



**Developing the Network to Deliver Excellence in Vocational Skills**  
Datblygu'r Rhwydwaith i Gyflawni Rhagoriaeth mewn Sgiliau Galwedigaethol

**Submission to the Enterprise and Business Committee's  
Discussion on the Welsh Government's Co-investment in Skills  
Framework**

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## **Introduction**

1. The National Training Federation for Wales (NTfW) is a membership organisation of over one hundred organisations involved in the delivery of learning in the workplace. It is a Wales wide representative body for all those organisations or individuals involved in the training industry. Members range from small specialist training providers to national and international organisations, as well as local authorities, further education institutions and third sector organisations.
2. The NTfW represents the interests of learners, employers and learning providers across Wales and aims to inform them about all aspects of the education and training agenda.
3. Members work across Wales in rural, urban, bilingual and Welsh medium settings, and have strong links with over 35,000 employers across Wales ranging from micro and small enterprises through medium sized companies to large multi-nationals and public sector organisations.
4. The NTfW maintains close working relationships with Welsh Assembly Members, Welsh Government Ministers, the Department for Education and Skills (DfES), Careers Wales, Jobcentre Plus and other key stakeholders with an interest in employability and skills provision.

## **Aim**

5. The aim of this Submission Paper is to provide evidence to the Enterprise and Business Committee to inform their discussion on the Welsh Government's Co-investment in Skills Framework.

## **Background**

6. All providers who are commissioned by the Welsh Government to deliver work-based learning (WBL) programmes in Wales are Members of the NTfW. Work-based learning covers a number of employability and skills programmes within Wales, but the focus of this submission is on the Welsh Government's flagship Apprenticeship Programme.
7. All elements of the work-based learning provision in Wales are part funded by the European Social Fund, through the Welsh Government.

## **Apprenticeship Programmes in Wales**

8. It is worth noting that during 2012/13 some 47,135 apprenticeships (inc. Foundation Apprenticeships, Apprenticeships and Higher Apprenticeships) were undertaken by some 44,820 individuals. Of these apprenticeships, some 22,015 (47%) were at level 3 or above. It is widely recognised that Wales has one of the most successful apprenticeship programmes in the UK, and this is supported by the fact that over the same period, framework success rates were 87 per cent and 85 per cent in Apprenticeship and Foundation Apprenticeship programmes respectively (72 per cent and 73 per cent respectively in England)

## Context

9. The WBL sector is very diverse and NTfW have encouraged members (and their employers' networks and apprentices) to make their own individual submissions containing their own particular perspectives in addition to any comments forwarded to the Federation for inclusion in this overall response.

10. This response has been drawn up in consultation with the NTfW Executive Board, and it is felt that it is a true reflection of the views and opinions of all our members.

## Introduction

11. NTfW shares the Welsh Government's view that if Wales is to close the gap with other parts of the UK in terms of employer investment in skills, it is important that we take steps to ensure that more employers are investing in the skills of their workforce. This is particularly important when you consider the latest UKCES Survey<sup>1</sup> outlines that in 2014 only 67% of all employers in Wales provide training for their staff (down from 72% in 2012)

12. Although there has been a decrease in the overall number of employers in Wales who provide training for their staff, over the same period, there has been an increase (+2%) in the number of employers who have or offer apprenticeships. Looking further forward, the same survey identifies that 29% of all Wales employers are looking to offer formal apprenticeships in the future.

13. It is clear from the above, that Welsh employers see apprenticeships as a cost-effective way to develop their new and existing workforce.

14. NTfW would ask the Committee to urge the Welsh Government to consider the employer landscape in Wales, when looking at any options for co-investment. Wales is predominately based on a micro-business and SME economy, and as such, any significant changes to the way that skills training is currently funded needs to be carefully thought through, and robustly piloted, before any wholesale changes are introduced.

15. Within Wales there is a clear socio-economic agenda, which aims to see social mobility across all areas of Wales. Apprenticeships, linked to other Welsh Government policies aimed at tackling youth unemployment, are an ideal vehicle to drive this agenda, along with economic growth.

