



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

## **Y Pwyllgor Menter a Busnes** **The Enterprise and Business Committee**

**Dydd Iau, 11 Mehefin 2015**  
**Thursday, 11 June 2015**

**Cynnwys**  
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Cofnodir y trafodion hyn yn yr iaith y llefarwyd hwy ynndi yn y pwyllgor. Yn ogystal, cynhwysir trawsgrifiad o'r cyfieithu ar y pryd.

These proceedings are reported in the language in which they were spoken in the committee.  
In addition, a transcription of the simultaneous interpretation is included.

### **Aelodau'r pwyllgor yn bresennol** **Committee members in attendance**

Mick Antoniw

Llafur

Labour

Rhun ap Iorwerth

Plaid Cymru

The Party of Wales

|                 |                                                                                    |
|-----------------|------------------------------------------------------------------------------------|
| Mohammad Asghar | Ceidwadwyr Cymreig<br>Welsh Conservatives                                          |
| Jeff Cuthbert   | Llafur<br>Labour                                                                   |
| Keith Davies    | Llafur<br>Labour                                                                   |
| William Graham  | Ceidwadwyr Cymreig (Cadeirydd y Pwyllgor)<br>Welsh Conservatives (Committee Chair) |
| Joyce Watson    | Llafur<br>Labour                                                                   |

**Eraill yn bresennol  
Others in attendance**

|                         |                                                                                                                                                                                |
|-------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Dr Rachel Garside-Jones | Pennaeth Strategaeth, Is-adran Polisi Sgiliau ac Ymgysylltu<br>Ieuentid, Llywodraeth Cymru<br>Head of Strategy, Skills Policy & Youth Engagement Division,<br>Welsh Government |
| Julie James             | Aelod Cynulliad, Llafur (Y Dirprwy Weinidog Sgiliau a<br>Technoleg)<br>Assembly Member, Labour (Deputy Minister for Skills and<br>Technology)                                  |
| Huw Morris              | Cyfarwyddwr Sgiliau, Addysg Uwch a Dysgu Gydol Oes,<br>Llywodraeth Cymru<br>Director Skills, Higher Education and Lifelong Learning,<br>Welsh Government                       |

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

|                        |                               |
|------------------------|-------------------------------|
| Martha Da Gama Howells | Ail Glerc<br>Second Clerk     |
| Rachel Jones           | Dirprwy Glerc<br>Deputy Clerk |
| Gareth Price           | Clerc<br>Clerk                |
| Anne Thomas            | Ymchwilydd<br>Researcher      |

*Dechreuodd rhan gyhoeddus y cyfarfod am 11:00.  
The public part of the meeting began at 11:00.*

**Cyflwyniadau, Ymddiheuriadau a Dirprwyon  
Introductions, Apologies and Substitutions**

[1] **William Graham:** Welcome to our resumed committee. The meeting is bilingual and headphones can be used for simultaneous translation from Welsh to English on channel 1 or for amplification on channel 2. In the event of a fire alarm, I ask people to follow directions from the ushers. I have apologies today from Dafydd Elis-Thomas and Gwenda, but no substitutions.

**Buddsoddi ar y Cyd mewn Sgiliau**  
**Co-investment in Skills**

[2] **William Graham:** Could I welcome the Deputy Minister and her officials, and could I ask them to give their names and titles for the record?

[3] **The Deputy Minister for Skills and Technology (Julie James):** Hello. It's a pleasure to be here. I'm Julie James, Deputy Minister for Skills and Technology.

[4] **Dr Garside-Jones:** I'm Rachel Garside-Jones. I'm head of strategy, skills policy and youth engagement.

[5] **Mr Morris:** And I'm Huw Morris, I'm director of skills, higher education and lifelong learning.

[6] **William Graham:** Thanks very much. I assume, Deputy Minister, you do not want to make any introductory remarks.

[7] **Julie James:** Yes, I would, if I could, Chair.

[8] **William Graham:** You would? Please do.

[9] **Julie James:** That would be very helpful. Just to say, obviously, thank you for inviting me today to discuss our co-investment policy. I just wanted to make a few things clear at the start. Obviously, the Welsh Government continues to invest in skills. Sometimes, there's a misunderstanding about co-investment, but the word 'co' in it is very important. We've recognised very early on in starting this policy that raising the skills level in Wales is completely critical if we want to be able to compete in a global economy. We lag behind the UK average in employer investment—the last of the UK nations, about 18 per cent lower compared to the UK average. So, it's important that we up our game in that regard. We obviously have completely significant risks if we continue to have a system that relies totally on Government expenditure in the light of the current budget situation, in the light of what's likely to happen in Europe, whether there's going to be European funding after 2020, and so on. So, the whole purpose of the framework is to put us into a position where we compete on a level playing field across Europe, not only in the UK, but also that the system is sustainable well into the future, and that we have growth sufficient to meet our economic needs.

[10] So, we see it as a real win-win because it enables our employers to shape the investment that they want to make in training. It enables us to have a proper dialogue with those employers about what their training needs are. It enables us to have a broader economic overview across the piece in Wales, through our regional learning partnerships, about our labour market intelligence. We can line up with colleagues in the Department for Economy, Science and Transport about inward investors, regionally significant companies, anchor companies and so on. So, it's a no-brainer, to use a horrendous Americanism.

