



Welcome to the first Learning Theme from the Learning and Skills Observatory Wales!

**Our first Learning Theme begins with the broad topic of The Skills Divide with a particular focus on whether a demand-led approach can tackle the issues associated with it.**

Work based learning and training in Wales has steadily increased over recent years. According to Future Skills Wales<sup>1</sup>, a higher proportion of employers based in Wales now offer training to their workers compared to their counterparts in England. However, most of the training available is aimed at managers and professionals and relatively little is aimed at employees with low or intermediate level skills.

This evidence, amongst a body of other findings, has raised concerns over the continuing skills divide in Wales; a concern that has been echoed in a recent TUC research publication Time to Tackle the Training Divide<sup>2</sup>. The report claims that the gap between the levels of training offered to graduates and to unskilled workers is damaging efforts to create a competitive workforce in Wales and across the UK. The training divide has also prompted concerns that low skilled workers cannot progress at work because they are trapped in low paid jobs with no prospects of enhancing their skills and moving up the career ladder.

The Leitch Review<sup>3</sup> recognises the need to increase the focus on low and intermediate level skills, but also emphasises the need to maintain and increase the focus on high level skills. The Review also outlines a blueprint for a demand-led skills system, and argues that this system will better meet the needs of individuals and employers. This has prompted further

## LEARNING THEME

### So what's it all about?

Every few months you will be invited to take part in a 'learning theme' which will focus on a Learning and Skills topic of interest.

As part of the Learning Theme you will:

- Receive a research brief summarising existing knowledge on a thematic area for discussion
- Receive access to key documents and research in the Learning Theme area
- Contribute to an email discussion
- Have the option to participate in workshop
- Receive a copy of the final report

### Bulletin Contents

Overview of key issues (pages 2, 3, 4 and 5)

Key areas for consideration (page 5)

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1. The Future Skills Wales series of reports are available at [www.learningobservatory.com/reports/](http://www.learningobservatory.com/reports/)
2. TUC (August 2007), available at [www.tuc.org.uk/skills/tuc-13698-f0.pdf](http://www.tuc.org.uk/skills/tuc-13698-f0.pdf)
3. Prosperity for all in the global economy – World Class Skills – Leitch Review of Skills (December 2006) available at [www.hm-treasury.gov.uk/independent\\_reviews/leitch\\_review/review\\_leitch\\_index.cfm](http://www.hm-treasury.gov.uk/independent_reviews/leitch_review/review_leitch_index.cfm)

debate relating to what is meant by a demand-led approach to developing skills.

The key question within this Learning Theme therefore is **how can higher level skills be raised whilst also tackling the training divide?** This bulletin explores some of the issues surrounding the current training divide in Wales. It explores some of the reasons for its existence and outlines some of the implications of the continued divide. The Learning Theme also prompts debate as to whether a demand-led approach will reduce the training divide. It also raises some questions relating to whether there is a sufficient level of understanding of current skill needs to stimulate the appropriate level and direction of training demand.

This Learning Theme does not touch upon basic skills as a platform for the development of intermediate and higher level skills (that may be the focus of a future Learning Theme). It should also be noted that this Learning Theme is a reflection of the body of published evidence that is currently available and does not necessarily reflect the policy position within the Welsh Assembly Government at this time.

As a subscriber to the Observatory and the Learning Theme, you will receive a series of brief research papers. In January 2008 we'll begin a month of email-based discussions on the theme of the skills divide with a research bulletin, materials on the website and research papers.

With the Welsh Assembly Government Skills and Employment Strategy also being launched mid-January, the time is opportune for a full debate and discussion on the direction of skills development in Wales!

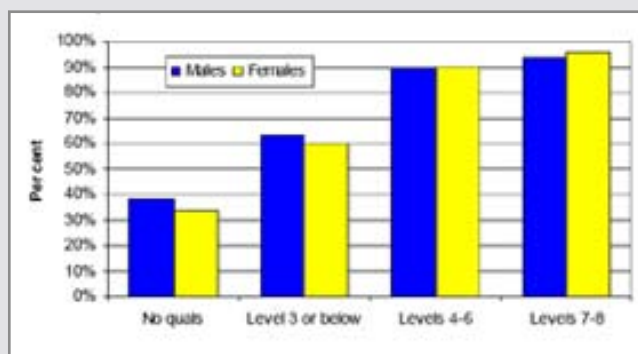
4. DCELLS Insight Series: Developing the Adult Workforce; Embedding Generic Skills; Participation; Learning at Level 2 available [here](#)

