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Enterprise and  
Business  
Committee  
Discussion on  
Welsh  
Government Co-  
investment in Skills  
Framework

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FSB Wales  
Response

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4 June 2015

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## **Co-investment in Skills Framework FSB Wales**

FSB Wales welcomes the opportunity to present its views to the Enterprise and Business Committee's discussion on the Welsh Government's Co-investment in Skills Framework. FSB Wales is the authoritative voice of businesses in Wales. With 10,000 members, a Welsh Policy Unit, two regional committees and twelve branch committees; FSB Wales is in constant contact with business at a grassroots level. It undertakes regular online surveys of its members as well as a biennial membership survey on a wide range of issues and concerns facing small business.

### **Small Businesses and Skills Provision**

FSB Wales supports the Welsh Government's drive to ensure a financially sustainable skills system in Wales, and in seeking to ensure a balance between government, employer and individual responsibility for skills development. Research undertaken by FSB at a UK level<sup>1</sup> shows that small businesses are most likely to employ those that are furthest away from the workplace. As a result small businesses have the potential to contribute significantly to employment opportunities for vulnerable groups. Our latest survey of members has shown that 42% of FSB Wales provide formal/paid for training that leads to accredited qualifications; 21% members provide formal/paid for training that does not lead to accredited qualifications; and 70% of our Wales members provide informal on-the-job training that does not lead to accredited qualifications<sup>2</sup>.

### **The Co-investment in Skills Framework**

We welcome the Welsh Government's position that government-led investment will continue to fund apprenticeship provision at level 3 and below for under 25s; higher level apprenticeships; support for up to level 2 in literacy, numeracy, and ICT; Welsh for adults; and provision for learners with learning difficulties and disabilities. We believe it is critical to continue to prioritise apprentice training over other forms of technical training, as it continues to provide the important link between training and employed status. FSB Wales believes that general education up to and including level 3 should be a priority for government support. It is fundamental that businesses are not left to pick up the costs of remedial education around basic skills, and although we welcome Government's comment to continue to fund up to level 2, it should do so up to and including level 3. It is vital that well-meaning aspirations do not come at the expense of a solid basic foundation.

The continued provision of apprenticeships is highly important to Wales' SME sector as it is a critical part of achieving a well-trained workforce. As we said in our response to the Welsh Government's consultation *Aligning the Apprenticeship Model to the Needs of the Welsh Economy* in April this year, we are concerned that the Welsh Government chose in its last budget to scale back funding for the Young Recruits Programme. The Programme provides important support to businesses, including the cost of recruitment and a wage subsidy. A number of Wales' anchor companies have been able to access support from Welsh Government for their apprenticeship programmes, but the reduction of the Young Recruits Programme may mean that SMEs across Wales are not able to attract Welsh Government funding in this respect.

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<sup>1</sup> FSB (2012). *Back to Work: the Role of Small Businesses in Employment and Enterprise*.

<sup>2</sup> FSB Wales Members Survey (2014). Base 282.



### **Small Business Co-investment**

Depending on the pricing structure, which if set too high could be prohibitive to small businesses, co-investment would add a welcome commercial imperative for qualifications to provide a return on investment, such as improvements in productivity for businesses choosing to invest in them. The importance of business size should be fully considered, however, when determining expected employer contributions. Fixed costs are often disproportionate for SMEs and micro firms in comparison to larger businesses. The Welsh Government should undertake a risk assessment of the impact of pricing so that it does not prohibit small firms from participating in work-based learning.

Market intelligence should inform areas of additional investment by Welsh Government, including areas of remedial action where the market could not reasonably be expected to deliver the necessary investment in skills levels. This market intelligence should include an assessment of needs and opportunities of local distributed economies across Wales, not only those of targeted growth industries located in Wales' city region areas.

FSB Wales believes that above level 3 there should be an expectation on the individual as well as employers and the government to contribute toward funding qualifications. This is consistent with the current model used in HE. We do, however, have concerns that employers will be expected to fund apprenticeships up to level 3 for those aged 25 and over. Without Welsh Government support many small businesses will be unable to take on apprentices aged over 25, this could mean that important return to work opportunities for this age group will no longer be available.

Whilst we agree with WEFO's expectation that ESF-supported activities should be used to stimulate employer demand for skills, we are concerned that attempts to incentivise employer or participant contributions in this respect may lead to a reduction of Welsh Government's own commitments. As stated above, many small businesses will be unable to contribute to co-investment if contributions are calculated on a flat scale, rather than in relation to size of business.

### **Skills Performance Measures**

The Welsh Government has stated that its investment decisions regarding what businesses it will support will be determined by its Skills Performance Measures (i.e. level of skills investment being made by employers, form of training and volume of employees being supported). These Measures will be used in reviewing the impact of the Government's investments on basis of increased productivity, reducing the level of employer use of Government funding, equality issues, and maintaining Wales' international competitiveness. FSB Wales also believes, however, that an additional consideration should be rebalancing economic growth across Wales, as well as more traditional issues around the agglomeration effects of supporting economic growth in Wales' city regions. Likewise, it is important that the definition of 'occupationally specific' is open to scrutiny, and is open to a wide range of skills to reflect the changing nature of employment and skills requirements across Wales.



### **Federation of Small Businesses Wales**

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### **The Federation of Small Businesses Wales**

The FSB Wales is non-profit making and non-party political. The Federation of Small Businesses is the UK's largest campaigning pressure group promoting and protecting the interests of the self-employed and owners of small firms. Formed in 1974, it now has 200,000 members across 33 regions and 194 branches. FSB Wales currently has around 10,000 members, a Welsh Policy Unit, two regional committees and twelve branch committees meaning FSB Wales is in constant contact with small businesses at a grassroots level in Wales.

### **Lobbying**

From the Press and Parliamentary Affairs Office in Cardiff, FSB Wales campaigns with AMs, MPs and MEPs in Cardiff Bay, Westminster and Brussels in order to promote our members' interests. FSB Wales also works closely with local, regional and national media outlets to highlight our members' concerns. Development Managers work alongside members in our regions to further FSB Wales influence at a regional level. More widely, the FSB has Press and Parliamentary Offices in Westminster, Glasgow, Belfast and Brussels to lobby the respective Governments.

### **Member Benefits**

In addition, Member Services is committed to delivering a wide range of high quality, good value business services to members of the FSB. These services will be subject to continuing review and will represent a positive enhancement to the benefit of membership of the Leading Business organisation in the UK.

### **Vision**

A community that recognises, values and adequately rewards the endeavours of those who are self employed and small business owners within the UK.

The Federation of Small Businesses is the trading name of the National Federation of Self Employed and Small Businesses Limited. Our registered office is Sir Frank Whittle Way, Blackpool Business Park, Blackpool, Lancashire, FY4 2FE. Our company number is 1263540 and our Data Protection Act registration number is Z7356876. We are a non-profit making organisation and we have registered with the Information Commissioner on a voluntary basis.