



SOCIAL RESEARCH NUMBER:

32/2016

PUBLICATION DATE:

16 MARCH 2016

# Skills Growth Wales: Final Evaluation

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ICF Consulting Services Ltd and Arad Research



Views expressed in this report are those of the researcher and not necessarily those of the Welsh Government

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## **Table of contents**

<b>List of tables .....</b>	<b>2</b>
<b>List of figures .....</b>	<b>4</b>
<b>Glossary.....</b>	<b>6</b>
<b>EXECUTIVE SUMMARY.....</b>	<b>8</b>
<b>1. Introduction.....</b>	<b>16</b>
<b>2. Research Approach and Method .....</b>	<b>22</b>
<b>3. SGW Rationale, design, inputs, outputs and Cross-Cutting Themes .....</b>	<b>31</b>
<b>4. How the programme delivery model has worked .....</b>	<b>55</b>
<b>5. Outcomes and impact of Skills Growth Wales Extension.....</b>	<b>73</b>
<b>6. Comparative Assessment .....</b>	<b>101</b>
<b>7. Findings and lessons for future programmes .....</b>	<b>123</b>
<b>References.....</b>	<b>132</b>
<b>Annex 1 – Evaluation Framework.....</b>	<b>136</b>
<b>Annex 2 – Research Tools .....</b>	<b>140</b>
<b>Annex 3 – Impact Analysis Technical .....</b>	<b>183</b>

## List of tables

Table 1.1: Overarching and specific objectives of the study .....	17
Table 1.2: Summary of ProAct and Skills Growth Wales evaluations findings .....	19
Table 2.1: SGW Extension employers by ESF programme, MI and survey .....	25
Table 2.2: SGW Extension employers by size, MI and survey.....	25
Table 2.3: SGW Extension employers by sector, MI and survey .....	25
Table 2.4: SGW Learners by ESF programme, MI and survey.....	26
Table 2.5: SGW Learners by gender, MI and Survey .....	27
Table 2.6: Training provider sample characteristics .....	28
Table 3.1 SGW Extension – Targets and Achievement.....	39
Table 3.2: SGW Extension targets and achievement by ESF Programme area.....	40
Table 3.3: SGW Extension funding by employer size .....	41
Table 3.4: SGW Extension targets and funding by employer size.....	41
Table 3.5: Funding received against original training plan, number of employers.....	42
Table 3.6 SGW Extension beneficiaries by ESF programme area .....	46
Table 3.8 ProAct and Skills Growth Wales Achievement, 2009-2014 .....	47
Table 3.9 SGW beneficiaries by gender.....	49
Table 3.10 SGW Extension beneficiaries by age group .....	50
Table 3.11 SGW Extension beneficiaries by BME status .....	51
Table 3.12 SGW Extension beneficiaries by migrant status .....	51
Table 3.13 SGW Extension beneficiaries by disability status.....	52
Table 3.14 SGW Extension beneficiaries by work limiting health condition .....	52
Table 4.1: Number of employers who have received the following types of support from Workforce Development Advisors.....	59
Table 5.1 Proportion of learners reporting SGW outcomes by type of training.....	77
Table 5.2 Proportion of learners reporting SGW career outcomes (ranked) .....	78
Table 5.3: Change in training budget as a result of access to SGW programme .....	86

Table 5.4: Change in turnover as a result of access to SGW programme .....	88
Table 5.5 Impact of the Skills Growth Wales project .....	94
Table 5.6: Net impact and Return on Investment of SGW Extension .....	96
Table 5.7: Sensitivity analysis of impact of the SGW Extension .....	97
Table 5.8: Sensitivity analysis of Return on Investment of the Skills Growth Wales project ..	98
Table 6.1 Lessons from initial evaluations of EIF, GIF and EOS training projects .....	108
Table 6.2: Comparator studies for SGW programme showing .....	119
Return on Investment .....	119
Table 6.3: Comparator studies for SGW programme showing Cost per job created safeguarded .....	120

## List of figures

Figure 2.1: Skills Growth Wales (and ProAct) Logic Model.....	23
Figure 3.1: SGW Extension employers, number of employers by industrial sector.....	43
Figure 3.2: SGW Extension employers, number of employers by business size.....	43
Figure 3.3 Number of businesses by Local Authority Area.....	44
Figure 3.4 Number of learners by Unitary Authority Area .....	45
Table 3.7 SGW Extension beneficiaries by educational achievement.....	46
Figure 4.1 How employers first found out about the SGW Extension programme, number of employers .....	56
Figure 4.2 Usefulness of the support provided by the WDA, number of employers.....	60
Figure 4.3: Would the company have completed a Skills Needs Assessment in the absence of Skills Growth Wales Extension support, number of employers.....	61
Base: 54 employers, ICF survey, SGW Extension .....	61
Figure 4.4: Would the company have completed a Learning and Development Plan in the absence of Skills Growth Wales Extension support, number of employers.....	61
Base: 54 employers, ICF survey, SGW Extension .....	61
Figure 4.5 Employer satisfaction with different aspects of training provision.....	67
Figure 4.6 Beneficiaries for whom training met expectations by different aspects of training delivery, percentage of employees.....	68
Figure 4.7: Satisfaction with the support provided through the SGW programme, number of employers .....	70
Figure 5.1 Proportion of learners reporting SGW skills outcomes .....	73
Figure 5.2 Proportion of learners reporting SGW career outcomes .....	74
Figure 5.3 Proportion of learners reporting SGW company outcomes.....	76
Figure 5.4: Outcomes of the SGW programme for the workforce, number of employers .....	80
Figure 5.5: Impact on training needs, number of employers .....	81
Figure 5.6: Impacts of the SGW programme for businesses, number of employers.....	82
Figure 5.7 Impact on jobs, number of jobs created by number employers .....	84

Figure 5.8 Mean number of responses to questions “If you had not received Skills Growth Wales support, how many people do you think would be employed (full-time/part-time) at your business establishment now?” and “Including yourself, how many people are employed at your business establishment today at part-time/full-time?” .....	85
Figure 5.9: Proportion of employers who would have offered cheaper or shorter training or who would have provided the training over a longer period of time .....	86
Figure 5.10 Change in profit per employer with and without SGW support, number of employers .....	89
Figure 5.11 Employers views of employment and turnover in three years’ time, number of employers .....	91
Figure 5.12 Proportion of employees located within Wales and elsewhere, average (mean) of employer responses .....	92
Figure 5.13 Proportion of direct competitors located within Wales and elsewhere, average (mean) of employer responses .....	93
Figure 5.14 Proportion of suppliers located within Wales and elsewhere, average (mean) of employer responses .....	94
Figure 6.1 Skills Growth Wales fit within types of public intervention programmes .....	102

## **Glossary**

BME	Black and Minority Ethnic
CCT	Cross-Cutting Theme
DFES	Department for Education and Skills
EDMS	European Database Management System
EIF	Employer Investment Fund
EOS	Employer Ownership of Skills
ERDF	European Regional Development Fund
ESF	European Social Fund
EST	Department for Economy, Science and Transport
ETP	Employer Training Pilot
GDP	Gross Domestic Product
GIF	Growth Investment Fund
GVA	Gross Value Added
HGF	High Growth Firm
HR	Human Resources
ICT	Information and Communication Technology
IT	Information Technology
LDP	Learning and Development Plan
MI	Management Information
OECD	Organisation for Economic Cooperation and Development
ROI	Return on Investment

SGW	Skills Growth Wales
SME	Small to Medium Enterprise
WDA	Workforce Development Advisor
WDP	Workforce Development Programme

## **EXECUTIVE SUMMARY**

ICF Consulting in association with Arad Research were appointed to undertake an independent final evaluation of the Skills Growth Wales (SGW) programme. The work was undertaken between January and August 2015. The aim of the study was to assess whether the SGW programme has met its objectives.

To study had the following objectives:

- Understand how SGW was implemented and assess its performance against the expected inputs, outputs and outcomes of the programme
- Assess the impact of SGW's inputs and activities on employers; learners and providers;
- Assess the added value of the impact;
- Assess the relative performance of the programme and its value for money;
- Provide lessons for improving the design and delivery of future projects; and
- Identify its contribution to the Welsh Government's objectives to increase Welsh language skills in the workforce.

The study aimed to focus on the achievements of activities delivered between April 2012 and March 2015 under the "SGW Extension" project. Primary data on programme activities undertaken prior to April 2012 were captured by previous evaluations but are considered in this study's analysis.

The evaluation included the following research activities:

- Review of programme management information and documents;
- Review of existing literature on evaluations of similar programmes;
- Qualitative interviews with Welsh Government delivery staff (3), Workforce Development Advisors (WDAs) (15), training providers (20), stakeholders (6);
- Telephone surveys with employers (54 interviews) and learners/employees (510 interviews);
- Case study visits to eight employers; and
- Analysis and reporting.

## **BACKGROUND**

SGW was a financial support package for employers funded through the European Social Fund (ESF) 2007-2013 Competitiveness and Convergence Programmes for Wales. It was administered by the Welsh Government. It comprised ProAct and SGW (Phase 1 and Extension).

ProAct was launched in January 2009 and closed to applications in June 2010. It was initially targeted at the automotive sector but later extended to other key sectors, being available to businesses which had introduced short time working in the recession and facing the threat

of redundancies. It offered a subsidy of up to £2,000 per worker towards training costs and a wage subsidy of up to £2,000 (at a rate of £50 a day) per worker while the subsidised training was undertaken (for a period of up to 12 months).

SGW (initially also referred to as “ProAct – SGW”) was launched in April 2010. It ran in parallel to ProAct until June 2010. The first phase of SGW was closed to applications in March 2011. SGW was designed to be “a financial support package designed to help Welsh companies grow by funding high level or new technology skills training”. It provided a funding contribution of between 60 and 80 per cent (depending on company size) of eligible training costs, up to a maximum of £3,000 per worker, averaged across all the employees receiving training.

SGW Extension was opened to applications in March 2012 and closed in March 2014, with all delivery of training expected to be completed by April 2015. The aim of SGW Extension was to “assist companies who plan to expand their workforce and require financial assistance to undertake training to make this possible”. The rationale of the intervention was to eliminate barriers faced by employers in investing in training needed to address skills gaps that would prevent achievement of their growth plans.

SGW Extension provided training up to an average cost of £2,500 per worker in a participating company. Companies had to be committed to: a growth target which the training would help to deliver; increasing or bringing forward training; providing accredited or industry recognised training; and training focusing on leadership and management, business efficiency, and upskilling workforce skills. It was open to companies of all sizes/sectors but with a greater focus on SMEs than its predecessor.

### **SGW Programme achievements and Cross-Cutting Themes**

The SGW programme as a whole (including ProAct) was successful in assisting 527 employers, higher than the target of 500. It was also successful in training 30,835 employees, higher than forecast (27,037). A total of 16,419 employees achieved qualifications, also higher than anticipated (15,982).

SGW Extension provided £12 million of funding to 158 employers for training to 14,682 learners. This was considerably less funding spent than planned (£22 million) and 21 per cent fewer employers (target, 200)<sup>1</sup>, but 22 per cent more learners (target, 12,000).

In SGW Extension the greatest number of companies participating were in the manufacturing sector (37 per cent) followed by IT/financial services (25 per cent). Around

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<sup>1</sup> Though in the programme as a whole the target was exceeded.

four in five of the companies were SMEs (79 per cent), although as might be expected they only account for 55 per cent of the funding spent.

For SGW Extension, applications approved expected large companies to provide just over half of the learners (51 per cent), with 10 per cent of learners from companies with 50 or fewer employees. Larger employers were expected (according to approved plans) to spend a lower average amount on training than small ones (£700 compared to £991) and to create only one job for every 3.6 employees trained, compared to one for every 1.8 employees trained in small companies.<sup>2</sup>

In relation to the Equal Opportunities Cross-Cutting Theme, SGW did not help businesses to produce or improve an equality and diversity strategy as was intended. Instead it was a condition of the grant that companies applying had a policy in place. Targets and ambitions for over half the learners on the programme to be female and to engage more women in management, and to raise the skills of Black and Minority Ethnic (BME) employees were not realised. Only 22 per cent of learners were female, which may be broadly representative of the workforces in the sectors of participating businesses.

In relation to the Environmental Sustainability Cross-Cutting Theme, there is limited evidence suggest that the programme met objectives of encouraging businesses to undertake environmental impact assessments and providing employees with training in specialist environmental skills. A fifth of companies surveyed (on SGW Extension) recalled WDA advice on environmental sustainability. Training to increase resource efficiency and reduce carbon footprints undertaken in a few businesses was funded by the programme.

### **Reflections on the delivery model**

The SGW Extension was not openly advertised and promoted through Business Wales and other channels; businesses were introduced through existing contacts through the Workforce Development Programme (WDP), the Department for Economy, Science and Transport (EST), sector networks and existing Welsh Government links to companies of identified economic or regional importance operating in Wales. Compared to the first phase of SGW, more introductions were made by the WDP Workforce Development Advisors (WDAs) and far fewer from EST. Interviewees indicate that while this approach prevented over-recruiting businesses to express an interest, it could have been too low profile to reach out to potential high growth employers in all parts of Wales who were not well-networked or recipients of other business support.

Some but not all WDAs were active in considering SGW as a support for business success and growth; some of these felt that the administrative requirements meant that they could only

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<sup>2</sup> Final data on achievement not available on the time of report writing.

engage businesses which could cope with these and could benefit from training they could not otherwise afford. A few WDAs may have been deterred by the fees they were paid.

WDA advice and support was generally highly valued by employers who needed it. Large employers generally had less need. Most of the companies surveyed had help with the Business Case and Training Plan submissions needed to gain approval, with more than half having help with Learning and Development Plans (LDPs) and arranging training providers. Interviewees reported that because of their complexity, more time had to be given by them to the Business Case and Training Plans. Most could have produced an LDP without the support of the WDA.

Employers were constrained by the processes and rules of the programme (12 month deadline, specified training without variation, named employees, and delays in approval, especially in 2014/15). Employers and WDAs reported that these did not fit well with changes to business needs and the availability of employees for training. Businesses were generally not able to meet the targets agreed in Training Plans and some paid for training themselves as a consequence.

Some stakeholders and WDAs interviewed felt that not requiring a contribution from employers to training costs (which were in excess of £50,000 in many cases) may have encouraged some companies to apply without strong ambitions to increase turnover/jobs, because they did not have to weigh up the cost benefits.

### **Views on training**

There was generally a high level of satisfaction with the training, with around three-quarters of employers fairly or highly satisfied (with the relevance, content, quality) and over 90 per cent of learners agreeing it was relevant, well organised and high quality. Businesses and training providers interviewed generally understood the value of accredited training. A few felt that it was a constraint where training was very new and had not yet been reflected in vocational qualifications.

Most employers welcomed the choice of training providers to meet their needs, but seeking quotes was not possible where the training was only available from a single provider. Training providers and WDAs reported that obtaining quotes was not always practical where training had to be customised to fit employers' needs.

From the employers surveyed there was no difference in the quality of private and public training providers' responsiveness. Employers in Mid and West Wales were reported by interviewees to have experienced more difficulties in sourcing training.

Welsh medium and Welsh language training was not actively promoted but was available to employers, though few employers requested it.

## **Outcomes**

SGW training resulted in employees improving their knowledge and skills as well as learning new things that were relevant to their jobs, as reported in interviews with employers and learners in surveys and case study visits. Training had positive effects on learners' job satisfaction and work productivity, as indicated by survey and case study findings. Learners identified that more training opportunities were available at their workplace since their employers' participation in SGW. Training resulted in improved career prospects for more than two-thirds of learners surveyed. This manifested in job promotions and pay rises for around a fifth of employees.

Learners who had a choice about attending training (i.e. where participation was voluntary, not obligatory) were more likely to report gains in knowledge and skills and productivity improvements than those learners who did not have a choice. The difference was statistically significant. Learners in ICT, financial and professional services were more likely to report positive outcomes of training than employees in other sectors.

Almost all employers reported having a better skilled workforce because of participation in SGW. Training also benefitted employers by reducing the number of skills shortages and gaps and improving the productivity and flexibility of their workforce. Employers generally reported a positive impact from participating in the programme on improving awareness of training needs (45 out of 54) and better focusing of training resources (33 out of 54).

Most employers reported positive impacts of the training on their business. Around three-quarters reported improved quality of products and services and ability to meet customer needs; around two-thirds reported making cost savings and increasing sales; and over half reported introducing new products and winning new contracts. Without SGW, just over half of employers would have delivered similar training but over a longer period, while just under a half would have delivered shorter or cheaper training as an alternative.

## **Economic impacts for employers**

Job growth in SGW was mostly driven by smaller employers (though the sample size does not allow for statistical testing). Nearly two-thirds of employers who created jobs were SMEs. 24 out of 44 employers who responded to this question in our survey did not create any full-time jobs as a result of SGW. Among the 20 employers who did create jobs, most created fewer than five jobs, though on average 7.1 full-time jobs and 0.7 part-time jobs were created.

Turnover grew for just under half of the participating employers. Turnover growth also appears to have been greater in smaller companies. Two-thirds of SMEs reported turnover increases, compared to one-third of larger businesses.

As such, it is estimated that SGW Extension companies created an estimated 3,300 jobs since participating in the programme. However, only 1,400 of these jobs can be attributed the companies' participation in SGW Extension (i.e. are additional to what would have happened without SGW Extension). This is lower than the target of 2,000.

SGW Extension is estimated to have created Gross Value Added (GVA) of around £49.1m to the Welsh economy as a result of increases in turnover (best estimate). The sensitivity analysis<sup>3</sup> suggests additional impact from turnover is approximately in the range of £15.1m GVA to £116.4m GVA. The sensitivity analysis suggests that SGW has created in the range of 700 to 2,800 jobs (£26 to £109.2 million GVA).

SGW Extension is estimated to have delivered around £5 in GVA for every £1 of public (ESF and Welsh Government) spending on the project. When private costs are included (employers paying wages of learners), the estimated return on investment is approximately £3 in GVA for every £1 spent. This indicates there may be a higher return compared to other training programmes.

The cost per job created is £13,000 in private, public and ESF contributions. This is relatively expensive compared to other programmes reviewed.

### **Programme's delivery and achievements compare to other similar programmes**

Evidence from **other publicly-funded employment-training programmes** indicates that SGW:

- Experienced similar challenges around administrative burdens, which could have reduced the achievement of outcomes;
- Encountered similar challenges in ensuring that employers set realistic targets for volumes of employees to be trained and delivered these in the timeframe;
- Reported similar findings around the additionality of employer-led programmes where employers may use training subsidies to deliver what was planned in the absence of the intervention and thus limiting the added value of the programme; and
- May not have considered and catered for the specific needs of small businesses, nor for those employers which are not engaged in well-known networks or have pre-existing relationships with the Welsh Government and various business support intermediaries.

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<sup>3</sup> A sensitivity analysis is used to show the possible variability of the central estimate and illustrates the robustness of underlying assumptions used to arrive at the central estimate.

Evidence from **other high growth support programmes** indicates that SGW:

- Demonstrates comparable results in terms of programme impacts with greater additionality reported on turnover and business benefits and lower additionality on employment outcomes;
- Included a more limited service offer and offered less intensive and targeted support than the most effective programmes; and
- Unlike successful programmes elsewhere, did not include opportunities for partnerships, networking and cohesion with other Welsh and UK Government initiatives which are included in successful programmes elsewhere.

### **Lessons for future programmes**

The evaluation of SGW indicates that the following should be considered when designing **programmes that provide financial support to employers directly for workforce development:**

- Programme design should reflect the rationale for a public intervention which is to address employer underinvestment in training and eliminate skills gaps;
- Programme objectives, targets and metrics should therefore include outcomes in relation to investment in training and achieving business benefits related to this - sales, profit, productivity - and impact on turnover in the longer term – rather than employment growth; and
- As evidence in SGW, advice and support can ensure that businesses are better able to invest in training effectively.

The SGW evaluation also suggests that the following should be considered when **designing programmes that are expected to support growth:**

- Programme design should reflect the rationale that it is small businesses that are most likely to create jobs and that large businesses are most likely to increase productivity and job survival. Programmes are generally focused on specific groups of businesses with different needs and solutions; and
- Although training can be a component of support, high growth programmes focused on small employers, for example, require business advice and support which enables the implementation of plans (coaching, mentoring, peer support, and networking), not just their development of the plan.

And that when **implementing programmes that provide funding to employers and include an intermediary, they should:**

- Establish and sustain links to other programmes which can be mutually supportive;
- Map relationships to other targets and impacts and build these into referral processes and support mechanisms to businesses;
- Train the intermediaries, closely monitor their performance and sustain relationships through further briefing;

- Ensure payments to intermediaries reflect the cost benefits of their support towards achieving targets. Adjust these if experience suggests they are not well matched and ensure there is flexibility in what support businesses are offered;
- Provide clear information to businesses at the point of application with a straightforward account of administrative requirements and scheme regulations; and
- Promote flexibilities and systems to businesses to reduce the paperwork burden.

For programmes **to support equalities, sustainability and Welsh language aims**, they should:

- Determine the key aspects of the programme which could effect a change in outcomes
- Integrate these aspects throughout the delivery to well-defined outcomes and targets.

**And that to evaluate their impact, they should:**

- Design the programme to enable a comparative group of employers who are not taking part in the programme to be identified. This could be through restricting a programme to a defined area or through random allocation of different levels of support<sup>4</sup>; and
- Ensure adequate privacy wording is in place so that data collected can be shared with evaluators for analysis and so evaluators are able to send invitations to participate in research.

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<sup>4</sup> For example, DWP Growth Vouchers trial

## **1. Introduction**

- 1.1 ICF Consulting in association with Arad Research were appointed to undertake an independent final evaluation of the Skills Growth Wales (SGW) programme. The fieldwork was undertaken between January and June 2015.

### **Overview of Skills Growth Wales and ProAct Programmes**

- 1.2 SGW was a programme devised and delivered by the Welsh Government to stimulate the Welsh economy by assisting companies to achieve economic growth through subsidies for training. The SGW programme was launched in April 2010 and the first phase of applications closed in March 2011. A second phase, called SGW Extension, opened for applications in April 2012, with applications closing in March 2014 and employers completing training up to March 2015. SGW is a successor programme to ProAct (delivered in 2009), which supported companies to train staff put on short-term working as a result of the recession.
- 1.3 SGW and ProAct were part-funded under the same Convergence and Competitiveness European Social Fund (ESF) projects. Overall, the ProAct and SGW programmes had a combined budget of £67 million and were expected to assist 500 companies by supporting 27,000 employees to complete work-related training and achieve qualifications relevant to their jobs.

