

SOUTH EAST WALES REGIONAL COMMITTEE

POST-16 EDUCATION AND TRAINING: PAPER FROM THE FEDERATION OF SMALL BUSINESSES WALES

Background:

1. Education and Training in general is very much an issue in Wales, particularly following the findings of the *Future Skills Wales* survey and the *Education and Training Action Plan for Wales* consultation document.
2. Both outline the current low level of skills within Wales' workforce, and point specifically towards the need to undertake greater consultation with the business community in future efforts to improve the content and form of training for both employees and employers.
3. The influx of multi-national companies to Wales has left a severe shortage of skilled workers in the small business sector. Small firms are being priced out of the market when it comes to hanging on to workers as companies such as *LG, Panasonic, Ford, and Sony* poach their best staff. This means it is becoming increasingly harder for small businesses to expand.
4. Many employers complain that the quality of school-leavers is so low that many do not possess even the most basic numeracy and literacy skills. Also, due to the policy of many companies to retire people too early, there are no longer the sort of experienced workers around needed to train young people in the workplace (*Employers Forum on Age*; 1999).

Problems:

5. The 1996 Welsh Employer Survey showed 13 per cent of employers had experienced 'hard-to-fill' vacancies during the previous 12 months, many of these being smaller, lower-skilled businesses. A survey by *Lloyds Bank* showed that nearly half of all small companies have trouble keeping people (May 1997). More than two-thirds are predicting a skills shortage over the next three years. The problem is worst in manufacturing firms such as food, drink, leather goods, and plastics companies.
6. Employing graduates can also be a problem for small firms, as they are inclined to change jobs frequently. Research sponsored by a consortium including *PA Advertising* and the *Institute of Personnel and Development* (July 1997) estimated that one third of graduates

move on to another job in the first three years after joining a company. It estimates that this could currently be costing UK employers some £300 million in lost recruitment and training costs.

7. There are too few in business with higher management skills and that there is an increasing need for people to acquire management skills on top of their professional or job specific skills.

8. Businesses with very few staff can find it particularly difficult to continue to develop their skills and maintain competitiveness in the face of rapid industrial change and new skills needs. The *Rural Wales Labour Market Assessment* (1998) concluded that growth in the economy will depend very much on the availability of qualified and skilled managers to lead growth.

9. Future prosperity also depends on having a highly skilled, flexible and motivated workforce (*Labour Market and Skills Trends* 1997/98). By extending individual skills levels employees in small businesses will perform more efficiently. The *Labour Market and Skills Trends* survey 1997/98 revealed that only 22-24% of employers had received advice and training in the development of the skills of their workforce. In the development of the business and management skills of senior employees, only 17% of employers had received advice in improving customer care, and only 16% on improving marketing.

10. There is also a growing problem of a lack of suitably skilled workers for small businesses. A *NatWest/Small Business Research Trust* survey (February 1998) identified that Wales had an employer training rating of just 11.7%, the third lowest in the United Kingdom.

11. Welsh Office statistics (July 1996) shows that only one third of businesses with 2-4 employees provided training over a 12 month period whereas 99% of companies with 100 or more employees provided training in the same period. This indicates that micro businesses in Wales are falling behind skills training and are lagging behind in competitiveness.

Solutions:

12. In order to improve the employability of young people by equipping them with the basic and key skills that employers demand could a *Diploma of Achievement* as part of GCSE studies should be introduced. Such a scheme has been a success at Malvern College in Worcestershire where, introduced at A-level, it has been dubbed an 'A-level in common sense'.

13. The Diploma aims to equip sixth-formers with life skills and, particularly, communication skills. Pupils learn how to draw up a balance sheet of income and expenditure, and how to conduct a time audit as part of their work on time management. Under the heading "survival", pupils learn DIY, basic car maintenance, first aid and cooking. To pass the diploma, students must have covered four categories, including two that focus on communication. They also spend two double periods per week on topics such as mortgages, rent agreements, handling

stress, and teamwork.

14. Such a course would be invaluable in offering the sort of basic life skills that are missing from many new employees entering the workplace for the first time from school or college. Other such courses need to be introduced, such as the creation of Mini-Society schemes.

15. We also need to create *Industry Training Committees* for different sectors of the Welsh economy. These would contain representatives of employers and unions who would advise the National Assembly on skills needed and wages that should be paid in order to encourage people to work in particular sectors such as electronics, communications, tourism, etc. These should work closely with schools, colleges, universities, and the Careers Service.