## Key Skills

Historically, there has been a divide in the level of training offered to, and taken up by, individuals employed in highly skilled jobs compared to those employed in occupations requiring lower levels of skills. The Leitch Review outlines that employers are five times more likely to provide training for managers and other senior staff than those with low or no qualifications. Similar findings are reported in the 2005 Future Skills Wales Sector Skills Survey report. The report outlines that of the employers that do provide training (58% of all those surveyed), two-thirds provide training for individuals employed in managerial occupations, while only one in ten offer off-the-job training to individuals employed in lower-skilled occupations.

OECD figures indicate that, on average, the number of hours of job-related training received by UK unskilled workers will be half that available to low-skilled workers elsewhere, and a quarter of the hours received by university-educated employees. Data from the Labour Force Survey (figure 1) shows that participation in learning increases as qualification levels increase.

Fig 1: Proportion of adults of working age having undertaken some learning in the past 12 months, by highest level of qualification obtained, 2005.



Source: Welsh Assembly Government Statistical Bulletin SB 79/2006: The Levels of Highest Qualification held by Working Age adults in Wales 2005

The Learning Insight<sup>4</sup> report on 'Developing the Adult Workforce' outlines that over a third (35%) of the working population in Wales have less than a level 2 qualification. Figures such as these have led to the claim that there is a need for firms to invest further in training for lower skilled employees and to stimulate a desire for learning in less well skilled occupations.

However some evidence questions the severity of the training divide. A recent review of low skills in Wales and the UK<sup>5</sup> considers the claim that the UK, and particularly Wales, has a long tail of individuals with low skills. The report concludes that Wales does not have an unduly long tail of low skills compared to other industrialised countries and that specific measures directed at those with lower skills would be unnecessary. Do these findings suggest that concerns relating to the training divide are overplayed? Do the current market forces of demand for and supply of training sufficiently meet the skill needs of employers and the wider economy?

Whilst there is sufficient evidence to demonstrate that a training and skills divide exists in Wales it is uncertain whether targeting lower level skills should be a priority, particularly if they would potentially reduce the current focus on higher level skills. Leitch considers the continued development of world class management and leadership skills to be of great importance to help drive business forward. There is evidence, for example, that 50% of SMEs that stop trading do so due to a lack of management/leadership skills.

The Skills at Work survey<sup>6</sup> outlines that between 1986 and 2006 there has been an increase in the numbers of people holding qualifications at a higher level than those required for getting their job, and that the increase was greatest for graduates. Given that current training patterns focus more on high level skills compared to lower level skills, do these findings suggest that the number of highly skilled individuals in Wales will exceed the number of high skill job opportunities available to them?

### **What are the reasons for a training divide?**

Some of the key reasons set out in literature for the training divide are:

- It is expected that there will be a large reduction in the number in jobs requiring skills below level 2 in the next 12 –15 years while the number of jobs requiring higher level skills is expected to increase (Developing the Adult Workforce Insight<sup>4</sup>). These expectations have influenced the direction of the demand for training in favour of higher level skills. Will a

demand-led approach ensure that, given these expectations, those who currently do not possess a level 2 qualification will not get marginalised?

- Those with the lowest qualifications are the least likely to continue in learning and training while those who are most likely to take advantage of learning and training are those who are already well qualified (Learning Insight paper on Participation<sup>4</sup>). Will a demand-led approach therefore merely increase the current skills divide?
- 20% of employers fear trained staff will be poached by rival firms (FSW 2005). Does this imply that employers prefer to invest in recruitment rather than training provision for lower skilled employees? Does this lead to underinvestment in training?
- 38% of employers report time constraints as a barrier to training provision (FSW, 2005). Are time-constraints greater in relation to low or intermediate level training compared to higher level training?
- The current system is predominately supply-led, based on interpretations of training demand. This arguably has led to some employers becoming reluctant to contribute towards training costs due to a lack of confidence in the quality of training and frustration in a lack of influence over qualifications (Leitch 2006). Is this particularly true of training provision available for lower skilled employees?
- The qualifications available have been divorced from the needs of employers and the modern workplace (Leitch Review, 2006); 21% of employers say no suitable training is available (FSW, 2005). Does this mean that managerial training is more appropriate to business needs when compared to training provision of lower skilled workers? Is there a need to ensure that the supply of training is better suited to the needs of the low-skilled?

