



Cynulliad
Cenedlaethol
Cymru

National
Assembly for
Wales

Cofnod y Trafodion The Record of Proceedings

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[The Economy, Infrastructure and Skills
Committee](#)

08/02/2017

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Cofnodir y trafodion yn yr iaith y llefarwyd hwy ynnddi yn y pwyllgor. Yn ogystal, cynhwysir trawsgrifiad o'r cyfieithu ar y pryd. Lle y mae cyfranwyr wedi darparu cywiriadau i'w tystiolaeth, nodir y rheini yn y trawsgrifiad.

The proceedings are reported in the language in which they were spoken in the committee. In addition, a transcription of the simultaneous interpretation is included. Where contributors have supplied corrections to their evidence, these are noted in the transcript.

Aelodau'r pwyllgor yn bresennol
Committee members in attendance

Hannah Blythyn Bywgraffiad Biography	Llafur Labour
Hefin David Bywgraffiad Biography	Llafur Labour
Russell George Bywgraffiad Biography	Ceidwadwyr Cymreig (Cadeirydd y Pwyllgor) Welsh Conservatives (Committee Chair)
Vikki Howells Bywgraffiad Biography	Llafur Labour
Mark Isherwood Bywgraffiad Biography	Ceidwadwyr Cymreig Welsh Conservatives
Jeremy Miles Bywgraffiad Biography	Llafur Labour
Adam Price Bywgraffiad Biography	Plaid Cymru The Party of Wales
David J. Rowlands Bywgraffiad Biography	UKIP Cymru UKIP Wales

Eraill yn bresennol
Others in attendance

Mark Bodger	Cyfarwyddwr Partneriaethau Strategol, CITB Cymru Wales Director of Strategic Partnerships, CITB Cymru Wales
Samantha Huckle	Pennaeth Polisi Prentisiaethau, Llywodraeth Cymru Head of Apprenticeship Policy, Welsh Government
Julie James Bywgraffiad Biography	Aelod Cynulliad, Llafur (Y Gweinidog Sgiliau a Gwyddoniaeth) Assembly Member, Labour (The Minister for Skills)

and Science)

Sara Jones

Pennaeth Consortiwm Manwerthu Cymru
Head of the Welsh Retail Consortium

Huw Morris

Cyfarwyddwr Grŵp SAUDGO, Llywodraeth Cymru
Group Director SHELL, Welsh Government

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

Rhys Morgan

Ail Glerc
Second Clerk

Robert Lloyd-Williams

Dirprwy Glerc
Deputy Clerk

Anne Thomas

Y Gwasanaeth Ymchwil
Research Service

Dechreuodd y cyfarfod am 09:34.

The meeting began at 09:34.

Cyflwyniad, Ymddiheuriadau, Dirprwyon a Datgan Buddiannau
Introductions, Apologies, Substitutions and Declarations of Interest

[1] **Russell George:** Bore da. Good morning. I'd like to welcome Members and members of the public to the committee this morning. I move to item 1. I note that there no apologies this morning. Are there any declarations of interest? No, there are none.

Cynnig o dan Reol Sefydlog 17.42 i Benderfynu Gwahardd y Cyhoedd o
Eitemau 3 a 4

Motion under Standing Order 17.42 to Resolve to Exclude the Public
from Items 3 and 4

Cynnig:

Motion:

bod y pwyllgor yn penderfynu that the committee resolves to gwahardd y cyhoedd o eitemau 3 a 4 exclude the public from items 3 and

yn unol â Rheol Sefydlog 17.42(vi). 4 in accordance with Standing Order 17.42(vi).

*Cynigiwyd y cynnig.
Motion moved.*

[2] **Russell George:** In that case, I move to item 2. Under Standing Order 17.42, I resolve to exclude the public from the meeting for items 3 and 4. Then we should be back into public session at around 10 o'clock. Are we all happy? Yes. Thank you.

*Derbyniwyd y cynnig.
Motion agreed.*

*Daeth rhan gyhoeddus y cyfarfod i ben am 09:34.
The public part of the meeting ended at 09:34.*

*Ailymgynullodd y pwyllgor yn gyhoeddus am 10:02.
The committee reconvened in public at 10:02.*

Panel y Sectorau Diwydiant—Yr Ardoll Brentisiaethau yng Nghymru Industry Sectors Panel—The Apprenticeship Levy in Wales

[3] **Russell George:** I move to item 5 with regard to our apprenticeship levy in Wales. I'm pleased to welcome Mark Bodger and Sara Jones here this morning. I wonder if I could ask you both to introduce yourselves, just for the record. Mark.

[4] **Mr Bodger:** Yes. I'm Mark Bodger, the strategic partnerships director for CITB Cymru in Wales.

[5] **Ms Jones:** My name's Sara Jones. I'm head of the Welsh Retail Consortium; that's the leading trade association for retailers in Wales.

[6] **Russell George:** I should say, Sara, the committee met you, of course, last week, informally, with a number of your colleagues. That was a very good session and a very useful session for us and we're very grateful for your time, if you could pass on our thanks to your colleagues in that regard.

[7] **Ms Jones:** Thank you.

[8] **Russell George:** If I could, perhaps, ask the first question, and it's about the extent to which the introduction of the levy by the UK Government has had an impact on your respective sectors. If I could ask about construction first and then we'll go on to retail. So, if I could ask you, Mark, to open up on that.

[9] **Mr Bodger:** I think the announcement of the UK apprenticeship levy has been of concern to the construction sector, particularly given the fact that CITB has been in existence for 50 years and itself levies the industry. So, there's been concern around that and that's probably been the major impact. The other thing is how it's been dealt with across the different nations, and that's been of particular concern, as well, to the sector in Wales.

[10] **Russell George:** Sara.

[11] **Ms Jones:** If I may, Chair, I think it's worth just outlining the context within which the levy has hit us in terms of the changing nature of the retail industry as it stands. We're at a time of enormous cost pressures and transformational change within the retail industry. We've seen the introduction of the national living wage—something we welcome—we've seen changes to employer pension contributions and we've seen unreformed business rates. So, all those additional cost pressures have come at a time that has made the apprenticeship levy a very difficult issue for us, as retailers, to deal with.

[12] In terms of the financial impact of the apprenticeship levy, specifically on that, we're looking at around £5 million per annum for retailers in Wales alone. But the wider impact around this, given the statement yesterday, is that we have real concerns about how that implication in Wales will play out, given that our members won't have any direct access back to the levy contributions that they make.

[13] **Russell George:** I'm grateful. I won't go into any questions following what you just said, because other Members may pick those up as we go through the morning session, which we imagine will be roughly until about 10:45. That is when we aim to finish this session. Vikki Howells.

[14] **Vikki Howells:** Thank you, Chair. Good morning. I'd like to ask you both whether you think the introduction of the levy is likely to affect the number of apprentices who might be employed within your respective sectors.

[15] **Mr Bodger:** Construction has had a tradition of employing apprentices and continues to do so. Even through the downturn, we've seen apprenticeships and the sector remaining committed to employing apprentices. As far as the apprenticeship levy is concerned and whether that will have a direct impact on the number, we don't see that changing significantly, but obviously the changes and the focus of where apprenticeship funding will go in Wales may well impact the level of apprenticeships that we see within the sector. So, it may well lead to some people having a great stimulus to employ apprentices because there's more talk around it. Some companies will be keen to make sure that they're getting value back as a result of paying an additional contribution. So, there is a potential that we could see an increase in apprentices, but, obviously, given the news that we've put out today around the requirements in Wales for construction workers, then that's something to be applauded.

[16] **Ms Jones:** In terms of the retail industry, we only received the statement yesterday, so we're still trying to understand the implications of that in Wales. Clearly, we had some soundings around what was likely to come out of Welsh Government thinking, but the statement needs to be worked through by our retailers. But, I think, if we look at England, we are likely to see an increase in the number of apprenticeships. That's on the basis that we now will be able to access that direct voucher system. So, we'll be able to be looking to get some value back from that voucher system and look to put that into apprenticeships in England.

[17] In Wales, we're in a very different situation because we're not a priority sector, so the ability for us to be able to recoup any of that money to be able to enrol that back into apprenticeship schemes is going to be extremely difficult, particularly given that there's going to be a cap on the number of level 2 apprenticeships within the retail and customer service sector. So, at the moment, we're unclear about the actual impact, but I don't envisage any increase in Wales; if anything, we would potentially see a decrease in the number because of that cap that's going to be put in by Welsh Government on the number of retail and customer service apprenticeship opportunities.

[18] **Vikki Howells:** Thank you. For my second question, I'd like to ask you both whether you feel that the employers who you represent—whether their expectations about the availability of funding for apprentices would be raised because of the levy. Are they expecting to see some sort of return on their

investment, so to speak?

[19] **Mr Bodger:** That's been one of the key things for us, particularly around those employers that work cross-border. They're going to look at it and say, 'Well, I'll have two different systems that I'll have to work with'. But as far as an investment is concerned, construction employers have always had an obligation to invest in a levy system and I've seen that work. I've seen it work for them over the last 50 years. Their concern is, with the additional apprenticeship levy coming in: how is that transition having to be made? That's something that we are working through with employers at the moment.

[20] **Ms Jones:** I think the expectation of the retail industry is quite simply that we would have had the opportunity to recover some of the money to invest back into the skills and training needs of our workforce through the implementation of the levy UK-wide. So, quite clearly, as I mentioned, that is the case in England. The chances of us being able to directly access now look minimal in Wales. So, our expectation is that we would have been able to have that opportunity and, unfortunately, we haven't seen that being the case through the statement that came out yesterday.

[21] **Russell George:** Okay. Any other Members—? Mark, we'll come to you first.

[22] **Mark Isherwood:** Obviously, both of your sectors are paying in significant sums, so access—it's how you get the money back. Will the actual amount that the construction sector in Wales will be paying in be more or less than it's currently spending on schemes? Are you happy that, as a priority sector, you will now be able to access the funding quite effectively or administratively in a straightforward way?

[23] In terms of retail, obviously, you're highlighting the fact that you're paying in £5 million, but have limited access then to this. To what extent might this impact higher level apprenticeships within the retail sector? Because obviously the focus, as the Minister has indicated, of the Welsh Government is on the higher level apprenticeships, or would you still be able to access those but be more restricted on the lower level 2s?

[24] **Mr Bodger:** Coming to the construction element first, Mark, obviously, the construction sector, as far as money paid in, we've got the sector in Wales that has got a large number of SMEs. We anticipate that it's up to only

around 30 employers that may be eligible to pay the apprenticeship levy, whereas there would be a lot more employers paying the construction levy. But of those employers, as far as whether they are able to get more money back or not, the apprenticeship levy is not a case of getting money back; it's the perception of value and are they getting value. Previously, they've been able to access apprenticeships and not paid anything, as is the current system. What they'll feel now is that, where they do have to pay the 0.5 per cent of their wage bill, then that's money that they didn't have to pay before and they have, potentially, access to the same value that they previously had. So, they will see it as a cost to the business, certainly in Wales.

[25] **Mark Isherwood:** Are you confident that they will at least be able to get back the amount they paid into the levy, collectively?

[26] **Mr Bodger:** Collectively, it would appear so from the numbers we've traditionally had, but, at the moment, they're not paying the apprenticeship levy and they're still accessing the same number of apprenticeships that they will potentially get in the future. So, the added value, yes, I think they would be able to get that value back, but it's a different regime, it's a different way of working.

[27] **Mark Isherwood:** Yes, I think we've gathered that.

[28] **Russell George:** Hannah Blythyn.

[29] **Hannah Blythyn:** Yes. It's coming back—

[30] **Mark Isherwood:** Sorry, there was the retail answer.

[31] **Russell George:** Oh, sorry, Mark. Sara, and then I'll come to Hannah for her question.