[11] It's not a new concept in Wales: we've been doing it with quite a lot of our funds all the way through. It's true that some of our funds were 100 per cent funding, but a lot of the funds have always required an investment from the other half of the funding arrangement. We've consulted widely on this policy. Really, there isn't another option on the table because we just don't have the money to continue to fund 100 per cent. Even if we did, I don't think that would be a good strategy, and the response from the feedback and consultation is very broadly positive. So, that's the sort of broad-brush approach that we've taken, Chair, and obviously, I'm very happy to engage with the committee on any questions.

[12] **William Graham:** Thank you very much. The first question, please, from Jeff Cuthbert.

[13] **Jeff Cuthbert:** Thank you very much, Chair, and good morning. I'm grateful for the opening comments that you've made because it helps in terms of my opening question, which is very much about the key principles that are involved here. You mentioned that investment by employers is lagging behind the UK average. Can I ask if that is understood by employers in Wales, that particular issue? Then, more generally, how confident are you that the changes proposed in the framework will be financially sustainable, and what level of savings to the public purse do you anticipate this realising? On that point, I think it would be helpful if the committee could have sight of, say, a document that shows the entire Welsh Government's—not just your department's—investment and support for apprenticeships and training, so we can see the big picture. Do you see any particular risks to the co-investment policy? Obviously, non-engagement of employers is a possibility, and when we have 38 per cent of employers who do not currently invest in training, how will this act as an incentive for them to get more involved? Sorry for the number of questions in there.

[14] **Julie James:** Right. I'll address the point about the map first, because I think that is a very, very good point, and it's something that we've just begun to think about. So, with the committee's permission, we will come back to you with a map right across Government. I think, in this committee, a little while ago, when we were talking about getting people into work, I also talked about a map of that provision. That turned out to be a little more difficult to produce than we thought, but we're nearly there with it, and we're going to be adding in provision from right across the Government and, as I say, it's an excellent suggestion. There's a group in the Government that is looking at anti-poverty strategies right the way across, as well as economic development, and so we will task them, as a result of this committee appearance, with producing that map for you. Chair, I'll come back to you with a timescale for that, when I've got better information—

[15] **Jeff Cuthbert:** Okay, thank you.

[16] **Julie James:** —but we will certainly be doing that. It's obviously beneficial.

[17] On the other points, there aren't any savings to the Government programme at all. We spend the entire budget that we have. The budget is obviously smaller than it was, so I suppose that's a saving, but it's not a saving in our budget line. We're not taking money from this programme and putting it somewhere else as a result of co-investment. I think there is a broad understanding amongst employers that not enough of them invest. One of the reasons we've established the regional skills partnerships—and you'll be, I hope, familiar with the structure of that, with the north Wales economic ambition boards, the south-west and the south-east structures—is to engage employers, really, and to talk to them about a wide number of issues, about labour market intelligence, about their plans for the future, their expansion plans and so on. But it also is the mechanism by which we'll be engaging our schools and further education colleges in terms of our better work experience opportunities and so on. I know that's not the purpose of today's meeting, but it's the same mechanism. The idea is that we'll be able to put exemplar employers in touch with employers that are not yet in a position to be able to do that.

[18] I will say that I don't think I've ever met an employer who doesn't want to train. Some of them feel they don't have the room or space in their business to train, and so one of the other things we're looking at is, through the regional learning partnerships, putting some Government money, small amounts of Government money, into assisting them with business planning and producing a training plan to better help them see the benefit for their organisation. So, that's the sort of broad—. I think I've answered all of those.

[19] Oh, on the financially sustainable one, well, yes, because, basically, the Government's money is only going to go down, which, without getting too political about it, is not a situation I'd like to be in, but that's the situation we are in. Therefore, we must, if we're going to have a skill system, have a system of leveraging money into the system. Otherwise, it just won't work.

[20] **Jeff Cuthbert:** Thank you. Oh—

[21] **William Graham:** Can I go to Mick and then Joyce first?

[22] **Jeff Cuthbert:** All right then, yes.

[23] **Mick Antoniw:** Just a few clarification points on there. On lagging behind the UK, on what basis is that assessed? I mean, are we comparing like for like? The circumstances may be different. Are we more comparable with certain regions of England and so on? Secondly, on the leveraging point you mentioned, is there a financial target in terms of how much you'd seek to leverage in to build, or is it purely output/outcome-driven?

[24] **Julie James:** On the first point, it's the UK Commission for Employment and Skills survey that tells us that information. That's a survey done across the UK via the commission of all employers. I think there's no reason we can't provide you with that, if you want to see it, if you haven't seen it already. So, that's where those figures come from.

[25] In terms of the leverage, the way that we do this is that we contract with a number of high-level providers to provide us with a set of training requirements, which we set. So, those are the Government priorities that you've heard me talking about many times—the higher-level apprenticeships, the concentration on apprenticeships for under-25s and so on; you've all heard me talking about those priorities. So, that funding is set to produce that set of priorities, which is slightly wider than the ones I've just talked about. The providers then subcontract that in many cases right across Wales to regional providers, and the regional providers contact the employers and make an arrangement with them. So, we don't drive a specific funding formula for that, and the reason we don't do that is because one size doesn't fit all.

[26] So, to give you an example, we were at the vocational qualifications awards on Tuesday evening, which was a great occasion. The employer who won it was tremendous, and I'm sure you'll be seeing more of her, Chair, because we'll be roping her in now we've discovered her. Mick was there—she was great. In that audience was a company called Real SFX and they have organised their apprenticeship programme to teach people special effects in the creative industries. If we had a set programme, which had a set spend in it, with set modules—that couldn't have happened. So, it's important that it's a flexible arrangement. There are, obviously, core modules for all of them, but it's a flexible arrangement that's needed to meet the needs of the industry. So, we have a strategic input, but the real work is done by the training providers on the ground.