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5. University of Wales Swansea Department of Economic & WELMERC (2007) - The Long Tail of Low Skills in Wales and the UK – A review of evidence available [here](#)
  6. Alan Felstead et al (2007) Skills at Work 1986 –2006 available [here](#)

- Market failures reported by Keep<sup>7</sup>, such as lack of information and awareness of the benefits of training, limit the overall demand for training. Are these issues more prominent for lower level skills? How can market failures be addressed within a demand-led system?
- The cost of off-the-job training is reported as a barrier by 24% of employers in Wales (FSW 2005). Do these cost barriers reflect an unwillingness amongst employers and individuals to invest in skills particularly intermediate level skills? Should employers and employees be encouraged to adopt a longer term view? If so, how?
- Quality of leadership and management can constrain the scale and effectiveness of employer training. The leadership skills that are necessary to optimise the return on investment in employee training are in short supply (Basi & McMurrer, The Business Benefits of Skills in Skills and Economic Performance, 2006<sup>8</sup>). Do leaders and managers need to be further educated about the benefits of intermediate level skills?

## Implications

The UK lags behind other developed countries in skills. Of the 30 OECD countries the UK is placed 17th in low skills, 20th in intermediate skills and 11th in high skills. (Source: Leitch)

The number of lower skilled job opportunities in Wales is in decline. Over half of the current working age adults in Wales only have a level 2 qualification or less. Over 70% of the 2020 workforce have already left compulsory education. As such, ensuring that a large proportion of the working population has at least a level 3 qualification by 2020 cannot be achieved by relying on higher skills entering the labour market from schools, colleges and universities.

Current training patterns favour those who already have high qualification levels. The training divide could therefore potentially marginalise individuals who fail to increase their skill levels from a relatively low base to meet the changing skill demands of the workplace.

Furthermore, evidence of market failures suggest that the demand for training among employers and individuals could potentially fall short of the expected levels across all skill levels.

The Leitch Review asserts that unless reform is made and concerted action taken, the UK will fall further behind other nations in terms of skill level and competitiveness. This will affect the nature and number of jobs available with natural consequences for the economy i.e. the UK will have a low skilled economy unable to compete with lower wage competitors.

Fig 2: International comparisons of qualifications profiles



Source: Leitch Review on Skills: Prosperity for all in the Global Economy – World Class Skills, December 2006.

Furthermore, it has been reported that the benefit to the Welsh economy of addressing the skills issue will be £3bn per annum.<sup>9</sup>

The training divide also raises the issue of social justice. Low skilled workers cannot progress at work and they are trapped in low paid jobs with little prospect of enhancing their skills or moving up the career ladder.

7. Ewart Keep (February 2006) 'Market Failures in Skills' available [here](#)
8. Basi & McMurrer, The Business Benefits of Skills in Skills and Economic Performance, 2006
9. Sector Skills Development Agency press release dated 16 October 2007, available [here](#)

Consequently, the need to invest in the workforce and tackle the training divide is arguably of great importance to all concerned.

**Around 1 in 10 employers don't believe that investing in skills brings business benefits.**

**(Source: Future Skills Wales 2003)**

### **Demand-led Agenda**

The evidence presented here outlines that those with higher qualifications receive more investment in further training than those with low or no qualification. A key question is how this imbalance in skills investment can be resolved and who should lead.

Further concerns relating to a demand-led system have been raised by NIACE Dysgu Cymru in their response to the preparation of the Webb Review.

- It is considered that the definition of a demand-led system is over simplistic and that there is a need for clarity relating to whether this refers to employer demand, learner demand or both.
- Issues have been raised relative to employer size. Do micro, small and medium sized enterprises have the ability to identify demand in a meaningful way?
- Can the Sector Skills Councils fully represent the diversity of employers in Wales?
- In relation to learner demand, issues raised centre on the needs of individuals whose demands are not heard and the ability of the system to meet the needs of individuals who do not make demands, yet for whom learning opportunities are crucial.