[32] **Ms Jones:** Certainly, there will be opportunities through the higher level apprenticeships, but the key concern for us is that, for the majority of our employees, there are many entry-level roles where we're looking to that level 2 to be an entry-level to further apprenticeships at levels 3, 4 and beyond. So, by removing the ability to access level 2, you're removing that gateway to levels 3 and 4 in addition. So, certainly, there will be opportunities there, and we'll be keen to work with Welsh Government around those pathways and to see what opportunities there are.

[33] But it goes back to the point—and we do have sympathy with Welsh Government—that this has been imposed, but the whole premise of the levy was to enable employers to get more back than what they put in, and that certainly won't be the case for the retail industry in Wales.

[34] **Russell George:** Hannah.

[35] **Hannah Blythyn:** Yes, I just want to come back on levels of apprenticeships. Obviously, I think you make the assumption that the construction industry has a tradition of apprenticeships, whereas perhaps people would've seen the retail sector not quite so much. So, do you know roughly the level of apprenticeships offered in the retail sector at present?

[36] **Ms Jones:** Yes, I think you're right. In a lot of the focus, there have been some barriers to apprenticeships for the retail industry, and we've always seen, potentially, the levy as being an opportunity to address some of those barriers to enable us to encourage take-up. So, yes, there are issues there, but what our employers do is train up through existing frameworks, through our own employer-led frameworks that we put in place and which aren't necessarily through an apprenticeship route. So, we would invest around £1,300 to £1,400 per employee at present through existing training budgets, which are outside of maybe the apprenticeship model. So, there is an opportunity here now to look at the apprenticeships, but, again, it goes back to the point that we are being constrained in Wales because the level 2 access is going to be severely restrained for us and phased out for our opportunities there.

[37] **Russell George:** Okay. Just a question for Mark, really. As a construction industry, of course, you pay a training levy to the CITB, but you also pay the apprenticeship levy as well. So, could you just expand on your thoughts on that?

[38] **Mr Bodger:** The apprenticeship levy has obviously caused some consternation around the construction industry, which has had a tradition of paying a levy to us, and that's levied at the moment at 0.5 per cent of PAYE and 1.25 per cent of CIS net contributions. So, it is an arrangement that the construction sector has dealt with, but what that hasn't gone to pay for previously is, obviously, the classroom tuition, which is where the apprenticeship levy will ultimately go towards as far as the costs of delivering the training for the apprenticeships. The construction levy has gone to support the employers in a whole variety of ways, whether that's been to

supplement wages, to provide transport costs, to provide all the additional costs that go with training in the workplace.

10:15

[39] That's something that the construction sector certainly values and wishes to maintain, or we certainly hope that that will be the case. But it has put the organisation into a situation where we've, this year, got to go back and seek a consensus as we do on an annual cycle. This is obviously more tense. We've put a transition package in place for this year so that, when the apprentice levy kicks in in March, there is the opportunity for construction employers, if they're doing a significant amount of training—we'll put a transition package in place to soften the blow during this period, because it was brought in fairly quickly. What we've got to do is put that transition in place so that, from March 2018, by that point, we'll have a different construction levy, potentially, and we'll have gone through the consensus process and come out the other side with a different arrangement. The proposal that will go out to industry is a slightly reduced construction levy from March 2018. So, that will have an impact on the finances available to support the sector in other ways.

[40] **Russell George:** Thank you, Mark, that's clear. If I could ask a question to Sara? In your written evidence, you said that not having access to levy funds would mean that employers would effectively have to pay to run an apprenticeship programme in Wales twice. Can you just expand on what you mean by that?

[41] **Ms Jones:** We are bound to pay into the levy as per we will across the whole of the UK. Whereas, in England, we'll have the opportunity to draw that money back and invest in the skills of our workforce through the apprenticeship system, and in Scotland we have got a flexible skills fund, so, again, our employers will be able to access that flexible skills fund, in Wales, there's no opportunity there. So, we're effectively paying into the levy, we're unlikely to see any return on that levy money in Wales and, consequently, to enable us to continue to invest in the training and skills needs of our workforce, we will continue to pay that money to enable those employees to have the same access as their colleagues across the rest of the UK. But clearly, in Wales, there is that situation where we're paying twice, unlike the rest of the UK.

[42] **Russell George:** Can I ask, before we move on to the next section,

whether there are any unintended consequences that you want to point out to us of the levy that perhaps have not already come out through questions? Or, by all means, come back to us, as I don't want to put you on the spot if you've not got anything that comes to mind now.

[43] **Mr Bodger:** I think some of this is around perception and it's around knowledge and understanding of how this will work and how it will actually play out. I think it's the uncertainty that's causing the concern in the sector, and certainly in the construction sector at the moment. So, the unintended consequence for us is, when people are looking at it, and it's coming in from March 2017, how is it going to play out when you've got a business plan, when you're got work ahead of you—it's that timescale?

[44] **Ms Jones:** I think, from our perspective, one of the big issues that might be an unintended consequence is potentially lower productivity within the retail industry in Wales in the future. If we're unable to continue to see the same levels of investment as we will have in England and Scotland, then clearly that will be an issue for our workforce in terms of their productivity. Also, there's that potential to impact on what might be deemed the more economically vulnerable aspect of the workforce. So, we have a very strong track record in supporting older people back into employment. Your committee did an inquiry in the last Assembly into the role of over-50s in the workforce. Clearly, there's a real opportunity there for retail to play a key role, because we already do have a strong track record in that area. But if we're not able to access the skills in that area, to be able to retrain that workforce and give them the skills for the future—because often that element of the workforce doesn't have the digital skills, for example, in the same way that the younger generation does—then there'll be a real issue there for those elements of our workforce.

[45] **Russell George:** I'm grateful. Hot off the press now, the Minister published her strategy document yesterday. I'm perhaps not expecting you both to have read every single word of the document, but we're just going to move on to talk about some questions around those areas now. I'll come to Jeremy Miles first.

[46] **Jeremy Miles:** Thank you, Chair. We've got the direction of travel, if you like, in terms of the focus from a levels perspective, and the priority sector issue as well has been confirmed in the document. I just want to come back to the question of the scale of the issue from a retail point of view to start with, because I can see obviously—. I don't diminish for a second the

impact on profitability of the levy, but you mentioned productivity as well. Am I characterising your position correctly in the evidence you've given so far to say you weren't taking advantage of the apprenticeships system previously to any great extent, you had an internal training programme, and you won't have access to it particularly in the new regime, certainly at the foundation level? So, in a sense, from an apprenticeship point of view—although, just to be clear, I don't diminish the impact of the levy on the business—it's a sort of steady-state position; it's just that you haven't been able to offset that cost against your training budget, basically. Is that a fair way of describing the situation?

[47] **Ms Jones:** I think that that is a fair summation. Looking back at some of the evidence sessions from the other employers, it's around that long-term impact. So, in the short term, yes, that is the position, as it stands. We will do everything that we can to reinvest in our workforce, using the existing budget. Yes, we'll have to pay twice. It will be an additional cost, but we'll continue to support our workforce. But it comes back to that longer term impact, particularly around the potential disincentive to invest in Wales for the retail industry.

[48] **Jeremy Miles:** Okay. So, I'm just wondering about the productivity aspect. You're going to continue funding your training budget. Is that the case?

[49] **Ms Jones:** Yes, that's our understanding. But as I say, it's very difficult at the moment because we haven't had a chance to map out the real implications, having only received the statement yesterday, and having had limited opportunity to engage on this issue with officials and the Minister. We are having to work very rapidly on what's quite late information. So, the understanding is, yes, we'll continue to invest in our workforce and, so, that would be the short-term position.

[50] **Jeremy Miles:** Okay, thank you. And from a construction point of view, how does that loss of the foundation level 2, or the lack of focus on that in the new strategy, affect you?

[51] **Mr Bodger:** We engaged considerably with the apprenticeship consultation, and I sense that, even within the document, there are certain sectors where a foundation apprenticeship is seen as a key aspect. I think that was as a result of some of the lobbying through the construction sector. Whilst the aim of the construction sector is that general operatives should

reach a level 3, they understand that getting to level 2 is a success for a number of the individuals that we bring into the scheme. They also provide great benefit to the economy with good-pay jobs and therefore adding value in that regard. So, I sense the wording from the document acknowledges that to some extent, but we are also keen—and we have developed higher apprenticeships over the last two years, and we've had a pilot project running. You can see from some of the figures that have been published recently that, whilst construction is lagging behind as far as higher apprenticeships are concerned, we are keen to develop career pathways right the way through so that people can see that. It's starting—we've got a higher apprenticeship that is taking trades people into a supervision and management area, backed by the Chartered Institute of Building, and we're developing a further one this year to target technicians at level 4 so that they can come out of A-level and, again, into the industry. So, there's a career pathway for somebody at that level as well. So, we are seeking to address that higher apprenticeship route. There have been informal mechanisms and informal training, but we feel it's time now to make sure that those are formalised and built into an apprenticeship framework so that people can see that there is a pathway at each level.

[52] **Jeremy Miles:** You mentioned the entry-level jobs. I want to come on to that in a second. The Minister talks about a new approach to entry-level skills in some sectors, but, on this question of progression, the paper from yesterday talks about, I suppose, giving more focus and more emphasis to the question of progression. What's your understanding of what changes that might bring from the current set of arrangements? What's your understanding of what's proposed?

[53] **Mr Bodger:** I think the key thing for us is to make sure that whatever's there is clear; that people can understand how funding works. There have been hiatuses at various points as you go through a journey in your career. I'm hoping that the document here, that was outlined yesterday, does provide that continuum so that if somebody joins at level 2, they're not disadvantaged if they step off at that point or if they step off at point 3, 4 or above. So, I'm hoping that what we're seeing here is a mechanism for somebody to rejoin once they've had further experience to progress at higher levels. I think that if that is where we're heading, then that's to be applauded.

[54] **Jeremy Miles:** Okay. From a retail point of view, perhaps it's a slightly different question, although you can clarify for me. Because of the internal

training arrangements, do you mirror that sort of series of progressions? How does it work? How do you think this is impacting on the retail sector?

[55] **Ms Jones:** There are very clear pathways within our own internal training mechanisms to enable people to progress. Retail is probably one of those meritocratic career options that someone can take. Everyone knows a success story about someone who has entered at a very junior position and has worked their way up through that progress. So now retailers support their employees at every stage. So, that is certainly something we'd support, in terms of that progression opportunity. But again, it goes back to being able to enable entry level to start that pathway, and through this process, or through the statement that was released yesterday, that entry level is being restricted for retail colleagues.

[56] **Jeremy Miles:** So let's develop that one, then. The Minister in the statement talks about a new approach to entry level. Do you have any insight into what that might mean? What would you want it to look like if it's not done through a formal apprenticeship structure?

[57] **Ms Jones:** I think we would have liked to have had the opportunity through being able to directly access back some of the levy funds to be able to put that back into the process as we personally see as being the right way to do that, as is the case in Scotland, through a flexible skills fund. That would have enabled us to upskill our workforce, to get them into a position to then take access or access the skills policy priorities that are coming out of Welsh Government, because at the moment, the opportunities aren't there for us to capitalise on what came out of yesterday's statement. So, certainly, if there had been a flexible skills fund, we could have accessed some of that funding and upskilled our workforce to a point where they could then access level 3 and beyond, as per the statement that came out yesterday.

[58] **Jeremy Miles:** So how do you deal with entry-level jobs at the moment, then? How does that work for you across the sector generally? Sorry, that isn't a very helpful question. There is a different approach that is going to be happening outside the apprenticeship framework in the new proposal from yesterday, as I understand it. That presumably is more familiar to you in the retail sector because that's sort of what you're doing now anyway, effectively. Is that correct?

[59] **Ms Jones:** Yes. That's something that we would already be investing in as our skills pathways.

[60] **Jeremy Miles:** Okay. From your point of view.