[27] **William Graham:** Joyce, on this point.

[28] **Joyce Watson:** Yes—time frames. Minister, good morning. You spoke about the regional skills partnerships, and I'm aware of them, and you talked about regional learning partnerships, but you have to match time frames, because we've got two years. Are you confident, because there were issues raised this morning about the match-up—the time frames—that one isn't either ahead or behind the other in terms of delivery?

[29] **Julie James:** We're implementing co-investment over a period of two and a bit years up to 2017, which is when the programme runs to. We consulted on it as far back as 2011; it

was implemented in 2014 after an extensive consultation process, so it's not a sudden arrival on the landscape. I suppose the real answer to that is there's never going to be enough time for some people, because it's a real culture change, and we are where we are. I don't have any more money, so I'm not in a position to extend the time frame even if I wanted to, but, actually, I really don't see the need. A large number of the employers are stepping up to the plate. We have had some reconfigurations in the training industry and we've had some issues with FE colleges that you're all aware of, but, actually, largely, it's settled. With some additional funding to lever in the employers who aren't yet engaged, we think that we're on track to deliver what we intended. But, there isn't any more money, so I couldn't extend it even if I wanted to.

[30] **Keith Davies:** I was very pleased to hear you say about the night before last, Minister, because we met some employers and different people this morning and we were given an example in the group I was with of digital creative studies. Because things are moving so fast in that particular area, the only college that offered a course was Cardiff and Vale College, but because of the very fast movement in that particular area, they had to pull that course to an end. So, I was pleased to hear you saying that the industry themselves are providing training in those areas.

[31] **Julie James:** And we've got two projects running as well, which the committee should be aware of, around skills utilisation, so that is existing skills in your workforce that are, possibly, underutilised by the employer. We're doing those in the creative skills and construction sectors. I don't know what the timescale for those to report is, but anyway, when they report, we'll be sharing the work with the committees.

[32] **Dr Garside-Jones:** In September.

[33] **Julie James:** September, is it? Because, we know that, in a lot of organisations—across the sectors, but those are the sectors we're looking at—people have skills that they use at home that are untapped by the employer, so we're looking at a project for how you map that and recognise it in the workplace.

[34] **Keith Davies:** Thank you, Chair.

[35] **William Graham:** Back to Jeff.

[36] **Jeff Cuthbert:** Joyce has picked up the point that I wanted to make.

[37] **Joyce Watson:** Sorry, Jeff.

[38] **Jeff Cuthbert:** That's all right.

[39] **William Graham:** Oscar.

[40] **Mohammad Asghar:** Good morning, Minister. My question is on the reaction by the employers to this approach on co-investment in skills. What resistance are you expecting from the number of employers in this field? Don't forget, we've got more than 75 per cent of SMEs in Wales and to employ extra will have a financial burden on them until they make more profit, with hands or heads, whether they employ or give skills. They probably have different views than you have. Are the levels of employer-funded training likely to drop off significantly, particularly in the short term, in that perspective? What is Welsh Government doing to give them full knowledge and information of the benefit of your approach? And, in the same context, will there be a greater impact on microbusinesses and SMEs? If 'yes', could this have a greater impact on some areas, for example Ceredigion and Pembrokeshire, Minister?

11:15

[41] **Julie James:** We're doing a lot of work through the regional learning partnerships to pull the microbusinesses and SMEs—the smaller end of the SME market—into the Government consultations. It's obviously very difficult to contact all of the microbusinesses in Wales—that's a very large number of people—so that's why we've regionalised it in that way and the regional learning partnerships are tasked with getting out there and getting their employer base engaged. We're happy that that's ongoing. The regional learning partnerships haven't been operating that long. The north Wales one is in better shape than the other two because it's been going longer and it's had more drive as a result of its longer timescale. But the others are there. They've all submitted their plans to us, I think by March this year, which we're now looking at. So, we're happy that that's going along, but it's not the end of the story and they're still gearing up, so we are expecting more from them. We can always do more with communication, and I'm very happy to take—if the committee wants to have a look at that—that on board. I don't think you can ever do enough communicating in this regard, so I'm happy with that.

[42] In terms of the resistance, I don't think there is resistance as such. My own view is I haven't yet met an employer who thinks that they ought not to have to pay something towards the training of their own staff. Actually, in some instances, where the Government has provided 100 per cent funding, we've done it on the basis of set courses, which are not necessarily tailored towards the exact needs of the employer. So, there have been instances where employers will send their people on the course, but because it's broadly in line with what they wanted rather than their specific training plan.

[43] Through the regional learning partnerships we're going to look at putting some Government money into assisting small companies and microbusinesses with putting a business training succession plan in place, and how that works. Again, it's not part of the co-investment agenda, really, but part of our overall agenda is to make sure that the lifestyle companies that, in Ceredigion and Pembrokeshire, for example, are the engine of the economies in those areas, have succession plans in place, so that when people come—they have a perfectly good family business, it only supports their family—to retirement age, they don't have any way of selling it or passing it on, and we need to make sure that we are addressing some of those needs. Much of that is about training, and it's not just training on the job; it's business training, if you see what I mean. It's not—. I don't know, to pick a company—if you run a coastering company, it's not training in coastering; it's training in how to run your company. So, we're targeting that.