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<sup>1</sup> UK Commission for Employment and Skills (UKCES) (2014) 'Employer Perspectives Survey 2014'  
[https://www.gov.uk/government/uploads/system/uploads/attachment\\_data/file/415893/EPS\\_2014\\_Wales\\_Slide\\_Pack\\_FINAL\\_for\\_web.pdf](https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/415893/EPS_2014_Wales_Slide_Pack_FINAL_for_web.pdf)

**To what extent will the policy of co-investment help to meet the Welsh Government's aim of “ensuring that Wales develops a competitive edge in mobilising a productive and skilled workforce”?**

16. NTfW feels that if employers are contributing to the cost of education and training of their workforce, then we should see increased performance levels and visibility of the programmes available. In addition, an increased contribution by employers and individuals should assist all parties in raising the ‘parity of esteem’ between vocational and academic qualifications.

17. Another recognised positive, is that in the event that employers co-invest in apprenticeships, the natural next step will be that employers will require more ownership and influence in the development of apprenticeship programmes and how these meet their business needs.

**Will employers engage with the principle of co-investment? Are levels of training likely to increase or decrease as a result?**

19. NTfW believes that the level of training undertaken by employers in Wales is likely to decrease, particularly in the short term, with any introduction of co-investment.

20. NTfW feels that there is a significant risk to the numbers of individuals undertaking an apprenticeship. This could have a massive de-stabilising effect on the WBL Network in the short term, as we begin to change the ‘culture of free training.’

21. NTfW recognises that there is a need to change this culture, but questions the timing of the introduction of co-investment, particularly as it is only now that employers in Wales are beginning to see the signs of recovery within the economic environment. Any move to co-investment will have a significant additional financial implication on those employers who are already committed to training their workforce.

22. Furthermore, NTfW would ask the Committee to urge the Welsh Government to consider the fact that employers of apprentices are already making an investment in training, by virtue of the fact that all apprentices are employed status. The Apprenticeships Pay Survey 2014<sup>2</sup> indicates that the average rate of pay for apprentices (at all levels) in Wales is £7.84 per hour (compared to a UK average of £6.91 and England average of £6.86) this equates to an annual wage of £15,288 (exc. of ‘on costs’)

23. In addition to the actual costs of employing an apprentice, there are a number of other investments that an employer will make in the apprentice including ‘on the job’ training, mentoring and support. These, coupled with the costs associated with ‘off the job’ training e.g. non-productivity of the individual, make for a heavy investment by employers already.

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<sup>2</sup> Winterbotham M, Davies B, Murphy L, Huntley Hewitt J and Tweedle M (2014) Apprenticeships pay Survey 2014, Department for Business, Innovation and Skills  
[https://www.gov.uk/government/uploads/system/uploads/attachment\\_data/file/387319/bis-14-1281-apprenticeship-pay-survey-2014.pdf](https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/387319/bis-14-1281-apprenticeship-pay-survey-2014.pdf)

24. NTfW is keen to point out that there is no other sector within the post-16 education system, where employers make such high levels of contribution already, and that we feel asking employers to make a 'cash co-investment' into an apprenticeship programme could be a step too far, and could undermine Wales's highly successful Apprenticeship Programme.

25. It may not be a surprise to the Committee that similar discussion around co-investment (particularly around apprenticeships) has been taking place in England. However, the UK Government has formally consulted<sup>3</sup> on the issue of co-investment in apprenticeships.

26. If faced with the prospect of co-investing in apprenticeships at a level equivalent to 20 or 50 per cent of the funding currently provided by Government, employers provided a range of views about how this would affect the Apprenticeship Programme:

*"In general, at the 20 per cent level, most employers said that at best, it would have no impact on their training and at worst would reduce the number of apprentices trained. Some employers commented that at this level it may lead them to withdraw from apprenticeships."*

*"At the 50 per cent level of co-investment at best there would be a reduction in the number of apprentices trained and at worst it would result in employers withdrawing from apprenticeships. Many employers said that at 50 per cent they would strategically review their continued involvement in apprenticeships and explore whether more cost effective options were available."*

