

EMPLOYER VOICE PLACE-BASED CASE STUDY

WALES

BACKGROUND

Wales has a population of 2.95 million people¹ and is an area of great geographical diversity. There are four main economic regions: South East Wales, South West Wales, North Wales and Central Wales. The South East has a strong business base and high population with the capital Cardiff and Newport as the major centres. Swansea in the South West and Wrexham in the North are also major centres of business and population. The country comprises 22 unitary authorities.

Many parts of Wales suffered from the decline of heavy industry culminating in the virtual disappearance of the coal mining industry in the 1980s. The modern Wales economy is dominated by the service sector and also a prominence of manufacturing which, prior to the recession, accounted for 24% of gross value added to the Wales economy. Wales has seen particular growth in the electronics manufacturing industry. GVA in 2007 was £42.7 billion with GVA per head at £14,396, 77% of the UK average, meaning Wales has the lowest GVA of all the UK devolved nations and English regions.²

The decline of heavy industry in the 1980s left a legacy of high unemployment and economic inactivity. The latest employment figures show that for the latter quarter of 2008, employment had reduced to 70.8% of the adult population. This is down from 72.4% in the same period in the previous year.³ There are 2 Strategy Pathfinder areas with an aim of reducing worklessness in key areas across the country supported by Local Employment Partnerships.

15.4% of the working age population have no qualifications. 68% are qualified at level 2 or above with 26% of these at level 4 or above. The lack of basic skills in Wales is seen as a critical issue with 53% (990,000) of the working age population lacking basic skills in numeracy and 25% (440,000) in literacy. This is worse than in any English region.⁴

STRUCTURES

Welsh Assembly Government Established Structures

Through the Government of Wales Act, there is a statutory duty for Wales' Ministers to consult with business, either directly or through employer representatives. As such, the Assembly Government has established a number of channels for employers' views to be fed into the system.

There are formal public consultation mechanisms in place for key policies. There is also a Business Partnership Council, membership of which comprises Welsh Ministers, Business Wales (represents 19 employer representative organisations) and the Wales Trades Union Congress (TUC) and is chaired by the First Minister. It meets 3 times a year to discuss key policy developments of interest to the business community and is a valuable resource for informing Assembly judgement on the health and prospects of the Welsh economy. The next meeting on the 15 July 2009 will be looking at apprenticeships.

There are also a series of Ministerial Advisory Groups (MAGs). The Department for the Economy and Transport (DE&T) has a Ministerial Advisory Group (MAG) members of which have been formally recruited and appointed. The DE&T have also funded a Wales Social Partners Unit which is wholly owned by Wales TUC and Business Wales. Its remit is to facilitate greater engagement for the

¹ <http://www.ibwales.com/about-wales/>, 26th May 2009.

² <http://www.learningobservatory.com/wales/>, 26th May 2009.

³ WAG (January 2009). Key Economic Statistics.

⁴ WESB (May 2009). A Wales that Works. First Annual Report April 2009.

business community with the Assembly Government. It also advises the Assembly Government on how to consult and who best to consult with in the business community.

DE&T also have a Programme Performance Panel which has employer representative bodies such as CBI and Federation of Small Business (FSB) as members. The Panel meets for early stage consultation on forthcoming policy issues.

There have been a series of Assembly Government funded, independent reviews which consult with huge numbers of employers and stakeholders in order to influence and shape policy. The most significant and recent review in relation to the skills agenda was the Webb Review taken forward by Sir Adrian Webb which reviewed the mission and purpose of further education in Wales.⁵

The Wales Employment and Skills Board (WESB) was established in May 2008 as a key recommendation of Skills That Work for Wales⁶, the Assembly Government's skill strategy and response to the Leitch Review⁷ and the Webb Review. Sir Adrian Webb chairs the WESB and is also Commissioner for Wales on the UK Commission for Employment and Skills (UKCES) ensuring that the Wales employment and skills agenda is directly linked to the UK employment and skills agenda.