[44] But, I would also say that I haven't met employers that were resistant. Obviously, employers would like us to take longer to do it and pay more of a percentage at first, but we are where we are, and we haven't got any more money, so that isn't an option for us. Actually, the vast majority of employer organisations that we speak to are very keen on this, including the Federation of Small Businesses. I think you had Scott Waddington at your business breakfast, and he's very much an advocate of it. Actually, the people at the vocational qualifications awards on Tuesday were also all advocates of the co-investment because they see it as their chance to shape our policies in a way that they wouldn't if we were funding it directly.

[45] **Mohammad Asghar:** Finally, the impact on different sectors will vary significantly again. For example, the health and social care sector has a heavy emphasis on level 2 qualifications, and an older people workforce, often in part-time or low-paid jobs. That will create some sort of—

[46] **Julie James:** For health, social care and early years we've got transitional

arrangements, which I think Rachel could probably tell you a little bit more about, if you want some more detail. We understand, and we have transitional arrangements over the two year, two-and-a-half-year period for that. We've also put additional funding into that area, and that's on a 70:30 per cent basis, so we pay 70 per cent and the employers pay 30 per cent. We've also tried to target that on high-level qualifications, because one of the problems that we all know about in social care is the low status that workers in social care often have. So, actually, we want to use our Government money to drive some change into that sector. Because I don't know about you, but if I end up in a residential care home, I want to be there with staff with proper career paths, who have a proper way of learning, and not with a rapid turnover of school leavers on minimum wage, which is what some of the worst employers have.

[47] We have many examples in the health and social care sector of nursing residential homes that invest heavily in their staff, and as a result of that have very low staff turnover. I was actually up at one in Anglesey the other day—I know that Rhun and I have discussed it already—an exemplar employer in every way, with only about 2 per cent turnover in their staff as a result of the training that they've put in, co-investing with us. So, it can be done, and we will be using those exemplar employers to help the rest of the sector come up to speed. If you'll indulge me, Chair, I'll just say that the map that we talked about earlier will be important here, because it's not only our money that goes into that, health itself puts a lot of money into that as well. So, it'd be useful for the committee to see the spread of Government funding that goes into that area. We have similar provision in early years, which is again a heavily female, older workforce, actually.

[48] **Mohammad Asghar:** This is another point I was going to raise, Minister: the gender balance when investing in skills. Have you ever thought about our women getting the same sort of skills, equal to the men? The pay sector is already there, and the employers are very well informed, and the equality agenda is already there, and that should be maintained before any sort of assistance is given for training or skills.

[49] **Julie James:** Well, if you look at the high-level figures for gender and the access for skills, they look okay, actually—it's about 52 per cent female, 48 per cent male for access to our programmes. So, at first sight, you'd think that was fine, but when you go down a level, you discover of course—and none of you will be surprised at this—that the women are heavily in social care and early years caring professions, and the men are heavily in engineering, construction and so on, nor will the committee be surprised to learn that those sectors don't have equality of pay, parity of esteem, or anything else. So, we are putting a lot of work into discussing gender alignment inside those industries to get both more men into care and more women into engineering and construction. Again, Chair, time will not permit me to go on at great length, as you know, about how very deeply we feel the need to do just that.

[50] **Mohammad Asghar:** Thank you.

[51] **William Graham:** Rhun.

[52] **Rhun ap Iorwerth:** Just to go back a little bit to the nervousness of employers in engaging, cost obviously is an issue. One of the matters that came up in our group this morning was that, perhaps, there should be a way to be a little bit more sensitive to the abilities of different companies to stump up the cash, if you like, for training—means-testing businesses, in a way, to see if there's a way, either sector by sector or by size of business, to tailor, if you like, the ask of them to their ability to pay.

[53] **Julie James:** Well, I see where you're trying to go with that, and obviously each business negotiates with its training provider the exact package that they put together and so



on, but what we don't want to have is a system so bureaucratic—. I mean, frankly, for means-testing a business, I can't begin to think what the form would look like for that, and what would the cut-offs be—you have to have, I don't know, fewer than 10 employees? Would 20 part-time employees be enough? It would be a nightmare to administer and, frankly, I think large sections of our programme money would be taken up with administering a complex system of that sort. But, what we do is talk to the training providers about stimulating growth in particular areas, about assisting particular areas, so that negotiation can go on—one size just doesn't fit all—and we do that. So, we have priority sectors that we assist, and we have other programmes, not just the co-investment programme: we have the flexible skills programme and priority skills programme, which are directed at particular types of investment. We also need to support our anchor, regionally important companies, and we need to put the investment into Llangefni, for example, and all the rest of it. So, there are some complex patterns there, and we've decided, really, that to do it with the lightest possible touch is the way forward. So, what we do is we have discussions with the training providers, the regional learning partnerships have discussions with them and they reach a local agreement, effectively.

[54] **Rhun ap Iorwerth:** There was one specific concern in construction that we talked about this morning: that SMEs or smaller businesses in construction in south-west Wales in particular, working to pretty tight margins, would find it very difficult to make that investment, but the larger companies would be able to afford to keep their staff trained. The fear was that contracts would slowly but surely end up more in the hands of the larger companies, sending the smaller companies out of business. These were genuine concerns about (a) transition, yes, but also the longer term, too.