*"In summary, the tipping point at which employers will substantially reduce their engagement in apprenticeships lies between 20 and 50 per cent contribution. From the discussion with employers this feels as if it will be nearer 20 than 50 per cent."*

27. A more recent consultation<sup>4</sup> outlined:

*"There was significant opposition expressed to the implementation of cash co-investment. Almost 75% of respondents stated that the Government's proposals to implement the new funding reform principles could have an adverse impact on employer engagement with apprenticeships. The specific reasons for this given by employers related to:*

- *Perceived increase in administrative and financial burdens*
- *Increased risk of cash flow difficulties*
- *Lack of knowledge about training costs and a relative lack of capability to negotiate with training providers"*

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<sup>3</sup> Hogarth T, Adams L, Gambin L, Garnett E and Winterbotham M (2014) Employer Routed funding, Employer Responses to Funding Reform

[https://www.gov.uk/government/uploads/system/uploads/attachment\\_data/file/284944/bis-14-504-employer-routed-funding-employer-responses-to-funding-reform.pdf](https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/284944/bis-14-504-employer-routed-funding-employer-responses-to-funding-reform.pdf)

<sup>4</sup> Department for Business, Innovation and Skills (2015) The Future of Apprenticeships Funding in England: Funding Reform Technical Consultation – Summary of Responses

[https://www.gov.uk/government/uploads/system/uploads/attachment\\_data/file/394617/bis-15-40-future-of-apprenticeships-in-england-funding-reform-technical-consultation-summary-of-responses.pdf](https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/394617/bis-15-40-future-of-apprenticeships-in-england-funding-reform-technical-consultation-summary-of-responses.pdf)

*“Smaller employers were generally more critical of the new funding reform principles. Their responses often linked the principle of cash co-investment to uncertainty about actual funding levels, including the maximum level of the government contribution.”*

*“(…) larger employers, in the main, stated that co-investment presented an opportunity to increase employer engagement with apprenticeships and they welcomed an opportunity to have control over content and delivery. They also stated that cash co-investment could enhance the overall experience for the apprentice and ensure adequate supply of skills for the sector.”*

*“Few employer respondents explicitly rejected making any sort of contribution, although throughout the consultation this was generally couched in terms of groups of employers not wanting to pay more than they do now. It was also emphasised by employers that they currently cover the indirect costs of training an apprentice, including wages, in-house mentoring, staff support and mitigating the impact on day-to-day business. It was felt important that these costs should be taken into account when considering co-investment.”*

28. NTfW believes that one of the challenges for all those involved in the delivery of skills training within Wales is the messaging behind co-investment, and demonstrating the added value to employers of training their workforce. A significant marketing campaign should be introduced, which clearly demonstrates the tangible returns on investing in your workforce.

**What impact (if any) will increased financial investment from employers have on the quality and relevance to the labour markets of training courses?**

29. NTfW would agree with the findings of the initial Welsh Government consultation on co-investment that increased financial investment from employers would raise the interest of employers in the delivery of courses and in raising the value of vocational qualifications. In addition, we would agree that any financial contributions would raise the expectations of better quality course delivery.

30. NTfW would ask that the Committee urge Welsh Government to consider the impacts to micro and small businesses in the co-investment strategy. These businesses, which are the backbone of the Welsh economy, are attentive to the quality and relevance of the skills delivery system, but have a very limited 'voice' in its design and delivery. Also, as it is micro and small businesses that are needed to engage more with the Apprenticeship Programme, it is they who hold one of the keys to improving the youth unemployment situation, and meeting the productive and skilled workforce targets.