### **Purpose of the Study**

- 1.4 The aim of the study is to assess whether the SGW programme delivered has met its objectives. The overarching and specific objectives of the study are presented in Table 1.1.

**Table 1.1: Overarching and specific objectives of the study**

<b>Overarching objectives</b>	<b>Specific objectives</b>
Understand how SGW has been implemented and assess its performance against the expected inputs, outputs and outcomes of the programme	<p>How the delivery model has worked in practice.</p> <p>How effectively this has been carried out:</p> <ul style="list-style-type: none"> <li>• To meet expectations to provide demand-led training for employers after needs have been reviewed with the help of Workforce Development Advisors (WDAs);</li> <li>• The achievement of targets for investment, learners and employers engaged, qualifications achieved, new jobs created, training plans and equality/diversity strategies; and</li> <li>• The achievement of ESF Cross-Cutting Themes (CCT) targets on Equal Opportunities and Environmental Sustainability.</li> </ul> <p>Establish the extent to which SGW has met employers’ needs to enable additional growth by filling skills gaps and shortages and providing the skills needed to meet plans for growth. Through this, also establish the added value of WDAs in the process and the relevance, timeliness and cost effectiveness of the training provided.</p> <p>Establish the extent to which SGW training has met employees’ needs to contribute to the growth plan and their progression since completing the training.</p>
Assess the impact of SGW’s inputs and activities on employers, learners and providers	<p>For employers:</p> <ul style="list-style-type: none"> <li>• The impact of the WDAs on identifying training needs and providers, increasing training investment and using training to increase growth.</li> </ul> <p>For employees/learners:</p> <ul style="list-style-type: none"> <li>• The application of the training to business development and changes in practice which should increase sales, economies and efficiency, and what the knowledge and skills gained have done for their pay, progression and prospects.</li> </ul> <p>Any impacts on training providers from having to adapt training content and delivery to the needs of employers.</p>

<b>Overarching objectives</b>	<b>Specific objectives</b>
Assess the added value of the impact	Establish what the programme has provided over and above what could have been expected without the programme, especially the added growth forecast by businesses from the investment.
Assess the relative performance of the programme and its value for money	<p>Compare:</p> <ul style="list-style-type: none"> <li>• SGW’s ability to engage employers and train employees;</li> <li>• Unit costs of the programme with the SGW cost model and other Welsh Government programmes.</li> <li>• Where there is similar evaluative evidence from other Welsh Government policy programmes and similar programmes in other countries, this could also include comparing other indicators (such as return on investment) and undertaking a cost benefit assessment of different ways to achieve similar aims.</li> </ul>
Provide lessons for improving the design and delivery of future projects	Understand what has helped or hindered progress and what has worked effectively to achieve growth through the programme’s activities. This can identify both areas of good practice and areas for improvement to delivery to achieve outputs and expected outcomes more effectively, the lessons of which can be transferred to future programmes promoting employer co-investment and demand led training.
Identify its contribution to the Welsh Government’s objectives to increase Welsh Language skills in the workforce	Identify if employers’ needs for Welsh language skills training have been fulfilled throughout Wales; Establish the ability to source relevant training through the medium of Welsh.

- 1.5 This study aimed to collect information to assess achievement of objectives for activities delivered between April 2012 and March 2015 under the “SGW Extension” project. Primary data on programme activities undertaken prior to April 2012 were captured by previous evaluations but are considered in this evaluation analysis. Relevant findings from these evaluations are summarised below.

**Table 1.2: Summary of ProAct and Skills Growth Wales evaluations findings**

<b>Evaluation of ProAct (Cambridge Policy Consultants, 2011)</b>	<b>Evaluation of Skills Growth Wales (Old Bell 3 and Dateb, 2013)</b>
<b>How the programme was delivered</b>	
<ul style="list-style-type: none"> <li>- Initially targeted to the automotive sector; extended to all sectors with majority of employers from construction and manufacturing</li> <li>- Limited active promotion, most employers found out from WDAs</li> <li>- Use of panel of experts to assess grants was “central to the success” of the programme</li> <li>- High level of satisfaction with training provider, lower satisfaction with training delivered by Further Education Institutions (FEIs)</li> </ul>	<ul style="list-style-type: none"> <li>- Focus on manufacturing sector, with three-quarters of participating employers from manufacturing</li> <li>- Processes and administration evolved from ProAct; cautious approach to marketing continued with more limited role of the panel of experts</li> <li>- Limited number of WDAs engaged actively contributed to concentration in some geographical areas</li> <li>- High level of satisfaction with training providers; training mostly met or exceeded expectations of employers</li> </ul>

<b>Impact on employers and learners - whether it met employers' needs</b>	
<ul style="list-style-type: none"> <li>- High investment in business improvement skills; employers felt that "lean" technique training yielded greatest benefits</li> <li>- Majority of employers reported increased competitiveness, including cost savings, efficiency savings, securing of new contracts and entering new markets, and product quality improvements.</li> <li>- Two-thirds of employers reported an increase in productivity of the workforce, majority reported a positive impact on staff morale/responsibility</li> </ul>	<ul style="list-style-type: none"> <li>- Majority of employers reported workforce benefits including improved morale/attitude, greater workforce flexibility and improvement in skills.</li> <li>- Majority reported business benefits such as winning new customers, winning new orders from existing customers, improving products, developing new products, entering new markets and improving production efficiency/lowering costs.</li> <li>- Around half of employers reported increases in turnover and net profits; around half reported an increase in staff numbers.</li> </ul>
<b>Added value and value for money</b>	
<ul style="list-style-type: none"> <li>- Created £74.6m additional sales, which contributed £20.1m GVA to the Welsh economy</li> <li>- Safeguarded 784 jobs; estimated value of £74.7m</li> <li>- Total GVA of £94.8m, total cost of £27m</li> <li>- £3.51 GVA generated for £1 spent</li> <li>- £12,015 cost per job generated</li> </ul>	<ul style="list-style-type: none"> <li>- 70% of SGW participants achieved at least one qualification, with most achieving more. Highly specialist unaccredited training also supported.</li> <li>- At least a third of training funded by SGW would not have been undertaken in the absence of the programme</li> <li>- Majority of businesses employed formal business planning and training prior to the programme (limiting additionality of SGW support)</li> </ul>

## **Structure of the Report**

1.6 The remainder of this report is structured as follows:

- Research approach and method (Chapter 2)
- Programme rationale, design, inputs and outputs (Chapter 3)
- Assessment of delivery model (Chapter 4)
- Outcomes and impacts of SGW (Chapter 5)

- Comparative assessment of the programme (Chapter 6)
- Conclusions (Chapter 7)
- Annex 1 – Evaluation Framework
- Annex 2 – Research Tools
- Annex 3 – Impact Assessment Technical Annex

## **2. Research Approach and Method**

### **Overview**

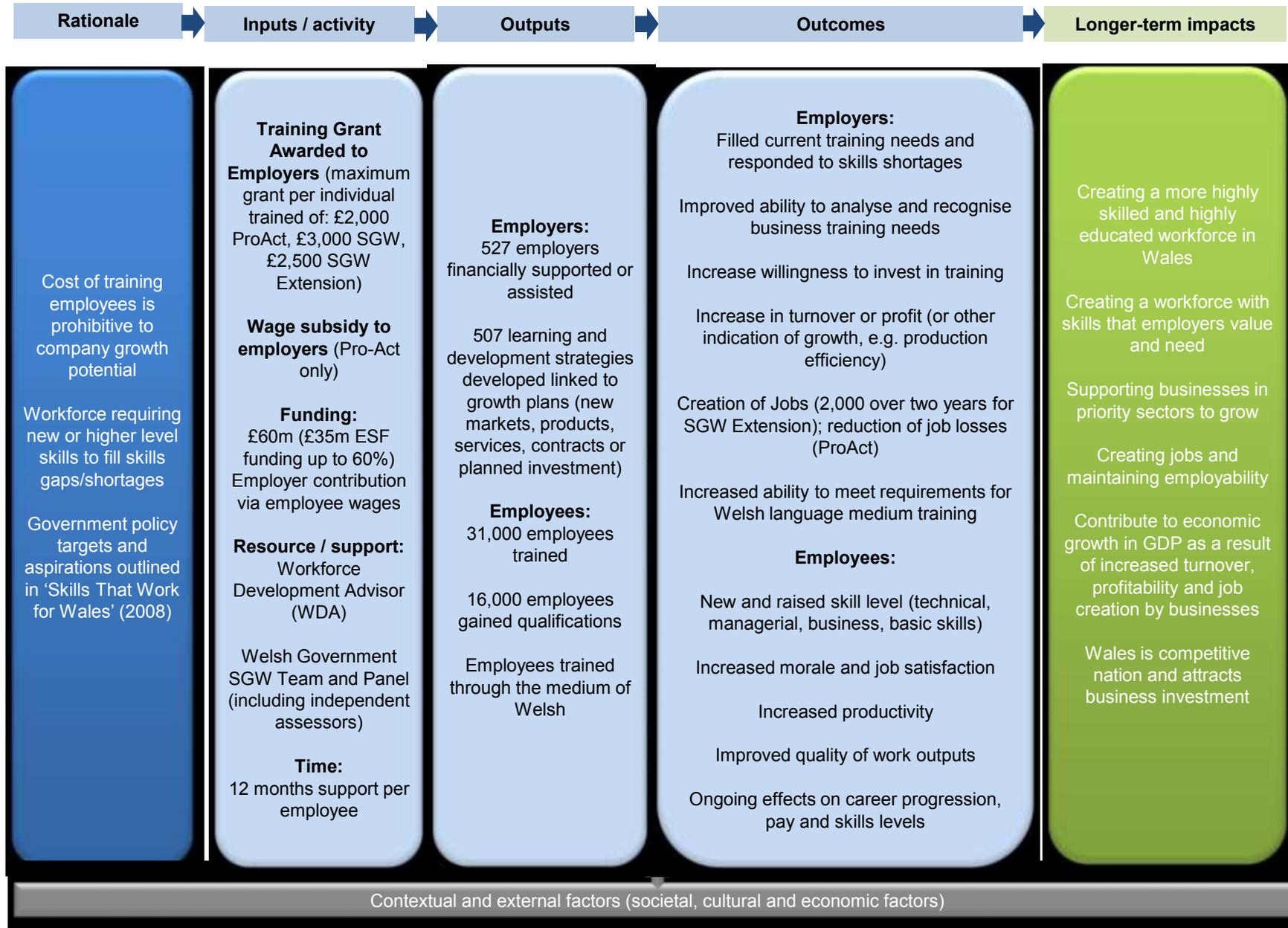
2.1 The study included the following main elements of work:

- Desk research of programme management information including data and programme business case and employer business cases and 12 month evaluation forms;
- Review existing literature on evaluations of programmes with similar aims to SGW as well as the evaluations of ProAct and the interim evaluation of SGW;
- Qualitative interviews with three Welsh Government delivery staff;
- Quantitative survey of employers (54 telephone interviews);
- Quantitative survey of learners/employees (510 telephone interviews);
- Qualitative interviews with 15 WDAs;
- Qualitative interviews with 20 training providers;
- Qualitative interviews with six stakeholders;
- Case study visits to eight employers;
- Analysis and reporting.

### **Approach**

2.2 The evaluation adopted a theory of change approach. A logic model (presented below) for the SGW Programme (including ProAct) was devised, drawing on evidence from document and data reviews and interviews with Welsh Government delivery and strategy staff. The logic model captures the programme's rationale, inputs/activities, outputs, outcomes and longer-term impacts. The logic model was used to formulate an evaluation framework, setting out the information sources and further research required to collect evidence towards addressing the research questions. The evaluation framework is presented in Annex 1.

Figure 2.1: Skills Growth Wales (and ProAct) Logic Model



## Surveys

2.3 The quantitative telephone survey of employers was subcontracted to Beaufort Research by ICF and Arad Research. It was completed between 8<sup>th</sup> April and 5<sup>th</sup> May 2015 (with pilot interviews conducted on 31<sup>st</sup> March and 1<sup>st</sup> April 2015). Interviews were 20-30 minutes in duration and covered the following:

- Business background and engagement;
- Satisfaction and effectiveness of SGW and training;
- Added value;
- Training outcomes; and
- Impacts of training on business.

The survey questionnaire is presented in Annex 2.

2.4 The employers' survey achieved 54 responses. This represents a response rate of 33 per cent of businesses supported by SGW Extension and provides a confidence interval of +/- 11 per cent at the 95 per cent confidence level. No weighting was applied to the survey because of the low number of responses within each sub-group. Given the relatively small number of companies (166) that had training plans approved by SGW Extension, the whole population was included in the sampling frame. A total of 160 unique contact details were available for surveying. Non-responses included: eight invalid numbers, four asked to be withdrawn, 18 declined to participate, eight unable to participate because members of staff that had contact with SGW were no longer at the company, and 68 where it was not possible to secure an interview. A number of measures were taken to maximise responses including:

- Multiple calls to each contact with an average of 16 separate attempts being made to secure an interview;
- Appointments offered at convenient times for employers. In some cases several appointments were made (but then employers were unavailable at the time);
- Flexible approach to interviewing with calls made Monday to Friday. Interviewing hours were 9am to 8pm with appointments offered outside of these times; and
- Choice of participation in Welsh or English language.

2.5 Tables 2.1, 2.2 and 2.3 below present the characteristics of the sample achieved against the characteristics of businesses supported by SGW Extension. On the whole, the survey includes slightly more responses from smaller companies and companies in IT, financial and professional services and fewer responses from manufacturing companies compared to the population.

**Table 2.1: SGW Extension employers by ESF programme, MI and survey**

<b>ESF Programme</b>	<b>Proportion of participants (MI)</b>	<b>Proportion of participants (survey)</b>
Convergence area	60%	57%
Competitiveness area	40%	43%

Table note: Based on MI information for 166 employers and ICF survey of 54 employers

**Table 2.2: SGW Extension employers by size, MI and survey**

<b>Employer size (no. of employees)</b>	<b>Proportion of participants (MI)</b>	<b>Proportion of participants (survey)</b>
1 to 10	5%	2%
11 to 25	16%	22%
26 to 50	16%	20%
51 to 249	42%	42%
250+	21%	14%

Table note: Based on MI information for 166 employers and ICF survey of 54 employers

**Table 2.3: SGW Extension employers by sector, MI and survey**

<b>Economic sector</b>	<b>Proportion of participants (MI)</b>	<b>Proportion of participants (survey)</b>
Manufacturing	38%	24%
IT, financial & professional services	25%	41%
Construction	14%	11%
Food production	8%	9%
Engineering	8%	6%

Table note: Based on MI information for 166 employers and ICF survey of 54 employers; not all economic sectors included

2.6 A quantitative telephone survey of learners/employees was conducted by Beaufort Research between 8th April and 5th May 2015 (with pilot interviews conducted on 31st March and 1st April 2015). Interviews were 10-20 minutes in duration and covered the following:

- Employment background;
- Satisfaction with and effectiveness of SGW training; and
- Impacts of training on individuals and perceptions of business impacts.

The survey questionnaire is presented in Annex 2.

2.7 The employee/learner survey was designed to achieve 500 responses and succeeded in doing so (510 achieved sample). Stratified sampling was used with quotas set on gender, geographical location and business sector. The sample achieved represents 3.5 per cent of the total number of employees that participated in SGW Extension and implies a confidence interval of +/- 4.2 per cent at the 95 per cent confidence level.

2.8 Tables 2.4 and 2.5 below presents the characteristics (gender and geographical distribution) of the sample achieved against the characteristics of employees supported by SGW Extension<sup>5</sup>. The sample achieved is broadly comparable on these characteristics with the population of employees.

2.9

**Table 2.4: SGW Learners by ESF programme, MI and survey**

Geographic location	Proportion of participants (MI)	Proportion of participants (survey)
Convergence area	65%	69%
Competitiveness area	29%	24%
Outside Wales	6%	7%

Table note: Based on MI information for 11,050 unique beneficiaries (103 values missing) and ICF survey of 510 beneficiaries (1 value missing). All benefitting employers were based in Wales.

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<sup>5</sup> Management information extracted in May 2015; may not reflect final project achievement.

**Table 2.5: SGW Learners by gender, MI and Survey**

<b>Gender</b>	<b>Proportion of participants (MI)</b>	<b>Proportion of participants (survey)</b>
Female	24%	22%
Male	76%	78%

Table note: Based on MI information for 11,494 (no values missing) unique beneficiaries and ICF survey of 510 beneficiaries, no values missing

## **Interviews**

2.10 Semi-structured qualitative interviews with three Welsh Government officials responsible for the delivery of the programme were conducted by telephone. These interviews captured information on the delivery of the programme and informed the development of the logic model and the design of the research tools for subsequent quantitative and qualitative strands of work.

2.11 A total of 15 semi-structured telephone interviews were conducted with WDAs. Fourteen WDAs had supported SGW Extension companies. Interviews were around 30-45 minutes in duration and covered:

- Engagement with and perceptions of SGW;
- Services and support provided to employers;
- Relationships with training providers; and
- Perceptions of impact and added value.

The topic guide is presented in Annex 2.

2.12 One WDA had not been involved in the SGW Extension (but had supported companies earlier in the project). Attempts were made to secure interviews with further WDAs who were not involved in SGW Extension but this was not possible owing to a number of refusals or non-responses. In addition to the topics above, this interview covered reasons for non-engagement with SGW Extension.

2.13 A total of twenty (20) semi-structured telephone interviews were conducted with training providers that had delivered training funded by SGW Extension. Interviews were around 20-40 minutes in duration and covered the following topics:

- Relationship and engagement with SGW;
- Services provided to employers;
- Impact and added value.

The topic guide is presented in Annex 2.

2.14 Because companies sourced their own training and training providers, training providers could deliver training to many of the SGW employers throughout the life of the programme. Management information may not accurately reflect the volumes of training delivered by a training provider. Our sample therefore sought to ensure coverage by provider type, type of training and broad extent of involvement in SGW. The characteristics of the achieved sample are presented in Table 2.6.

**Table 2.6: Training provider sample characteristics**

Type of provider		Region		No. of companies worked with on SGW		No. of employees trained on SGW	
Further Education College	4	South and West	10	1 to 5	9	1 to 100	10
Higher Education Institute	1	Mid and North	3	6 to 10	5	100 to 200	2
Private Organisation	15	Outside Wales	7	11 to 20	4	201 to 499	5
-	-	-	-	21 to 35	2	501 to 1000	2

2.15 A total of six semi-structured telephone interviews were conducted with a range of stakeholders including Welsh Government staff not directly involved in managing SGW, WEFO staff and representatives from relevant industry and employment associations. Interviews were around 45 minutes in duration and covered the following topics:

- Relationship and engagement with SGW;
- Views on the effectiveness of SGW; and
- Impact and added value.

The topic guide is presented in Annex 2.

2.16 Research case study visits were undertaken with eight companies who had participated in SGW Extension. Case study companies covered a range of industries (manufacturing, ICT and financial services), locations (north and south Wales) and employer size. The case studies comprised face-to-face interviews with management staff and employees who received training funded by SGW. Where relevant, these were supplemented with telephone interviews with the WDA and training providers. In total, 55 interviews were carried out during the case study visits and follow-up phone interviews. The case studies covered the following topics:

- Relationship and engagement with SGW;
- Views on effectiveness of SGW; and
- Impact and added value.

The lines of inquiry for the case study are presented in Annex 2.

- 2.17 Companies were invited to participate in case studies by Welsh Government staff. A total of sixteen companies were provided to ICF through this invitation. Eight companies decided not to or were unable to participate in the case study research when contacted by ICF or Arad Research. The limited timescales available for completion of the research did not allow for recruitment of case studies through the survey (as originally planned).
- 2.18 The additional impact of the SGW Extension was measured by taking the gross outputs and outcomes achieved and subtracting the effects of deadweight, displacement, substitution and leakage. The economic impact of the SGW Extension was measured by calculating the net impact of the programme on Gross Value Added (GVA) output. The approach followed the guidance set out in the HM Treasury Green Book on Appraisal and Evaluation of programme evaluation. Technical details of the methodology employed are presented in Annex 3.

### **Methodological limitations**

- 2.19 It was not possible to assess the additional impact of SGW relative to a counterfactual/control group because of the features of the programme (national programme). During the scoping phase of the research a range of quasi-experimental approaches for assessing additional impact were considered. However, no approach was found to be feasible. The following approaches were considered:
- Difference in Difference – not possible to identify a comparator group (no geographical or sector comparator group can be found in Wales or an English region) owing to the nature of the programme (a national programme operating across multiple sectors);
  - Regression discontinuity approach – not feasible owing to the relatively small number of companies benefiting from SGW (172 employers); and
  - Propensity Score Matching (originally planned) – not possible to identify an appropriate matched group owing to SGW’s eligibility criteria (growth companies are targeted), data availability and data lagging (performance data on potential comparator companies not released within the timeframe of this study).
- 2.20 An evaluation challenge with all ESF 2007-2013 programmes is that the evaluation reports must be finalised prior to the project closure when the final claim data are submitted. The data used in this evaluation were provided by Welsh Government in May 2015. It could differ from final achievement following approval of pending claims by training providers processed by WEFO over summer 2015. However, Welsh

Government expect any variation to be minimal. In addition, Welsh Government programme management staff costs over the period May 2014 to September 2015 were not available at the time of writing.

2.21 It has also not been possible to examine all inputs and outputs in relation to the SGW Extension phase. Management information has been collected and monitored cumulatively for the three phases of the Pro-Act and SGW programme, so learner characteristics during the SGW Extension phase cannot be analysed. Also the costs of the extension phase have had to be estimated by extrapolating costs reported up to May 2015.

2.22 In addition it should be noted that:

- The small size of the employer survey sample puts a large confidence interval on the results;
- Because some employers were only undertaking the training during the financial year 2014/15, some outputs and outcomes (such as jobs created) should be fully realised only after the end of the programme and are therefore underestimated;
- Because of the length of the programme and the expectation that changes to productivity and jobs would take up to two years, employers which had completed training in 2012/13 and 2013/14 have had longer to realise these.

2.23 These problems place some limitations on the study's ability to measure and assess the achievement of the programme's targets and levels of growth envisaged by employers, compute the added value of the impact and assess the relative performance of the programme and its value for money.

