



Implementing the Co-Investment Framework

**Response to the Enterprise and Business Committee's consultation on
the Welsh Government's Co-investment Policy**

July 2015

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Introduction

1. ColegauCymru welcomes the opportunity to respond to Enterprise and Business Committee's consultation on the Welsh Government's Co-investment Policy. ColegauCymru represents the 15¹ further education (FE) colleges and FE institutions in Wales.² In 2012/13, there were 174,925 individual students attending college and 184,110 enrolments undertaking a total of 656,285 learning activities.³ We are happy for our response to be placed in the public domain.
2. Colleges are major providers of work-based learning and adult skills generally in Wales, through strong bilateral relationships with employers and through the provision of publically funded apprenticeship and traineeship programmes. Colleges also provide part-time adult skills programmes, though these courses will be cut dramatically in 2015/16 due to a sharp reduction in government funding for them.
3. In relation to publicly funded work-based learning provision in Wales, around 42% of contracts under the Work-Based Learning 4 contracts were awarded to colleges or their subsidiaries.

To what extent will the policy help meet the Welsh Government's aim of "ensuring that Wales develops a competitive edge in mobilising a productive and skilled workforce"?

4. The principle of employer/government co-investment in the provision workplace skills is a sound one in many respects. To some degree the current system includes a contribution from employers in releasing work-based learners and through other resource contributions.
5. There are, however, serious concerns around the implementation of the co-investment policy. These revolve around three key issues:
 - (i) the speed of transition to the co-payment model
 - (ii) the culture change needed among some employers and/or employees, which is not yet evident
 - (iii) likely economic effects and lower productivity because of a reduction in training and upskilling resulting from a drop in employer take-up of training programmes and work-based learning.

¹ The 15 include 10 FE corporations including St David's Catholic College; the two FE institutions - WEA Cymru and YMCA Community College; and The College Merthyr Tydfil, Coleg Sir Gâr and Coleg Ceredigion which are part of university groupings.

² In this paper the terms 'FE college' and 'college' are used to cover FE colleges and FE institutions.

³ [Further Education, Work-based Learning and Community Learning in Wales Statistics 2012/13](#), Welsh Government (June 2014).

What impact will increased financial investment from employers have on the quality and relevance to labour market of training courses?

6. Employers currently have an interest in the relevance of training courses due to their in-kind contributions towards staff training and the benefits they might expect from the time and energy devoted to their employees' upskilling. The hypothesis that an additional cash contribution by employers will create significantly greater incentive in relation to relevance and quality will have to be demonstrated through research.
7. Relevance and quality is already a key concern of employers in their engagement with training providers. Colleges currently strive to ensure that the training offer they provide is of high quality and is relevant to the need of the employer. This is facilitated by colleges' direct links with employers and the function of Sector Skills Councils.

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

8. Targeted exemptions are a potential way to ensure that the introduction of the co-investment policy does not have an unduly negative impact on the volume of skills training taking place in Wales. There is a high likelihood that the volume of work-based learning will drop as a result of the introduction of co-investment, perhaps substantially.
9. These exemptions may be one way in which the co-investment policy may be phased in progressively. Welsh Government economic priority sectors should be considered as areas where exemptions should be actively explored.

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

10. Alternative investment routes for skills are worth exploring with some urgency. Training levies are a common and successful way in which other advanced economies have ensured that investment in skills is sufficient and consistent to meet national skills supply needs beyond individual employer requirements at a specific point. Employer Skills Survey data gathered by the UK Commission for Employment and Skills and cited in the Welsh Government's evidence to the committee demonstrates that nearly 4 in 10 employers in Wales do not invest in the skills of their employees.
11. In Northern European countries, who in many instances have been better at retaining a manufacturing and industrial base, training levies are the norm in key sectors. We are encouraged that the UK Government has proposed a National Training Levy in the Summer Budget to ensure that workplace skills are funded on a sustainable basis across the board.

The use of European funding

12. European funding makes a very substantial contribution to the provision of skills for employed adults in Wales. The logistical and cost challenges of collecting employers' cash contributions are worth noting. Additional administration and finance costs resulting from the introduction of a payment-based system.