The WESB's role is to strengthen the employer voice on skills and employment in Wales with a view to advising the Assembly Government on how skills, employment and business support systems might be improved to meet the needs of employers and individuals across Wales. In its first year, WESB established five task and finish groups looking at funding reform, targets and performance measures, SSC relicensing and performance assessment, achieving integration of employment and skills programmes and information advice and guidance (including the review of Careers Wales). The work of these groups will conclude by July 2009 with the exception of SSC relicensing and performance assessment and information, advice and guidance. It also held a major conference in January 2009 and produced its first annual report in May 2009.⁸

The annual report provides a series of recommendations to the Assembly Government. The focus of their advice was that an ambitious employment and skills strategy is essential to drive a transformation that will enable Wales to emerge from the recession with a stronger economic base. They also advised on a whole government approach to transformation with a recommendation to seek flexibilities within the Department of Work and Pensions (DWP) to enable alignment of employment and skills policy and delivery at a Wales level.

The WESB is made up of publicly appointed individuals. There are no employer representative organisations on the WESB. This is a deliberate strategy to ensure an individual employer perspective is gained. The membership aims to reflect the Welsh economy in that it is made up of SME employers. Where a broader employer perspective is required, an employer representative body such as the CBI is invited onto 1 of the task and finish groups to support a specific issue.

WESB writes formally to the Minister following each main meeting and the Minister writes a formal response. Each member will serve for 3 years with all, other than the Chair and Deputy, having 24 days a year to commit to the Board. The secretariat is provided by the Department for Children, Education, Lifelong Learning and Skills (DCELLS).

Its mode of operation is both reactive and proactive. For example, it responds to issues presented by the Assembly Government and also identifies key issues where it identifies action is required. As part of their ongoing work, WESB is planning to take forward exploratory pieces of work on employability skills, employer engagement and a 360 degree appraisal of apprenticeships.

⁵Promise and Performance (The Webb Review), DCELLS, December 2007

⁶WAG (July 2008). Skills that Work for Wales.

⁷HM Treasury (December 2006). Prosperity for all in the global economy - world class skills, Final Report.

⁸WESB (May 2009). A Wales that Works. First Annual Report April 2009.

A series of Economic Summits have been convened by the Assembly Government to address the issues faced by businesses in Wales during the recession. A key initiative that has been taken forward as a result of these summits is the ProAct initiative which provides support to the costs of training and wages where companies have reduced hours to a four day working week. The WESB played a key role in developing the initial concept and pressing Ministers to both support the initiative and drive forward rapid implementation.

Regional Structures

At a regional level, there are Regional Economic Fora, Spatial Planning Areas and 4 regional groups formed by the Welsh Local Government Association. There are also 2 City Strategy Pathfinders in Wales covering the Heads of the Valleys and Rhyl.

The Economic Fora reflect multiple travel to work areas and were set up following a revision of Local Authority structures in 1995. The DE&T provide funding to support them. The Economic Fora exist in North Wales, South East Wales and South West Wales. The Central Wales Forum no longer exists and has been superseded by other structures. They are generally a loose partnership structure of public, private and voluntary sector partners and focus on economic development through the delivery of an economic strategy.

The North Wales Forum's purpose is to act as a single voice for the North Wales in terms of economic development, acting as an honest broker between partners. The Forum meets 3 times a year. It has no employer members but employer representative organisations are responsible for feeding in the wider industry message and feeding decisions and information back out to industry from the Forum. The employer representative members are CBI, Federation of Small Business (FSB), Institute of Directors (IOD), Chamber of Commerce and Tourism North Wales. The CBI have been Chair and Vice Chair of the Forum for approximately 1 year.

The Forum acts as a lobby mechanism to WAG and sees itself in a scrutiny role. It also provides a mechanism for WAG to test new ideas and consult with on specific issues.

Each member pays a fee to be part of the Forum although the employer representatives' fees are kept as low as possible with the main contribution coming from the DE&T. This pays for a co-ordinator and administrative support is provided by the DE&T. The North Wales, South West and South East Economic Fora collaborate on issues that are wider than a single region.

