

***Regionalising skills policy in
Wales and its links to economic
development - some issues and
challenges***

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Backdrop

Moves by Welsh Government to devolve some aspects of skills policy and planning from national level to 'regional' level.

Three Regional Employment and Skills Plans (RESPs)

- 1. North Wales**
- 2. Swansea, Port Talbot and Central Wales**
- 3. SE Wales**

Put together by groups made up of local government, business interests, local economic development organisations.

This development produces:

- Process issues about how to create the plans
- Issues about the plans themselves
- Issues about how to operationalise the plans

There are two potential lenses:

1. The immediate future and all its problems, and how the various actors cope with these.
2. The longer term future and where Wales might want to be in 5-10 years time.

**Dealing with 1 is vital, but without a sense of 2 you may never get to where you want to be!
Without a vision, all you get is tactical adjustments – we have many of those in skills policy over the last 30 years!.**

RESPs in comparative perspective

Experience in Scotland with **Regional Outcome Agreements (ROAs)** and sectoral **Skills Investment Plans (SIPs)** suggests:

1. Over time they are useful 'steering' mechanisms for the skills system
2. They can help leverage cultural change among providers and employers
3. They don't produce dramatic, overnight change

Matching or alignment- a warning

A lesson from Scotland is that initially people often think the aim of skills planning systems is to 'match' provision to employer demand. This sounds easy and desirable, but is problematic:

- Lead times are long
- Demand shifts
- People are mobile, as are skills from sector to sector
- No employer wants one applicant, however good, for their job, they want a surfeit of skilled applicants from which they can choose. Employer forecasts can become 'bidding/bargaining positions'.

The danger of too narrow a focus when planning

Dangers of focusing only on:

1. New jobs, not the x9 times larger replacement demand in the labour market
2. New industries and firms rather than what you have already (especially the foundational economy, which is where the bulk of the workforce may be employed)
3. Initial E&T rather than adult and continuing
4. Education in schools, colleges and universities, rather than learning and skill use in the workplace

Lots of other issues:

1. Quality and granularity of LMI
2. The weakness of employers' workforce planning and skills forecasting
3. Ensuring direct employer buy-in/commitment
4. Organising employers collectively, not least to help themselves around skills creation
5. Linkages between the 3 RESPs, and England

Can cities/regions do it better than national level?

Requirements:

- Design capacity for policy that goes beyond a new set of (localised) targets
- Localised LMI
- Delivery capacity to provide joined up business support
- Incentives to power vision
- Ability to secure real buy in from employers and other stakeholders

The longer-term challenges:

1. The money's run out!
2. Employers training capacity
3. Low productivity
4. Bad jobs and job quality
5. Skill utilisation and workplace innovation
6. Economic development

Less public money means new funding models:

- Public support for skills formation, especially for those aged +19 is going to fall dramatically.
- Employers (and workers) will need to spend more, either individually or collectively
- Co-investment systems (employer and employee, rather than state and firm) at organisational or sectoral are one way forward.

For example.....

Current models rely on state/student funded HE to meet a great deal of associate professional skill demand through 3-year full honours degree courses.

- Is this affordable?
- Does it make sense?
- Is it the best way to create these skills? In many other economies they would be delivered via sub-degree college provision, or via high quality apprenticeships.

What will the Diamond Review suggest?????

A bigger issue lurks in the background:

What is the future purpose of skills policy? The traditional model has had two aims:

1. Move us up OECD league tables
2. Catalyse a 'step change' in skills supply AND demand, whereby a more skilled workforce would shift employers' product market strategies to a higher skills model, thereby boosting demand.

But after 30 years of applying this model.....

According to OECD data (*Adult Skills Survey, 2013*), UK employers have the second lowest demand (after Spain) for workers qualified beyond primary/compulsory schooling across 22 countries.

We also have the 2nd highest levels of over-qualification after Japan (30% of the workforce). Employers calculate that they have about 4.5 million employees with skills they are not using fully.

So, where next?

The old model of a skills supply 'push' is dead because:

1. It doesn't seem to work at a general level
2. The money to support it has run out

What in future is the over-arching aim of skills policy in an era of austerity?

Employer capacity

- The origins of the looming ‘technician crisis’ – a 25 year plus ‘training holiday’ by many major employers.
- The 3Rs (Rights, Roles and Responsibilities) remain as unclear as ever.
- Helping employers to help themselves? Paying for capacity building rather than trainee throughput? If the state does less, employers need to do more.

Learning in the firm

- We have relied on lots of external provider provision (e.g. England's Train to Gain, and apprenticeship). We need to boost workplace learning and the capacity of firms to deliver learning (formally and informally). The vast bulk of adult learning is informal, and takes place on the-the-job. How do we boost the learning capacity of individual workplaces?.
- What is the current state of the HRD function?
No one knows!

UK versus G7 productivity

Per hour worked:

UK = 100

USA = 131

Germany = 128

France = 127

Italy = 109

Canada = 101

Japan = 85

Source: National Office for Statistics, 2015 (figs for 2013)

The figures for Wales would look far worse!

Narrow job design – findings from a Microsoft survey

- Process driven tasks dominate many workers' lives. 71% thought 'a productive day in the office' meant clearing their e-mails.
- 51% of 18-25 year olds believe that attending internal meetings signifies 'productivity'.
- When asked, 'when was the last time you felt you made a major contribution to your organisation?', 23% responded that they believed they had never managed this. Only 8% thought they had made a major contribution in the last year.

Workplace innovation absent?

- 45% said they had less than 30 minutes day to think without distractions
- 41% did not feel empowered to think differently
- 42% did not think they had the opportunity to make a difference at work
- 38% said, 'the business is very process-driven and spends little time on doing things differently or being innovative'.

SOURCE: Microsoft, 2013 *The Daily Grind*

Skills utilisation and workplace innovation

We know that certain configurations of work organisation, job design and people management practices support and embed:

1. Better on-the-job learning (expansive learning environments)
2. Better skills utilisation
3. More workplace innovation
4. Potentially higher levels of productivity

For better skills utilisation and workplace innovation we need...

Discretionary learning workplaces:

Portugal	26% of employees covered
Spain	20%
UK	35%
Netherlands	64%
Denmark	60%
Sweden	53%
Finland	48%
Germany	44.%

SOURCE: OECD, 2010

Instead what we have is:

Lots of 'lean production workplaces' that have lower opportunities for learning and innovation

UK	40.6% of employees
Netherlands	17%
Denmark	22%
Sweden	18.5%
Germany	19.6%

Public support to enable change

In Finland you have the Tekes programme, which provides subsidised consultancy (from public and private sector organisations) to employers to help them change their organisations and engage in workplace development to support all forms of innovation (technical, organisation, process and product).

- Scottish Skills Utilisation projects.
- Welsh skill utilisation pilots – creative and construction

A new model for integrated business support

The integration of:

- Economic development
- Business support
- Innovation support
- Export promotion
- Productivity enhancement
- Job quality enhancement
- Employment relations enhancement
- Skills

As a seamless 'offer' – this is emerging (slowly) in Scotland.

What is our response to the productivity crisis?

Fundamental long-term choices:

- High road or low road competitive strategies
- Some sectors are getting locked into low road, low pay, low progression, low skill, casualised models of competing. High costs for workers, society, government and localities (the in-work housing benefit bill has doubled in last 4 years).
- The clock is ticking....across the UK we have wasted 25-30 years chasing a skills supply-led dream. **Where do we go next????**