**Among small businesses in Wales, 25% had carried out no staff training in the past 12 months.**

**(Source: FSB Barriers to Growth 2006)**

### **Key Questions**

Even a brief run through of some recent evidence on skills development raises many issues and questions. During the forthcoming Learning Theme we will explore some in greater detail. Meanwhile, the following are key issues that arise from the above information.

- Can some of the issues raised in this paper be resolved through a demand-led system or can they only be resolved by creating the right economic conditions for skill development?
- Current trends in employers investments in skills could potentially increase the gulf rather than reduce it – how can this be addressed while ensuring a demand-led approach?
- Can higher level skills be raised whilst also tackling the training divide?
- Who could 'lead' demand? Will the viewpoint of all employer types e.g. SMEs, be considered or will it be the bigger companies with greater influence? How will equal or total representation be assured?
- How skills-aware are employers; can they lead effectively on developing skills?
- The 'skill gap' within the current workforce in Wales has consistently been reported as 8% or above over the past 9 years. How does this link with the skills divide?
- The Leitch Review has highlighted that greater responsibility for skills training could and should be taken on a personal level. The Learning and Skills Council in England have recently launched a communications campaign, [www.inourhands.lsc.gov.uk](http://www.inourhands.lsc.gov.uk) aimed at getting people in England to take an active role in their learning – how should Wales encourage individuals and employers to reach their potential?
- How can employees be made aware/motivated to make their contribution to closing the skills gap and meeting future need?

**No doubt you have more questions in relation to this topic – these are invited. Click [here](#) and use the “Learning Theme Feedback” facility.**

## LEARNING THEME: THE SKILLS DIVIDE

### What happens next?

In early 2008 you will receive a series of short research bulletins identifying and summarising the research issues on the Skills Divide. You will also be invited to take part in an online discussion.

The Learning Theme will culminate in a workshop bringing together participants to further reflect on the findings.

What should we include in the research bulletins?

Have we missed any important debates? Do you know of any relevant material which could be made available to inform the debate? **Do get in touch** to help us shape the focus of this Learning Theme.

Click [here](#) and use the “Learning Theme Feedback” facility.

Further details about the online discussion and workshop will be available in the next bulletin in January 2008 and on the Learning and Skills Observatory website.

### Abstracts

#### **Prosperity for all in the global economy – World class skills. (Leitch Review of Skills) December 2006**

Comprehensive, in-depth review of current skill level and the need for future provision in Britain if the country is to compete successfully in the global economy. Recommends change and a more holistic approach to skill provision while highlighting the consequences of not doing so.

[Link to report](#)

#### **Annual Learning and Skills Assessments 2006-2009 and 2007-2010. Welsh Assembly Government May 2006 and November 2007**

Addresses learning needs, the demand for and supply of learning within Wales. Establishes the evidence base used to determine strategic priorities for post-16 learning outside of HE in the next three years. The documents are used to inform the Welsh Assembly Government planning rounds.

[May 2006 report](#) | [November 2007 report](#)

#### **Future Skills Wales 2005 Sector Skills Survey-Summary Report.**

#### **GfK NOP Social Research, December 2005**

As in the previous surveys of 1998 and 2003, the report provides data on current skills, gaps/shortages and future need. It also served to

indicate the progress made over last 7 years. Additionally, it has particular focus on providing information suitable for use by Sector Skills Councils.

[Link to report](#)

#### **The Long Tail of Low Skills in Wales and the UK – A Review of the Evidence Report to the Economic Research Unit, Welsh Assembly Government, November 2007**

Reviews existing research to quantify the extent to which the UK and Wales are unusual in having a long ‘tail’ of people with relatively few, or no, qualifications; the consequences for productivity and growth and whether particular policy interventions can remedy the problem

[Link to report](#)

#### **Skills and Employment Action Plan for Wales 2005.**

#### **Welsh Assembly Government, January 2005.**

Incorporates 4 main themes: improving mechanisms of workforce development; supplying new entrants to labour market with appropriate skills for employment; working with employers/employees to improve skills; and helping more people into sustained employment.

[Link to report](#)

Further resources can be found on the Learning Theme section of Learning and Skills Observatory [here](#)

For further details about any information in this bulletin please click [here](#) and use the “Learning Theme Feedback” facility or contact Sioned Lewis, Arad Consulting, Enterprise House, 126 Bute Street, Cardiff Bay, CF10 5LE  
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