### **3. SGW Rationale, design, inputs, outputs and Cross-Cutting Themes**

#### **Introduction**

3.1 In this chapter we provide a description of the:

- Rationale and background to the SGW programme;
- SGW Extension programme design and delivery;
- SGW Extension achievements;
- Analysis of programme expenditure and outputs against expectations; and
- SGW contribution towards ESF Cross-Cutting Themes (Equal Opportunities and Environmental Sustainability).

#### **Context and rationale**

3.2 In 2008, as the economic recession was threatening employment in Welsh businesses, an All-Wales economic summit was held to identify government-sponsored solutions to help individuals and businesses cope with the economic downturn. At the same time, considering the skills needs of the Welsh economy, the Welsh Government identified in 'Skills that Work for Wales' (Welsh Government, 2008) the following challenges with the current workforce:

- Insufficient existing employees were up-skilling and refreshing their skills, with considerable variations in training between sectors, levels of qualification and age;
- Employer investment in skills and training varied and did not always recognise the potential returns on investment, especially from higher level skills;
- The workforce needed higher level skills for businesses to compete effectively and to fill skills gaps/shortages. This could not be met by new entrants alone;
- New entrants were not always work-ready, needing supplementary training. Many of the lower-qualified in the workforce had basic skills (communication, application of number and ICT) deficits;
- Training providers had varying ability to respond to new and better practices, and couldn't always provide the flexibility that employers needed to train the existing workforce; and
- The availability/choice of Welsh medium courses was limited.

3.3 Responding to recessionary pressures on major employers, the Welsh Government launched the ProAct programme (the predecessor of the SGW programme) which would provide employers with a subsidy for training as well as a wage subsidy and aimed to increase economic activity, safeguard existing jobs and meet some of the skills challenges in the Welsh workforce. ProAct secured a contribution from the ESF

and was launched in 2009. ProAct was designed to enable companies to retain staff and to train their staff during unproductive times by making use of down time to upskill employees to meet existing and forecast challenges in the market.

- 3.4 As the Welsh economy emerged from recession, SGW was devised by the Welsh Government to succeed ProAct. It aimed to help reinvigorate the economy by enabling businesses which could demonstrate that they were in a position to realise economic growth to undertake training which would have otherwise been prohibited by cost. The initial SGW programme was launched in April 2010.
- 3.5 Evidence from independent evaluations of ProAct and SGW and feedback from businesses and other stakeholders indicated that the SGW model of support was successful in supporting growth and job creation. In late 2011 it was determined that there remained a need to continue providing such support to further boost the Welsh economy and upskill the workforce. As a result, the SGW Extension programme was launched in January 2012, continuing the ProAct/SGW programme for a further three years.

#### **ProAct**

- 3.6 ProAct was launched in January 2009 and closed to applications in June 2010.
- 3.7 ProAct was available to businesses which had introduced short-time working<sup>6</sup> and faced the threat of redundancies. It offered the following subsidies:
- Up to £2,000 per individual towards training costs; and
  - A wage subsidy of up to £2,000 (at a rate of £50 a day) per individual while the subsidized training was undertaken (for a period of up to 12 months).
- 3.8 The ProAct programme initially targeted the automotive sector and was subsequently extended to include other key sectors in Wales – mainly manufacturing and construction.

#### **Skills Growth Wales**

- 3.9 SGW (initially also referred to as “ProAct – SGW”) was launched in April 2010. It ran in parallel to ProAct until June 2010. The first phase of SGW was closed to applications in March 2011.
- 3.10 SGW aimed to be “a financial support package designed to help Welsh companies grow by funding high level or new technology skills training” (National Assembly for

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<sup>6</sup> Short-time working is when employees’ hours are cut as there is insufficient work or the employer is unable to pay for more hours

Wales (2011)). It was available to growing companies that could show how the funding would help them grow, or companies that could identify a considerable growth opportunity and needed training to take advantage of it. Companies had to demonstrate in a business case that growth would be achieved over the subsequent 12 months in one of the following:

- 10 per cent increase in turnover;
- 10 per cent increase in profit; or
- Increase of at least 10 employees.

3.11 The first phase of SGW provided a funding contribution of between 60 and 80 per cent (depending on company size) of eligible training costs, up to a maximum of £3,000 per employee, averaged across all the employees receiving training. Participating employees' wage costs paid by the company while in training (excluding any wage subsidy) were regarded as part of the cost of training. Thus grants awarded tended to cover 100% of the fees charged by training providers.

#### **SGW Extension - programme design**

3.12 The aim of SGW Extension was to “assist companies who plan to expand their workforce and require financial assistance to undertake training to make this possible” (Welsh Government, 2011). The rationale of the intervention was to eliminate barriers faced by employers in investing in the training needed to address skills gaps in their existing and future workforce and skills shortages in the Welsh workforce that prevent achievement of their growth plans. Barriers include access to finance and ability and knowledge to source and implement workforce training that is directly relevant to business needs.

3.13 The objective of the SGW Extension was to provide training support to assist 200 companies and create 3,000 jobs over a three-year period commencing in 2012. The programme was a direct successor to the SGW programme. SGW Extension targets were based on take-up and achievements of the SGW and ProAct phases and feedback from stakeholders regarding latent need for this type of support for Welsh employers.

3.14 The programme intended to provide support to the following types of company:

- Anchor companies<sup>7</sup>;
- Regionally important companies<sup>8</sup>;

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<sup>7</sup> The Welsh Government defines anchor companies as companies that have the following two characteristics: (1) a company which is a global or international organisation; and (2) have Welsh headquarters or significant corporate presence in Wales. <http://gov.wales/topics/businessandconomy/sector/anchor/?lang=en>

- Companies within the scope of the “Economic Renewal” Priority Sectors<sup>9</sup>;
- Inward investors; and
- Growth businesses identified through the Welsh Government’s Workforce Development Programme.

3.15 To be eligible for SGW Extension support, companies had to demonstrate that they had a credible growth plan which would lead to the creation of new employment opportunities. More specifically, they had to demonstrate one of the following:

- A new market;
- New products or new services;
- New contracts; and
- Planned investments.

3.16 Companies also had to demonstrate additionality by meeting at least one of the following criteria:

- All training to be over and above that which was already planned, i.e. an increase in the size or scope of the training usually funded;
- Planned training to be undertaken earlier than originally planned to accommodate the company’s expansion plans, i.e. a material increase in the speed of completion of training to fit the growth project’s needs; and
- The training support would allow the company to undertake higher quality training leading to formal accreditation.

3.17 Funding levels for the SGW Extension were lower than for the first phase of SGW, at up to £2,500 per individual approved for training (averaged across all employees receiving training in a company) spent on training. As with the first phase, wage costs constituted the employers’ contribution and there was no wage subsidy.

3.18 Employer choice in training was a key feature of the programme design, with employers free to choose training courses and training providers that met their business needs, provided that the training:

- Led to the achievement of a qualification at level 2 or above (generally); and
- Was delivered at a competitive price (relative to similar training in the local area).

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<sup>8</sup> The Welsh Government defines regional important companies as companies which are of significant important to the Region of Wales in which they located as a result of, for example, number of employees, commitment to a skilled workforce, development of the supply chain and investment in the Welsh site.  
<http://gov.wales/topics/businessandconomy/sector/regionalcomp/?lang=en>

<sup>9</sup> These are: advanced materials / manufacturing, construction, creative industries, energy and environment, food and farming, financial and professional services, ICT, life sciences, and tourism.

- 3.19 Training that was non-accredited was allowed in certain cases if there was a valid business case. Companies were expected to show that such training was professionally recognized within the industry. Statutory training (such as health and safety) or training that was planned as business as usual was not supported.
- 3.20 Employers were encouraged to use accredited training programmes or modules that would lead to qualifications in the following areas:
- Leadership and Management accredited at level 2 or above;
  - Business Improvement Techniques accredited at level 2 or above;
  - Relevant vocational qualifications accredited at level 2 or above; and
  - Training that achieves widely recognised standards in their sector.
- 3.21 Employers were supported to develop training delivery plans by WDAs. WDAs are business consultants contracted through the Workforce Development Programme to provide advice and brokerage to businesses about training and skills. This service was provided free of charge to employers who were successful in applying to SGW<sup>10</sup>.

#### **Programme delivery**

- 3.22 On the whole, SGW Extension utilised the same systems and processes as those developed for the ProAct and SGW (first phase) programmes. The programme was reviewed in summer 2012, which resulted in some changes in the focus of the programme (support was extended to small and medium size (SME) companies with growth potential) and a few small changes in the application process.
- 3.23 A core team of Welsh Government staff from the Department of Education and Skills (DfES) Business and Skills Division was responsible for the delivery of the SGW programme. Responsibilities of the team included<sup>11</sup>:

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<sup>10</sup> Unless the business had received public funding which exceeded the State Aid threshold of €200,000 over three fiscal years.

<sup>11</sup> Adapted from Old Bell 3 Ltd and Dateb (2013) *Evaluation of Skills Growth Wales*, Cardiff: Welsh Government, Social Research (Number: 49/2013)

- Processing (approving or rejecting) all applications for support;
- Responding to any queries from prospective and actual beneficiary companies or other stakeholders;
- Maintaining information about employers and individuals participating in the programme using the European Database Management System (EDMS);
- Monitoring the progress and quality of the programme;
- Monitoring participating employers' compliance with the conditions of the support and resolving any issues that arose;
- Monitoring the progress made by employers involved in the programme;
- Managing relationships with internal and external partners such as the Department of Economy, Technology and Science (EST), Employer Forums and WDAs;
- Monitoring the efficacy of company's systems and practices, including equal opportunities, environmental sustainability and health and safety arrangements;
- Monitoring the efficacy of training provider's systems and practices;
- Approving payments to training providers;
- Managing the resources available to the programme;
- Making adjustments to the programme in response to intelligence gathered and performance levels; and
- Reporting to Ministers and WEFO upon performance and any issues that arise.

3.24 The programme intentionally adopted a targeted approach to recruitment with minimal public promotion. Potentially eligible companies (those likely to have high growth plans) were identified mainly by WDAs through the Workforce Development Programme (which offered business and skills planning to all companies in Wales) and links between employer organisations and EST.

3.25 Employers that were potentially eligible for SGW Extension support were initially invited by the Welsh Government programme team to submit a short, informal expression of interest responding to four questions by email. This aimed to quickly assess eligibility and suitability, without requiring the company to invest time and resources in completing the more lengthy business plan application.

3.26 Employers that met expression of interest requirements were then formally invited to submit an application to SGW. At this point, the employer was provided with a pro forma application form, and guidance on the programme and how to complete the application, and was allocated a Welsh Government Sponsoring Official.

3.27 The Sponsoring Official was a Senior Manager or Workforce Development Manager from the DfES Business and Skills Division or a Business Development Manager from the EST Sector Teams. The Sponsoring Official was intended to act as an "advocate for the employer" (Welsh Government, 2011) and provide support through:

- Advice on the criteria, training requirements and conditions of potential funding available through the SGW Scheme;
  - Advice on the content of the company's application, identifying ineligibility or any weaknesses;
  - Endorsement of the application indicating that they are content with the application;
  - Attendance at the SGW panel to provide further advice on the company's application if necessary; and
  - Management of the company's expectations in relation to the application process timescales and the level of financial support.
- 3.28 In practice, many employers received support at the application stage from the WDAs who had made the initial referral to the scheme.
- 3.29 The application took the form of a Business Case. Employers were required to provide: details of their current and estimated future turnover, profit and employment levels; their plans for growth (details of new markets, products, services, contracts or significant investments); and how proposed training would enable growth.
- 3.30 SGW Extension applications were reviewed by an internal review panel made up of DfES staff. An application was either approved or rejected outright or referred back to the company with queries (and resubmitted).
- 3.31 From autumn 2012, a panel of external stakeholders was also set up which provided a steer on the overall direction of the programme and also reviewed difficult applications or cases where appeals were made.
- 3.32 Following approval of an application, the company was formally allocated a WDA who would assist the employer with the following:
- Review their business case and the skills required to achieve the growth;
  - Identify training provision that provides best quality and value for money;
  - Develop a draft training plan;
  - Evaluate the training delivered; and
  - Undertake a review of the benefits and impacts of the company's participation in SGW (the 12 month review).
- 3.33 Before any training took place, employers were required to submit the following for the approval of the SGW team:
- A Training Plan - outlining course information such as training provider details, costs and qualifications to be achieved. Employers planning to deliver large volumes of training were encouraged to submit more than one training plan covering different periods or groups of staff to avoid extensive amends if changes were identified;

- ESF Participant Spreadsheets (the Part B forms) - which contain details of the employees that would receive training including names, equality monitoring information and wage costs (for match funding calculations);
  - Copies of their Equal Opportunity and Environmental Policies.
- 3.34 The internal SGW team reviewed the Training Plans and other documents against the business needs identified in the Business Plans to ensure that proposed training met programme criteria. The team also reviewed the price of training included in training plans to ensure that prices quoted by training providers were at fair market rates for the volumes. This included requiring WDAs to obtain quotations for similar training provision in the area and comparing costs in training plans with prices quoted on provider websites.
- 3.35 Following approval, the employer was responsible for organising the delivery of training, working with the training provider and in some cases with the WDA. Training had to be delivered within 12 months of approval of the business case. Some employers requested and received extensions to this timeframe.
- 3.36 The training provider was responsible for claiming payments for delivered training by submitting invoices to the SGW programme. Participating employers had to countersign training provider claims prior to submission. The SGW team then checked claims against information provided in approved training plans.
- 3.37 At the end of the employer's participation in the programme (i.e. 12 months after approval of the business case), the company worked with the WDA to undertake a review of the benefits and impacts of the training to the employer.

#### **SGW Extension programme performance**

- 3.38 SGW Extension was opened to applications in March 2012 and closed in March 2014, with all delivery of training expected to be completed by April 2015.
- 3.39 158 employers benefitted from funded training under the programme. According to business plans, a total of £12.1m in funding was approved to these employers, which was expected to provide training to 13,900 existing employees and 3,500 new employees. By May 2015, 14,682 employees had been trained by these 158 employers.
- 3.40 Table 3.1 presents SGW Extension Performance against business plan targets, at the time of writing. The programme has not supported as many companies as initially intended and committed fewer funds than anticipated, but has provided training for more employees.

**Table 3.1 SGW Extension – Targets and Achievement**

	Specification document targets	Estimated spend and performance (May 2015)
ESF Funding	£22m	£12m
Beneficiaries – employers	200	158
Beneficiaries – learners	12,000	14,682

Table notes: (1) Funding committed based on total funding agreed to 158 companies (2) Beneficiaries based on WEFO October 2014 claim data (most recent claim available at the time of writing).

- 3.41 A further 14 employers submitted business cases to the SGW panel which were then approved. These companies then received WDA support through the SGW programme if they wished to. However, they did not proceed with the submission of a training plan or did not deliver training within the scheme timeframe and thus did not receive any SGW funding for training.
- 3.42 In relation to the ESF Programme areas, Table 3.2 indicates that the share of the allocation between the areas broadly reflects the initial programme’s intentions.

**Table 3.2: SGW Extension targets and achievement by ESF Programme area**

	Specification document targets	Actual (allocation / achievement)
<b>ESF Funding (£)</b>		
Convergence <sup>12</sup>	£14m (36%)	£9m (32%)
Competitiveness <sup>13</sup>	£8m (64%)	£4m (68%)
<b>Beneficiaries – Employers</b>		
Convergence	120 (60%)	94 (59%)
Competitiveness	80 (40%)	64 (41%)

Table source: Management information (158 employers), SGW Extension Specification Document

- 3.43 The average value of funding agreed per company across the programme was £76,300, with funding ranging from £1,775 to £611,000. The majority of businesses (87 businesses, 55 per cent) received between £20,000 and £80,000, with 17 companies (11 per cent) agreeing funding of more than £150,000. The majority of employers (100 employers, 64 per cent) had agreed funding that was equivalent to under £1,000 per employee (as stated at the start of the project), with 29 employers (18 per cent) agreeing funding worth less than £250 per employee. 19 employers (12 per cent) had agreed funding worth more than £2,000 per employee.
- 3.44 Companies in Convergence areas had a higher value of agreed funding, at £88,600 compared to £58,300 for companies in the Competitiveness areas. Table 3.3 below shows the funding for SGW Extension distinguished by employer size. Most of the funding went to larger firms (84 per cent going to firms with more than 50 employees) and the level of funding was much greater for larger businesses.

<sup>12</sup> The Convergence Programme covered the spatial area of Welsh Wales and the Valleys which includes the following local authorities: Anglesey, Blaenau Gwent, Bridgend, Caerphilly, Carmarthenshire, Ceredigion, Conwy, Denbighshire, Gwynedd, Merthyr Tydfil, Neath Port Talbot, Pembrokeshire, Rhondda Cynon Taf, Swansea, and Torfaen.

<sup>13</sup> The Competitive Programme covered the spatial area of Welsh Wales and the Valleys which includes the following local authorities: Cardiff, Flintshire, Monmouthshire, Newport, Powys, Vale of Glamorgan, and Wrexham.

**Table 3.3: SGW Extension funding by employer size**

Employer size	Funding	% of total grants	Number of employer	Average (mean) value of grant per employer
1-10	£168,300	1%	8	£21,000
11-25	£745,700	6%	25	£29,800
26-50	£1,093,000	9%	26	£42,000
51-249	£4,755,200	39%	64	£74,300
250+	£5,291,100	44%	34	£155,600

Table source: Management information (157 employers – data for one employer missing), SGW Extension Specification Document

**3.45** Table 3.4 shows the target number of employees to be trained through the SGW Extension programme and jobs to be created, according to business plans submitted and approved. This shows that most of the employees to be trained worked in larger employers and the average cost of training was lower for larger employers. Most of the job creation was also expected to come from larger employers. However, the average cost per job created was expected to be lower for smaller employers because employers with 50 or fewer employees were expected to create one job for every 1.8 employees trained while employers with over 50 employees were expected to create one job for every 3.6 employees trained.

**Table 3.4: SGW Extension targets and funding by employer size**

Employer size	Number of employees to be trained	Funding per trainee	Target job creation	Funding per job created
1-10	130	£1,300	110	£1,500
11-25	660	£1,100	480	£1,600
26-50	1,220	£900	540	£2,000
51-249	6,430	£700	1,900	£2,500
250+	8,880	£600	2,320	£2,300
Total	17,320	£700	5,340	£2,300

Table source: Management information (157 employers – data for one employer missing)

- 3.46 Table 3.5 shows the actual funding received by employers as of June 2015 against the funding stated in original business plans. 75 employers (45 per cent) received considerably less funding than stated in original business cases while 15 employers (9 per cent) received funding that was 25 per cent or more over what was stated in their original business cases.

**Table 3.5: Funding received against original training plan, number of employers**

	Number of employers	Share of employers
Funding 50% or plus more than original plan	11	7%
Funding 25% to 49% more than original plan	4	2%
Actual up to +-25% of original plan	68	41%
Funding 25% to 49% less than original plan	34	20%
Funding 50% or plus less than original plan	41	25%
No funding received	9	5%

Table source: Management information (167 employers for which original business plan value provided)

- 3.47 The average number of people trained by employers through the SGW programme was 47. This suggests that, on average, 41 per cent of staff in each business supported were trained through SGW funding.<sup>14</sup> The average number of employees receiving training was higher for larger employers (67 employees on average) while 19 employees on average received training in smaller employers (those that employ fewer than 50 employees). However, the proportion of all company employees receiving training in smaller firms was higher than in larger firms (73 per cent of the workforce of smaller firms trained, compared to 38 per cent of the workforce in larger firms).
- 3.48 Nearly four in ten (37 per cent, 59 employers) of SGW Extension employers were active in the manufacturing sector, as indicated in Figure 3.1. A quarter of employers

<sup>14</sup> For businesses where both the number of employees and trainees was provided. (n=49).

were active in the IT, financial and professional services sector (25 per cent, 40 employers).

**Figure 3.1: SGW Extension employers, number of employers by industrial sector**

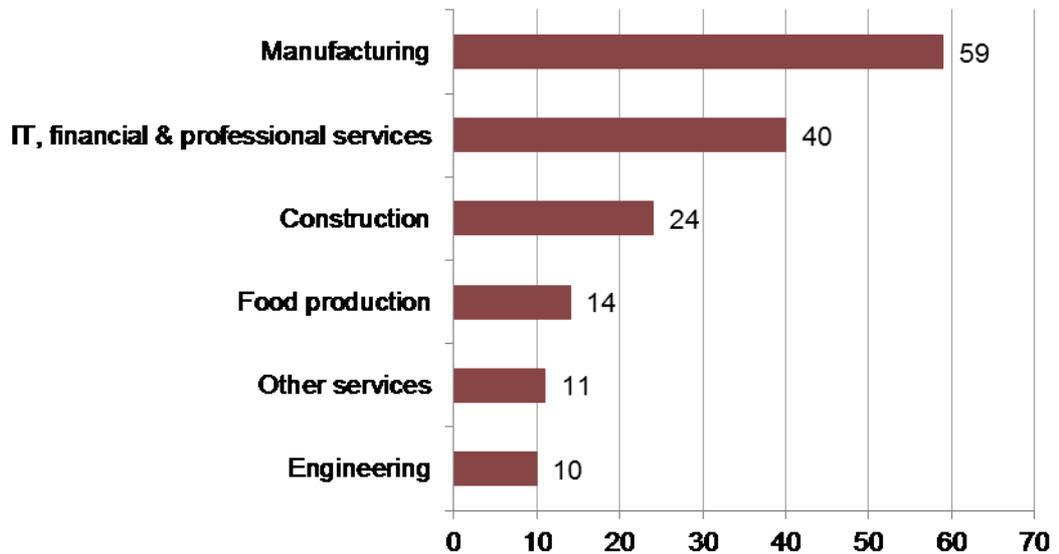


Table source: Management information, 158 employers

3.49 The majority of the employers participating in SGW Extension were SMEs, with medium-sized companies (51 to 249 employees) making up 41 per cent of employers supported (64 employers). Slightly fewer were small or micro employers (38 per cent, 59 employers employed 50 or fewer staff). As shown in Figure 3.2 below, just over a fifth of employers were large (34 employers).