[61] **Mr Bodger:** As far as the way I read the document, it does talk about our continuing to monitor the effectiveness and relevance of foundation level 2, and we're certainly hoping that, as a result of the discussions that we've had previously around the requirement for level 2 and that pathway into apprenticeships in construction, which has a long history—this isn't something new, this is something that's been going on for a long time with a lot of relevance as far as the sector's concerned; it is accepted, it is understood, and they are employed jobs, and we're keen to see that. I'm sensing that it's about the value that people put on the occupations and the roles that people are undertaking whilst they're training through to level 2 and beyond. We're certainly hoping that construction is seen, given that it is as a priority sector, and that that pathway will be maintained within the sector, but ultimately, as the industry itself wants, that we see people being able to progress to, at a minimum, level 3. That would be the aim of the sector.

[62] **Jeremy Miles:** Okay, thank you very much.

[63] **Russell George:** Hefin David.

[64] **Hefin David:** We took evidence from employers last week and I think, Sara, you've mentioned that you've seen it.

[65] **Ms Jones:** I picked up the transcript, yes, which was very helpful.

[66] **Hefin David:** Okay. Centrica and GE kind of had a little bit of a division on the difference between what's happening in Wales and what's happening in England, particularly with regard to trailblazers. Centrica were big, and said that trailblazers were the way to do this, whereas GE said perhaps they're not necessarily the right way forward. The division also continued when we had evidence from the National Training Federation Wales, who tended to agree with GE. I just wondered if you had any comments yourselves about these issues.

[67] **Mr Bodger:** Trailblazers are happening in England, and where we have construction employers that work cross border, then that's where it becomes an issue. We've also got an issue of getting trailblazers approved, and we've been working hard with the sector to get the trailblazers through the

process. It's obviously a new process and it's finding its feet as we go through. So, they're new standards, but in Wales, what we're also doing is working closely with Qualifications Wales and looking at the qualifications to see whether they're fit for purpose, and we've had a great range of employers engaging with Qualifications Wales and the review that they're undertaking into the construction and built environment sector to make sure the qualifications are fit for purpose. As an essential part of a framework in Wales, we're keen to make sure those qualifications are relevant and will be backed and linked through to the national occupational standards, which is something we'll then have in common with Scotland and Northern Ireland, but not England.

10:30

[68] **Ms Jones:** From a retail perspective, we are a membership organisation representing over 100 retailers, most of which will be paying a levy. And out of those that we have consulted—well, we consulted with all of our members—trailblazers has come up as being one of the suggestions as to the model that we'd like to—one of the ones that we favour, if you like. But what the levy is providing is that opportunity to look at what would work best, and how apprenticeship frameworks and models can be developed in the future, and certainly, to address those barriers of perhaps why retailers haven't seen as high a take-up as some other industries with apprenticeships. So, there's an opportunity here, and as I say, we're keen to work with Welsh Government to identify those opportunities around barriers, but providing we can ensure that there's a good mix of level 2, 3 and 4 across that spectrum. But trailblazers have been highlighted as being a positive framework, a model that we'd—

[69] **Hefin David:** Okay. I just don't get the impression that that's universally shared across businesses. GE weren't particularly positive about it.

[70] **Mr Bodger:** Construction employers in Wales see the value of a qualification that is backed and understood, and it's taken a long time for those to get into the psyche within the sector. That's there. They now feel they've got an opportunity to influence what those qualifications are and make sure that they're fit for purpose for now and for the future, and so, there's a tried and tested methodology that's there. In England, we're seeing a trailblazer coming into place, with an end-point assessment, that we hope will work, we hope will deliver competence—

[71] **Hefin David:** But it seems to me that what you're saying is that clarity is key. The clarity of the process is key.

[72] **Mr Bodger:** Absolutely.

[73] **Hefin David:** Okay.

[74] **Mr Bodger:** And also, once they are brought in, it's the portability. So, we have a lot of construction employers that have a very mobile workforce, and that, for us, is a major issue, and that's something that we'll be seeking to address as far as access to work across the border.

[75] **Hefin David:** Okay. Thank you.

[76] **Russell George:** One last question from Jeremy Miles before I then come to David Rowlands. Jeremy.

[77] **Jeremy Miles:** Can I just pick up on the point about the trailblazers? Would it be fair to say that if you're a company that is operating mainly in Wales, then you would see your apprenticeship programme, and your relationship with the Welsh Government, as being able to tailor apprenticeships that work for your Welsh operations, if you like? And if you're a company that works across England and Wales, you've got an existing trailblazer programme in what's probably the larger part of your operation, just geographically and population wise, and so, there's a sort of tendency then for that to become the norm, if you're a company operating across the two. Is that a fair way of describing the difference?

[78] **Mr Bodger:** Yes. We obviously have major contractors that have a training centre based in England, and they draw Welsh candidates through to that. But we also have the reverse, with the likes of Redrow, that seek to bring their employees into Wales to put a system together that works for them, based out of Coleg Cambria. So, it does work both ways. And it's that difference across the border, with two different systems, both qualifications and funding, that is causing concern, particularly for some of the smaller businesses that may be based in west Wales that are having ambitions and are now opening offices in Bristol and beyond. So, an expansion of a traditional Welsh business into England, it's those that are causing concern, that they will just be over the tipping point into the apprenticeship levy boundaries.

[79] **Russell George:** Okay. David Rowlands.

[80] **David J. Rowlands:** Following on from what Hefin and Jeremy have been saying, but perhaps broadening the discussion just a little, I think it's universally accepted that for employers who operate across the whole of the UK, there are particular challenges now coming about, and it is—. Obviously, you'll have to deal with three or four different apprenticeship systems, which may be challenging and not particularly cost-effective, as far as you're concerned. How do you think large pan-UK companies are addressing these challenges?

[81] **Mr Bodger:** For the construction sector, we've always had a different system in Scotland. So, they've always had two different systems to work across where they've been a pan-GB organisation. Again, where they're looking at public sector works, and tendering for public sector works in Wales, they'll obviously be looking to make sure they're maximising the community benefit outputs as a result of that, and some of the targets and some of the targeted recruitment and training requirements around those will have a knock-on effect of how they deliver things in Wales. So, they will have to adapt to what they've got here. It is added bureaucracy and an added complication for them, but, again, it depends on the type of organisation that they are. What they are keen to do is have a workforce that has qualifications, that is skilled in the way that they require, and that delivers the added value to the company as they take things forward. So, it is the ongoing investment in skills that they are keen to see. Yes, that might be different, but it's not something that's brand new, because they've had different systems in Scotland previously as well.

[82] **Ms Jones:** Yes, it's much of what Mark said. In terms of the different systems, it's that added complexity, added administration and an understanding that there are going to be different needs in the nations, but these are—as you mentioned—UK-wide companies that we represent, in many cases. So, it's looking at those opportunities, but in Wales, anyway, it's unlikely that we're going to be able to access those apprenticeships in the first instance. It takes us back to the point that, actually, the opportunity is not there anyway. Whereas in England and Scotland, we will work through those systems and the differing models, in Wales, it is unlikely that we will see any increase in the number of apprenticeships through the statement that was issued yesterday.

[83] **David J. Rowlands:** Fine. There is much emphasis put on the apprenticeship systems actually being suitable for the actual companies themselves, to make them much more applicable to the workplace. What do you think the Welsh Government could do to collaborate with the UK Government to make certain that that is the case in Wales, as across the border?

[84] **Mr Bodger:** For us in the construction sector, it has already started in terms of Qualifications Wales looking at the qualifications themselves that are behind it, which is a fundamental part of the apprenticeship, and giving employers a voice in that regard, and also giving them a choice of the provider that they use. There is potentially less bureaucracy in the system in Wales than maybe in England, where you've got a voucher system. So, in that regard, there are potential benefits already here in Wales.

[85] **Ms Jones:** I think it takes us back to the same point. Of course, better collaboration and conversations that take place at that level would obviously be helpful for us. But, again, we are unable to access the apprenticeships anyway in Wales, so we are outside of that system as it stands in the current format that's being proposed. So, at the moment, the issue for us is not actually having any access to the funds in the first instance, or the apprenticeship model being fit for purpose for the retail industry.

[86] **David J. Rowlands:** Building on the type of apprenticeship that has been available on both sides of the border, one of the fundamental factors—both for the employers and, particularly, for the apprentices themselves—is the portability of this apprenticeship. Having a full apprenticeship in Wales that would not, for some reason, be recognised in England, Scotland or Northern Ireland for that matter would obviously be a very retrograde step, as such. Do you know what can be done to make absolutely certain that those apprenticeships are portable?

[87] **Mr Bodger:** The key thing for us is having the employer engagement in the design of those apprenticeships, and that does happen already in Wales. It happens in England in a different model now, through traiblazers, where you've got to get at least 10 employers together to put that together. In Wales, we've got to have a different system as far as that is concerned. The qualification development is something that is key, but as far as portability within the construction sector is concerned, there are card schemes—passport-to-work-type arrangements—that accept different qualifications. Up until now, it's generally been the national vocational qualification that has

been the fundamental qualification behind that. That will still be here in Wales, so I don't see that impacting those card schemes, and therefore the portability of people into England. From my perspective, it's a case of how robust and how rigorous the trailblazer models are, and how they are going to make sure that those are on a par with what we've got, as far as the quality that we've got here in Wales is concerned. It's easier to see the similarities between ourselves and Scotland, where both of the qualifications will be linked back to the national occupational standards, which for us is key. You can go beyond the borders, obviously, and into Europe and look at European standards, but it's key that we've got that portability for us.

[88] **Russell George:** Can I allow Mark Isherwood a very small supplementary question? I need to allow time for Adam Price's line of questioning. Mark Isherwood.

[89] **Mark Isherwood:** In your comments, you referred in an earlier answer in this context to Coleg Cambria, and how it was responding, being an organisation based close to the border, with students and staff and training candidates from both sides of that border. They've applied to go on the SFA-approved list of training organisations that can provide apprenticeships in England; they're quite hopeful they might get that. They recognise the importance of transferability of skills cross-border. Do you see that sort of approach as being, perhaps, part of the answer, and would that approach, to an extent, direct the route they follow on schemes such as trailblazers?

[90] **Mr Bodger:** I think there are a number of things in your question there, Mark. Coleg Cambria—and there are others that have also looked at making sure that they can deliver both sets of qualifications, and I think there will be, where—. We've got a very porous border; it is a different scenario between England and Scotland to between England and Wales. We do—and, particularly in the construction sector, we have a very mobile workforce. So there are people crossing that border on a daily basis. For the sector, it's been the uncertainty around how that's going to work, and that's what's been causing them concern over the last little while. Obviously, there are now some details published yesterday—around 50 percent, or 51 per cent, depending where you live, where you work. That seems to be quite a complicated arrangement. I'm sure, as it becomes part of common parlance, we'll understand how that works and how Her Majesty's Revenue and Customs are going to understand, and how all that methodology of where somebody is working 51 per cent of the year in England or Wales, and where the sites are based, given the transient nature of the workforce that we've

got—. If you start a two-year apprenticeship and you're working in England and then you transfer to another site in Wales—. Those are the complexities and the reality that industry is crying out for some clarity around, and those are the reasons, I think, that some of these providers on the border are setting themselves up to be able to deal with those complexities. It's not simple and straightforward, and that what industry's been crying out for: some clarity around those issues.

[91] **Russell George:** I'm just concerned we do need to move on to the last section, so I think we need to allow sufficient time for this line of questioning. Adam Price.

[92] **Adam Price:** Yes, I'd just like to ask a few questions about the level of engagement that you've had with the Welsh Government in relation to the apprenticeship levy, which—Sara, you touched on this earlier a little bit, in that you'd had some soundings, but I know, in your written evidence, for example, you've said that you are extremely disappointed that there wasn't a formal consultation, as there was in Scotland and Northern Ireland. So, what information did you receive before the publication of yesterday's toolkit from the Welsh Government?