16. Therefore a training package specifically targeted at training business owners and their key employees should be developed and mass-marketed to the SME sector. It should be a 'package' approach of training proposals to suit individuals' business or personal preferences.

17. The programme should be designed to provide skills transferable right across the economy, and not limited to just one sector.

18. The increase in skills demand is not restricted to specialist skills in specific jobs. New work practices and the introduction of new technology are leading to jobs which cut across old boundaries and demand a broader range of skills. Communication skills, customer care and team building are becoming top priorities for training – something borne out by the FSB/Cardiff ITEC survey.

19. There is also a need to tackle the shortage of higher level graduate skills in SMEs. The *Cymru Prosper Wales* Programme operates in response to a perceived need to increase the competitiveness of Welsh small and medium sized companies (SMEs) by encouraging them to use more graduates, and as a result to encourage more Welsh graduates to consider careers in the SME sector.

20. The scheme is based on work placements with SMEs for both graduates and undergraduates. The core of each placement is a project designed to produce a positive outcome for the host company. The type of projects encompass areas such as engineering/production/manufacturing; IT; environmental; business administration; finance and accountancy; training; marketing, and public relations. Placements are very clearly not intended to be at a low level or to provide, for example, holiday cover for the host company.

21. Recent performance indicators show that Glamorgan University, for example, had performed well to meet the targets set. A short term measure of success is the number of graduates who subsequently enjoy long-term employment as a result of the scheme. Nationally, the Programme is targeted to achieve longer term employment opportunities for 60% of its graduate places. The University of Glamorgan has achieved a success rate of 90% and 92% in contract years 1996/1997 and 1997/1998.
22. At present, there is a plethora of schemes whose purpose is to build stronger links between students/graduates with the small business community, and needless to say, there is now a situation where duplication has come to the fore.
23. The Wales European Taskforce is right to point out specifically to the role of Cymru Prosper Wales in *"increasing the level of technology and engineering graduate employment within organisations especially SMEs."* (East Wales Objective 3 – Operational Programme for the Period: 2000 – 2006).
24. The scheme itself offers the inexpensive and valuable knowledge and transferable skills which graduates possess. It is a real opportunity for employers to explore an area which was previously impossible due to lack of time, financial constraints and, in some instances, expertise. Adding to this is the long-term effect of increasing graduate awareness of the role of SMEs in the national economy. Fostering this knowledge among graduates will potentially encourage an enhanced culture of entrepreneurship, a greater percentage of small business start-ups, and higher survival rates for newly formed companies.
25. A significant constraint on the Cymru Prosper Wales Programme is the apparently limited funding it presently receives. If increased government concentration is to be on the importance of indigenous businesses within Wales, the Cymru Prosper Wales scheme should be developed further and its funding put on a more stable footing, with the aim of getting more graduates working in small businesses.
26. *Apprenticeships* need to be re-evaluated and re-emphasised to businesses as they are still widely regarded as trusted methods of training by small businesses and, moreover, are understood by employers. Apprenticeship schemes should be organised along set guidelines, in co-operation with the education system, employers and unions.
27. An apprenticeship scheme along the lines of the one operating in Ireland, which is internationally recognised, should be investigated where the apprentice is released for off-the-job training and receive a training allowance from *FÁS* (Ireland's version of our TECs), rather

than wages from an employer.

28. The curricula for this apprenticeship are uniform, pre-specified and industry agreed standards, being written by subject matter experts nominated by employers, trade unions, FÁS, and the *Department of Employment*. This ensures that apprenticeships meet the current and future needs of Irish industry.

29. The current *Small Firms Training Initiative* needs to be restructured and then marketed to enable SMEs to improve their competitiveness in national and international markets. It should specifically seek to improve the skills of employees at all levels within the company – from the operatives to management.

30. The scheme needs to be particularly targeted at firms engaged in the manufacturing industry and internationally-traded services. Companies would need to be required to provide evidence that the training need is clearly identifiable. Ideally, the proposal should be incorporated into a formal business plan or strategy – using a Business Development and Training Plan Framework.

31. As part of this new Small Firms Training Initiative, grants should be approved for the development of personnel at all levels and all occupations, but especially in the following key priority areas: Strategic Planning; Technology; Productivity; Marketing Languages; Management; Information Systems; Quality Service; Finance.

Federation of Small Businesses Wales June 2000