## **Whether any additional training should be exempt from co-investment for example for new start-up businesses;**

31. NTfW recognises the investment that the Welsh Government is making in its Apprenticeship Programme, and welcomes the fact that there will be a continued commitment to the following apprenticeships, in terms of the investment being 'Government-led'

- Apprenticeship provision at level 3 and below for under 25's
- Higher level apprenticeships (excluding higher education prioritised qualifications)

32. However, as outlined in the Framework for Co-investment "*Government-led funding covers the period to 2015-16. Commitments beyond 2015-16 are contingent upon future budget settlements with resources prioritised accordingly.*"

33. NTfW would request that the Enterprise and Business Committee calls on the Welsh Government to make a firm, long term 'cast iron' commitment to fully funding the above apprenticeships, as time and time again, the return on investment in these has been demonstrated to be a positive one.

34. In addition to the example provided above, NTfW would see the following types of employer organisations and individuals being exempt from co-investment:

- **Employers**
  - Micro and small businesses (under 50 employees)
  - Charities, Community Interest Companies (CIC) and Third-sector organisations.
  - Economically important sectors (in the next 10-15 years) as we need to be encouraging these business to locate and/or invest in Wales, not putting up barriers.
- **Individuals**
  - Any new entrant to the world of work, regardless of age or point of entry, especially those who are progressing through any of the Welsh Government's work-based learning programmes i.e. Traineeships, Work Ready and/or Jobs Growth Wales.
  - Vulnerable groups e.g. disabled individuals, part time workers (inc. zero hour contracts), the older workforce (over 50) migrant workers, individuals with additional learning needs, those individual facing redundancy.

## **Are there alternative methods of sharing the costs of training, for example a training levy?**

35. NTfW feels that there is much to be learnt from levy arrangements. However, we feel that within industries where they work well i.e. construction it is mainly large organisations (who typically have no footprint in Wales) who generally benefit.
36. NTfW feels that the already established mechanism of 'flexible learning' is the key here. It is widely recognised that employers will pay (invest) for things that they value. In most, but certainly not all, cases, employers are particularly interested in those elements of an Apprenticeship Framework which are directly related to the occupational competence of an individual. NTfW would ask the Committee to urge Welsh Government to look at what more could be done to increase the levels of 'flexible learning' provision within the Apprenticeships Programme.
37. Similarly, there are some elements of an Apprenticeship Framework which may not necessarily need to be delivered to an individual e.g. Essential Skill Wales qualifications, as the learner may already have the skill and/or previous evidence of attainment. However, these form part of an Apprenticeship Framework and therefore they are required to be delivered. NTfW is mindful that the content of an Apprenticeship Framework is currently being consulted on by Welsh Government, but we would ask that the Committee urge Welsh Government to explore all areas where the use of the Recognition of Prior Learning (RPL) could be used to minimise the actual costs of delivery. There is also the added benefit here that the learner does not need to undertake the same level of learning twice.
38. NTfW would ask the Committee to urge the Welsh Government to 'target' the largest employers in Wales first, to understand if they will co-invest, then undertake piloting activity, in order to act as an example to other employers. At the same time Welsh Government should provide enhanced support for employers, in the form of Young Recruits Programme (YRP) funding and/or wage subsidies, to encourage more micro and small businesses to establish Shared Apprenticeship Schemes.
39. NTfW believes that whatever is established need to be coherent, transparent and consistent across all post-19 programmes, with clear guidance and monitoring applied, to ensure any pricing structure is delivered on a "*level playing field*." NTfW is very concerned that an 'unregulated skills delivery market' could seriously undermine the quality of provision, especially if providers are forced into a price sensitive competitive market.
40. Furthermore, NTfW would advocate that a phased approach to the co-investment model is undertaken, in order to help ease "*a fundamental cultural shift*" for employers.
41. NTfW is mindful that tax incentives operate in other areas of the UK, but the Welsh Government has little influence over this. However, as part of an enhanced 'Employer Pledge' there could be scope to offer preferential rates e.g. lower Business Rates and loans for training via Finance Wales for those employers undertaking training for their workforce.



42. Also, there is a great deal of scope to offer ‘additionally’ within Apprenticeship provision in terms of delivering qualifications employers would typically need to pay for e.g. CSCS Card, Basic Food Hygiene, various health and safety course etc.