[93] **Ms Jones:** I'll give you a little bit of a history of the engagement that we've had on this, and, you're right, we have been extremely disappointed. I will say that engagement has improved dramatically over the last month, although, for us, that's too little, too late, because, quite clearly, the employer voice should be heard at an earlier stage. That's why we did call for consultation. So, in England, in Scotland, and in Northern Ireland, each of those nations has had a consultation over this levy, and that is the democratic process we think should have been the right fit for here. If we look in Scotland, for example, I think it was around almost 80 per cent of those who responded to that consultation called for that flexible skills fund, including Confederation of British Industry Scotland, and consequently the Scottish Government responded appropriately and have enabled that flexible skills fund to come in. So, for us, it was absolutely key there was consultation, and that hasn't happened. As a result, we have proactively, as an industry, engaged with Welsh Government, and we received a communication in June, a one and a half page factsheet. Other than that, there has been no further written communication. We have had opportunities to meet with Welsh Government through our own proactive engagement, but the information we've received during those sessions has been limited. So, again, even when we've had those discussions, we don't feel that has

provided us with the information we needed to give confidence to the employers that we represent.

[94] **Adam Price:** Is that lack of engagement mirrored as far as the Construction Industry Training Board is concerned?

[95] **Mr Bodger:** I think not. We've been very proactive in engaging with the Minister and also the Cabinet Secretary. We've had officials visit each of the regional forums that we held in south-east, south-west and north Wales, because construction employers have seen the apprenticeship levy as a key threat to what they've currently got as far as the construction levy. So, they've wanted to know the detail from a very early point, and, therefore, briefings have happened on a regular basis.

10:45

[96] However, whilst briefings have happened, the details—some of which we're still looking for the minutiae—given that we're talking about an apprenticeship levy that's coming in very soon, seem to have come through very late. And, given that we're today talking about a document that's been issued yesterday, it just shows that the planning, as far as that's concerned, and some of the details, have not been forthcoming. And, whilst I would say it is late, I understand that—having spoken to officials on many occasions, I know the frustrations that they've had, trying to deal with and get some information via Westminster, so I would not wish to apportion blame in any particular point; I understand the complexities around this. However, from an industry perspective, the frustration is that we're still in the dark as far as some of the detail that we've talked about here this morning.

[97] **Adam Price:** How do you think, then, that the Welsh Government can improve on the lack of—the poor performance in terms of engagement hitherto? We've seen in England, for example, the UK Government, responding to the private sector, has created this institute for apprenticeships, which will be a forum where employers can continue to monitor the progress of the implementation of apprenticeships. How confident are you that those structures of engagement are going to be in place in Wales, or what should there be?

[98] **Mr Bodger:** Flicking through the document, there was reference to a body, and I'm trying to remember what the title of it was—I'm not sure if anyone can find it quicker than I can—and whether that is something that

would be useful. There's certainly a requirement for engagement. We have no problem in engaging with the apprenticeships team within Welsh Government, and, as far as the frameworks are concerned and the production of those, it works. It is a slick operation as has operated and served us very well. I think this has come, that it's outside the norm, and, hopefully, once it beds down and we've got a method of working, then I think that engagement has proved to be beneficial and very, very useful, and, access to Welsh Government officials and Ministers, for us, with the sector, they've been very receptive. Maybe that's because we do feature as a priority sector in each of the three regions, and we're keen to make sure that that continues. So, that engagement, for us, is paramount to make sure that this works successfully.

[99] **Ms Jones:** And I suppose, from the retail industry perspective, the overarching issue is that we're not a priority sector. So, consequently, there are only three sectors under this issue that aren't, and that's business administration, retail, and hair and beauty. Now, the retail industry employs 137,000 people—we're Wales's largest private sector employer—so we feel there needs to be more recognition for the industry and the role that we play in every single community across Wales. So, that's a bigger picture issue. That's an issue for, potentially, the next economic strategy that's developed by the Welsh Government, that retail should play a much bigger part in that, and that would be great. In terms of the paper that came out yesterday—and, as Mark alluded to, there is some group that I believe has been set up, and, again, if we could have a retail representation on that group, that would be fantastic. I do think that there has been some really positive engagement over the last—. As I've mentioned, the engagement we've had with officials has improved dramatically over the last month, and, indeed, with the statement yesterday, we're being asked now to go and meet to talk through, to have a workshop, and there are lots of things and opportunities that are coming. But it does bring us back to that point, that we believe it was too little, too late, and that our voice hasn't been effectively heard earlier on in the process.

[100] **Adam Price:** There is a reference that I can see to an expanded remit of the Wales Employment and Skills Board. Is that a body or a forum that you regularly engage with? Has it been useful to date in providing a voice for employers?

[101] **Mr Bodger:** It's not something that we've engaged with, but maybe that's something that we need to identify and seek to influence, if that's the

method that we go forward with.

[102] **Adam Price:** I'm sure employers all over Wales will be Googling now 'the Wales Employment and Skills Board'.

[103] **Ms Jones:** I'd say it's the same for the retail industry, and, you know, there's an element here that we should have done more, potentially, to engage with these groups, because we have never had any engagement proactively from the employment and skills board. Perhaps we need to do more, now, as an industry, and we understand that, but it's a two-way process. So, we'd encourage that board to work with us very closely.

[104] **Mr Bodger:** For us, the key engagement mechanism has been through the regional skills learning partnerships. That's been a method that's served us well over the last little while, and, as they're starting to develop their employment and skills plans, hopefully, that will provide an added mechanism of input and collaboration.

[105] **Adam Price:** Okay, thank you.

[106] **Russell George:** A couple of quick questions: Mark, you said that you had engagement with, I think, the Minister and officials. Was that at ministerial and official level?

[107] **Mr Bodger:** Yes. We've met with the Minister around this, whether it's once or twice, actually, and engaged. As I said, some of the apprenticeship team in Welsh Government have visited each of our regional skills forums, done presentations, and sought to answer questions from the industry directly.

[108] **Russell George:** And, when you meet with officials, is there any sense of disconnect? Because I'm aware there are different departments within Welsh Government, or do you feel that those officials have been able to provide you with the correct information?

[109] **Mr Bodger:** They've given us the information—I feel they've given us the information that they have available at the time. It's been a very open and frank discussion and, obviously, for us as an organisation looking at the impact of the levy, we wanted to make sure that we got that information through to construction employers as soon as possible. So, we've, being a non-departmental public body, also been having discussions in Westminster

as well to see how that impact has come, and how those discussions are happening across borders.

[110] **Russell George:** And, Sara, you said that your meetings and engagement with the Welsh Government have been very limited. That's your answer to Mark. So, have you met with the Minister and officials?

[111] **Ms Jones:** We've met with officials. Proactively we've contacted the skills department in Welsh Government to request meetings, so we've met with officials, yes.

[112] **Russell George:** And have any of your members met with the Minister?

[113] **Ms Jones:** No.

[114] **Russell George:** Okay. Have they asked?

[115] **Ms Jones:** Yes.

[116] **Russell George:** Okay. Okay. One last question, I think. Jeremy Miles.

[117] **Jeremy Miles:** It's actually on that topic, actually. You're describing very different levels of engagement, obviously, around the apprenticeship issue. Is there a commonsense view in this, which is to say, 'If you're a sector which has a history of making apprenticeships available to your workers, then you're going to have a better dialogue with Government about apprenticeships'? Is it, in a sense, as straightforward as that?

[118] **Mr Bodger:** Personally, I think, for us, it's bread and butter and for our sector it's bread and butter. Therefore, we're very keen to make sure that it continues in whatever format it happens. We were engaged with the apprenticeship consultation. That was put on hold whilst the apprenticeship levy came in. So, we were very engaged in that apprenticeship consultation. For me, that's something that was of benefit to us and that did—. We were very, very engaged with that process. So, to say that we haven't had consultation on apprenticeships—. That was under way and the consultation's there. The hiatus of the apprenticeship levy, and the impact of that, there's been no consultation during that period, but, obviously, the document that was produced yesterday is a result of the previous consultation and the considerations that have been given to the impact of the apprenticeship levy. So, it's been a very trying time for everyone, but,

hopefully, as we take it forward, it will become clearer and we'll end up with a system in Wales that really can benefit construction employers going forward.

[119] **Ms Jones:** Yes. And the consultation that Mark refers to, it was pre levy. So, from our perspective, it's a very different system we're operating here now. I think there is an element that, if you are utilising the existing frameworks, you're going to have a better dialogue with Welsh Government, and you are potentially going to see that level of intelligence that's coming back, in terms where the need and demand is, is going to not be skewed, it's just going to be tailored to where the engagement has happened. So, there's a role for us to engage more effectively and look at opportunities now. I do think there is an element in the statement that was released yesterday that's looking for a collaborative approach here. Of course we have, still, huge concerns and we'd have a number of recommendations going forward, but there are elements in there that we can see as positive, and we hope that will be fruitful for all our members.

[120] **Mr Bodger:** Can I just add: the document yesterday again highlighted the requirements for higher apprenticeships and potentially graduate apprenticeships, and those are some of the things that I think, if we're talking about a pathway through for individuals in Wales, that can provide great benefits. So, that's certainly something that we'll be seeking to engage with further and I know our employers will be very keen to engage with that to deal with the skills shortages that we have in the construction sector, which, hopefully, will provide great stimulus to the economy over the next few years.

[121] **Russell George:** Can I thank you for your time this morning? Time is out, I'm afraid. So, we've run over a little bit. But if I could ask Members for a very quick break and be back before 11 a.m. So, be back within five minutes. Can I thank our witnesses for their time and their written evidence? Thank you.

*Gohiriwyd y cyfarfod rhwng 10:54 a 11:04.
The meeting adjourned between 10:54 and 11:04.*

**Sesiwn i Graffu ar Waith y Gweinidog—Yr Ardoll Brentisiaethau yng
Nghymru
Ministerial Scrutiny—The Apprenticeship Levy in Wales**

[122] **Russell George:** I now move to item 6 in regard to the apprenticeship levy inquiry. I'm very pleased to welcome the Minister responsible, Julie James. I'd be grateful, Minister, if you could introduce yourself and your colleagues.

[123] **The Minister for Skills and Science (Julie James):** I'm Julie James. I'm the Minister for Skills and Science.

[124] **Ms Huckle:** Samantha Huckle, head of apprenticeships for Welsh Government.

[125] **Mr Morris:** I'm Huw Morris. I'm the director for skills, higher education and lifelong learning.

[126] **Russell George:** Very grateful. We'll go straight into questions, in that case, and I'll go to Jeremy Miles.

[127] **Jeremy Miles:** Thank you, Chair. There will be lots of questions about the statement and information from yesterday, but I just want to take a step back for a second from that and ask about the general view that you have of the apprenticeship levy in general terms and, specifically, given that one of the stated objectives of introducing the levy, I believe, was to encourage companies to look at their training and their skills offer, if you like, that's happening, isn't it?

[128] **Julie James:** We were very disappointed when the levy was announced. We were right in the middle of our own consultation on apprenticeships in Wales, and some Members may remember that we then had to stop our consultation and announcement process because the levy was announced, from our point of view, out of the blue. I think there was some confusion in the UK Government—we know this from talking to them, actually—about how their levy would be able to be implemented across the devolved nations in particular, and whether the £3 million was an announcement for England or across the devolved nations. That's been clarified over a time period, but, at the time of the announcement, it wasn't hugely clear, nor was it clear—and it's caused a lot of confusion—how the UK Government could implement an

apprenticeship levy and then turn into the English Government in terms of the policy that flowed out of that levy. I think that's caused quite a lot of confusion for employers, because, again, the UK Government's obviously the tax-levying power and they implement across the United Kingdom, but then each national Government, and, in some cases, cities, have devolved skills policies, and they're the ones who actually implement it in accordance with their particular drivers. So, it caused us some difficulties, there's no doubt at all. We've had a large number of meetings, both between myself and the various Ministers responsible, and a great deal of meetings at official level. Part of our frustration has been how long it's taken them to sort themselves out. So, we feel that information here in Wales has been delayed while we try to understand what on earth's going on. It's very difficult for us to tell our stakeholders what's going on when we're still struggling to understand exactly how it will work. So, we have now got clarity. It's a bit late in the day, you might think, and that's why we've now started to make our own announcements, because we feel we've got a clear base to announce it off.