**Figure 3.2: SGW Extension employers, number of employers by business size**

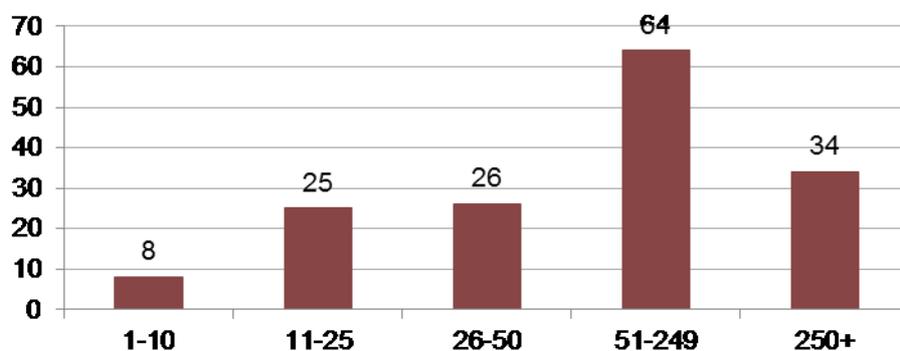
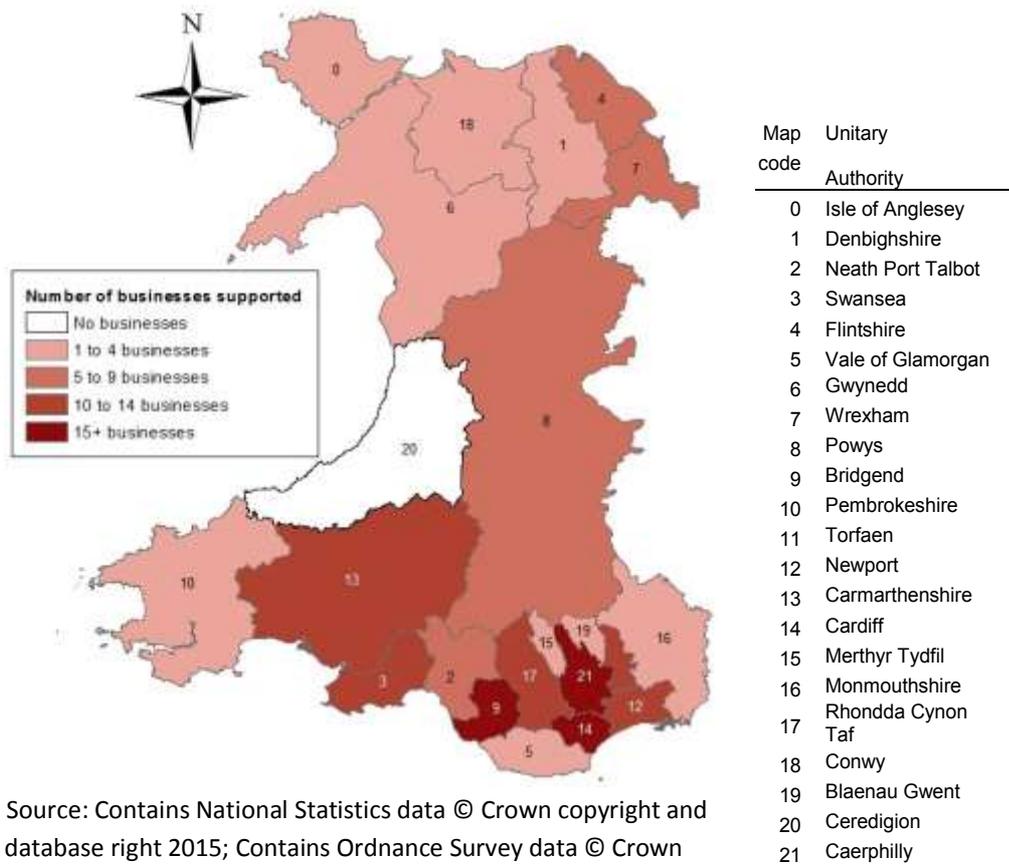


Table source: Management information, (157 employers – data for one employer missing)

3.50 More businesses received funding through the SGW programme in south Wales than in north Wales, with fewer than 10 businesses receiving support in each of the local authority areas in north Wales. No businesses in Ceredigion received any support. More than 15 businesses received support in Caerphilly and Bridgend, and 22 received support in Cardiff (see Figure 3.3). As the programme intended to support high growth businesses of a particular size, concentration of employers supported in areas of high economic activity is not surprising.

**Figure 3.3 Number of businesses by Local Authority Area**



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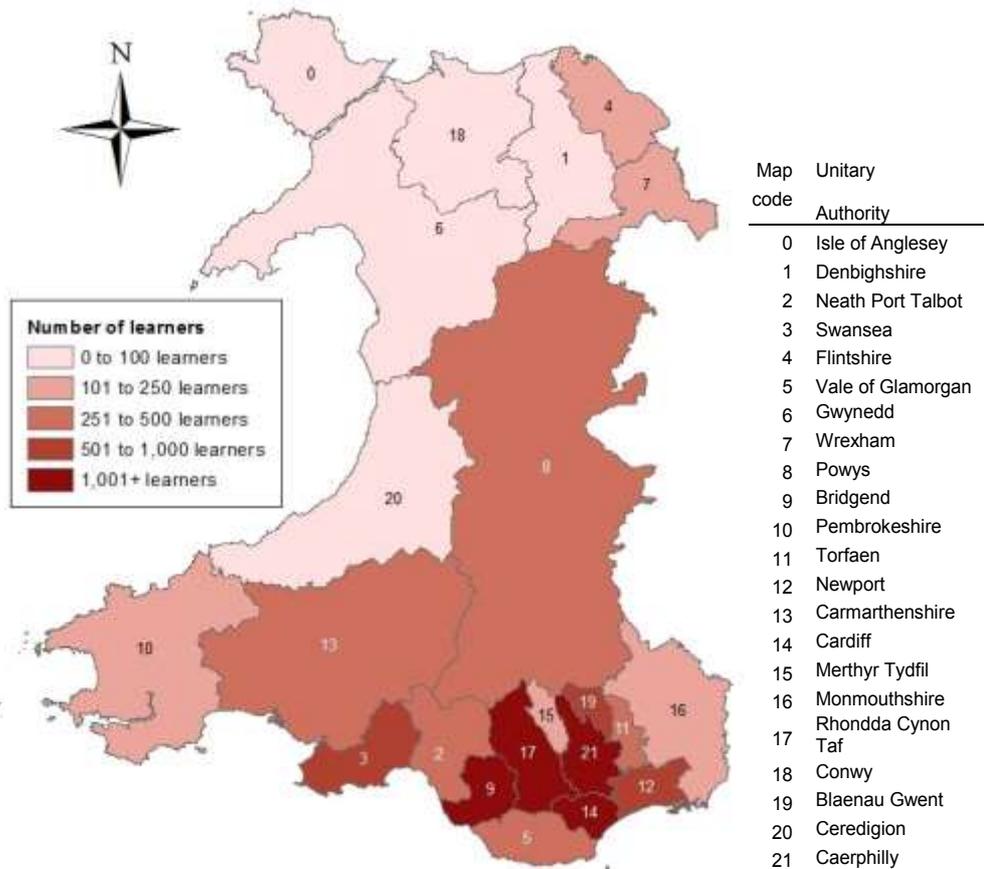
3.51 As of May 2015, information about 11,050 unique individuals (employees) who participated in training through SGW Extension were recorded in the EDMS system and were made available to ICF for analysis prior to quality assurance processes<sup>15</sup>.

<sup>15</sup> Information about individual learners are recorded on to the EDMS system following payment of funding. At the time of analysis, not all funding claims had been processed.

Data reported here therefore may not reflect exactly the final participant numbers of the SGW Extension programme.

3.52 In relation to the ESF programme areas, the distribution of beneficiaries broadly reflects the funding allocation and population density. A larger number of employees received training in south Wales than north Wales, with over 1,000 employees from Rhondda Cynon Taff (RCT), Bridgend, Cardiff and Caerphilly receiving training (see Figure 3.4). Six (6) per cent of trainees resided outside of Wales (they were all employed by employers based in Wales).

**Figure 3.4 Number of learners by Unitary Authority Area**



Source: Contains National Statistics data © Crown copyright and database right 2015; Contains Ordnance Survey data © Crown copyright and database right 2015; SGW Management Information, SGW Extension Specification Document; Map created using ArcGIS® software by Esri. ArcGIS® and ArcMap™ are the intellectual property of Esri and are used herein under license. Copyright © Esri. All rights reserved. For more information about Esri® software, please visit [www.esri.com](http://www.esri.com)

**Table 3.6 SGW Extension beneficiaries by ESF programme area**

Geographic location	Number of participants (MI)	Proportion of participants (MI)
Convergence area	6,962	65%
Competitiveness area	3,146	29%
Outside Wales	647	6%

Table note: Based on MI information for 11,050 unique beneficiaries (103 values missing).

- 3.53 EDMS records indicate that 23 per cent of beneficiaries held no qualification, or a qualification below NQF Level 2 when enrolled on SGW-funded training. As the majority of SGW training was intended to lead to a qualification of at least Level 2, it is expected that the programme has made a positive contribution towards upskilling Welsh employees.

**Table 3.7 SGW Extension beneficiaries by educational achievement**

Prior education achievement	Number of participants	Proportion of participants
None	1,046	10%
Below NQF Level 2	1,370	13%
NQF Level 2	2,996	28%
NQF Level 3	2,357	22%
NQF Level 4-6	2,438	23%
NQF Level 7-8	1,046	10%

Table note: Based on MI information for 10,858 unique beneficiaries, information on 86 beneficiaries missing following employers' requests for evaluator to delete personal data on their employees.

## Programme achievements

3.54 Table 3.8 below presents the achievement of the entire ProAct and SGW programme, as delivered since 2009, against forecasts. It should be noted that the information below is based on the most recent claim submitted to WEFO in January 2015 available at the time of writing and therefore may not reflect final achievement of the programme.

**Table 3.8 ProAct and Skills Growth Wales Achievement, 2009-2014**

Indicator	Convergence		Competiveness		Total	
	Forecast	Achievement to Jan 2015	Forecast	Achievement to Jan 2015	Forecast	Achievement to Jan 2015
<b>Outputs</b>						
Total participants (employed)	18,178	20,153	8,859	10,682	27,037	30,835
Employers assisted or financially supported	355	342	161	182	500	527
Learning and development strategies	339	355	161	152	500	507
Projects delivering specialist training in sustainable development	2	1	2	1	4	2
<b>Results</b>						
Qualification levels to be gained	10,907	11,492	5,075	4,927	15,982	16,419
Participants entering further learning	549	0	0	0	549	0
Employers adopting or improving equality and diversity strategies and monitoring systems	23	0	16	0	39	0

Table note: WEFO European Funding Claim Form, March 2014

3.55 On the whole, the ProAct and SGW programme has supported more employers and employees than initially expected. The achievement of qualifications levels is broadly in line with programme expectations, while the completion of learning and development strategies is slightly below expectations.

3.56 There was an initial aspiration at the point when the initial Pro-Act project was proposed to WEFO that the programme would assist participants in entering further learning. However, the programme was primarily concerned with supporting business growth rather than engaging individuals in further learning. In 2012, it was decided that it was not feasible to collect data to evidence this indicator as it would require tracking employees over time, and WEFO agreed to set this target aside<sup>16</sup>.

### **Achievement and contribution to Cross-Cutting Themes**

#### *Equal Opportunities*

3.57 The 2009-2011 ProAct programme included the following relevant targets:

- 50 per cent of employers adopting or improving equality and diversity strategies and monitoring systems; and
- A female participation rate in training of 66 per cent for the Convergence area and 55 per cent for the Competitiveness area.

3.58 The “SGW – Extension Specification” identified creating jobs for Black and Minority Ethnic (BME) individuals and employees with a disability as key performance indicators for both phases of the SGW programme. Additionally, increasing the number of women in management was identified as a potential impact.

3.59 The SGW programme required employers to submit Equal Opportunity Policies as a pre-requisite to approval of funding.

3.60 As indicated in table 3.8 (above) one of the programme’s headline targets was for 39 employers to “adopt or improve equality and diversity strategies and monitoring systems”. At final claim, SGW reported an achievement of zero against this headline target. Employers were required to have an equality policy in place as a condition of grant award, but this was not what the headline target required and SGW would have needed to put other actions in place to help companies to *adopt or improve strategies and systems* in order to meet this target.

3.61 In the programme overall, just over a fifth of participants were female (22 per cent) as indicated in Table 3.9. This is considerably lower than the expectations for female participation rate envisaged in 2009 for the programme. It is almost identical to the proportion of employees who are female in Welsh manufacturing (22 per cent), higher than in construction (10 per cent) but lower than for the banking, finance and

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<sup>16</sup> Minutes of Project Review Meeting between WEFO and WG of 01/05/12

insurance industry (45 per cent). It is lower than the overall proportion of women in Welsh working population in the industries covered by the SGW (30 per cent)<sup>17</sup>.

**Table 3.9 SGW beneficiaries by gender**

Gender	SGW Extension (no. of learners)	%	SGW programme (total, including ProAct) (no. of learners)	%
Female	2,704	24%	3,462	22%
Male	8,790	76%	12,475	78%

Table note: SGW Extension from MI information for 11494 unique beneficiaries, no values missing; Whole programme data from WEFO Claims October 2014

### 3.62

3.63 No data has been collected on increasing the number of women in management. WDAs, stakeholders and case study interviewees were not aware of this aspiration and could not provide examples of where this may have been achieved through SGW.

3.64 The tables below show numbers of learners benefitting from training in SGW Extension and the whole programme (where data is available) by age (Table 3.10), BME (Table 3.11), migrant status (Table 3.12), disability status (Table 3.13), work-limiting health condition status (Table 3.14).

3.65 On the whole, there is limited evidence to suggest that SGW Extension or the programme as a whole have made a substantial contribution towards meeting their objective of creating jobs for BME individuals and people with disabilities. One per cent of SGW beneficiaries identified that they were BME background and 0.4 per cent stated that they had a disability. This does not compare favourably to the proportion of BME individuals in the Welsh workforce: 2.3 per cent for finance, banking and insurance industry, 1.9 per cent for manufacturing and 0.5 per cent for construction. It is substantially below the proportion of people with a disability in the whole Welsh workforce, which is approximately 15 per cent<sup>18</sup>.

<sup>17</sup> ONS Annual Population Survey 2014, <https://www.nomisweb.co.uk/>

<sup>18</sup> ONS Annual Population Survey 2014, <https://www.nomisweb.co.uk/>

3.66 The age of SGW beneficiaries approximately mirrors the overall age profile of the Welsh workforce<sup>19</sup> with around a third of SGW beneficiaries aged under 35 years and around two-thirds aged between 35 and 64.

**Table 3.10 SGW Extension beneficiaries by age group**

Age	SGW Extension (no. of learners)	%	SGW programme (total, including ProAct) (no. of learners)	%
Up to 24	714	7%	1,468	9%
25 to 34	2,799	26%		
35 to 44	2,783	25%	12,635 (25 to 54)	79% (25 to 54)
45 to 54	2,989	27%		
55 to 64	1,506	14%	1,760	11%
65+	173	2%	74	0%

Table note: SGW Extension MI information for 11050 unique beneficiaries, information on 86 beneficiaries missing following employers' requests for evaluator to delete personal data on their employees, Whole programme data from WEFO Claims October 2014.

<sup>19</sup> ONS Annual Population Survey 2014, <https://www.nomisweb.co.uk/>

**Table 3.11 SGW Extension beneficiaries by BME status**

BME status	SGW Extension (no. of learners)	%	SGW programme (total, including ProAct) (no. of learners)	%
No	10,662	97%	15,701	99%
Yes	281	3%	23620	1%

Table note: SGW Extension MI information for 11050 unique beneficiaries, information on 86 beneficiaries missing following employers' requests for evaluator to delete personal data on their employees, Whole programme data from WEFO Claims October 2014.

**Table 3.12 SGW Extension beneficiaries by migrant status**

Migrant status	SGW Extension (no. of learners)	%	SGW programme (total) (no. of learners)	%
Not Migrant	9,640	97%	15,549	98%
EU Migrant	228	2%	334	2%
Non EU Migrant	41	0.4%	54	0.3%

Table note: SGW Extension MI information for 11050 unique beneficiaries, information on 86 beneficiaries missing following employers' requests for evaluator to delete personal data on their employees, Whole programme data from WEFO Claims October 2014.

<sup>20</sup> To clarify why whole programme data is lower than MI for SGW Extension.

**Table 3.13 SGW Extension beneficiaries by disability status**

Disability status	SGW Extension (no. of learners)	%	SGW programme (total, including ProAct) (no. of learners)	%
No	10915	99.6%	15,876	99.6%
Yes	49	0.4%	61	0.4%

Table note: SGW Extension MI information for 11050 unique beneficiaries, information on 86 beneficiaries missing following employers' requests for evaluator to delete personal data on their employees, Whole programme data from WEFO Claims October 2014.

**Table 3.14 SGW Extension beneficiaries by work limiting health condition**

Health limiting work problem	Number of participants	Proportion of participants
No	10,896	99.4%
Yes	68	0.6%

Table note: SGW Extension MI information for 11050 unique beneficiaries, information on 86 beneficiaries missing following employers' requests for evaluator to delete personal data on their employees, Whole programme data from WEFO Claims October 2014.

### **Environmental Sustainability**

- 3.67 The 2009-2011 ProAct programme aimed to contribute towards the Environmental Sustainability Cross-Cutting Theme by encouraging employers to undertake environmental impact assessments and by providing businesses with training in specialist environmental skills (as indicated in Table 2.5).
- 3.68 As with the equal opportunities Cross-Cutting Theme, interviewees acknowledged that there was limited emphasis on environmental sustainability objectives. Participating companies were expected to have in place and implement relevant policies. As part of the SGW application processes, it was mandatory for all applicants to enclose their Environmental and Equal Opportunities policies with their

applications for funding. Interviewees stated that all applicants submitted these statements before any SGW funding for the applicant employer was confirmed. However, the programme did not require employers to adopt and implement Action Plans for future sustainability improvements.

- 3.69 Nonetheless, 20 per cent of companies which responded to the survey indicated that they recalled receiving advice from the WDA on environmental sustainability (Table 3.1 in next chapter).
- 3.70 A review of MI information on the names of courses funded by SGW indicates that some courses delivered may have related to improving knowledge and skills of employees in relation to environmental sustainability. Examples of such courses include “Diploma in Environmental Management”, “Diploma in Sustainable Recycling Activities”. “Energy Technologies and Management” and “Energy saving on Compressed Air Systems”. It is therefore likely that SGW contributed indirectly towards Welsh Government environmental sustainability objectives through reducing the environmental impact of business processes and enabling companies to introduce more sustainable products and processes to their markets.

### Summary points

- 3.71 This chapter has found that:
- The SGW programme consists of ProAct (2009-2010), SGW phase 1 (2010-2011) and SGW Extension (2012-2014). ProAct and SGW phase 1 have been evaluated separately. Learning from the implementation of SGW and ProAct informed the processes established for the delivery of SGW Extension;
  - SGW Extension provided training up an average of £2,500 per employee in a participating company. Companies had to be committed to: a growth target which the training would help to deliver; increasing or bringing forward training; providing accredited or industry recognised training focusing on leadership and management, business efficiency; and upskilling their workforce. It was open to companies of all sizes and sectors but with a greater focus on SMEs than its predecessor;
  - SGW Extension provided £12 million of funding to 158 employers for training to 14,682 learners. This was therefore considerably less funding spent than planned (£22 million) and 21 per cent fewer employers (200), but 22 per cent more learners (12,000);
  - Average funding per employer on SGW Extension was lower than anticipated (£76,300 compared to £110,000) as was funding per learner (£817 compared to £1,833). Only 11 per cent of the employers received over £150,000 - for most it was under £80,000 (55 per cent). 14 per cent received over £2,000 per employee trained, and 64 per cent received under £1,000. 29 per cent received less than £250;
  - On average 41 per cent of the employers’ workforces were trained on SGW Extension. In businesses with 50 or fewer employees, this rose to 73 per cent;

- On SGW Extension the greatest number of companies participating were in the manufacturing sector (37 per cent) followed by IT/financial services (25 per cent). Around four in five of the companies were SMEs (79 per cent), although as might be expected they only account for 55 per cent of the funding spent;
- Large companies, according to business plans agreed, were expected to provide just over half of the learners (51 per cent), with 10 per cent from companies with 50 or fewer employees on SGW Extension. Larger employers were expected to spend a lower average amount on training than small employers (£700 compared to £991) and to create only one job for every 3.6 employees trained compared to one for every 1.8 employees trained in small companies;
- Greater numbers of businesses and learners from south Wales and the Valleys participated in the SGW Extension programme;
- The SGW programme as a whole (including ProAct) was successful in training 30,835 employees, higher than the forecasted 27,037. A total of 16,419 achieved qualifications, higher than the 15,982 anticipated.
- The SGW Programme was also successful in assisting 527 employers, higher than the target of 500.
- The SGW Programme did not meet the target of getting half of the businesses to produce or improve an equality and diversity strategy, employers receiving SGW funding were not required to adopt or implement such as strategy;
- Targets and ambitions for over half the learners of the SGW Programme to be female and to engage more women in management and raise the skills of BME employees were not met. Only 22 per cent of learners were female, which was lower than the share of female employees in the sectors of participating businesses (30 per cent); and
- There is very limited evidence to suggest that SGW met environmental sustainability objectives. A fifth of companies surveyed (on SGW Extension) recalled WDA advice on environmental sustainability. Training to increase resource efficiency and reduce carbon footprints was undertaken by a small number of learners. Employers were not required to adopt or implement action plans on environmental sustainability.

## **4. How the programme delivery model has worked**

### **Introduction**

4.1 This section sets out how the SGW delivery model has worked, including:

- Identification and recruitment;
- Role and value of the WDA;
- Assessing skills and developing training plans;
- Programme processes and decision making;
- Training funding criteria;
- Demand and supply of training;
- Employer and learner satisfaction with training; and
- Training delivery.