Spatial Planning Groups have been created at a sub-national level to drive European funded activity (some of spatial planning areas have employer groups – the Economic Forum acts as the employer group for North Wales). The spatial planning areas are not coterminous with the Economic Fora.

Other Structures

The Alliance of Sector Skills Councils (SSCs) meets on a regular basis in Wales and has a dedicated manager. Each SSC is still working with the main partners in Wales to deliver their Sector Skills Agreements (SSAs) which support the sector approach that the Assembly Government has adopted. Clusters of SSCs also meet with the Deputy Minister once a year to feed in key sector issues and priorities. DCELLS are also working on the establishment of a Sector Priorities Fund that will support intelligence gathering and pilot activity in sectors in order to influence and shape future policy.

Jobcentre Plus establishes direct employer engagement with employers recruiting to fill vacancies. They also have formal links with SSCs and a number of joint projects have been taken forward such as care sector routeways and energy efficiency transition programmes to move out of work construction workers into the energy sector (these are part of a national programme).

There are a number of well-established industry fora in Wales. The aerospace, electronics and automotive industry fora are industry-led, legal entities with membership schemes. They act to support the industries' development in Wales and lobby government for industry support across a range of issues including employment and skills. A Manufacturing Forum has been established in Wales which brings together the CEOs of the industry fora plus other partners, including the manufacturing SSCs, to provide a focus on strengthening the modern manufacturing base in Wales.

IMPACT

Although the WESB is just over a year old, its recommendations to the Assembly Government have resulted in changes. There is evidence to suggest that some of these changes have impacted at the policy development phase rather than in relation to delivery.

As part of the review of Careers Wales, WESB advised Ministers that they should be reviewing the whole of the information, advice and guidance (IAG) landscape. Following publication of the review report, the Minister has announced that the scope of the review will now be widened to incorporate all IAG services.

WESB's funding reform task and finish group were tasked with informing the development of consultation on apprenticeships. An employer focus group was set up, with the help of the CBI, and early thinking on the funding model for apprenticeships was explored. As a result of this, the task and finish group moved away from early ideas on employer fees for apprenticeships and having a differentiated model. The employer focus group feedback moved the group towards a much more simplified model which is being built into the consultation document.

WESB also helped to influence and push the development of ProAct, which was originally conceived through one of the Economic Summits. The initiative is seen a major success in terms of the support it provides to employers during the economic crisis but also in terms of the speed in which it was developed and implemented by the Assembly Government.

WESB also held a successful conference with employer and stakeholder attendance. The conference helped to reinforce the critical basic skills issues in Wales. Key messages from the conference were presented to Ministers as part of their first Annual Report.

The Economic Fora have had a number of successes in influencing economic developments in their regions. A recent example for the North Wales Economic Forum was the influence they brought to bear on public sector building projects due to start in 2012. The Forum lobbied on behalf of the region for a prison building project to be located in North Wales. The UK Government was impressed by North Wales' strong partnership approach to the issue and the fact that all sectors were able to speak with one voice through the Forum. The Forum is now lobbying for the skills needs of the building project to be fully scoped to include skill requirements for the clearing of the site, building of the prison and also the staffing of the prison when it becomes operational. They have agreed the need to maximise the local impact of any government spending on the project.

The Alliance of SSCs in Wales has 4 Strategic Aim Groups which drive its bi-monthly meetings and are determined by WAG policy. One of the groups is employer engagement and a study and a series of events are planned for the next year.

STRENGTHS AND WEAKNESSES

The partners interviewed to inform the development of this case study were asked to identify strengths and weaknesses of the current system.