[129] Can I just say at this point, Chair, you can probably hear from my voice I'm really struggling? I apologise. So, I may get the officials to answer questions that ordinarily I would answer, just because my voice is giving out a bit.

[130] **Jeremy Miles:** Thank you, Minister, for that answer. We've had evidence in the session before this from both the retail consortium and the construction sector. Both gave evidence to the effect that they are, effectively, as they put it, paying twice for training and the levy in the case of the retail sector, and the construction sector in a very real sense, because they're paying two levies. What's the Government's view of the potential impact, including in terms of competitive advantage or disadvantage against England—what's the impact of the levy on employer-funded training?

[131] **Julie James:** Well, I can't talk about England, really, apart from some speculation about how it might work, because, obviously, it isn't working yet. They've made some announcements about how they think it might work. But I can talk a little bit, and I'll get the officials to fill in some detail, about what we've found here. We had a co-investment strategy running for quite some time, which we felt was gaining ground, and we have a continuing issue in Wales, as across the UK, actually, about the employers that do do training, do it well, but there are employers who don't and they tend to be at the small and medium-sized enterprise end of the market. Of course, the way that business profiling in Wales is, we don't have that many companies that are

really big. I think 704—. I can't remember how many people pay it. One of the officials will tell you how many actually pay the levy. Most of our landscape is SME and at the small end of the SMEs, and we want all of these people to be able to access training in an equitable fashion. But we're also very anxious that the training should further the needs of our economy, as driven by our regional skills partnerships and our investment strategies, to make the jobs of the future. So, I don't want to be rude, but we don't want to just have employees who are actually just undertaking ordinary work-based learning suddenly called apprentices for the purposes of making a target. We actually want them to be proper, quality apprentices that have qualifications attached to that. They'll have something on their CV at the end of it worth having that other employers recognise as being worth while. That should contribute to the economy. We absolutely agree with the UK Government's need to drive investment on this, but I don't think this is the right way to do it. I've said in public many times, and I'll say it again here, I think what we've got here is a specific employer tax just replacing general taxation, and, actually, we fear that it will not drive extra investment. What it will do is muddy the waters of investment and make those firms that are made to pay the levy resentful and have raised expectations in areas that aren't necessarily the right areas for the growth of the economy, and may cut off the SME market from those training funds. So, we've sought, in Wales, not to do that.

[132] **Jeremy Miles:** Thank you.

[133] **Russell George:** Hannah Blythyn.

[134] **Hannah Blythyn:** Thanks, Chair. In many of the evidence sessions we've taken from employers, I think there's been an expectation, almost, that they expect an either direct or indirect return for paying the levy. I know, in your written statement yesterday, you said about the additional funding that's going to be invested to ensure that both public and private sector employers are not disadvantaged as a result of the apprenticeship levy. So, would you be able to expand, or your officials, about, actually, how that will, perhaps, meet some of the expectations of employers following the introduction of the levy?

[135] **Julie James:** Sure. First of all, this business about how much money there is or isn't—the figures have moved up and down a little bit over the last few weeks, but, essentially, they've gone through the usual Barnett mechanism. So, for example, they've given us—[*Inaudible.*]*—*million, then

they've taken it back from the base cuts. We've got a £30 million cut out of public sector organisations, because they've got to pay the levy. There are some issues with small schools and so on that Members will be familiar with, in the room, about the way our local management of schools schemes work and whether or not there are exemptions for that. Obviously, we don't have the academy and free school system that they have in England, and that's part of the problem with the UK Government behaving as a tax authority to raise an employer levy that is then funding a skills policy that is England based and what that does to the power of the devolved nations to be able to carry on with their particular devolution agenda.

[136] It's a fundamental principle of devolution that you ought not to have to implement the policy of your neighbours simply because they're bigger than you are, and we don't think it's the right policy to just spread that jam very thinly across everybody. We very much want to support the employers that are in growth sectors for Wales. We've put a lot of money and time and energy into our resource skills partnerships, which are just getting going. We've got their plans; we want to fund those plans properly and not do it on the basis of which employer happens to have paid the most levy. We're also not happy about the way it's worked for public sector organisations.

[137] Having said all of that, though, we have worked very hard with our levy-paying employers, public and private sector, to understand their issues and what they want to get out of it. We've changed some of our frameworks to match that and we've done a lot of work for companies that work across the border, and I think, probably—Sam, do you want to talk a little bit about what your team has done?

[138] **Ms Huckle:** Yes. Our approach has been—we've got about 200 active lines of enquiries with levy-paying employers at the moment, and we're looking at doing a training-needs analysis with them on their current training needs and their future training needs. Our policy, very much, is about how we drive higher level skills, how we drive technical and professional skills, but we are able to flex what we deliver in Wales to ensure that there is parity around the offer in terms of the curriculum between England and Wales, and we've been working very actively with the likes of Centrica, Tata and Airbus on those areas. But we're almost working with the companies to try and get them to realise the future skillset that they need—the better paid jobs that we are looking for in Wales. So, we've very much been trying to ensure that the return that they receive is based on an evidence and an analysis base of what they require now, and what they require in the future. But that is

tempered with what we believe the economy will need to grow. So, we're very much trying to mesh that approach together, and that's being done now through our new enquiry line. We've got new apprenticeship ambassadors who are working with levy-paying organisations, and we've got a toolkit out there that helps them to understand what provision is available and where.

[139] But we've also got quite a similar strategy with the small businesses. Levy payers are really important, but SMEs are the lifeblood of the Welsh economy, and we're doing all we can to just drive the skills levels up for those organisations to make the system fair.

[140] **Julie James:** I wonder, Chair, whether I can ask you whether you've actually seen the—this is on the Government website. It's a printout of it.

[141] **Russell George:** We have had copies placed in front of us this morning. I can't say I've read it all—

[142] **Julie James:** Oh, excellent.

[143] **Russell George:** —but it's in front of me.

[144] **Julie James:** I thoroughly recommend it as a good read.

[145] **Russell George:** I'm going to look forward to that for my bedtime reading. Hannah.

[146] **Hannah Blythyn:** Just on that, I think it's quite right that you said that the focus is on the priority sectors as in the interests of the Welsh economy, and you're saying about the conversations and consultations with the levy payers—does that include those that may not be within the priority sectors as well, and what's available for them?

[147] **Ms Huckle:** Yes, we've had a broad range of discussions. The CBI estimate there are about 700 levy-paying employers in Wales. We've got active lines of inquiry with 200 of those. We utilise networks through the Construction Industry Training Board, who were here earlier. We utilise networks to assist with that. We've also got a bit of a specialist driver, so we are using Chwarae Teg in certain areas where we're trying to dual-run engagement with the levy employers plus getting women into key areas. So, we've got a number of strategies in terms of engagement that we're operating.

[148] **Mr Morris:** Can I add to that? So, amongst the organisations we've seen, as Sam has mentioned, we've seen Centrica, Airbus, GE Aviation, we've consulted extensively with the construction industry, with the Welsh Retail Consortium. We've met with, or offered to meet with, representatives from all of the anchor companies in Wales, we've met with local authorities, with the NHS, we've met with the CBI, the Institute of Directors, the Federation of Small Businesses, Commerce Cymru, the chambers of commerce, the representatives from the Council for Economic Renewal, and the offer is there for all of those membership organisations and others that we will respond to any enquiries they have and talk to them about the detail of what is required. One of the big advantages that we've had with the development of the proposals is learning from the experience of what's been happening in England. We noted with great interest that before Christmas the National Audit Office published an assessment of apprenticeship policy in England—I'd strongly recommend having a look at that—and, at the end of November last year, the UK Parliament's Public Accounts Committee published an assessment expressing concerns and reservations about the scheme that was going to operate in England, and then, just at the beginning of this week, the Institute for Fiscal Studies has also produced a report that raises significant questions about the operation of the scheme in England. We believe that what we are offering, having learned those lessons, doesn't fall victim to any of those difficulties.

[149] **Julie James:** Can I just add one more thing to that, Chair, as well? I think it's also important to remember that apprentices are not the only kind of work-based learning. So, just because we're not offering a level 2 apprenticeship in shelf stacking for retail people doesn't mean we're not offering work-based learning to retail people; it's just not an apprenticeship, because that's not appropriate. There are lots of other work-based learning arrangements that we have in place, including things like traineeships to get people up to the level of an apprenticeship, but also just standard work-based learning that we also support. I think one of the issues around the apprenticeship levy is that it's a shame it's called 'the apprenticeship levy' and not 'the work-based learning levy', because actually apprenticeships are very important, but they're not the only kind of work-based learning and, for some areas, not at all appropriate. What we don't want is to have people, as I say, working happily and then showing up after three years to discover they've been an apprentice all this time and are now getting a certificate. I'm not suggesting that's happening in England, but we're very keen that it doesn't happen here in Wales.

[150] **Russell George:** I'm just conscious we've got quite a few areas to get through, and I've got three Members on this section, so can I ask Members and the Minister and officials to be punchy in questions and in responses? So, Vikki first, then Hefin, then I'll come to Mark. Vikki.

[151] **Vikki Howells:** Thank you. As the document states—that you launched yesterday—it's all about aligning the apprenticeship model to the needs of the Welsh economy, and obviously that explains why we are moving to prioritise level 3 and higher apprenticeships. We know that in Wales currently we've got practically full employment, and yet we've got so many people living below the poverty line. So, upskilling is absolutely crucial for Wales as we are now, but up until now around about 45 per cent of our apprenticeships have been level 2, so would you agree that it's a significant move away from that now with the new kind of model? If you do agree that that is quite a significant move, I'm wondering how you feel employers are adapting to that, because that change has obviously come at the same time as the levy, which makes employers feel as though they deserve a return on their money to whatever standard apprenticeship they feel they should have.

[152] **Julie James:** So, that's quite a complicated question to unpack, because it sort of depends which industry and which employer you're talking to. One of the things we're very keen on doing is we obviously need to support the foundation economy, so we need level 2 apprenticeships in there, but we're very keen that those people should have a route up out of there. It might not be that everybody takes that route, but the route needs to be there for those people who want to take advantage of it. So, for example, if we have level 2 care apprenticeships, we want to see employers offering level 3 and level 4 in that career path if we're going to support them. So, we're basically just trying to encourage it through to make sure there is a route out of minimum wage employment for people.

[153] Of course, ironically, a lot of the levy payers are big companies who already have that in place, so some of the people that we've just talked about are the people who already have the higher level apprenticeships in place. We're also very keen that the SMEs that we're trying to encourage to train—perhaps the ones that don't train at all—should have the benefit of Welsh Government money to help them do that. So, it's a much more complex picture than that, but I think broadly I'm saying 'yes' to your question, but it's different in construction to retail, so it's a bit more complex than just saying, 'Yes, we're keen that everybody should offer a higher level

apprenticeship to everybody’.

[154] **Vikki Howells:** And if I could just ask one follow-up question in relation to that, then. We’ve got the new employability skills programmes that’s currently being developed and already been announced. Will the training for entry-level jobs be part of that?

[155] **Julie James:** As I was saying earlier, it’s important to remember that apprenticeships are not the only form of work-based learning. So, what we want is a system that allows people to come in at any point and get themselves to the point where they can get onto a quality apprenticeship that might then take them all the way up to PhD level, if that’s appropriate in their industry. But that definitely gets them up above a minimum wage, dead-end career—otherwise, what’s the point of the training? So, yes, the employability programme will have everything in it, from people who are very far from the labour market who are coming closer towards the labour market—into volunteering and work experience, and so on, and then eventually into employment. And it will also have people who are in minimum-wage, zero-hours contracts jobs getting training to get them up out of that arrangement so that they can have a better future.

[156] The Welsh economy totally depends on us being able to do this. We can’t have this doughnut thing with well-paid people and low-paid people, and very nearly nobody in the middle, which is what we’re looking at if we’re not careful.

[157] **Vikki Howells:** Thank you.

[158] **Russell George:** Hefin David.