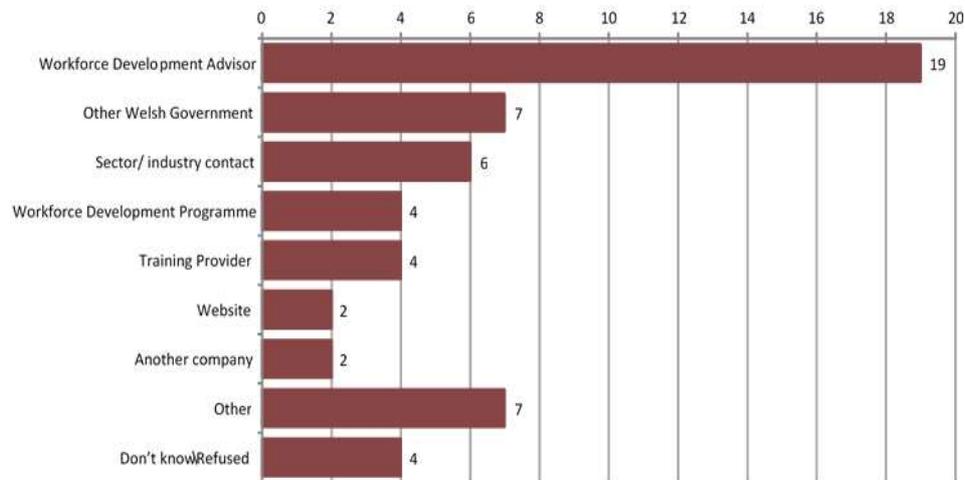
### **Overall satisfaction and views with identification and recruitment**

4.2 Stakeholders, WDAs and the SGW team agreed that identification and recruitment of the 'right' companies to the SGW programme was essential to the success of the programme. In the ProAct programme, the focus was expected to be on companies facing difficulties in maintaining jobs; in the SGW programme with the economy coming out of recession, its focus was on companies improving productivity and job creation with an emphasis on companies expecting to grow.

4.3 In the early stages of the ProAct programme, companies were recruited through industry links, as the programme focused on supporting the automotive sector and saving jobs. As the programme expanded, it was expected that sector leads within the EST economic development team would provide referrals to ProAct and then SGW. There was an aspiration that SGW could go hand-in-hand with capital investment initiatives (including ERDF grants as well as business-funded initiatives) which had been facilitated or supported by the Welsh Government. However, the survey conducted for the evaluation of SGW found that just around a quarter (26 per cent) of companies were engaged through EST contacts.

4.4 For the SGW Extension, more of the businesses surveyed (23) first heard about SGW through the Workforce Development Programme, either through the WDA or directly through the programme, than through Welsh Government and sector/industry contacts (13), as shown in Figure 4.1 below. Management information data suggests that around a fifth of employers (39) participating in SGW Extension has also participated in the first phase of SGW or ProAct.

**Figure 4.1 How employers first found out about the SGW Extension programme, number of employers**



Base: 54 employers, ICF Survey

- 4.5 Most WDAs were satisfied with the information and communication received from the SGW team to promote SGW. However, the SGW programme was only one of the solutions they were offering to businesses when they were talking to them about the Workforce Development Programme. A few WDAs were dissatisfied about the low profile of the SGW programme initially (although it was not always clear whether WDAs were referring to the launch of the first phase of SGW or to the launch of SGW Extension).
- 4.6 Information provided to the WDAs improved as the programme evolved. By the time of the interviews (at the close of the programme), all WDAs, including the one WDA that had not worked with a SGW Extension employer, agreed they were broadly well informed about the aims and eligibility criteria of SGW and had considered referral to SGW when reviewing possible sources of funding support for their clients.
- 4.7 In the main, WDAs reported they were comfortable with being the key recruiters to the scheme and felt that their functions and contacts allowed them to do so. Some of the WDAs who mostly worked with SMEs and/or worked in north and mid Wales reported that few of their clients would meet SGW eligibility criteria (having a credible growth plan) and so made no or just a few referrals to SGW. The SGW team indicated that some were also less proactive because they focused on the WDP.
- 4.8 What were perceived to be high administrative requirements and programme inflexibility were the main reasons why WDAs did not actively promote SGW to some businesses. This was even when these employers were likely to meet eligibility requirements. WDAs explained that they exercised their own judgement as to whether a company could “cope with SGW”, based on their knowledge of existing capacity and processes in place, before encouraging an employer to proceed with an

SGW application. One WDA described how he actively discouraged two businesses from applying because he felt that SGW would place too much strain on their business systems.

*“SGW is intensive on the paperwork. I would only recommend it to a company if I knew they had good admin and financial systems and processes in place to cope with the paperwork”, WDA*

- 4.9 WDAs’ funding arrangements meant that they received a small payment upfront for initial referral and application to the programme (more substantial payments were available once an application was successful). Some WDAs reported that this remuneration did not fully cover the effort involved with supporting employers to complete the application form, so they were less inclined to recommend it.
- 4.10 Training providers accounted for recruitment of very few of the businesses surveyed. Stakeholders and WDAs interviewed reported that some large training providers had identified SGW as a potentially lucrative source of revenue and had actively promoted the scheme to employers and WDAs through marketing material and information on their websites.
- 4.11 A few stakeholders, WDAs and training providers questioned the effectiveness of what some described as a “closed” recruitment model. While general information about the programme was available on Welsh Government web pages, detailed information about the scheme was supplied to companies by the SGW team (or WDAs) and there was no mechanism for online applications. Some stakeholders in particular felt that businesses that were active in industry associations and already had links with the Welsh Government were more likely to have heard about the programme and participated in the earlier rounds of ProAct and SGW. A few suggested that they felt this model was a good fit for ProAct and for the first SGW phase, as both programmes aimed to support a smaller number of companies, but became less effective in the second phase, which aimed to recruit a larger number of companies.

*“I think in the future it would be useful to do more open promotion, to get the word out to different companies who are less well connected but can still benefit from SGW support. I think it’s essential to have lots of information online and to have digital online applications with all the supporting documentation online”,*

Stakeholder

#### **Role and value of the Workforce Development Advisor**

- 4.12 On the whole, the role and support of the WDA was valued by businesses and stakeholders. Most of the businesses surveyed indicated that they found the support of the WDA fairly or very useful, as shown in Figure 4.2.

- 4.13 Most case study employers interviewed valued the support received from the WDA. However, a few employers explained that the WDA offered little of value to their company because they already had a good understanding of their training needs and where to source suitable training. These were more likely to be large employers or niche businesses where generic support was not suitable at the point in time. WDA advisors also acknowledged that their support was more valued by smaller companies.

*“Our advisor was really good because she knew about the funding process, which we hadn’t done before, and also helped us in pre-filling the forms – there were a lot of forms!”* Manager, medium size financial services company.

*“We didn’t need [WDA]’s advice because we had already sourced training. The WDA role didn’t suit the needs and size of the company. We were able to form our own relationship with the Welsh Government.”*, Manager, large financial services company.

*“Big companies already know what is out there, have the necessary staff to source and organise training and fill out the forms, my job was just to check that they had everything in order for funding”*, WDA

- 4.14 It is clear that WDA involvement with individual employers varied considerably, as employers had varying needs. A high proportion of employers reported that they had received support to complete the Business Case and develop training plans for the SGW funding, as shown in Table 4.1. Around two-thirds recalled reviewing and evaluating training at the 12 month point, and help with developing a learning plan. Few employers reported that they had received support for Welsh language or Welsh medium training, environmental training or advice on equality and diversity (although these were not core WDA requirements).

**Table 4.1: Number of employers who have received the following types of support from Workforce Development Advisors**

Type of support	No. of responses
Completing the SGW Business Plan <sup>21</sup>	46
Help with developing training plans for SGW funding	43
Undertaking the 12 month review and evaluation of training	36
Help with developing an LDP for your company	35
Undertaking an assessment of skills, training and development needs	32
Advising or recommending training providers	30
Advising on ESF paperwork requirements	16
Advice on equality and diversity	14
Helping with organising training in your company	13
Advice on environmental sustainability	11
Advice on Welsh language skills training <sup>22</sup>	3
Advice on training through the medium of Welsh <sup>23</sup>	1

Base: 54 employers, ICF Survey, SGW Extension

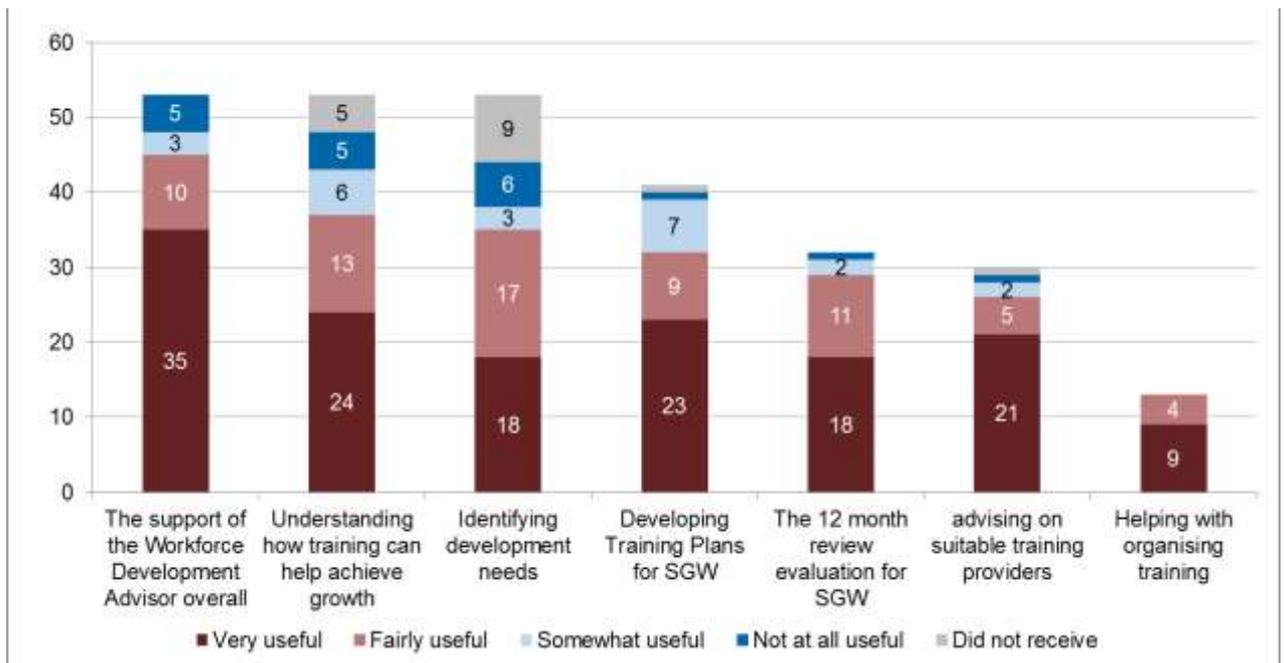
**4.15** Around two-thirds of employers found WDA support towards identifying development needs and understanding how training could help their business grow very or fairly useful (see Figure 4.2). Around one in two employers felt that WDA support through the 12 month evaluation review and with advising on suitable training providers was fairly or very useful. Only around a quarter of employers reported that the WDAs had offered useful support in arranging training.

<sup>21</sup> Employers either opted to complete independently or have support from a Welsh Government Sponsoring Official to complete the Business Case. WDA support to complete these was only offered as part of WDA intervention in the last year of SGW Extension.

<sup>22</sup> This was not a core activity expected to be provided by WDAs.

<sup>23</sup> This was not a core activity expected to be provided WDAs.

**Figure 4.2 Usefulness of the support provided by the WDA, number of employers**



Base: 54 employers, ICF Survey, SGW Extension

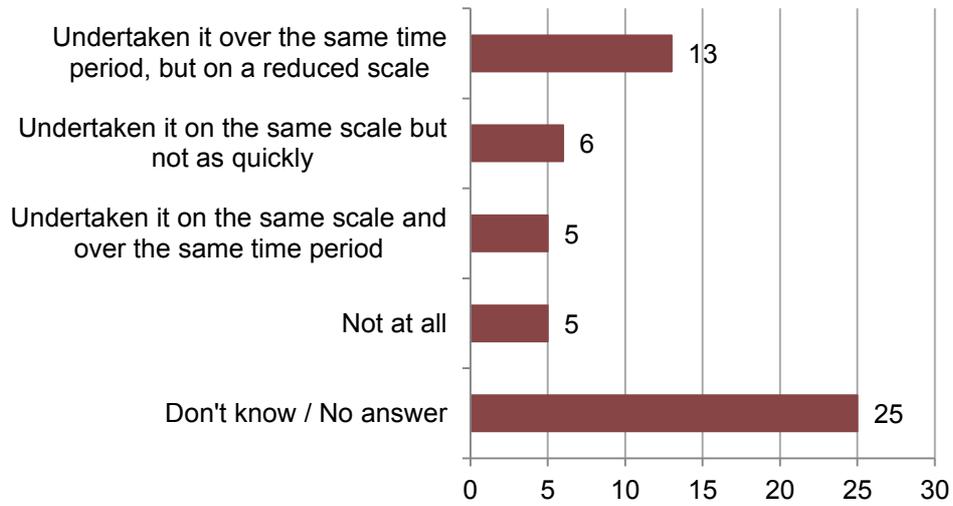
4.16 Training providers offered mixed views about the role of the WDA. Many of the providers interviewed reported dealing directly with the company and therefore were not in a position to comment on any advantages or disadvantages of WDA brokerage and support. A few providers described very positive relationships with WDAs where they worked together to develop appropriate training offers for businesses; others were of the view that WDAs added an additional layers of communication between themselves and businesses which were unnecessary and unhelpful.

#### **Assessing skills and developing training plans**

4.17 Employers were expected to work with WDAs to undertake a review of the business plan and a review of the skills needed to achieve the planned growth. This review then informed the training plans submitted to the SGW team for approval of funding.

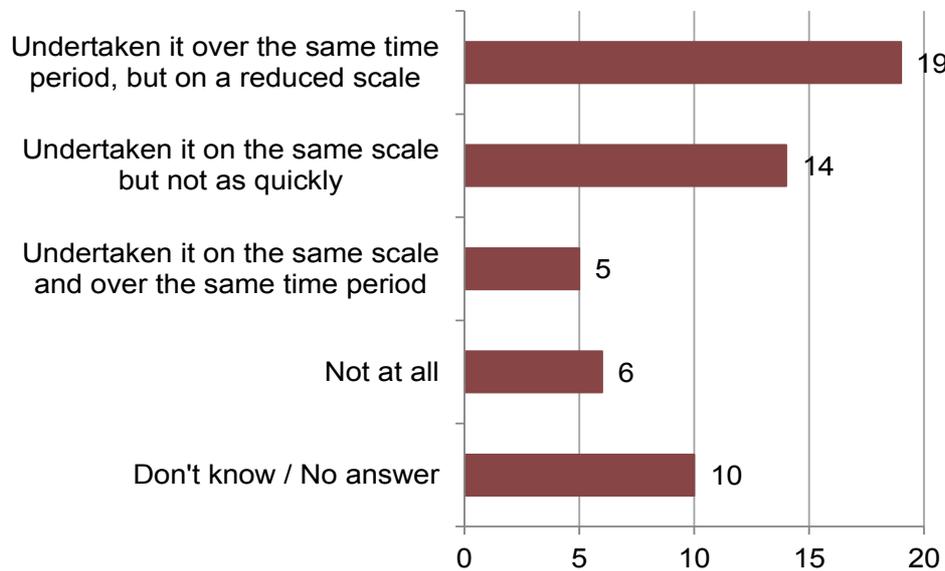
4.18 Nearly half (25) of employers surveyed did not know or did not provide an answer to whether they would have undertaken a Skills Needs Assessment without SGW support, while nearly a fifth (10) did not know or did not provide an answer about developing a Learning and Development Plan, as shown in Figures 4.3 and 4.4. The WDA and case study interviews suggest that these processes were not always made obvious to employers. Many WDAs described greater emphasis being placed on ensuring that training plans met SGW approval criteria.

**Figure 4.3: Would the company have completed a Skills Needs Assessment in the absence of Skills Growth Wales Extension support, number of employers**



Base: 54 employers, ICF survey, SGW Extension

**Figure 4.4: Would the company have completed a Learning and Development Plan in the absence of Skills Growth Wales Extension support, number of employers**



Base: 54 employers, ICF survey, SGW Extension

4.19 Employers who were able to offer an answer largely stated that both the Skills Needs Assessment and Learning and Development Plan would have been carried out in the absence of the project. However, in both cases the majority stated that these

would have been completed either on a smaller scale or over a longer period of time. SME case study employers identified that with WDA support the SGW required the company to consider the skills and training needs of the whole business and to develop strategies and plans to address these.

A Managing Director of a medium-size manufacturing company explained how the WDA supported the company:

*“[The training has been] hugely beneficial. One of the biggest stumbling blocks to developing a training programme is having the time to sit down and do it methodically and make sure that it’s going to meet your needs. When you have to meet customer orders and you are an SME, you don’t have enough hours in the day to think about training. There are so many things going on...it’s very easy to put a low priority on things like training...*

*By having [the WDA]...they would give you a [much needed] reminder [about taking the plan forward]... The WDA would give you a little reminder [to support you in staying on track]. To have someone...do all the groundwork around it...it was a huge benefit”.*

#### **Programme processes and decision making**

- 4.20 Most of the employers and WDAs interviewed reported that a considerable amount of time was invested in completing the Business Plan application forms to make sure that evidence of credible growth plans was communicated effectively for the consideration of the panel. In general, employers and WDAs wanted the application form to be simplified, although most accepted that there was a need to justify the use of public funding by a private company.
- 4.21 For employers, the high administrative requirements of the programme were the main source of dissatisfaction. Nearly half (25) of the employers surveyed stated that reducing the amount of paperwork and the burden on their time was the way to improve the SGW programme<sup>24</sup>. Developing and submitting the training plans and ESF Participant Spreadsheets was considered problematic by almost every employer and WDA interviewed, a view also held by some stakeholders. The SGW team did recognise that the training plan submissions were time consuming and could be problematic for employers, and encouraged employers to submit multiple

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<sup>24</sup> Statements to that effect in response to the open question: “How could Skills Growth Wales be improved?”

training plans to minimise the burden of a single large submission. Case study employers explained that while they understood that there are always paperwork requirements attached to receiving public funding, they felt that SGW had considerably higher requirements than other public programmes they had accessed in the past.

*“I would rather pay £50 per course per employee than fill out the paperwork and having it free through Skills Growth Wales”* Manager, small engineering company

*“The administrative burden mainly includes the large spreadsheet with employee details, such as national insurance numbers. It does not add value to the company, it takes staff time away from their day-to-day work and in some cases concerns are raised about why Welsh Government needs such personal data.”* WDA

4.22 Some participating businesses identified the lack of flexibility to match funded training with what their business needed at the time as an area where the programme could have been improved. Around a third of those surveyed reported that the programme could be improved if it was more flexible in who was allowed to go on the training or the time period to complete training<sup>25</sup>. A review of 12 month evaluation forms suggests that lack of flexibility in the programme (such as in not allowing more than 12 months to complete all planned training, and in not allowing replacements of designated training participants on particular courses) was the main reason why many employers were not able to deliver (or claim for) the volumes of training anticipated in their business case applications and training plans.

4.23 WDAs and case study employers indicated that in practice, businesses have to remove staff from training to work on orders and need to replace designated participants because of staff turnover. This meant that most businesses sent fewer eligible employees on the training than anticipated, even when they had the flexibility in SGW Extension to get prior approval for substituting employees and submitting multiple training plans.

*“The weakness of the SGW model is its inflexibility in the sense of not being able to change the training plan. Sometimes, businesses are having to pull together training plans for staff they haven’t yet recruited and there is a long administrative process if staff leave the company. If one member of staff can’t attend the course for any reason, it’s not possible to just send someone else along, without going through the administrative process.”* WDA

4.24 Delays in receiving decisions on funding approvals had a negative impact on some employers’ ability to benefit from SGW funded training. In some cases, delays meant that planned training no longer fitted with business requirements, while in others it

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<sup>25</sup> Statements to that effect in response to the open question: “How could Skills Growth Wales be improved?”

meant that it was not possible to deliver training within the 12 month period from approval of the business plan. Employers and WDAs explained that in many cases they proceeded with the delivery of training anyway but paid the provider directly from their internal training budgets. In one example, a delay in approval had a detrimental effect on company growth, since the particular training programme was not completed in time for the company to work on a contract which required the training.

- 4.25 Many employers, WDAs and training providers interviewed identified that better communication from the SGW programme team would have improved their interaction and satisfaction with the programme, although only a few (9 out of 54) of businesses surveyed suggested this as an area for improvement<sup>26</sup>. Interviewees described difficulties and delays in receiving responses to queries about the programme. This was particularly an issue for training providers seeking to find out about payments of the claims made. It is possible that these comments relate to the funding moratorium period when Welsh Government staff could not provide information about the payment of claims. Many employers and WDAs were dissatisfied with the provision of a generic email address for the programme and expressed a preference for an identified individual with responsibility for providing answers and communicating information. The Welsh Government explained that a generic inbox address was used so that multiple staff were able to manage responses and so that materials did not get dated if staff changed.

#### **Training funding criteria**

- 4.26 The SGW team and some stakeholders believed that supporting accredited training ensured that the programme contributed to wider Welsh Government strategic objectives around workforce skills and transparency in spending public funding. Case study employers and training providers interviewed broadly understood the rationale for this, especially since there was no requirement for a contribution from the employer towards the cost of training other than employees' time.
- 4.27 However, a few employers, WDAs and stakeholders stated that SGW's focus on accredited training was a barrier to businesses achieving growth plans, where non-accredited training would have been beneficial to business needs.

*“The main drawback for my clients was that all the training funded through SGW had to linked to an accredited qualification. The majority of businesses that I worked with were interested in pursuing other training which was suitable for their business needs but not accredited.” WDA*

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<sup>26</sup> Statements to that effect in response to the open question: “How could Skills Growth Wales be improved?”

- 4.28 This was a particular concern where employers were investing in advanced manufacturing processes or products, or seeking training in technical aspects of IT. As these can be at the cutting edge of development, employers and WDAs found that suitable accredited qualifications had either not been developed or were not available on the training market.
- 4.29 The Sector Skills Council for Science, Engineering and Technology (SEMTE) was able to assist companies in the manufacturing and engineering sectors with getting the accreditation of developing and accrediting new qualifications where these did not exist. Restructuring changes within SEMTE led to reduced capacity in Wales, which meant that this function was no longer available to employers during the delivery of the SGW Extension programme.

