a.m.