[159] **Hefin David:** Huw Morris carried out a critical comparison with the English approach. Centrica and, today, the Welsh Retail Consortium, were full of praise for the English trailblazers approach. Is there anything wrong with it?

[160] **Julie James:** We don’t have a problem with some of the trailblazers, and Sam’s team have been working very closely with them to make sure that we can align ours as much as possible. We’ve a lot of sympathy for people not wanting to work in two systems, and so on. But, at the same time, as I say, it’s a principle of devolution that just because our large neighbour decides to do something we don’t agree with, we shouldn’t be forced into

doing it as well. So, what we've tried to do is make sure that the trailblazers match our quality standards and marks, and, where they do, we're happy to embrace them, and, if they don't, Sam's team works very hard on trying to get them to do that. It's very simple, really—the Government has a duty to employers to help them train, but also has a duty to citizens to give them something worth having. So, if you get an apprenticeship from Julie James Inc. and then Julie James Inc. goes into receivership and your apprentices say, 'John and Joe have got an apprenticeship from Julie, and it's useless because every time we go to an employer with it, they say, "I don't know what that is—does it have any qualifications in it. What did you actually do?"', what's the point of it?

[161] So, we try to get standards set that are transportable between different employers and different areas—so, essential skills, levels and so on—that mean that people have something worth having on their CV for their part, and the employers are able to recruit. So, if an employer wants to rapidly expand, they may not be able to train its own and it may need to take in people. It needs to understand what those qualifications look like and mean.

[162] **Hefin David:** So, employer-developed standards are not worth having?

[163] **Julie James:** They are if the industry accepts them across the board, but if they're only for that employer, then—

[164] **Hefin David:** Or that group of employers.

[165] **Julie James:**—you're completely dependent on that employer staying in business, aren't you?

[166] **Hefin David:** Okay. That's a fairly strong justification.

[167] **Julie James:** Okay. Mark Isherwood.

[168] **Mark Isherwood:** I'm sure Julie James Inc. wouldn't go into receivership, but—

[169] **Julie James:** [*Inaudible.*]—into receivership, I'm sure. [*Laughter.*]

[170] **Mark Isherwood:** The Welsh Retail Consortium emphasised that they're largest private sector employer in Wales, and, although they had met their

officials, that was because of their proactive approach as a non-priority sector. How do you respond to their concern that, by removing or denying access to level 2, that's denying the staircase to higher level apprenticeships, or progression to higher level apprenticeships, and that this will ultimately impact on productivity, investment and employment and skilling of older employees in Wales?

[171] **Julie James:** But we don't deny access to level 2. The conversation we've been having with them is that we're quite happy to support level 2 arrangements, as long as there are progression arrangements in place, and as long as they're in skills areas that we value in the economy. So, if you want to talk about business processes, or business management or whatever, I don't care where you sit—you can be in a retail or an engineering company. We support those apprentices because they bring the skills that we need in the economy. The issue about level 2 is if it's just ceilinged at level 2, because I just don't see that that's a viable thing for the Government to put its money into. Bear in mind we're talking here about Government apprentices. There's nothing to stop the employer doing whatever it likes if it's not using Government money. I think it's important, as I explained, that we need to make sure that we have career progression and so on.

[172] In terms of the specifics about the liaison with the retail consortia, I think Sam can say a bit more.

[173] **Ms Huckle:** There are a couple of areas where we're looking at the content of the apprenticeships, and they are retail, customer service and business administration. They tend to be assessment based. There's very little learning input in terms of any knowledge or certificates that you would gain. And we've been considering how challenging they are and what portable skills they provide. They are huge in terms of numbers and demand, so we've placed a cap at the moment on some of those key areas at level 2 where progression routes do not exist.

[174] We have been working with the Welsh Retail Consortium to consider—. With Boots, we've been looking at their pharmacy apprenticeships. We've been looking at financial services. With Tesco, we've been looking at the bakery, the butchery working, the logistics. We would love to be able to roll out a big programme in terms of management, and Tesco are looking at mapping across how they can do that. The problem, I think, that we are concerned about is that a lot of the HQ and the higher value and higher level jobs are based elsewhere in the UK, and we'd love to attract some of those

skills, and work with them to look at relocation around some of that activity. But we are reviewing the content of some of that work, and where there is the opportunity for them to progress, we are looking to support that work.

[175] **Mr Morris:** Could I just add a couple of quick things to that? We've been meeting with members of the Welsh Retail Consortium since last autumn. We're very aware that the retail industry is changing quite radically as a consequence of digitisation, computerisation and other things. In that sector, and in other sectors, we want to prepare people for the future. We're aware that one of the previous UK Government schemes—Train to Gain, I think it was; I may have it wrong—experienced significant difficulties when a large supermarket chain used the funding to pay for in-work adults to have certification for skills they already had. That created a problem for that scheme and it was subsequently abandoned. That's an issue that's referred to, I believe, in the reports that I mentioned earlier. So, we are conscious to learn the lessons of the past and avoid those traps, but, also, preparing those industries for the future, and mindful that the International Labour Organization, which is a branch in the UN, defines an international standard for apprenticeship. We are keen in Wales that we meet those international standards, and that is focused on intermediate occupational skill levels and above. That's a part of the requirement internationally.

[176] **Russell George:** Adam Price.

[177] **Adam Price:** In Scotland and in Northern Ireland, there was a formal consultation specifically on the apprenticeship levy. Why didn't that happen in the case of Wales?

[178] **Julie James:** We'd just finished an extensive consultation on apprenticeships at the point when the levy was introduced, so we were quite cross about the fact that we'd literally just finished the consultation. But we've also just set up the regional learning skills partnerships as a continuous consultation mechanism. And, honestly, I didn't think that consulting with—. What would we have been consulting on? We'd already done an extensive consultation about apprenticeship policy. We'd had really good responses across the board. We had good buy-in for our policy. We had good buy-in for all of the things we've just been talking about this morning. And then we had the levy introduced. So, what would we have been consulting on—abandoning everything we've just talked about in order to give levy-paying employers a different service? I frankly don't agree that we should consult about things that we have no intention of doing, and I had no

intention of doing that. I don't think it's the right thing to do and I don't have any problem with what we did. We've been very open about it.

11:30

[179] At the same time, we have consulted continuously with the regional skills and learning partnerships about what the economy actually needs in terms of skills, what we should be funding and what we should be driving and, of course, they extensively consult with all of their stakeholders, who are all the people we've just been rehearsing. We've individually consulted with people about which particular skills arrangements they want and so on, as Sam has just been outlining. So, I just didn't see what it would add, to be honest.

[180] **Adam Price:** You may have heard the Welsh Retail Consortium expressing a view that, in some of the informal responses, which we've also seen echoed by people within the private sector, there is a feeling that there hasn't been enough consultation. Isn't the problem with relying on informal consultation, that that's great for those companies, like the anchor companies that Huw Morris referred to, where there are existing strong links that the Welsh Government has, but, without a formal consultation, you'll miss sectors like the retail sector, where those links are historically, for historic reasons, hardly strong?

[181] **Julie James:** I would agree with you, if we hadn't done any consultation, but we have just done—literally just done—an extensive apprenticeship consultation that we had good responses to. I think it was days before they announced it that we finished the consultation. It was hot off the press.

[182] **Adam Price:** So, the Welsh Retail Consortium are just plain wrong.

[183] **Julie James:** My view of the Welsh Retail Consortium—and I have some sympathy with this—is that they are faced with an employment tax that they are trying to get some money back out of, and it's not actually very clear how that's going to work in England. We can talk about—and, probably, I crave the Chair's indulgence not to do it in the committee because it takes about two hours—all of the difficulties with implementing a digital voucher system and the various mechanisms for fraud and so on that will have to be guarded against, and every single voucher system that's ever existed so far and what went wrong with it, which I'm sure the English Government will grapple with.

I just don't understand why we would need to do what England is doing when we've just consulted with everybody and they've just returned and said to us that what we're doing is the thing that they agree with. What changed was that the UK Government, without consultation with us, substituted a specific employment tax for general taxation, which they did just arbitrarily because they decided to do so. I can't unfortunately change that, but it doesn't mean I have to change my skills policy to match it.

[184] **Adam Price:** You have at least recognised a need to create new structures for engagement, because you're widening the remit of the Wales Employment and Skills Board. I have to say that the two employers' representatives that we had here didn't seem to know much about the Wales Employment and Skills Board, so you might have a little bit of a marketing job there. Could you say a little bit about how you plan to improve engagement going forward, as you seek to implement the strategy that's published?

[185] **Julie James:** I'll take that on board. I don't know which employers you've had in here.

[186] **Adam Price:** It was the CITB and the Wales Retail Consortium.

[187] **Julie James:** The CITB is on the Wales Employment and Skills Board, so they ought to know about it, and the retail consortium we've spoken to lots about it. But I'm happy to go and talk to them again about it. Maybe they have internal communications difficulties as well.

[188] We're in a continuous consultation process. We adapt our frameworks all the time to respond to the needs of people who approach us or who have specific needs. One of the things that we talk about all the time is that we were approached by the road haulage people, for example, to say that they couldn't get enough people with HGV licences in Wales, and so we put a framework in place instantly to produce 140 people with HGV licences and 90 per cent of them got good jobs immediately to fill a skills gap. So, we're very responsive to that kind of thing. Wales is only small, so it's not hard for us to get in touch with people who want to do that, but I'm still extremely reluctant to warp our apprenticeship framework, which is very well-regarded and of a high quality to just meet all work-based learning demands. As I say, there are other ways of meeting work-based learning demands without putting apprenticeships in place that aren't really apprenticeships.

[189] **Adam Price:** Well, just finally, in England, where the UK Government has announced in response to this question, actually, about employer voice within the system, if you like, that they are creating this independent institute for apprenticeships, do you think that the Wales employment skills board, which essentially is another advisory body—which, we're told, certainly in this review, we're going to cull a lot of advisory bodies—and is an advisory body that there is patchy awareness of in the private sector, is that sufficient to meet our need to have a strong employer voice within the system?

[190] **Julie James:** 'No' is the answer; it isn't sufficient. It's one of the things that we do. As I say, we have a regional skills policy arrangement as well, and we have a whole pile of other liaisons. So, no, it isn't sufficient in and of itself, but it isn't the only way that we do it. I do think it is important for us to have the Wales employment and skills board in place to give us steer and direction, and, of course, we've held on to the UK CES surveys and so on, which the English Government has seen fit to do away with, because we're interested in having some empirical evidence from extensive employer surveys about what we actually need in terms of skills and so on. So, I'm very keen to have as much evidence as possible.

[191] I don't know if you've seen who's been appointed to the new board in England and whether you think that's representative or not. I mean, I think the jury is very much out. It's brand new and we haven't got any evidence at all of how it functions yet, so I'm not in a position to have an opinion on it, because, how can you? It hasn't even started its work. But we'll watch with interest, and as Huw Morris has just been pointing out, we're very keen to learn the lessons of other people's initiatives and learn from both their successes and their failures. So, we'll be watching that with interest, and if they come up with something we think we could usefully translate into Wales, we will certainly do that. But at the moment, it doesn't look like anything particularly different, and we'll see how it works.

[192] What we're looking for is as extensive a network of consultation arrangements and as continuous a mechanism to consult as we can usefully come up with, without being so bureaucratic that you never have a policy in place. So, our policy's a framework, and the frameworks are adaptable, and we work with pretty much everybody to see if we can get some kind of work-based learning in there. And I just would like to leave you with that emphasis: not all work-based learning is an apprenticeship.

[193] **Ms Huckle:** Shall I just come in on that? We put the policy together to look at the Wales employment and skills board having a stronger role around apprenticeships. We looked at the models in Scotland, Northern Ireland and England. Scotland have an apprenticeship advisory board, and they primarily oversee the content of what is developed. The priorities are still set by central Government. What we have is a slightly different process where regional skills partnerships will prioritise what goes into our contracts for delivery. So, that's a key influence mechanism for the volumes about what goes out on our contractual arrangements. And there's a balancing act there about what the region needs and what it requires, and that changes, and they have now been tasked with specifically engaging with levy-paying employers in their area to ensure that we boost the sample, if you like, of that voice coming through.