### **Demand and supply of training**

- 4.30 For most employers the choice of training provider and course was a vital feature of the SGW programme, according to the WDAs and case study employers. Many larger companies and companies requiring specific technical training came to the SGW programme with a good understanding of what training they needed and where to source this. Being able to procure training directly from the open market (rather than being constrained by a menu of courses determined by training providers or a menu of training providers determined by the programme), was critical for them in ensuring that training was well matched with their business needs.
- 4.31 Most training providers interviewed became aware of the SGW programme through businesses that they were already working with which had requested training to be funded through SGW. A few were proactive with specific employers they had relationships, with having been involved in ProAct or SGW, and a few approached businesses to suggest training funded through SGW and also helped the businesses to source a local WDA.
- 4.32 Relatively few providers interviewed were approached directly by a WDA. Where this did happen, the process was frustrating for some training providers as in some cases they were not informed of the name of the business because the WDAs had to source three quotes for training to establish the market price of the training. For providers this meant that they had to offer off-the-shelf training which may not have met business needs entirely, but which they otherwise would have been prepared to tailor to the company. It was also frustrating for some WDAs and case study employers, particularly in instances where training was only obtainable from a single equipment manufacturer or their designated training providers, or where the employer had an established relationship with a trusted training provider and were not interested in other market offers.
- 4.33 Employers and WDAs believed that the support from WDAs added most value where employers did not have a strong training culture and where generic business training (such as leadership and management, lean manufacturing, project management

etc.) was needed. In such cases WDAs were able to tap into local networks, introduce employers to new providers that they had not previously considered and, in some cases, source training at lower costs.

*'We spent a lot of time finding the right providers...there was a lot of negotiation around numbers of people and cost' WDA*

- 4.34 Employers and WDAs were satisfied with the availability of appropriate training provision for general business training and in south Wales and the Valleys. Training that was industry-specific or technical was harder to source than generic business training. Training provision in was reported to be harder to source by employers in mid and west Wales than those elsewhere in the country. Training was also sourced from providers in other parts of the UK (mainly in relation to industry-specific training) as well as from outside the UK (mainly training delivered by manufacturers of equipment).
- 4.35 Employers and WDAs interviewed did not generally report any differences in the quality of their interactions with different types of training provider (public or private). All further education colleges reported providing bespoke or tailored provision based on the needs of the client for SGW, with business development well-established and embedded in the offer. In some instances they provided training around employees' shift patterns and, in one case, sourced training from another provider which was more suitable for the business needs.
- 4.36 Promoting Welsh medium training and training for Welsh language competencies was not actively pursued in the SGW programme. Welsh language considerations do not feature in the business case specification documents. However, it is clear that efforts were made to ensure that employers could participate through the medium of Welsh with Welsh language information material and application forms produced. Employers could also access support from a Welsh-speaking WDA if required.
- 4.37 Interviews with employers, WDAs and providers identified no or very little demand for training in the Welsh language or through the medium of Welsh. Most providers located in Wales reported offering provision in Welsh, but reported that no employer had sourced or requested this option. WDAs reported that Welsh language training is not a business priority for most of their clients and therefore they did not actively promote this through the SGW scheme.

*"We did originally include some Welsh language training to meet the requirements of a contract that required a Welsh-speaking service desk... Eventually we didn't win the contract to deliver the work so we then didn't need the training."* Manager, large financial services company

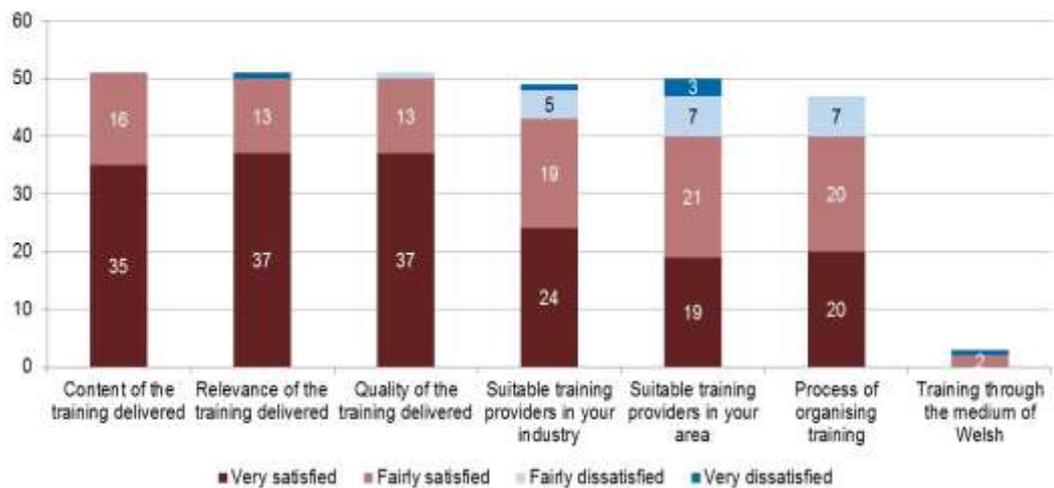
- 4.38 The level of demand for training in the Welsh language for SGW employers appears to be consistent with low demand for such training reported in a 2014 review of

Welsh language needs in eight sectors, where 88 per cent of employers surveyed reported not seeking Welsh language training<sup>27</sup>.

### Employer and learner satisfaction with training

4.39 There was a high level of satisfaction among employers with the training provided, with around three-quarters of employers surveyed indicating that they were at least fairly satisfied with all categories, as shown in Figure 4.5. Employers were most satisfied with the relevance, content, quality and cost of the training, with nearly all being at least fairly satisfied with each of these elements (and two-thirds very satisfied with the relevance, content and quality).

Figure 4.5 Employer satisfaction with different aspects of training provision



Base: 54 Employers

4.40 Learners surveyed were also overwhelmingly satisfied with the SGW funded training received compared to expectations. Over 90 per cent of the survey respondents indicated that the training met their expectations, with only 7 per cent suggesting otherwise.

*“I started the training in a slightly negative state of mind, thinking I didn’t have time for it, but then found a lot of the sections really interesting and ended up being very happy I’d taken part.”* (Employee trained, medium-sized construction company)

<sup>27</sup> Welsh Government (2014), Welsh language skills needs in eight sectors, Social Research No 47/2014 <http://gov.wales/docs/caecd/research/2014/140429-welsh-language-skills-needs-eight-sectors-en.pdf>

4.41 The positive perception of the training related to all of its aspects evaluated in the learner survey, with over 90 per cent of employees agreeing or strongly agreeing with the statements, as shown in Figure 4.6 below.

**Figure 4.6 Beneficiaries for whom training met expectations by different aspects of training delivery, percentage of employees**

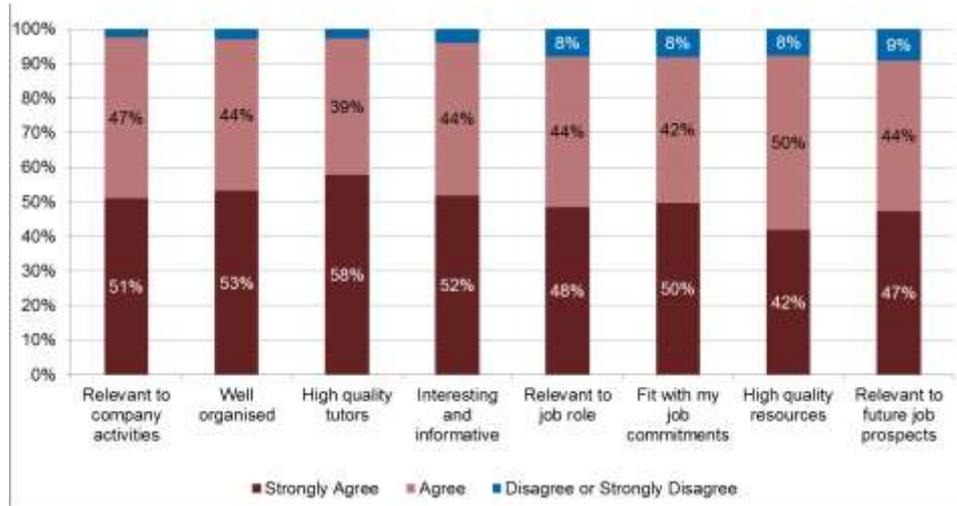


Figure note: Based on an employee survey with 510 responses, 'don't know' response excluded because it accounted for less than 2 per cent of responses

Employees in a medium-sized manufacturing company participated in Team Leadership Programme training which was delivered over a six month period to small groups of employees across different levels of seniority. Staff felt that the training programmes were structured well, despite initial apprehension with the delivery model:

*"[The Team Leadership Programme] was spread out over six months and when I first thought about it, I thought to myself it was a bit of a stupid idea. But then what it taught us was that...we could basically go out, practice [what we had learnt], and I could go back and say to [the trainer] 'this didn't work'. He would say 'try this [approach]'... You've got to work your way around things"* (Employee trained).

The staff who attended this training believed that the duration of the training enabled them to:

- Learn new skills about leadership and management;
- Implement/test the new skills learned in the training session; and
- Review any issues they had with implementation at the next session.

Management felt that the pace of delivery of the training was right for the needs of the business. The company had invested heavily in new machinery and were

preparing to recruit new staff. Existing employees needed not only to be competent in using machinery but also be ready to train new staff in the machinery and to motivate and support new staff to take on leadership roles within their teams.

*“By doing this training with the guys we already had, it meant that we ...were much better equipped to deal with the new [staff] coming in” (Managing Director).*

- 4.42 Given the high satisfaction ratings, relatively few suggestions for improving the training were made. Almost two-thirds of beneficiaries could not think of any improvement in SGW delivery. About 8 per cent suggested that the training could have been longer and 6 per cent stated that they would appreciate if it was more tailored to their needs. Another small fraction also indicated that the training could have included more practical elements (3 per cent).
- 4.43 While the overall satisfaction rates were high, there was scope for improvement in delivery for certain groups of learners. In particular:
- 78 per cent of the food production sector learners reported that the training met their expectations. This contrasts with all other sectors, in which at least 93 per cent of beneficiaries indicated that their expectations were met; and
  - Training met expectations for 89 percent of participants who were obliged to participate in SGW training compared to 97 percent of voluntary attendees.
- 4.44 Training satisfaction did not vary significantly for males and females, nor for learners from different geographical areas, suggesting that quality of delivery did not differ much across these groups.

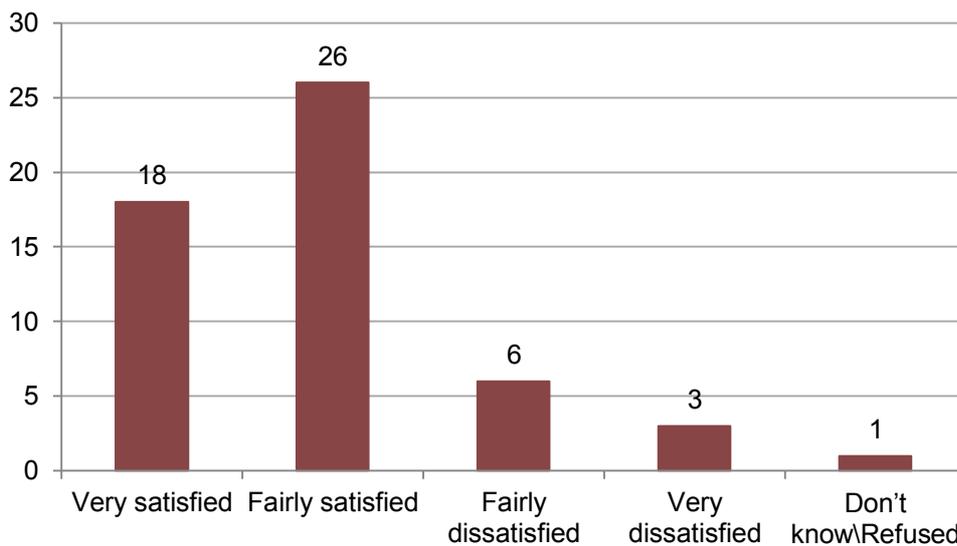
#### **Views of the SGW overall (including the funding model)**

- 4.45 Stakeholders, WDAs and some employers interviewed expressed mixed views on the funding model (providing full funding training up to the value of £2,500 per employee trained). Most interviewees particularly valued the flexibility allowed by the funding model: allowing employers to undertake greater volumes of training than they would have done if the employer was required to make a contribution towards the cost of training from their existing training budgets. However, a few WDAs and stakeholders felt that the lack of direct employer (cash) contributions towards the direct cost of the training (even though employers did provide matched funding through employee time) encouraged some employers to participate in SGW even if it did not add much towards their growth objectives. Some employers expressed a preference for a model where they provided some contribution towards training in return for less stringent requirements on paperwork and the ability to fund non-accredited training.

*“As a WDA, you are conflicted about the advice that you give. An employer can claim for thousands of pounds of accredited training through SGW and sometimes you wondered whether they really needed it. If they had to pay 50 per cent towards the cost of the funding, I am certain that the employer would have put a lot more thought into it”. WDA*

4.46 Considering the programme overall, around a third of the employers surveyed were very satisfied with the level of support provided by the SGW programme while about one in five were dissatisfied. Analysis of open text responses in the survey suggests that dissatisfaction relates mainly to administrative requirements, as outlined earlier in this section. Employers interviewed were appreciative of the levels of funding received through the SGW programme.

**Figure 4.7: Satisfaction with the support provided through the SGW programme, number of employers**



Base: 54 employers, ICF survey

## Summary points

4.47 This chapter has found that:

### Identification and recruitment

- The SGW Extension was not openly advertised - businesses were introduced through existing contacts through WDP, EST, sector networks and links to anchor companies. Compared to SGW first phase, more introductions were made by WDAs and far fewer from EST in the SGW Extension programme. While this low profile approach may have prevented over-recruiting, it may also have limited engagement with high growth employers that were not well-networked or receiving other support; and
- Some WDAs felt that high administrative requirements meant that they could only engage businesses which could cope with these. The level of payments to WDAs for employer support may have deterred a few WDAs from promoting SGW more proactively.

### WDA support

- WDA support was generally highly valued by employers who needed it. Large employers generally had less need. Interviewees reported that, because of their complexity, more time had to be given to the business case and training plans; and
- Around two-thirds of the companies surveyed found WDA support for identifying development and training needs to be important – more so than identifying training providers.

### Programme processes

- Businesses surveyed and almost all businesses and WDAs interviewed found the training plan and ESF Participant spreadsheets difficult to complete. For lower cost training it was not cost effective to complete these;
- Businesses were constrained by the programme's rules (12 month deadline, specified training without variation, named employees and delays in approval, especially in 2014/15) as these did not fit well with changes to business needs and the availability of employees for training; and
- Some businesses were not able to arrange training or arrange releasing staff for training within the timeframe agreed in training plans, thus training fewer employees than expected through SGW.

## **Training**

- Employers and learner were generally satisfied with the training, with around three quarters of employers at least fairly satisfied (relevance, content, quality) and over 90 per cent of learners at least agreeing it was relevant, well organised and high quality;
- Businesses and training providers generally understood the value of accredited training. Limiting SGW funding to accredited training was only a constraint where the training need was very new and there was no vocational qualification available;
- Employers valued being able to choose any training provider that met their needs;
- Employers perceived no difference in the quality or responsiveness of private and public training providers.
- Employers in mid and west Wales were reported to have experienced more difficulties in sourcing training; and
- Welsh medium and Welsh language training was not actively promoted but was available to employers, though few needed it;

## **Programme reflections**

- Some interviewees felt that not requiring a direct (cash) contribution from employers to training costs (even though employers incurred costs of releasing staff for training) may have encouraged some companies to apply even when they did not have strong ambitions to increase turnover/jobs, because they did not have to weigh up the costs and benefits; and
- Employers welcomed the opportunity to increase the scale of training and bring it forward. The case studies show how SGW Extension helped employers speed up and scale up training programmes.

## 5. Outcomes and impact of Skills Growth Wales Extension

### Introduction

5.1 The outcomes of the training for the companies provided with SGW Extension funding and the employees trained and the impacts on their businesses are set out in this section drawing on the surveys, interviews and case studies.

### Outcomes for learners

#### *Knowledge and skills*

5.2 The SGW training primarily resulted in employees improving their knowledge and skills (Figure 5.1). 90 per cent of training participants reported that the SGW training helped them to develop new or improve existing skills. 80 per cent indicated that their competence in the job increased. Most believed that the new things they learnt were relevant to their jobs or company needs (88 per cent) with over a third (35 per cent) agreeing strongly. Fewer (around a quarter) agreed or strongly agreed that they had improved their basic skills (though many (42 per cent) reported this was not relevant to the training they had undertaken).

**Figure 5.1 Proportion of learners reporting SGW skills outcomes**

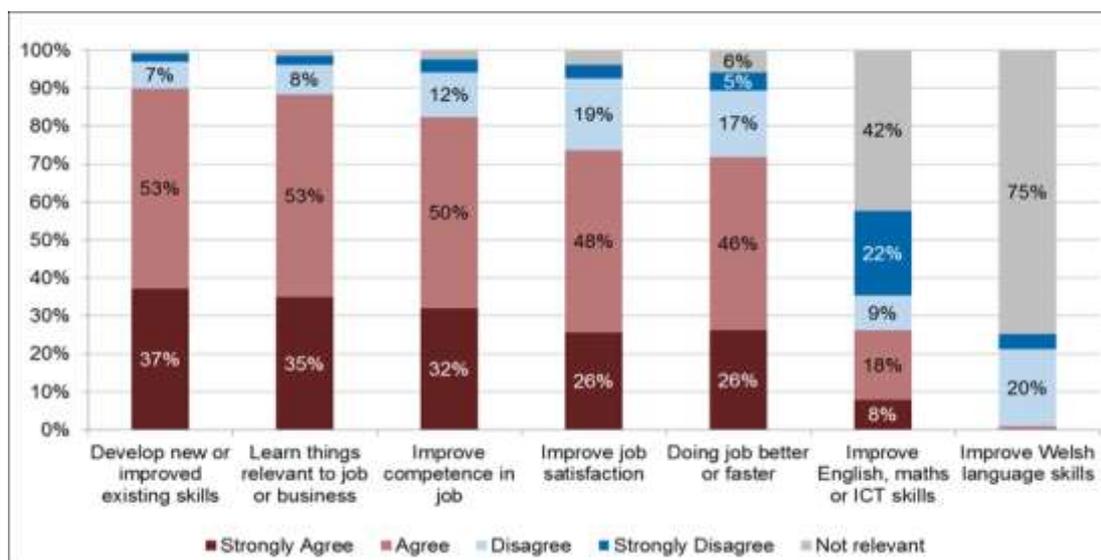


Figure note: Based on an employee survey with 510 responses, 'don't know' response excluded because it accounted for less than 2 per cent of responses

5.3 The training has had positive effects on job satisfaction and work productivity. 70 per cent of the trained employees agreed that they could do their job better or faster as a result of the training, with around a quarter agreeing strongly (26 per cent). Similar proportions also claimed that they were more satisfied in their jobs.

*“The leadership course has improved my satisfaction in work. It’s improved the way that I carry out work and I see [improvements] out of work as well...It has [also] improved the way I communicate with people” (Production manager, medium-size manufacturing company).*

5.4 Only four learners improved Welsh language skills as a consequence of SGW support. This was probably because improvement in Welsh was not a goal of the majority of the SGW training, as implied by three out of four beneficiaries not considering this outcome as relevant.

*Career and progression outcomes*

5.5 A little under two-thirds of the trained employees (61 per cent) reported that the training enabled them to expand the range of activities they carried out in their jobs, as shown in Figure 5.2. Over half (52 per cent) also indicated that the training allowed them to take on more responsibilities in their work. In both of these cases, almost one in five beneficiaries agreed strongly with reaching such outcomes, implying a particularly positive effect of the training.

**Figure 5.2 Proportion of learners reporting SGW career outcomes**

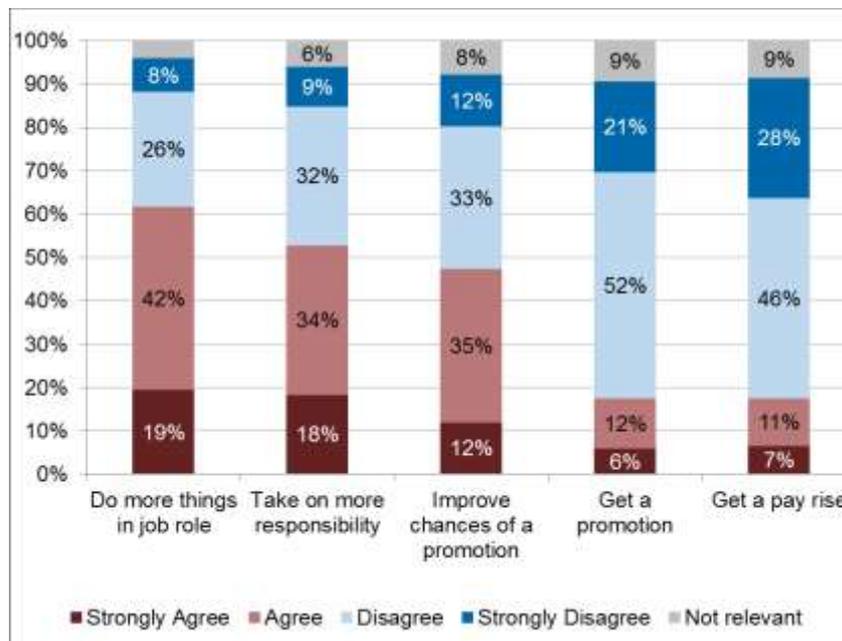


Figure note: Based on an employee survey with 510 responses, ‘don’t know’ response excluded because it accounted for less than 3 per cent of responses

Employees in a medium-sized construction services company felt that attending a supervisor course funded through SGW has improved their career prospects:

*“You do these courses to get promoted, the more training you have, the more opportunities there are...everyone wants to do better.”* (Member of staff)

*“It’s good to have a new challenge, since your skills can become stagnant. Training gives you something other than day-to-day tasks to try.”* (Member of staff)

*“This training is something for my CV and something for my future career. With these qualifications, you can progress through a company, since they provide you with a good basis for promotion.”* (Member of staff)

- 5.6 The training contributed to the achievement of job promotions and pay rises, with each of these outcomes reported by just under a fifth of the participants surveyed beneficiaries<sup>28</sup>. Overall, it increased chances of job promotion for almost a half of all beneficiaries (47 per cent).