[55] **Julie James:** One of the conversations we've been having about things like that is the possibility of doing things like shared apprenticeship programmes, where you have perhaps a tier 1 contractor that organises it, but actually a lot of the supply chain contractors can then access the training from that. I think the committee knows that I recently visited the BMW factory over in Germany to have a look at some of the ways that the German arrangements work. There's no way we could duplicate it here for all kinds of difficult reasons, but one of the things that was very impressive there was the way that BMW themselves over-train. So, they train far more people than they need in order to supply their supply chain with apprentices and the chance to grow. And the supply chain are expected to contribute to that, and they have a very complex model of how they fund it, which I won't go into here, which wouldn't fit us at all. But, it's an interesting model and it actually isn't far off our shared apprenticeship model. Joyce Watson will know about the Valero model down in Milford Haven, Pembrokeshire; we have a very similar shared apprenticeship model there where the refinery trains more people than it needs in order to put its supply chain in a good position and have a shared apprenticeship programme. We also do it in construction; there was one in the Swansea region—I'm not sure if it's still running. So, we do have programmes that can assist with that.

[56] But, my last point on that is that, actually, a lot of those companies need to train but don't have the space or business knowledge to figure out how to do a cost-benefit analysis. And that's why I was saying in response to Mohammad Asghar earlier that some Government money will be put into assisting those businesses to put themselves in a position where they understand the impact of training or not training, and what it does to their companies.

[57] **William Graham:** Okay, thank you. Jeff Cuthbert and then Joyce Watson.

[58] **Jeff Cuthbert:** I'm very glad you mention the issue of BMW, because I was going to raise the matter of the anchor companies and the regionally significant companies, and how well they would work with us in terms of providing support for their supply chain, which would be overwhelmingly SMEs, so that the whole industry benefits

[59] And the other issue, then, is the training or the support in kind; for example, today, we were at Brains brewery in a training pub called the Crawshay Arms. Clearly, Brains have invested an awful lot of their money in terms of facilities to support their apprenticeships in catering and hospitality. Are you envisaging taking that into account in terms of the overall picture of co-investment, or are we really talking about cash?

[60] **Julie James:** Well, the answer is ‘yes’ to both of them. As I said, the training providers talk to the companies about what they want. I was also at Sony earlier this week, and they are just producing an apprentice line—they were just building it as I was there. So, that is a line where they can take their trainees and teach them on a line that isn’t producing the actual goods, and that has all kinds of benefits for obvious reasons: they don’t have problems with production rates falling on the actual line, the apprentice can learn in an environment where they don’t have to be terrified that they will wreck an entire machine if they press the wrong button, and all that sort of stuff. It’s part of the vocational qualifications job swap arrangements, so I job-swapped with one of the apprentices and I had to make sure at the end of it that her productivity bonus wasn’t affected because, I have to say, Chair, that I was not very good at the task that I was set to do. If you have the misfortune to buy the camera that I was set to test, I apologise in advance, because it was a much more complex task than you’d imagine. The young lady that was doing it had been there for three weeks, and in that three-week period had gone from not being able to do it at all to being so expert that she was beating the targets on the line; they have a target time to test each one in. So, it was very impressive. That company is investing heavily in that kit, if you like, and they train a lot of people. The Sony arrangements are that they have a lot of host companies inside there, and so on, but they also put the cash into it. So, they’re doing both because they’re a big company. A lot of the littler companies inside there will benefit from that in different ways. I don’t know if any of you want to say a little bit about it.

[61] **Jeff Cuthbert:** Would that be taken into account in determining co-investment? Would you say ‘Yes, you are co-investing; we recognise that’?

[62] **Mr Morris:** If I could just pick up on some of those points, we’re very keen to encourage a shared apprenticeship model and the over-training model, and so we work very closely with anchor companies and regionally important companies. If I can give you the example of Airbus UK, which provides a range of apprenticeship programmes up now to postgraduate level, and works in close association with its supply chain. We’ve been looking at the work that they’ve done in the south-west of England, where they’ve tiered their supply chain and they work actively with those supply companies to move them up the supply chain in terms of turnover, working to develop their workforce and the innovation capability. That’s why we’re very pleased that the regional learning partnerships have supply chain dimensions to them. That’s most developed with the north Wales economic ambition board, but the desire is not just to work to support the learners but to support the companies through the skills utilisation initiative that the Minister mentioned earlier, but also through this active engagement at regional level.

11:30

[63] **Julie James:** So, I suppose that the answer is ‘yes’, really, isn’t it? [*Laughter.*] We do take it into account, but it doesn’t mean—. It just isn’t a one size fits all.

[64] **Jeff Cuthbert:** No, it’s not the end of the picture.

[65] **Julie James:** No.

[66] **Jeff Cuthbert:** No, okay.

[67] **William Graham:** We've got just 15 minutes. So, just a very short question, Joyce, please, and then Oscar.

[68] **Joyce Watson:** The building construction industry already pay a training levy and they feel that they might be asked to pay twice for the same outcome. In terms of anchor companies in the construction industry, very often—and this leads us to tying up procurement, actually, with this—the big contracts are given to the big players, who immediately subcontract. So, how are you going to marry those things up? Clearly, procurement has to be what decides some of those things. Have you considered that?

[69] **Julie James:** Yes, we've been working on some of the arrangements with the finance Minister on procurement, and she's made a number of announcements recently about it. One of them is around the social clauses and skills and training clauses that go in there, but it's coupled with a desire to make sure that we do keep the SME market buoyant inside that procurement policy. So, there are a lot of arrangements about allowing people to club together to bid for a particular Government contract in the first place and not have to rely on the subcontracting chain, but also about the regulations that the Government puts in place about controlling the subcontractors so that, actually, the need to meet the social clause requirements, for example, is passed down through the contracting chain. So, the tier 1 contractor can't say, 'Well, we've done it and you don't need to do it further down'. Coupled with that, all of these shared apprenticeship models work very well in those circumstances, and we also work with the Construction Industry Training Board a lot to co-invest on apprentices and so on. We've been having a lot of discussions with the CITB very recently about how some of that will work. You'll know, Chair, that we've just consulted on all our apprenticeship programmes. We're obviously looking at realignment in the light of some of the discussions we've been having.