They identified the strengths of the current arrangements in Wales as follows:

- A range of consultation mechanisms to ensure a broad spread of views and clear action taken as a result of the input on the input, e.g., the Assembly Government's approach to listening to employers and involving them in a range of structures such as the Business Partnership Council, MAGs, WESB and SSC Ministerial meetings;
- The creation of the Wales Social Partners Unit to capacity build employers' engagement with the Assembly Government;
- Speed of response to employer needs that was demonstrated in the development and launch of ProAct;
- A strong group of industry fora, aerospace, electronics and automotive, demonstrating excellent industry support and valued by Assembly Government;
- A well-networked chair with the drive to commit time to a board and make a difference, e.g., WESB, NW Economic Forum;
- A strong a trusted partnership with a history of working together to achieve a common goal, e.g., NW Economic Forum;
- The early impact of WESB as a result of the following factors:
 - The public appointments process for the WESB which is seen as a means of strengthening employers' formal commitment to the Board;
 - The independence of WESB from the Assembly Government and the formal mechanism of communication following each meeting between the WESB and the Minister which results in clear actions and progress;
 - The demonstration that WESB can influence policy before decisions are made, e.g. apprenticeships consultation, ProAct;
 - Strong links between WESB and the UKCES through Sir Adrian Webb.

In addition, weaknesses of the current structures and mechanisms were identified as:

- It is difficult to get a strategic perspective that pulls the collective employer view together as there are many routes for employers to feed into WAG plus a range of other organisations wanting employers' views. This is potentially confusing to employers in relation to which route gets them greatest impact;
- There are challenges in creating a fully integrated skills and employment system when some powers and responsibilities are devolved and others are not;
- WESB is small with 13 members and, although it reflects the Wales economy in that it is made up of SME employers, there may be a need for larger employer members to bring in a large employer perspective;
- Although WESB is an independent advisory group, it has no independent resources or staff. All of the support comes from DCELLS. This means it will have to work hard to maintain and its independence and be seen to be independent;
- The Alliance of SSCs is in an early stage of development and there is a view that it is not yet in a position to influence policy as a collective of the SSCs. Some SSCs have limited capacity at a Wales level and there is a challenge for them to effectively represent the views of SMEs in Wales;

- The linkages between the Assembly Government and regional bodies are not well-defined;
- There is overlap / lack of clarity in the functions of some of the regional groups due to different policy drivers.

A CASE FOR CHANGE

As part of this case study development, the partners in Wales that were consulted were asked to identify any changes they would make to the current system. Suggestions for improvements and or simplification of the system at a national and regional level to ensure the employer voice is strengthened fell into 4 areas:

- Clarity;
- Effectiveness of employer input;
- Build on what's working and;
- System redesign.

The key points are detailed in the table below:

CLARITY
<p>Create a more dynamic approach by integrating skills and employment policy and delivery to enable employers to receive a more streamlined service.</p> <p>Rationalise the number of groups and meetings that employers are invited to attend at a national and regional level. Clarify the relationships between the various groups so employers are clear of where they can best input.</p> <p>Clarify the formal relationships between the regional layer of infrastructure that levers the employer voice and the national layer of infrastructure.</p> <p>Clarify the sector role and how this should interact with other bodies and establish a process whereby SSCs demonstrate the extent of their SME engagement.</p>
EFFECTIVENESS OF EMPLOYER INPUT
<p>Ensure an audit trail of employer contributions to the employment and skills system shows a linked up chain of response, whatever the entry point is for the employer, so that employers can recognise the value of their input and continue to engage in a meaningful way.</p> <p>Maintain engagement of employers by demonstrating an output or outcome for each initial contribution. Take on board what employers say, test and investigate their issue and then ensure that the process for dealing with the issue is joined up so that it produces an output or outcome that the employer can recognise.</p>
BUILD ON WHAT'S WORKING
<p>Ensure that employer groups work effectively together. Formalise some of the relationships so that the collective employer voice can add maximum value, for example through joint road shows, conferences etc.</p>
SYSTEM REDESIGN
<p>Model the speed of response to employers' needs that the Assembly Government demonstrated in</p>

the development and launch of ProAct. The urgency and drive met the need to respond quickly in the face of the recession, however, idea generation to deliverable solution at this pace would provide employers with the confidence that their influence is effective and their views are listened to.

Develop a method to pool employer insights (more than just a survey) from the various structures and mechanisms that lever the employer voice.

Develop a method that makes it easy for employers to be involved without necessarily attending lots of meetings.