A small and relatively young IT company had been steadily growing over the previous three years. It wanted to win more work from existing customers but also bid for larger contracts from new customers, particularly public sector contracts with more stringent procurement requirements. To achieve this, the company needed a larger and more skilled workforce, as well as management structures to accommodate growth.

SGW allowed the company to invest in training in the Scrum management method – an investment which would not have been possible without SGW support. Adoption of the Scrum methods means that team members have a methodical process which can be used to monitor the progress of projects, accurately estimate time scales and allow better communication with clients.

Participation in training allowed employees to take on new responsibilities in the company:

*‘It almost immediately changed the way we work - the planning, the project*

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<sup>28</sup> But note that the cases of pay rises very often overlap with promotions.

*management, the team structures...it changed how we planned new and future projects' (Employee trained).*

*'It was about giving the teams the initiative rather than the initiative coming from the directors' (WDA)*

It has also led to a less stressful work environment as the new processes enabled more efficient and productive use of time and improved staff morale. One employee remarked that for them *'personally it has made me less stressed'*. Another commented that *'it is satisfying to be able to demonstrate what you have done over the week'*.

### Company benefits

5.7 Figure 5.3 shows that over two-thirds of the surveyed employees (68 per cent) felt that the SGW support increased the number of training opportunities in their company. Indeed, since attending the SGW training, 53 per cent of those surveyed had attended further training provided by their employers and 21 per cent attended further external training (not shown).

**Figure 5.3 Proportion of learners reporting SGW company outcomes**

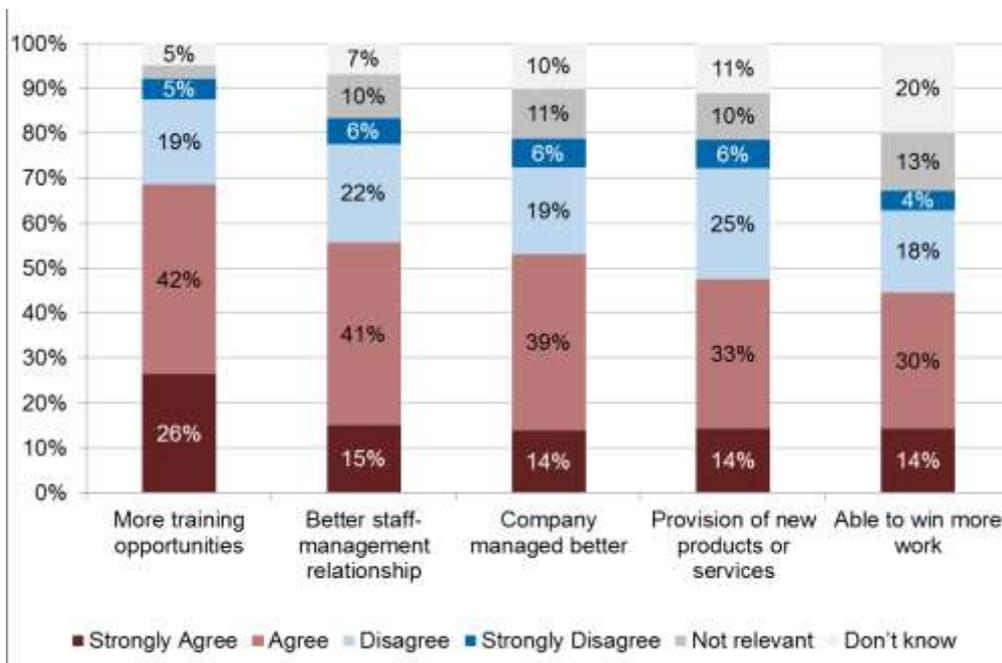


Figure note: Based on an employee survey with 510 participants

5.8 In addition, more than half of the employees surveyed reported that the training had contributed to better management (56 per cent agreed or strongly agreed, while only 28 per cent disagreed or strongly disagreed), the provision of new products or

services (47 per cent against 31 per cent), and ability to win more work (44 per cent against 22 per cent) – though between a third and a fifth of respondents disagreed.

*Sub-group differences*

5.9 Table 5.1 highlights that employees reported positive outcomes a little less frequently if they attended the training because it was obligatory. This difference was greatest in relation to agreeing that the training helped them improve their competence in job (14 percentage points difference). This was also the case for career and progression outcomes, with a 13 percentage point difference in agreeing that it improved their career prospects. Both of these differences are statistically significant<sup>29</sup>.

**Table 5.1 Proportion of learners reporting SGW outcomes by type of training**

Type of outcome	Obligatory training (219 responses)	Voluntary training (286 responses)	Difference (percentage points)
Develop new or improved existing skills	83%	95%	12 pp
Learn new things relevant to job	83%	92%	9 pp
Improve competence in job	74%	88%	14 pp
Improve job satisfaction	67%	79%	12 pp
Doing job better or faster	65%	77%	12 pp
Improve English, maths or ICT skills	21%	30%	9 pp
Improve career prospects	63%	76%	13 pp

Table note: Based on an employee survey with 510 participants, non-response rate equal or less than 5 per cent

<sup>29</sup> According to two-sided t-test for means, p-value < 0.01

5.10 Table 5.2 shows that employees in IT, financial and professional services were more likely to agree that they had achieved many of the positive outcomes of training than employees in the other sectors. The differences are generally consistent between the employment sectors and are also found in relation to career prospects and progression. For example, 83 per cent of the surveyed employees reported improved career prospects in the financial, professional and IT services sector, while this was much lower in the manufacturing (67 per cent) and food production sectors (65 per cent).

**Table 5.2 Proportion of learners reporting SGW career outcomes (ranked)**

Economic sector (no. of responses)	New or improved existing skills	Learn new things relevant to job	Improve competence in job	Improve career prospects
Finance, professional services & IT (78)	97%	95%	88%	83%
Life sciences, energy, environment (70)	93%	84%	83%	72%
Manufacturing (222)	91%	89%	82%	67%
Construction (59)	88%	90%	80%	79%
Food production (55)	80%	81%	76%	65%

Table note: Based on an employee survey with 510 participants, non-response rate equal or less than 5 per cent

5.11 There were no substantial differences in outcomes reported based on gender. The proportion of women reporting different SGW outcomes did not differ by more than 3 percentage points from the proportion of men, with the following two exceptions implying the possibility of a moderately higher impact for women:

- 78 per cent of women reported that their job satisfaction increased compared to 72 per cent of men; and
- 74 per cent of women reported improved career prospects, compared to 70 per cent of men.

5.12 There was little variation in outcomes by economic regions either. Slightly higher proportions (between 3 to 8 percentage points higher than in other locations) reported positive skill, competence and learning outcomes in south west Wales. These differences are not statistically significant.

### **Outcomes for employers<sup>30</sup>**

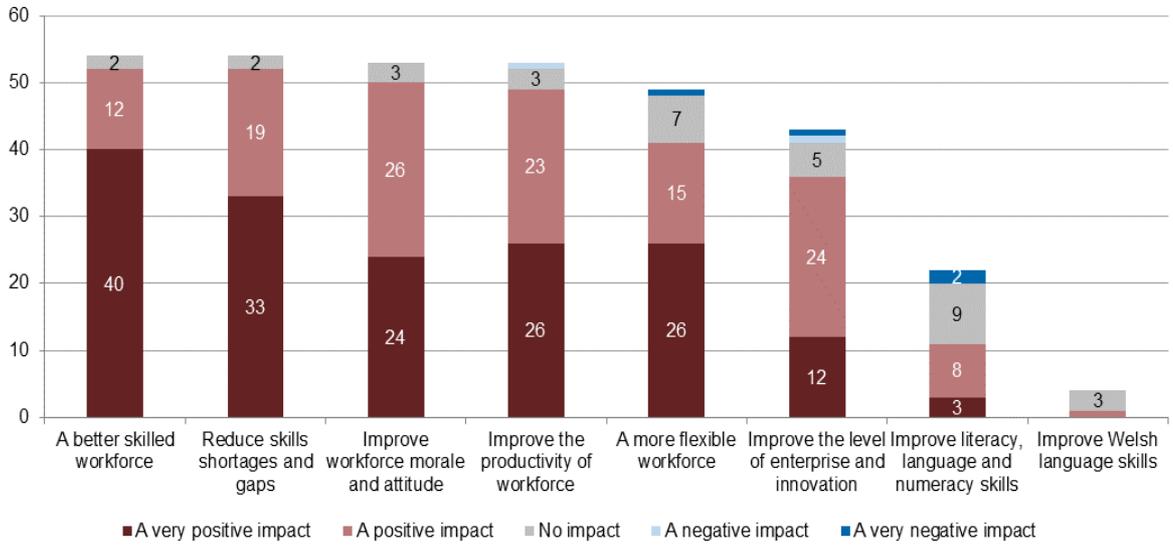
#### *Outcomes for the workforce*

5.13 Almost all the employers surveyed reported that the training meant that they now had a better skilled workforce (52 out of 54 reported a positive or very positive impact), reduced the number of skills shortages and gaps (52) and increased the productivity of the workforce (50), as show in the Figure 5.4 below. Slightly fewer believed they had a more flexible workforce (41). Relatively few reported the training had improved literacy and numeracy (11), or Welsh language skills (1), although it should be noted that very few employers provided responses to these questions.

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<sup>30</sup> Throughout this section comparisons have been made between the responses of large employers and smaller employers. The differences in these results should be seen as indicative, as the sample size of the employer survey was not large enough to allow for statistical comparisons.

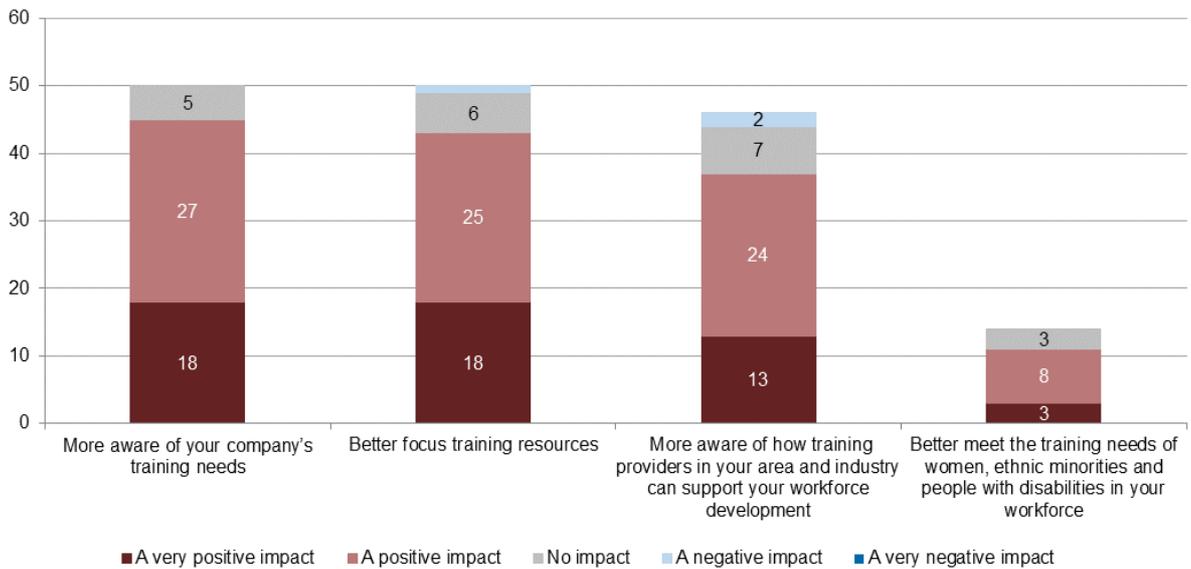
**Figure 5.4: Outcomes of the SGW programme for the workforce, number of employers**



Source: Employer survey; Base = 54

5.14 Figure 5.5 shows that the employers surveyed generally benefitted from the process in improving their training responses, with very few reporting no or negative impacts. Around three-quarters reported a very positive or positive impact on their awareness of their company’s training needs (45) and having a better focus on their training resources (43). This was only a little less for awareness of training providers and other support for workforce development (37). However, only a fifth of employers (11) that SGW had helped them to better meet the training needs of women, BME individuals and people with disabilities. This confirms findings from interviews with WDAs and with employers through case studies which suggests that there was limited emphasis within SGW Extension to specifically review and address needs of specific groups of employees.

**Figure 5.5: Impact on training needs, number of employers**



Source: Employer survey; Base = 54

A medium-size manufacturing company which is part of a multi-national group of companies. The company had suffered cutbacks in orders during the recession and was looking at ways to return to growth. The company worked with a WDA to develop a growth plan and identified the need to establish a train-the-trainer programme.

*“We knew that we needed the product training and if we [did] this the workforce would grow. So we needed more leadership skills and for more of our staff to understand management, employment law and quality control.”* (Management)

Through SGW, the company invested in leadership and management training courses for staff at all levels of the company, as well as training in business practices and skills.

The training has resulted in a number of benefits: employees feel more confident and competent in their job roles and overall feel that the company is managed better. Management has noticed tangible business benefits:

*“The five buyers [who attended courses] work in a more logical way now. They approach things in a more logical manner instead of weighing in to a problem. This helps them get suppliers on board and they get better results using a more professional manner rather than an adversarial one”*. (Line manager)

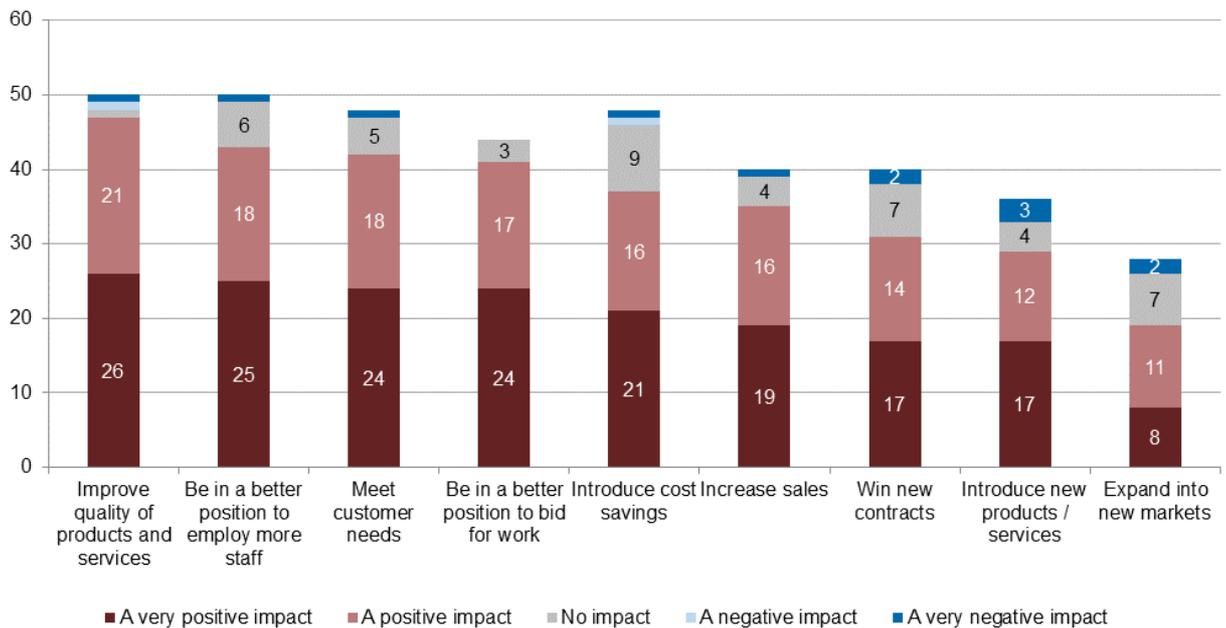
The training has enabled the company to establish new management systems and processes including quality reports and accredited assessors for the train the trainer model.

The company has now been recognised as a very competitive site for new products by the group. The WDA explained that the company has gone from being near the bottom of the food chain to being the second most important site for the group and is now the site of choice for new product lines.

*Outcomes for the business*

5.15 Most employers surveyed reported a positive or very positive impact on their business as a result of SGW Extension participation, as shown in Figure 5.6. Three quarters reported positive impacts on improving the quality of their products and services (47) and meeting customer needs (42); around two-thirds on making cost savings (37) and increasing sales (35); and a little over half with introducing new products and services 29 and winning new contracts (31). Most reported that it had not impacted on expanding into new markets (19 employers). Nonetheless, most felt that they would be in a better position to bid for work and employ more staff (41 and 43 employers respectively).

**Figure 5.6: Impacts of the SGW programme for businesses, number of employers**



Source: Employer survey; Base = 54

*“SGW funding allowed us to train staff above the minimum requirements necessary for gaining work in our industry. This has enhanced our reputation with our clients as it means that every time they make a request for our services we have a bank of technicians who were already trained and ready”.* (Company Manager, small engineering company)

*“They [the company] put you on the training that you need to do the job and to get the work from the clients. We are always wanting to do more training because it means we can get more work – for me that means more security, with more money coming in”.*  
(Employee, small engineering company)

*“What we’ve got now since we did the training, is we’ve got at least three people on each shift that could do that job and can run that machine...we have coverage across every machine that we’ve got...[this means] we can deliver some products now within 6 weeks. Whereas two years ago it would have taken 15 to 20 weeks”* (Managing Director, medium size manufacturing company).

Improved communication skills have benefited the company as a whole, allowing departments to collaborate smoothly and therefore avoid mistakes and communicate requirements clearly. *“You can see that people respond to each other better and know more about issues such as data protection.”* (Manager, medium-size construction company)

*“[Following the training] the management team is more focused. We can identify key performance indicators clearly and use these as a basis for growth objectives. We have won two new contracts with major clients.”* (Managing Director, medium-size construction company)

### **Economic impacts for employers**

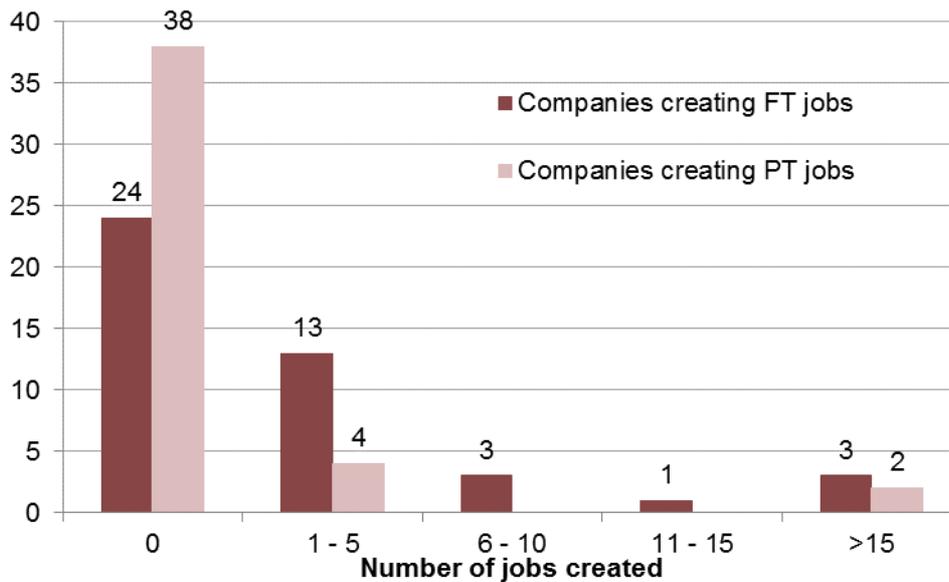
- 5.16 SGW aimed to help businesses grow, both in terms of the number of people they employ and the level of turnover they generate. Employers were asked about both of these impacts in the survey along with their investment in training.

#### *Jobs*

- 5.17 The majority of employers stated that they had not created any jobs as a result of the SGW programme (24 out of 44 respondents to this question did not create any full-time jobs). Most employers that had created jobs reported creating fewer than five (5) jobs and creating more full-time than part-time jobs (see Figure 5.7). On average among the businesses who responded positively to these questions in the survey 7.1 full-time posts and 0.7 part-time posts were created as a result of the growth plan which the training supported. This is an increase of 6.7 per cent in full-time posts and 5.2 per cent in part-time posts in these companies, Figure 5.8 shows the absolute growth in jobs in businesses with and without SGW funding.

5.18 Job creation in SGW appears to have been driven by smaller companies<sup>31</sup>. Nearly two-thirds of smaller employers stated that they employed more staff as a result of SGW than larger employers. Only about a third of the larger employers reported creating additional jobs because of SGW funding.

**Figure 5.7 Impact on jobs, number of jobs created by number employers**

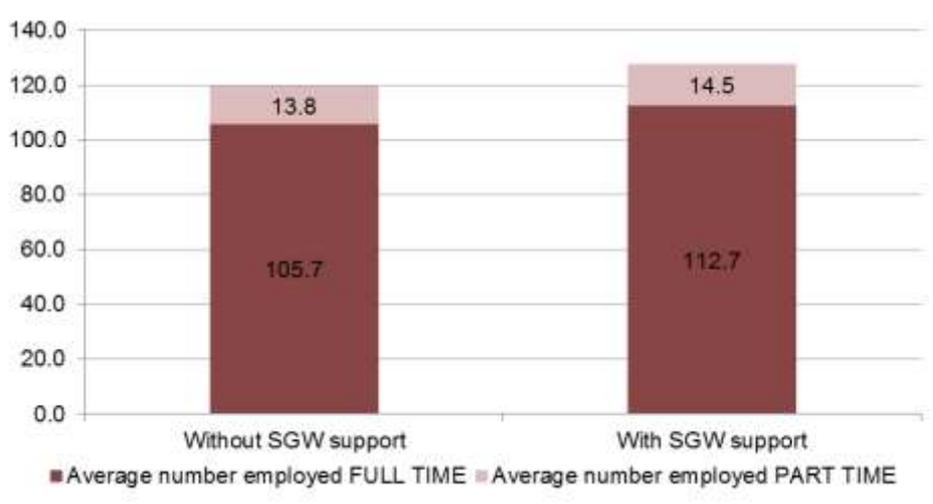


Source: Employer survey; Base = 54

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<sup>31</sup> Note that small sample size does not allow for meaningful statistical testing of the significance of these results.