[70] **William Graham:** Oscar, very quickly.

[71] **Mohammad Asghar:** I think, really—[*Inaudible.*]—Minister, and thank you very much indeed. Any skill is a huge asset to an individual. If you went to BMW, one of their main objectives also is that once you get any skill or any training from them, there's a lifelong guarantee of a job. That is a fact. If you're going to go to the small and medium-sized companies here, what guarantees are there in Wales for people to get jobs for at least a certain period of time, and what criteria do you have to put people into certain fields, or professions, rather, to go into it and then help the employers?

[72] **Julie James:** Well, we're obviously not in a position to give people a guaranteed job for life. The German system is a very different system to ours. What we do know—and this is a lot of the information that we give the companies—is that companies that train their workforces have much more loyal company bases; they have much lower turnovers than anyone else. There is a wealth of statistics out there that shows that the more investment you put into your workforce, the more loyal it is, and the more likely it is to stay with you for longer periods of time. We will circulate the UKCES report, obviously, but one of the interesting things about that is the thing with older workers that this committee has asked me about on a number of occasions. There could be a perception that it's not worth training somebody who's older, but, actually, all the stats show that if you train a 50-year-old they'll stay with you for 15 years, whereas if you train a 25-year-old they still leave, because they're still looking for a bright career and so on. Older workers are more loyal. So, actually, it's a useful set of informations to drive some of the agendas that we've got. So, we use all of those tools to do that. Obviously, we're not in a position—. If a company needs to make its own contractual arrangements with its employees about how long they have to stay and all that sort of stuff, we don't have a view on that.

[73] **William Graham:** Keith, please.

[74] **Keith Davies:** Thank you, Chair. I'm going to ask you about the level of qualifications. I've got some statistics here on level 2, level 3 and level 4 in Wales. For example, in 2012-13, there were 23,000 level 2 apprentices, 18,000 at level 3, and only 2,700 at level 4. So, do you think this co-investment strategy will actually increase the number of apprenticeships we'll have at level 4? That's my first question. The second question is related, because you talked about the over-50s, but there's a big question about the over-25s, because, in your strategy, up to level 3 will be supported for people under 25, but, over 25, will those people actually suffer and will we have fewer people over 25 who'll get qualifications? The last one is that the whole purpose of the apprenticeship model that you're looking at now is to meet the needs of the Welsh economy. Do you think this will improve the status of apprenticeships and we'll get more level 3 and level 4 than we've had in the past?

[75] **Julie James:** So, the answer to your first question is just 'yes'. One of the things we're doing is directing Government funding at higher level apprenticeships, with a view to driving co-investment by the employers in those apprenticeships because, actually, we'll say 'Well, we'll fund part of this if you fund the other part of it. If you're only going to take on low-paid workers all the time, we're not going to fund that.' So, yes, we do expect to see that change, and indeed, I think we already are seeing that change in a big way. And that's the whole point of the strategy really. We are looking to be a knowledge economy. We know that the economies that work well on the global stage are high-skilled, knowledge economies. Every single employer in the tech area is talking to me about level 4 plus skills. They're assuming essential skills are there in the workforce; they are talking about level 4 plus without a shadow of a doubt. We've got apprenticeships in some of our anchor companies at PhD level and beyond.

[76] We are looking at redoing the whole apprenticeship model, and one of the things we want to do with that is address the status of it. One of the issues is what we call an 'apprenticeship'. So, in the health and social care sector, we often have something called an 'apprenticeship' which is actually a level 2 essential skills course, and I don't think that that's a very helpful label for that. There's nothing wrong with those courses, and we're very pleased to have them there, and the people who have them benefit hugely from them, but they're not apprentices. So, we need to have a scheme that works. The German scheme has a very set system that people understand, and for those of you who are old enough, like me, to be able to remember some of the old nomenclature, an HNC, an HND and so on, people understood that and understood what it was. So, I think we are, as a result of our consultation—I don't want to pre-empt it—looking at those status things very carefully because we want people to want to have an apprenticeship in the same way as they want a degree. So, that's very important.

[77] In terms of the under-25/over-25 issue, if you're going to do a high-level apprenticeship, you can be any age you like. So, there's no age bar on that. We're directing some of our apprenticeship things, which are lower down the scale, at under-25s because we're still talking about youth unemployment really, but we also will have Essential Skills in the Workplace still running through our regional learning partnerships and so on, so we're not taking that way; it's just restructured. So, I say this constantly: unless the programme says specifically that it's aimed at a particular age group, which only a few of them do, all the others are all-age, so there's no bar on you. If you want to do a PhD and you're 50 and you can get yourself onto that framework, that's fine with us—well, in fact, we'd be delighted.

[78] **Keith Davies:** Thank you.

[79] **William Graham:** Rhun.

[80] **Rhun ap Iorwerth:** Most of the issues that I wanted to cover have been covered already really, but to just mop up perhaps a little bit, you've talked about the gender issue, and I happened to lead a debate here in the Assembly yesterday on making sure that women can play a full role in the economy, and skills was one of the issues discussed. Are there any other areas where you perhaps think there may be some unintentional effects on gender balance through the changes that you're introducing?