[194] The other thing that we looked to recreate to ensure that the content of our apprenticeships were more employer driven and that the policy was being implemented in line with employer needs, was looking at an apprenticeship advisory board. That'll be linked to the Wales employment and skills board, but we would imagine that would be a sub-group of that board, because they would need to be quite specialist, I guess, in terms of understanding apprenticeships and the needs and demands of apprenticeship requirements across Wales.

[195] So, that's how we see that sort of system panning out, and, of course, we've got a big account management system where we're putting levy ambassadors in place with the levy employers, and then we're looking at, you know, how we work with small businesses more, to engage with them, to ensure that they are working on apprenticeships through things like shared apprenticeship models.

[196] **Russell George:** Minister, when you answered a question from Adam Price, you mentioned the Welsh Retail Consortium, that you'd already met with them regarding the levy and that you're happy to meet with them again to explain a number of points, but, an hour ago, when they were here, the representative said that they hadn't met with you and they wanted to meet with you, but you haven't agreed to meet with them. We also had the CITB with us as well and I noticed a difference in the engagement levels between each sector. CITB were happy with the engagement, but the Welsh Retail Consortium were not. I'm just wondering how you're going to better engage with that retail sector.

[197] **Julie James:** I haven't met personally with the retail consortium yet. That's not to say I won't in the future. But, as I say, there are 700-and-something levy-paying employers and with the best will in the world, you can't get around to all of them. Officials, though, have been meeting with the retail people quite extensively. We've, of course, only just made the announcements that we've made, so I will be meeting with them in the future, but I'm happy to accept I haven't done so yet. I mean, that's just—

[198] **Russell George:** That wasn't an over-criticism, but there was a difference in emphasis between the two employers.

[199] **Ms Huckle:** We were with them last week, weren't we? We were with them last week.

[200] **Julie James:** Officials have done a lot of work with them. We've tried very hard to make sure that, although they're not a priority sector in the sense that it's not a sector we're trying to grow particularly in the Welsh economy—there are sections of it that we would like to grow. Sam pointed out that if we could get headquarters, logistics and so on people here, rather than people in the supermarkets, we'd be very happy to talk about that. It's just a function of timing. I'm not slighting them in some way.

[201] **Russell George:** That wasn't the point I was making. The point I was making is that there seems to be an emphasis on engagement between the industries, and that was coming across in the evidence session.

[202] **Julie James:** I think it's fair to say that the retail industry haven't been particularly hot on training until the apprenticeship levy came along, whereas the CITB clearly have been a training organisation for some time. So, we have much more developed links with them. But, again, that's not a criticism from me to them either, it's just that, obviously, as people who haven't been particularly plugged into our systems before, they're new to the table and we need to develop that relationship.

[203] **Russell George:** That's understood. With regard to the consultation, I understand the point you were making to Adam Price regarding the fact that you'd just completed your consultation, and I understand your frustrations when the UK Government brought out a levy. But why couldn't you have done a further piece of consultation after you'd done your main consultation? What would have stopped you from doing that? Because that's what the industry would have wanted.

[204] **Julie James:** Nothing would have stopped me, but I make the point really clearly that I'm not in the game of having a consultation for the purposes of looking like I've consulted in order to do a policy I was going to do anyway. What would we have consulted on? 'The UK Government has introduced this levy, some of you will pay it, what would you like us to do?' They'd say, 'We'd like you to spend the levy money on us', and I'd say, 'No, we're not going to do that, we want to ensure that all the SMEs get the right level of support from the Welsh Government and we don't think this is the right way to run our economy.' So, I'd effectively have a consultation about something I already know the answer to, that I'm not going to implement. I'm being really upfront about it. I do not think it is a good idea to specifically tax employers and then get them to spend the money and hope it trickles down to the rest of the economy. I just don't think that works.

[205] **Russell George:** But the question is: as a result of the levy, what are the views of the industry in Wales with regard to that levy?

[206] **Julie James:** We know that, because we've spoken to an awful lot of them. I've just, I think, fairly faithfully reported their views, which I'm sure they're saying to you.

[207] **Russell George:** With regard to your updated policy, do you expect demand for apprentices to increase?

[208] **Julie James:** I very much hope so. Obviously, what we're trying to do is increase demand for higher level apprenticeships and apprenticeships that allow you to have a career path all the way through. I'm sure it won't be a shock to anybody in the committee that a very large number of what I've referred to as 'captains of industry' here in Wales are often themselves apprentices and have come up through the apprenticeship route. They're actually real fans of a system that holds to the qualifications levels, and makes sure that the thing is actually worth having on your CV and isn't watered down in some way. So, we are very keen to keep those processes in place and to make sure that you can start as an apprentice and end up as a PhD captain of industry, having gone down that route and had access to all of the learning that is necessary, and that it doesn't just become a euphemism for a dead-end job.

[209] **Russell George:** The committee has taken evidence from a number of witnesses who have said that the Welsh apprenticeship framework is not

flexible enough. That's what they've told us. They've said it doesn't meet the needs of their businesses. They're saying it's a missed opportunity. So, how are you going to ensure that the framework meets employers' needs?

[210] **Julie James:** Okay, well, that's not our view. I'm not aware that we've had very many employers tell us that our frameworks are inflexible. Sam's team work really hard with employers to make sure they're as flexible as possible. I'll just give the committee an example of that.

11:45

[211] One of the best things I've ever had to do as a Minister is blow up a Dalek. I can tell you that it was a tough job, but somebody had to do it. The reason I was doing that was because we have a pyrotechnics apprenticeship that we specifically created for the creative industries in Wales, based on one of our platform apprenticeship models, because we are very flexible indeed. If the industry comes and says, 'Look, we need to do this', and Sam can work out a way of making sure that the quality is there and their qualifications are something worth having, and they have all the transportable things we have just talked about and so on, we will make sure that you can do that, by way of our frameworks. What we are not flexible about is reducing the quality and reducing the amount of certification that goes with it, in order for you to say that people are apprentices whom we don't think really are.

[212] **Russell George:** When we have spoken to some employers, they've made the point that there is not enough flexibility, and they don't know what's happening. There is a lack of communication. I've said to them, 'Well, the Minister has said to us—she has said in a statement—that she is willing for employers to go and speak to her.' I've made the point that you have made to us previously, but they say that they're not aware of that. They are not aware of that opportunity to speak.

[213] **Ms Huckle:** Can I come in on the process?

[214] **Mr Morris:** Can I just pick up on some of those points? Clearly, there is a levy now and employers make a contribution, and they are anxious to maximise the return from that. A number of the employers you have spoken to have engaged with us in the past, but perhaps not through the individuals that you met, or perhaps through the departments that they represent. So, with Atradius, we have spoken to them in the past about training programmes, funded by European money, for MBAs and Master's-level

qualifications delivered by the University of South Wales at their head office. When they talked about what they wanted for the future, my interpretation was that they wanted a continuation of that. We are happy to talk to them about that, but it is not an apprenticeship. When Centrica talked to you about wanting to have more flexibility, Sam and her team have been talking to them about how what we do here can be aligned with their all-UK programme. With GE Aviation, we provide an apprenticeship scheme for them on a small scale. They, now, as a business development priority, want to increase the coding and digital skills for all of their workforce. We will begin the process of talking about that, but that's not an apprenticeship. I could go on through the others that you have seen and others you haven't.

[215] **Julie James:** That's just a reflection of what I keep saying all the time, which is that apprenticeships are not the be-all and end-all of work-based learning. We fund a whole pile of other programmes for work-based learning, including access to higher education and digital skills and so on. They are not apprenticeships, but we still fund them. We are very keen to work with employers to make sure that those skill sets are met, and that's right across the piece, but they are not apprenticeships. I'm afraid that I haven't been able to review the evidence that you've had from employers, but perhaps they are, themselves, confusing something that's a work-based learning programme and an apprenticeship programme, and we do fund both of them. I think Sam wants to just tell you about the process.

[216] **Ms Huckle:** Yes, the process by which we update the content of our apprenticeship frameworks. Some industries are really fast moving. We will update—. We've got about 120 frameworks that are very relevant. We commission, every year, from a list that is based on intelligence from regional skills partnerships, our provider network and key organisations, with SSCs who tell us where industry is moving and where we need to change things. Thirty frameworks are updated per year. They are updated with the most relevant qualifications. They are updated with the new national occupational standards when they come on-stream. So, the infrastructure for updating the content of what is delivered is quite a stringent process.

[217] I think that, sometimes, we do have an inflexibility in what is delivered by our providers, if I'm honest. They tend to deliver the same offer without bespokeing what is required. A good trainer and a good tutor should be able to see what is required in the workplace and make sure that delivery is changed, or, if there is a HNC or a HND that could be brought into a higher apprenticeship, make representations that we should be looking at that. Tata

want a brand new metallurgy apprenticeship, and we're working on the development of that. So, I think we do have a process. That process at the front end, when we commission a framework to be developed, involves a big consultation with employers in that sector in Wales. If that consultation says that an apprenticeship framework is not needed, that doesn't go any further. So, that is broadly the process that we have.

[218] Where we are starting to see concern, I think, is where the 300 industry standards have been developed in England. Some of them are not qualifications driven whatsoever. Some of them are a curriculum and an end test. We haven't had that type of process before. We've been looking to see how well that's delivered—it's still really early days. If they are delivering well, we will need to change some of our rules and requirements to take account of that. We'll be pressurised to do that by the big companies anyway. But we've been tied to qualifications, really, for many years in Wales, and they're doing something very different that isn't associated with qualifications. We're watching that space and seeing how that will work, and what quality is associated with that. We wouldn't, I think, write off that approach, but we would like to see that it works and is proven.

[219] **Russell George:** Okay, I'm grateful. I'm conscious that we do have a few other sections to move through, so I won't come back on that—I'm grateful for that. Mark Isherwood.

[220] **Mark Isherwood:** Thank you. Focusing now on the public sector, given your comments about the need to ensure that these are real apprenticeships, training organisations in England have to be approved to provide apprenticeships, and colleges—you referred to Airbus, for example—colleges like Coleg Cambria have told us they're therefore applying to go on to get that accreditation so that they can provide training for England as well. I wonder if you could comment on that and whether you recognise the need of the border regions, particularly where there's large employers and colleges, to provide that cross-border offer, and how to accommodate that. More specifically, you've said you want to encourage more apprenticeships in the public sector. How will you help the sector to meet that, given the evidence we've received from the NHS and the WLGA that all local authorities and health boards in Wales will be paying the levy at a time of budget pressure?

[221] **Julie James:** One of the biggest problems we've got with the way the finances stack up is how much money is coming out of the public sector to go into the levy and what we can do about that. We've had the conversation

about how that money exchange works and we're not very happy about it. We're meeting with all local government colleagues on 22 February for a workshop to work through what can and can't be delivered within that sphere. We've got meetings with health set up as well to sort it out. Again, the conversation will be around work-based learning, including apprenticeships, and not just apprenticeships, because it's not always an appropriate route. We're also looking at local government colleagues delivering shared apprenticeship schemes for us, which assist local SMEs as well as themselves to develop some skills. But it's budget reduction time for a lot of public sector organisations, so they're not taking on new staff. We have to look at some systems to assist them to reskill staff they have and also to reskill some of the SMEs in their area at the same time. That's very much a work in progress, I think it's fair to say. We're also talking about what apprenticeship frameworks we can put in place that would make some sense, and whether actually what they really need is other forms of work-based learning arrangements to support existing qualifications and so on.