43. Additionally, ‘discounts’ could be offered for employers who are taking individuals through a range of Welsh Government WBL programmes i.e. assisting an individual into the workplace (through a Traineeship or Jobs Growth Wales placement) then onto further employment (through an Apprenticeship) and continued development (onto a Higher Apprenticeship)

44. NTfW feels that there are significant efficiencies to be made through increased use of information learning technologies, the reduction in the duplication of programmes, the reduction in paper-based bureaucracy, and an increased use of existing processes such as the Recognition of Prior Learning (in all its forms) to name but a few. As such, NTfW is willing to work with all elements of DfES, in order to ensure every pound of funding is spent efficiently, and that any potential impacts (particularly the burden on micro and small businesses) of co-investment are minimised.

45. With the above in mind, the Committee is urged to ask Welsh Government to undertake some detailed analysis to see what actually needs to be achieved in terms of co-investment, and undertake some modelling exercises to see how this could be delivered. NTfW (and its Members) are willing to work with DfES officials to assist in this process.

### **The use of European funding.**

46. NTfW welcomes the investment of European funding within the Apprenticeship Programme. However, the Welsh Government should be urged to ensure that there is ‘a level playing field’ across all skills delivery programmes, and that any potential situation where ESF supported programmes are competing against each other in terms of price should be avoided at all costs – *“there should not be a race to the bottom, or a bargain basement approach, i.e. no programme or providers undermining others.”*

47. NTfW has serious concerns around the collection of any ‘cash co-investment’ in particular, the increased levels of administration and bureaucracy resulting from retrieval of payments from employers and/or individuals. Consideration should be given to whether the Welsh Government takes responsibility for collecting employer contributions.

## Summary

48. Due to our scope and remit, NTfW feels suitably placed to offer evidence to the Enterprise and Business Committee in regards to the Welsh Government's Co-investment in Skills Framework. During 2012/13 NTfW Members delivered some 47,135 apprenticeship programmes (inc. Foundation Apprenticeships, Apprenticeships and Higher Apprenticeships) to some 44,820 individuals. Over the same period, Framework Success Rates were 86% (compared with 72.5% in England) making the Apprenticeship Programme in Wales one of the most, if not the most, successful in the UK.

49. NTfW believes that the level of training undertaken by employers in Wales is likely to decrease, particularly in the short term, with any introduction of co-investment. We feel that there is a significant risk to the numbers of individuals undertaking an apprenticeship programme which could have a massive de-stabilising effect on the WBL Network. NTfW recognises that there is a need to change the culture of 'free training' but questions the timing of the introduction of co-investment. Any move to co-investment will have a significant additional financial implication on those employers, most notably micro and small businesses, who are already committed to training their workforce, and who are already making a contribution in skills by virtue of the fact that all apprentices are employed. Of all the post-16 education and training offers in Wales, it is only the Apprenticeship Programme which sees employers making high levels of contribution already, and we feel that asking employers to make a 'cash co-investment' what they are already contributing could be a step too far, and could undermine Wales's highly successful Apprenticeship Programme.

50. NTfW is fully engaged with the co-investment agenda, and recognises that in this period of "*scarce resources*" more needs to be done with less. However, we do not see that co-investment should be the default answer. NTfW feels that there are significant efficiencies to be made through increased use of information learning technologies, the reduction in the duplication of programmes, the reduction in paper-based bureaucracy, and an increased use of existing processes such as the Recognition of Prior Learning (in all its forms) to name but a few. As such, NTfW is willing to work with all elements of DfES, in order to ensure every that pound of funding in Wales is spent efficiently, and the impacts (particularly the burden on micro-businesses and SMEs) of co-investment are minimised.

51. NTfW asks the Committee to urge Welsh Government to undertake extensive, detailed analysis to see what actually needs to be achieved in terms of co-investment, and undertake robust modelling exercises to see how this could be delivered. NTfW (and more importantly its Members) are willing to work with DfES officials to assist in this process.

51. NTfW has welcomed the opportunity to take part in this consultation, and the support shown by Welsh Government colleagues in developing the Networks understanding of the policy background and context.

52. We are happy for the contents of our response to be made public, and are willing to discuss any of our responses further.