[81] **Julie James:** We know that some of the work-based learning is aimed at part-time workers and we know that they're mostly female. So, there has been an effect on that, but we're working very hard through the regional learning partnerships to make sure that we fill that gap. But we've also got a number of other projects across Government, so this map is going to be very useful for you, but I know you're aware of them. So, for example, we fund Chwarae Teg Agile Nation in part, and they've done another European social fund project for Agile Nation 2—I can't remember if it's on-stream already, but it's on its way—which particularly assists women to further their career. There's another one called WAVE—Women Adding Value to the Economy. Again, I was handing out prizes—. I seem to hand out a lot of prizes in Wales, which is a really good indication of how healthy the system is actually, and I want to take this moment to mention that we have got four competitors into WorldSkills, which is amazing for a country of our size, and those young people are really inspirational. But that project, for example, was aimed at individual women who self-identified to the project, who were from all walks of life. I sat at a table with a lady who is a site manager for a small construction firm and another one who had been an administrator in a company but was now a web designer for the same company. They were just self-identifying people who had an interest in going forward and needed a lot of different skills—business skills, mentoring skills, leadership skills, but also specific computer skills and so on. So, it was a wide-ranging project. So, we do fund other things of that sort for people who just self-identify as wanting that assistance. And, you know, a lot of people in the economy are prepared to self-identify in that way, and there's nothing wrong with that. We do make those programmes available. I'd like to do a lot more of them, but we have a funding difficulty.

[82] **Rhun ap Iorwerth:** Yes, and I guess a lot of the proof of the pudding will be in the eating in that we'll see what effects the change has, I suppose, on gender balance.

[83] **Julie James:** You can see the effect on the NEETs falling as well. I hate that term, but, for people not in education, employment or training, our stats are now amongst the best in Europe at 8.1 per cent. I mean, it's amazing.

[84] **Rhun ap Iorwerth:** The other one, just picking up on the point that Keith made earlier, is that you stressed that there are still plenty of opportunities for older people in the new structures, but there's clearly a difference in emphasis in what we're talking about in focusing on young people. Could that have, again, an unintended effect with employers not wanting to concentrate so much on improving the skills of older people in the workforce, for example?

[85] **Julie James:** We don't think so because, as I said, if you're going for improving skills at level 3 and up, then you can be any age you like. The only ones that are targeted lower down are the apprenticeships, which are sort of start-ups. I think, again, what's your image of an apprentice, you know? We've had a system where a large number of our apprentices are over 25, and we've had a big youth unemployment problem. So, I make no bones about the fact that we've concentrated on that, and it's working. Again, as I always say, we concentrate on getting people into a job in the first place. So, obviously, once they're in a job we want to keep them there, we want our economy to grow and so on, but, given that we are in a situation where we don't have enough funding—. I won't make the political point I always make about this not being a choice that I would have made, but we are where we are. So, we've concentrated on getting people economically active in the economy for obvious

reasons, because, once they're there, the economy picks up and it's its own engine.

[86] **William Graham:** Joyce.

[87] **Joyce Watson:** Just to further explore—what are we talking about? We're talking about apprenticeships, we're talking about skills. Do you think we ought to have an agreement—call it what you like; a contract—between the employer, because they're now going to pay, the training body and also the recipient of that training? I only say this because I've had some evidence that that would be a good thing to have for all concerned, so that we can tie up exactly the use of money in a way that people clearly understand their role within it. So, that's one question I'd like to put to you.

[88] The other question—. There was a wonderful announcement this morning. I'm sure it's going to save lots of money and cause huge grief, because the working tax credit, according to the Tory announcement this morning, is being taken back to the levels of 10 years ago. Now, we don't have any control over that, but what it means is that those people who are in work—because we're talking about working tax credit—but who want to access training above level 3 and might be asked to contribute towards it are going to be really stuck. These are the people who, if they could get to level 4, would have an opportunity to leave benefits behind, because that's what they're aiming at. These are your aspirational people—not that people aren't aspirational, of course they are. How are we going to cope with that, especially with the announcement that has just been made this morning?

[89] **Julie James:** On your first point, I think that's an excellent idea and I will take it away and, in the context of our apprenticeship programme, we'll have a look at that. I think there is a case for looking very carefully at making sure that people in that programme understand how it works and what can be expected of them and of their trainer and employer. That actually becomes a self-perpetuating system because, if they understand it thoroughly, they'll be able to repeat it once they're qualified and so on. So, I'll take that suggestion away, Joyce. It's a very good one, I think.

11:45

[90] On the working tax credits and the whole benefit system interaction, we are talking to UK Government offices about the impact on some of the ways that the benefit system works with our programmes. There are a number of areas of concern. One of them, for example, is that, if you do take an apprenticeship, which is paid at a fairly low rate, it is expected that your family is continuing to look after you, and, if your family's on housing benefit, its housing benefit will be cut. So, it can have very unintended consequences on a family's ability to continue. So, we are having discussions all the time with the Department for Work and Pensions and various other people. We're also in discussions, as you all know, about the Work Programme and how that works, interaction and the further devolution and so on. As we've got more information, Chair, I will share it with the committee.

[91] **William Graham:** Thank you very much.