[222] The committee may know that I've been doing quite a lot of work for the workforce partnership council around mobility of staff in the Welsh public service and what training requirements they might need to have put in place in order to enable them to move between different sections of the Welsh public service seamlessly and without having to have career disruptors—redundancies or other career disruptors. That's very much a piece of ongoing work as well, and that's around how we can assist public sector colleagues to help skill their workforce in such a way as they have meaningful transferrable skills across different organisations inside the same sector—so, across different local authorities, for example, but also between local government and health, for example, or other bits of the public service. So, when people are looking to recruit, they can recruit from shrinking sections into expanding sections in a rather more seamless way, and that's very much an ongoing discussion as part of the workforce partnership council arrangements with all public sector colleagues that partake in those arrangements as well. It's a space we're very much interested in developing. I cannot say that it's easy. The money is not adequate to its need, but we will be having that conversation. I think it's worth mentioning that we've also put £0.5 million into the police services in Wales to assist them to develop an apprenticeship scheme as well, to help them. That's less money than they'd like, but nevertheless it's a welcome addition to what we will be able to offer police authorities in Wales.

[223] **Mark Isherwood:** North Wales Police briefed AMs and MPs last month—

several of us, but not all of us, were able to attend. I subsequently received the same concerns directly from the north Wales police and crime commissioner, who I work with closely—obviously he’s from Plaid Cymru, but I’m impartial on these matters. They are concerned that they’re paying £3 million into the levy, in the context of that £0.5 million across Wales, and that they need the same access as in England. They said that police forces in England access funding for apprenticeships through the new digital apprenticeship service account, which should be the same as for forces in Wales, so that they can contribute to the College of Policing, because it’s an England-and-Wales College of Policing. How are you going to ensure sufficient flexibility in your approach to enable them to do that, so that they can access the funding that they’re paying in?

[224] **Julie James:** I’ll get Sam to explain the exact process for using and liaising with the police at the moment, but I’m afraid I’m going to have to say about the politics of this. This is around how devolution works, and it’s one of the issues about having a UK-wide tax in a devolved area, to be honest. So, the complication about having a non-devolved public service inside Wales for its training and skills, but outside Wales for its tax and some of its other non-devolved areas—it’s really complicated. One of the sorry things about the Wales Bill is that we haven’t been able to sort out some of those ragged edges, which are causing real issues in some parts of the devolution settlement. It’s one of the reasons we were so cross when the UK just announced the levy like that, because actually it has implications.

[225] **Russell George:** I’m just conscious we have got a really limited amount of time—

[226] **Julie James:** I’ll get Sam to very briefly—

[227] **Mark Isherwood:** This is a real problem for them.

[228] **Julie James:** It is a real problem, yes.

[229] **Mark Isherwood:** And it’s within your remit to find a solution—not the UK Government’s.

[230] **Ms Huckle:** Well, let me explain—

[231] **Julie James:** I’ll get Sam to explain what we’re trying to do.

[232] **Ms Huckle:** We haven't tied that 0.5 per cent into the apprenticeship budget. We have it there waiting so we can contract on a separate basis with the college.

[233] **Julie James:** So, it's work-based learning, which will meet the needs of the police, specifically.

[234] **Ms Huckle:** So, we've kept it outside the apprenticeship system to enable us to work very flexibly to meet the needs and to contract in that way.

[235] **Mark Isherwood:** They say they need to access that levy in order to access the police college.

[236] **Ms Huckle:** That's right, yes. So what we will do is we will strike up a grant or contract arrangement, either directly putting the money with the police or to the college, but not within our procured apprenticeship process. So, that's the type of arrangement we will need to make that work this year.

[237] **Mark Isherwood:** Do they know that? Because the police and crime commissioner raised it with me last week.

[238] **Ms Huckle:** Yes, we've been having meetings with them. We've got meetings in the diary to outline that with them.

[239] **Mark Isherwood:** Do the commissioners know?

[240] **Ms Huckle:** Yes, we've got meetings booked in with them.

[241] **Mark Isherwood:** Do they know already?

[242] **Ms Huckle:** They may not know the mechanics of it, but we have been in dialogue with the college.

[243] **Julie James:** They know the fact of it. They don't, probably, know the exact detail of it.

[244] **Russell George:** Okay. David Rowlands.

[245] **David J. Rowlands:** First of all, I don't want you to go away thinking the committee has got any idea that the Welsh apprenticeships are inferior to the English. I know the feedback that I'm having from most of the stakeholders is

that, actually, in most ways, in broad ways, it's a better system than that in England, even when they're comparing it to the trailblazer system that they're bringing into England now. But to go on to certain aspects, now, that are brought about by this, what we're hearing is that, obviously, those who are paying the levy want to keep as much of the levy themselves or get back their money out of that levy. How do you think that's going to impact on SMEs, and are you able to put anything in place to protect the money that's going to SMEs for apprenticeships at the moment?

[246] **Julie James:** We aren't using that system. The levy payers will not get their money back. What we're doing is working with employers to make sure that we meet their training needs out of common taxation, and SMEs are in the same position. My understanding is that in England, SMEs will be asked to pay 10 per cent or so towards their training costs. That's not the case here. Nobody is asked to pay towards their training costs. They're paying a UK tax and we get the money back. We don't ask them to pay towards our arrangements; we put them in place according to the industry requirements and so on. I don't have much empirical evidence of this, but it seems that most levy payers will get around half of it back in apprenticeship training, because that's all they can cope with, and that broadly matches what we're looking at here in Wales, but that's just a feeling. I haven't really got very much empirical evidence of that yet, although as the system rolls out, we will of course be collecting the evidence to see how it works. I think, really, what I'd like to leave the committee with is the idea that we will be keeping a very close eye on what's happening in England, and trying to learn the lessons, both good and bad. We have an open mind and, as Sam said, some of the systems will work very well. If they do, we will make sure that we transfer that good practice across, and where it doesn't work, we'll make sure that we work with colleagues to make the thing as seamless as possible. Of course, the border arrangements are very important as well because we want our employers to feel that they can work in both systems easily.

12:00

[247] **Russell George:** Hefin may have some questions on the cross-border issues.

[248] **Hefin David:** No, I think I've covered everything I wanted to cover with the extensive answers that were given.

[249] **Russell George:** Do you have any other questions, David?

[250] **David J. Rowlands:** Just one. Obviously, in England, they talk about this 10 per cent pot that the levy payers are going to be able to keep aside for their downline apprentices. Obviously, that would impact on the SMEs et cetera. Would you be able to incorporate that somewhere into your plan?

[251] **Julie James:** Well, what we do is we work with all of our major employers and their supply chains to make sure that the apprentices systems that are in place work for the industry as a whole; they have equal access to it. We don't restrict access on the basis of size or anything else; it's just about employer need, matched to the regional skills partnerships' forecasts. So, it makes no difference to us whether you're large or small. It's just about whether you're in one of the sectors that we're currently supporting for apprenticeship frameworks based on the regional skills arrangements that we've outlined at great length, I think, Chair.

[252] **Russell George:** Jeremy Miles.

[253] **Jeremy Miles:** This is not a question on the current line of inquiry, Chair.

[254] **Russell George:** I think we've finished this line of questioning, David, yes?

[255] **David J. Rowlands:** Yes.

[256] **Russell George:** Jeremy.

[257] **Jeremy Miles:** I'm just glad that you've mentioned on several occasions the impact on the devolution principles, if you like, of a UK-wide levy funding a devolved competence. There are lessons in this, aren't there, for other Cabinet Secretaries, as there are ongoing discussions about hypothecation of taxes in England for health and social care. Will you be having conversations and sharing your experience about the effects of it with other colleagues?

[258] **Julie James:** We have done that. I think it's important to say, though, that for the apprenticeship levy it's not hypothecated in England. The current Government is saying that they'll spend it in this way but actually it's not collected as a hypothecated tax, it is just a tax. So, it comes to us as just part of our settlement and we're asked to decide how to spend that. This particular Government here in Wales has decided to put a large amount of

money into apprenticeships. We'd already decided to do that; we were going to do it anyway. This hasn't really affected that apart from it's made the accounting for it rather more problematic. It has helpfully raised demand for apprenticeships across the section and raised its profile, and we're very grateful for that. But it has also put some unrealistic expectations into some employment areas around their return. Frankly, we just don't have the money to meet that unrealistic demand, but we're confident that we've got systems in place to respond to the changing needs of the economy, and we're flexible enough to learn the lessons from across the border, whether they're good or bad, and import them into our system for the good of our economy overall.

[259] **Russell George:** Can I just ask—

[260] **Julie James:** And I apologise again for my voice.

[261] **Russell George:** No, I understood. Can I ask you as well, in regard to your advisory group that you're setting up, when's that going to be set up and who's going to be on it? What industries are represented?

[262] **Mr Morris:** I should have made clear earlier: the Wales employment and skills Board has been in operation for many years and has been chaired very effectively by Scott Waddington, former chair of the CBI here in Wales. What we've done as part of a broader review of a range of advisory bodies and others in the economy area is put it on a more formalised setting. So, the Wales employment and skills board, under the new arrangements that were mentioned at the council for economic renewal a week or so ago, will report directly in to the council, which is now renamed the 'economic development council', and will connect formerly with the three regional skills partnerships. There is a programme of meetings—I think it's three times a year—and the advisory sub-group of WESB, which Sam outlined, will feed in to that. There is one other layer of complexity to that, which is that a lot of the qualification components of this work will continue to be overseen by Qualifications Wales, and there is a strong programme of work for them that Sam's team and this advisory body have worked through. So, we can send you some written detail on that if that would be helpful.

[263] **Julie James:** Can I just add to that? There's also a piece of ongoing work that many of you will be aware of around the city deals and how they structure themselves and whether we can get our regional skills and learning partnerships to usefully contribute to that process, rather than have another process set over the top of it as well. But that's very much an ongoing

discussion where we're all for making sure that we have the right feeds in the right places to drive the right investment. So, if the committee has any comments it would like to make on that, then obviously, we'd be very happy to look at that.

[264] **Russell George:** It's probably me and my lack of understanding—I may have misunderstood—but in your written evidence you talked about, 'We are establishing a team of advisers'. So, the advisory group has already been set up; is that what you are suggesting?

[265] **Mr Morris:** We have the Wales employment and skills board that oversees and advises Government Ministers and others on what we're doing in the skills agenda. There will be a sub-group within that to look at apprenticeships specifically.

[266] **Ms Huckle:** Yes. We only announced it yesterday.

[267] **Mr Morris:** We are conscious that there are—I'll probably get the figures wrong, but 200,000 employers in Wales; 700 of them will pay the levy. There's a big job to be done to talk to all of those employers. At the moment, only 13 per cent of employers in Wales offer apprenticeships. So, there's a further—I think my maths is good enough to say—87 per cent of employers that need to be engaged with. So, we've been working with the Confederation of British Industry, the Institute of Directors, the Federation of Small Businesses and all the other bodies to get some skills advisers or ambassadors to help us to sell the message. Sam's team is very effective and is working extremely hard, but there's only a few of them, and not yet 200,000 of them. [*Laughter.*] So, we need to get some friends in to help us to spread the message.

[268] **Russell George:** And would you be happy for a representative of the Welsh Retail Consortium to be on that panel?

[269] **Mr Morris:** Indeed. In our meetings with the Welsh Retail Consortium we've said to them, as a body but also to their members, we will happily go to their premises and talk to them about any of the issues that they have, and talk to them about how we can meet their skills needs.

[270] **Julie James:** Please don't take this as a criticism—it isn't intended in any way to be so—but it is important for us to speak to the overarching bodies but also, actually, key players inside them. So, we speak to the CBI,

but we also speak to some of the big employers direct, and we'll be doing that for the retail consortium as well.

[271] **Russell George:** Very grateful. We're out of time. Can I thank the Minister, particularly as she's under the weather, for coming to the committee today? Very grateful, Minister, for that, and wish you well in your recovery.

[272] **Julie James:** Apologies for the husky voice.

[273] **Russell George:** And thank you to your officials as well for giving us such a detailed background as well. Very grateful.

[274] **Julie James:** Thank you, Chair.

[275] **Russell George:** That brings us to the end of the meeting. There are no papers to note today, so we'll close the meeting.

Daeth y cyfarfod i ben am 12:06.

The meeting ended at 12:06.