[92] **Joyce Watson:** Thank you. Because that's not building aspiration, is it? The other thing that has been talked about this morning, particularly, was private training providers being in flux. We will be depending on them over this two-year period. The fear of a moratorium or, even worse, the release of those providers who are currently in the market delivering good training models letting people go, if you like, for fear of the next phase not working: have you had any evidence that that might happen?

[93] **Julie James:** We had lots of discussions with the private sector training providers, and, indeed, with the FE colleges and so on, about this. The private training providers are, of

course, businesses. Some of them don't have business models that are entirely fit for purpose either. So, for example, it's obvious that those colleges and private sector training providers who've maintained a marketing capability and who have a business advisory capability—so, when they're talking to their potential employers about the co-investment and so on, they have the people who are going to have those conversations and take that forward—are doing better than the ones who don't have that capability and who have been simply saying, 'We have this available; would you like it?' So, you know, there are some issues there. Again, we know that there are conversations in the sector about amalgamations and all the rest of it, and that's bound to happen when you have this, but it's a business in the end, isn't it? So, you have to be fit for purpose. This is a culture shock for some of our businesses, but I think it's a culture shock that we must help them face, because what's the alternative? We cannot possibly continue to 100 per cent fund it. I've only been in this post since last September but, frankly, I've never thought that 100 per cent Government funding for training is a good idea anyway. Because my own view, having been in a private business myself for years, is that people value something that they can shape and that they put their own efforts and time into rather more than they value something that's given to them for nothing.

[94] **Joyce Watson:** That seemed to be. There was consensus in the room this morning for the change, you know, because it'll be meeting the needs of the industry, whatever that industry might be. In terms of the collaborative approach, because this is what this is, and shared apprenticeships is but one, there is at the moment a £3 billion potential Work Programme in Wales coming fast-tracked down the lane, so to speak, and the need to prepare for that now is immense, quite frankly. So, the question that was raised at the table that I was at was: how is this going to aid that preparation, because this is two years down the line, and, you know, are we going to be in a good place for those huge contracts that will shortly be coming before they arrive?

[95] **Julie James:** We've been in conversation with the UK department about this for a very long time. I know you've all heard me talk about it before, but Huw's the official that's actually been doing it. So, if I get him to tell you where we are, that would be—

[96] **Mr Morris:** If we're talking about the Work Programme from the DWP, we're expecting that contract to be re-negotiated for the end of 2017. We work very closely with the DWP, Jobcentre Plus and the Wales Office to make sure that the next scheme co-ordinates very effectively with the range of things that are on offer from Welsh Government.

[97] **Joyce Watson:** I think we're actually talking about the barrage, the road-building programme, maybe some investment in Anglesey—

[98] **Mr Morris:** The national infrastructure plan outlines all of the things that are happening. So, through the regional learning partnerships and CITB, we've been doing forecasts of the staffing requirements in different phases of development. We have also earmarked significant sums of money for work in particular locations, whether that's Wylfa Newydd, the tidal lagoon in Swansea or the motorway extensions and rail electrification in south-east Wales. So, we have a very strong focus on those activities because we believe that, if the planning isn't done in advance, the skills may not be there. But also there is a danger that we will suck in large numbers of people from other parts of the UK and Europe that may not add, in the longer run, to the skills mix of Wales.

[99] **Joyce Watson:** Indeed. Finally from me, it might be worth thinking about a 1 per cent, or some per cent, procurement levy within that, so that, ahead of the game, you've got some money from business to train and maintain the staff that will be required.

[100] **Julie James:** The issue of levies is not off the table. It is something that we're still considering alongside a large number of sector skills councils and trade organisations and so

on. Depending on which sector you're talking about, they are either used to the idea and like it, or hate the idea and don't want it. So, there is not a universal view of that across the piece at all. But we have neither ruled it in nor ruled it out. Part of it will depend on what they do themselves and whether we need a lever to sort of force the issue or not. Again, in some sectors, there's a well-developed process for supply chain working and in others there isn't. My colleagues from DEST—the Department for Economy, Science and Transport—who obviously aren't with us today, work very closely with all of the supply chains for all of the big infrastructure projects, and we work alongside them in those taskforces. So, we are not only talking about skills supply; we are talking about people supply as well, and placement and so on. We are very plugged in to all of that.

[101] **Joyce Watson:** Good, thank you.

[102] **William Graham:** Thank you very much, Minister, for your and your officials' attendance today. Most grateful.

11:52

### **Papurau i'w Nodi Papers to Note**

[103] **William Graham:** Could I ask Members just to note the paper on the city regions?

[104] **Joyce Watson:** Yes. I read it with interest.

[105] **William Graham:** Thank you very much.

### **Cynnig o dan Reol Sefydlog 17.42 i Benderfynu Gwahardd y Cyhoedd o'r Cyfarfod**

### **Motion under Standing Order 17.42 to Resolve to Exclude the Public from the Meeting**

*Cynnig:*

*Motion:*

*bod y pwyllgor yn penderfynu gwahardd y cyhoedd o weddill y cyfarfod yn unol â Rheol Sefydlog 17.42(vi).*

*that the committee resolves to exclude the public from the remainder of the meeting in accordance with Standing Order 17.42(vi).*

*Cynigiwyd y cynnig.  
Motion moved.*

[106] **William Graham:** I propose to you a motion under Standing Order 17.42 to resolve to exclude the public from the remainder of this meeting—agreed, thank you very much. Our public meeting is now closed.

*Derbyniwyd y cynnig.  
Motion agreed.*

*Daeth rhan gyhoeddus y cyfarfod i ben am 11:52.  
The public part of the meeting ended at 11:52.*