**Figure 5.8 Mean number of responses to questions “If you had not received Skills Growth Wales support, how many people do you think would be employed (full-time/part-time) at your business establishment now?” and “Including yourself, how many people are employed at your business establishment today at part-time/full-time?”**



Source: Employer survey, Base = 54 and ICF analysis

*Investment in training*

- 5.19 Nearly half of employers (25) reported that as a result of the SGW programme they had increased their training budget (see Table 5.3). It is not clear if these responses are consistent as responses to later questions about the value of the training budget suggest that some of these had experienced a decrease in training budgets.
- 5.20 The average annual training budget for 2014 was £67,000. Employers were asked to estimate what their 2014 training budget would have been. The average estimate was £37,000. Survey respondents were also asked how many staff would have attended the same training in the absence of SGW.

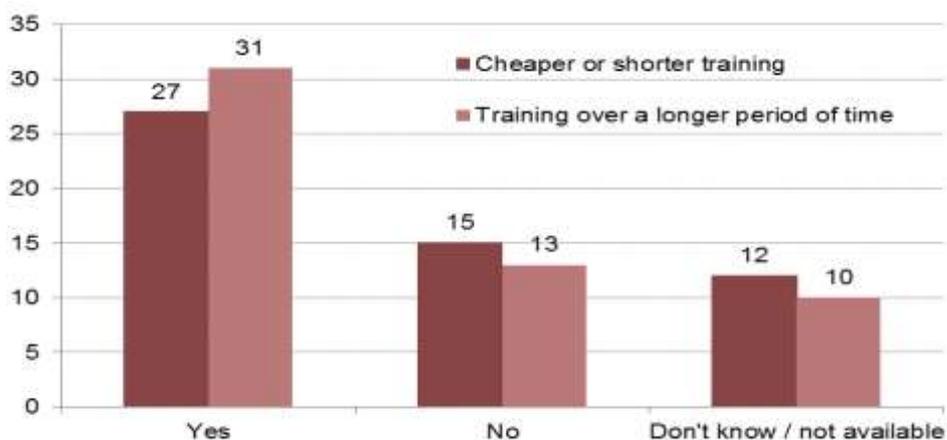
**Table 5.3: Change in training budget as a result of access to SGW programme**

Change in training budget due to SGW	No of Employers
Increase	25
Stayed the same	6
Decrease	7
Don't know	16

Source: Employer survey; Base = 54

5.21 Just over half of employers (31) stated that they would have delivered similar training, but over a longer period of time if SGW had not been available. Exactly half of employers (27) stated that they would have used shorter or cheaper training as an alternative as well (see Figure 5.9).

**Figure 5.9: Proportion of employers who would have offered cheaper or shorter training or who would have provided the training over a longer period of time**



Source: Employer survey; Base = 54

A large company in the financial services sector had achieved rapid growth in recent years. However, there were still opportunities in the market for winning larger contracts and achieving further growth. This would require recruiting large numbers of recent graduates and providing an extensive training programme to quickly get recruits working on relevant contracts.

While the company intended to recruit and train new staff, support from SGW allowed recruitment and training to happen more quickly and in larger numbers.

Due to large volumes of training purchased, the company has been able to negotiate discounts from training providers and to develop company-specific training courses that exactly meet the needs of their business.

*“We have accelerated new staff to a level of understanding that they were going to need to do fast paced work”* Human Resource Manager

*“An unexpected benefit or ‘spin-off’ of the success of the training is that it has reduced our attrition and recruitment costs. Employee satisfaction has increased and we are seeing fewer people leaving the company. We are able to recruit into more senior positions from internal applicants who are working in more junior roles but are now trained to the next level. Current employees are also referring others to our company which has helped with recruitment”.* Human Resource Manager

#### *Impact on turnover*

- 5.22 Just under half of the employers surveyed reported that their turnover had increased as a result of their participation in SGW. Relatively few employers reported that their turnover had stayed the same or decreased, with a large proportion of employers unable to say how their turnover has changed. On average the increase in turnover reported by employers was 22 per cent.

**Table 5.4: Change in turnover as a result of access to SGW programme**

Change in turnover due to SGW	No. of employers
Increase	24
Stayed the same	5
Decrease	4
Don't know	21

Source: Employer survey; Base = 54

- 5.23 Turnover growth within the SGW programme also appears to be driven by smaller employers<sup>32</sup>. Nearly two-thirds of the smaller employers stated that their turnover had increased as a result of SGW, whereas under a third of larger businesses said the same. Over two-fifths of the businesses which reported an increase in turnover also recorded an increase in employment as a result of SGW (10 businesses, 42 per cent of those who reported an increase in turnover). A further 10 businesses reported an increase in the number of jobs but did not report an increase in turnover, and 14 reported an increase in turnover but did not report an increase in jobs. A further 20 businesses did not report an increase in turnover or jobs.

*Impact on profit*

- 5.24 Half (27) of the employers surveyed reported that their level of profit had increased over the period of SGW. Relatively few businesses reported that their profit had decreased. Employers were asked how they thought their level of profit would have changed in the absence of SGW support for training. 19 employers thought that their profit would have increased even without SGW funding, while 20 employers thought it would have stayed the same without the training (see Figure 5.10).

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<sup>32</sup> Note that small sample size does not allow for meaningful statistical testing of the significance of these results.

**Figure 5.10 Change in profit per employer with and without SGW support, number of employers**



Source: Employer survey; Base = 54

**5.25** This positive impact on profit appears to be more prevalent in smaller companies than larger companies<sup>33</sup>. Equal proportions of large and small employers reported that their profit had increased over the programme period. However, without SGW funding, nearly half of large employers reported that their profits would have grown anyway, compared to only a quarter of small employers.

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<sup>33</sup> Note that small sample size does not allow for meaningful statistical testing of the significance of these results.

A large manufacturing company producing products for the construction sector was badly affected by the global economic recession. The Managing Director explained that in 2009 the company had “hit rock bottom” and had been sold off to new owners. When new management came in, it was clear that the company would have to reduce costs if it were to continue to operate.

SGW training allowed the company to invest in an extensive programme of Lean training and to effectively implement new processes that have reduced costs.

*“We identified that we needed to invest in Lean manufacturing training. But we could only do so much with our budget in a given time. Training was limited and restricted. SGW funding allowed us to train up lots of staff at once. That meant that more people were on board at the same time and as a result we were able to achieve real effects on our margins. Changes to [logistics and manufacturing processes] have allowed us to take £2m off our manufacturing costs. And that has made a big difference to the company’s bottom line” (Manager)*

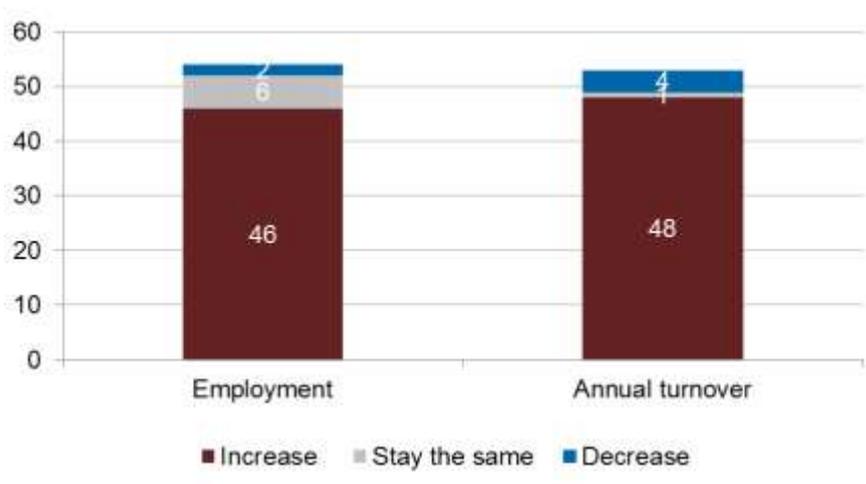
The benefits to the company are also recognised by employees trained.

*“I can see the benefits on the shop floor, for sure. Because of all the training that’s been done we are more efficient and more productive and quality has increased. Basically the training highlighted that simple things can be the most effective. Those things get people focused on quality. It also got people interested in reducing waste and improving logistics. It’s been excellent, there are many positives to it. It’s going to be rolled out across the whole group. I am going to be one of the facilitators, so I’ll be training others in the technique.” (Shift Manager, SGW beneficiary)*

#### *Future impact*

- 5.26 Employers were asked about how they expect their business to change over the next three years. The majority of employers stated that they expected the level of employment and turnover at their company to increase (see Figure 5.11).

**Figure 5.11 Employers views of employment and turnover in three years' time, number of employers**



Source: Employer survey; Base = 54

## Economic impacts

### *Gross additional impacts*

- 5.27 The gross additional benefits take account of the extent to which the total benefits would have been seen regardless of the SGW programme, by taking account of any deadweight.
- 5.28 For the purposes of this study, deadweight has been calculated by asking employers what their level of turnover and employment would have been in the absence of SGW funding. The results showed that turnover would have been 42 per cent lower without the training and the level of employment would have been 6.5 per cent lower. Therefore these figures have been applied to the level of employment and turnover to obtain the gross additional benefits.<sup>34</sup>

### *Net impacts*

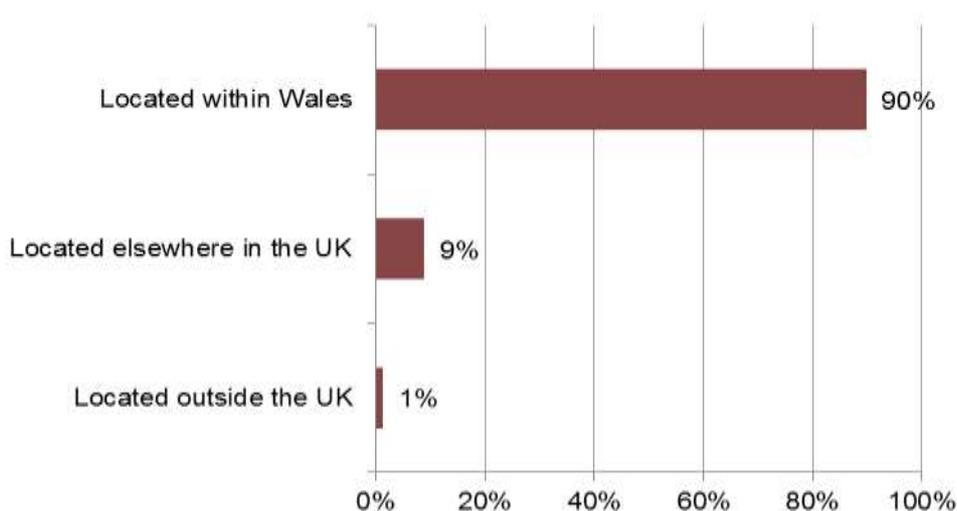
- 5.29 The final stage in the economic impact assessment is the consideration of the effects of leakage, displacement and multipliers on the benefits identified above. Leakage, displacement, substitution and multipliers have been calculated on the basis of the results of the beneficiary survey.

<sup>34</sup> For more details see the technical annex in Annex 3

### Leakage

5.30 This is the proportion of employment and GVA impact lost to Wales. Leakage is applicable to turnover as some businesses benefiting also operate outside Wales and leakage is applicable for jobs created elsewhere. Leakage was estimated by asking respondents to estimate the proportion of their employees who live outside of the region. The results are presented in Figure 5.12 below. The majority of employees were located within Wales, therefore the level of leakage was set at 10%.

**Figure 5.12 Proportion of employees located within Wales and elsewhere, average (mean) of employer responses**

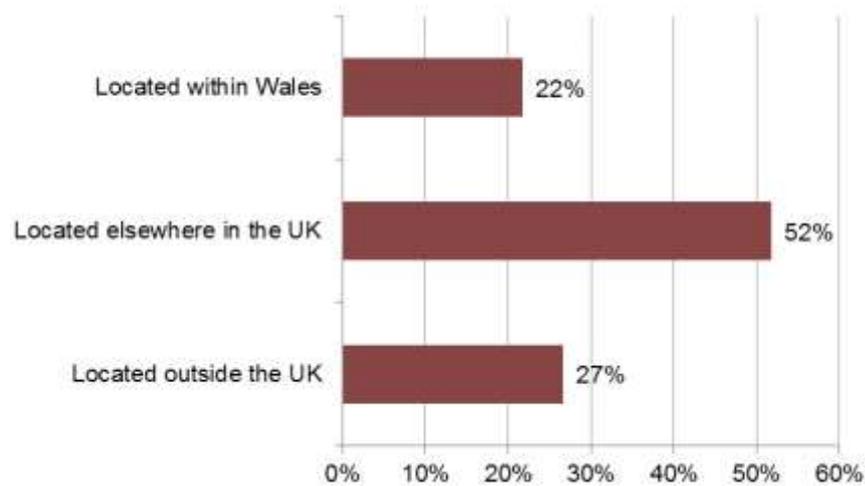


Source: Employer survey; Base = 54, Note: all employers were located in Wales.

### Displacement

5.31 This is the proportion of benefits achieved that reduce benefits to other businesses in Wales. For example, a business's turnover may have increased because of the SGW programme's training but this may have reduced a competitor company's turnover in the region. We have calculated displacement by asking beneficiaries to estimate the proportion of their competitors who are based in Wales. The value of displacement has been estimated at 22 per cent. The results are presented in Figure 5.13 below.

**Figure 5.13 Proportion of direct competitors located within Wales and elsewhere, average (mean) of employer responses**



Source: Employer survey; Base = 54

### *Substitution*

5.32 This is the proportion of benefits which have replaced benefits (substituted) that would have been achieved using different funding streams. An example could be where SGW funding was used instead of other Welsh Government funding (such as ELMS<sup>35</sup>) or instead of employers’ own training budgets. We examined literature to find an appropriate proxy for substitution in similar training schemes. Based on findings from other evaluations (see Annex 3, Table A3.3), we estimate the value of substitution for SGW at 3 per cent.

### *Multipliers*

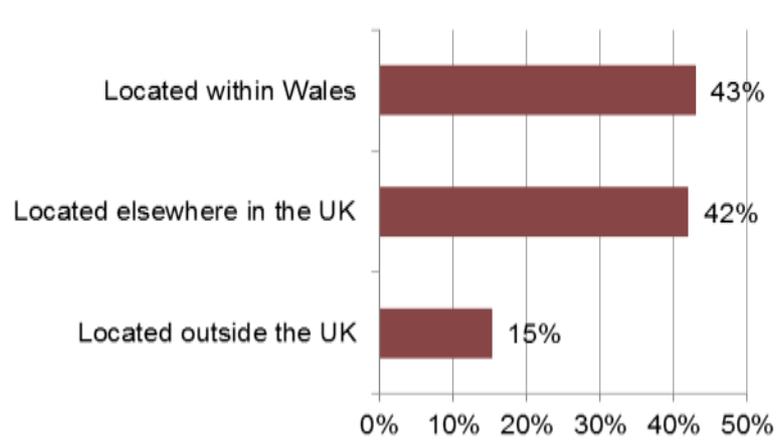
5.33 Multipliers quantify any further economic activity (such as jobs, expenditure or income) stimulated by the direct benefits of an intervention. This increased activity is achieved through the supply chain: so, for example, if a firm is doing more business then it will require more supplies which, in turn, boosts the supplier’s turnover. We have calculated this by asking beneficiaries to estimate the proportion of their suppliers who are based in Wales and attributing deadweight, substitution, displacement and leakage to this (see Annex 3, Table A3.3). We have estimated the multiplier effect as 1.18. This means for every one pound in GVA generated or job

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<sup>35</sup> Enhancing Leadership and Management Skills in Wales (ELMS) was an ESF-funded programme delivered by the Welsh Government which provided training and funding for training to enhance leadership and management skills in the Welsh workforce.

created, another £0.18 or 0.18 of a job is created. The results are presented in Figure 5.14 below.

**Figure 5.14 Proportion of suppliers located within Wales and elsewhere, average (mean) of employer responses**



Source: Employer survey; Base = 54

*Monetary value of impacts*

5.34 Table 5.5 shows the effect on GVA from additional turnover and jobs created. These are calculated separately using the information collected from the management information and surveys on the level of turnover and employment, with the adjustments for additionality computed above. Further details can be found in Annex 3. The level of GVA has been calculated by applying turnover to GVA ratios calculated for each sector benefitting from SGW from the Annual Business Survey (ABS). The number of jobs created has been converted into GVA using the average GVA value per job in Wales.

**Table 5.5 Impact of the Skills Growth Wales project**

	Turnover	Jobs
Gross impact	£289.1 million	3,300
Attributable impact	£120.1 million	1,400
GVA attributable impact	£49.1 million	£56.4 million (GVA of jobs)

Source: project management information; employer survey (base = 54); ICF calculations

### *Net impact and Return on Investment*

- 5.35 The net impact of the SGW project has been calculated by subtracting the costs of the project from the benefits generated. The net impact on the change in employer turnover due to public and ESF funding is estimated to be nearly £40 million. The net impact of total inputs is estimated to be £30 million.
- 5.36 In order to estimate the Return on Investment for the public and ESF funding used to finance SGW, the impacts attributable to the project were divided by the costs of the project. The financial input for the project is estimated to be £10 million, and the attributable impact from the increase in turnover was estimated to be £49 million (as shown in Table 5.5). This means that SGW Extension generated £4.88 in GVA for every £1 spent on the project (see Table 5.6).
- 5.37 To estimate Return on Investment for broader cost base, wages employers paid their employees while on training are taken into account. Private costs for SGW Extension are estimated at £8.7 million (calculated as a proportion of total SGW participant wages attributable to the SGW extension based on numbers trained in each programme), which means that the total costs of the project increase to almost £19 million. This means that SGW Extension generated £2.61 in GVA for every £1 spent on the project when private opportunity costs are accounted for (see Table 5.6).
- 5.38 Finally, comparing only ESF funding (£6.4 million) with turnover impact attributable to SGW yields a Return on Investment ratio equal to £7.61 per £1 spent from ESF budget (see Table 5.6).
- 5.39 The total public and private cost per job generated was £13,200, with the cost to public and ESF funding per job £7,100 and the cost per ESF funded job £4,500. When the jobs created are transferred into monetary values, the net impact and the Return on Investment were estimated to be higher than for the change in turnover (see Table 5.6).

**Table 5.6: Net impact and Return on Investment of SGW Extension**

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Net impact (turnover) - public and ESF spending	£39.0 million
Net impact (turnover) - public, private and ESF spending	£30.3 million
Net impact (turnover) - ESF spending	£42.7 million
Net impact (jobs) - public and ESF spending	£46.4 million
Cost per job generated - public and ESF spending	£7,100
Net impact (jobs) - public, private and ESF spending	£37.6 million
Cost per job generated - public, private and ESF spending	£13,200
Net impact (jobs) - ESF spending	£50.0 million
Cost per job generated - ESF spending	£4,500
Return on investment for turnover - public and ESF spending	£4.88
Return on investment for turnover - public, private and ESF spending	£2.61
Return on investment for turnover - ESF spending	£7.64
Return on investment for increase jobs - public and ESF spending	£5.60
Return on investment for increase jobs - public, private and ESF spending	£3.00
Return on investment for increase jobs - ESF spending	£8.78

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Source: project management information; employer survey (base = 54); ICF calculations

#### *Sensitivity analysis*

- 5.40 A sensitivity analysis was carried out on the results. This was done to present a range of values that the true value of the impact is within. To carry out the sensitivity analysis, the assumptions used to calculate the impacts have been varied. The assumptions based on results from the employer survey have been varied at the 95 per cent confidence interval level with high and low values applied.<sup>36</sup>

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<sup>36</sup> For more information on the sensitivity analysis see the technical annex in Annex 3.

5.41 The results from the sensitivity analysis are presented in Table 5.7 and Table 5.8.<sup>37</sup> They show that there is a large degree of uncertainty over the true value of the impacts because the data on the initial value of turnover and employment were not complete and the survey's achieved sample was only 54, meaning the results from the survey are subject to a wide confidence interval.

**Table 5.7: Sensitivity analysis of impact of the SGW Extension**

	Low estimate	Best estimate	High estimate
Gross impact (turnover)	£112.1 million	£289.1 million	£466.1 million
Attributable impact (turnover)	£38.0 million	£120.1 million	£268.7 million
GVA impact value (turnover)	£15.1 million	£49.1 million	£116.4 million
Gross impact (jobs)	2,500	3,300	4,200
Attributable impact (jobs)	700	1,400	2,800
GVA impact value (jobs)	£26.0 million	£56.4 million	£109.2 million

Source: project management information; employer survey (base = 54); ICF calculations

<sup>37</sup> *Ibid.*

**Table 5.8: Sensitivity analysis of Return on Investment of the Skills Growth Wales project**

	<b>Low estimate</b>	<b>Best estimate</b>	<b>High estimate</b>
Net impact (turnover) - public and ESF spending	£5.1 million	£39.0 million	£106.3 million
Net impact (turnover) - public, private and ESF spending	-£3.7 million	£30.3 million	£97.6 million
Net impact (turnover) - ESF spending	£8.7 million	£42.7 million	£110.0 million
Net impact (jobs) - public and ESF spending	£15.9 million	£46.4 million	£99.1 million
Cost per job generated - public and ESF spending	£15,400	£7,100	£3,700
Net impact (jobs) - public, private and ESF spending	£7.1 million	£37.6 million	£102.7 million
Cost per job generated - public, private and ESF spending	£28,700	£13,200	£2,300
Net impact (jobs) - ESF spending	£19.5 million	£50.0 million	£102.7 million
Cost per job generated - ESF spending	£9,800	£4,500	£2,300
Return on Investment for turnover - public and ESF spending	£1.51	£4.88	£11.56
Return on Investment for turnover – public, private and ESF spending	£0.80	£2.61	£6.19
Return on Investment for turnover - ESF spending	£2.36	£7.64	£18.11
Return on Investment for increase in jobs - Public and ESF spending	£2.58	£5.60	£10.84
Return on Investment for increase in jobs – public, private and ESF spending	£1.38	£3.00	£5.80
Return on Investment for increase in jobs - ESF spending	£4.04	£8.78	£16.98

Source: project management information; employer survey (base = 54); ICF calculations

## Summary Points

5.42 This chapter has found out that:

### Outcomes for learners

- SGW training resulted in employees improving their knowledge and skills as well as learning new things that are relevant to their jobs (80 per cent or more learners surveyed agreed or strongly agreed).
- Fewer learners (around a quarter) reported improvements in basic or Welsh language skills, though most reported that these were not relevant to the training undertaken.
- SGW training had positive effects on learners' job satisfaction and work productivity. Learners also identified that more training opportunities were available at their workplace since their employers' participation in SGW.
- Training resulted in improved career prospects for more than two-thirds of learners surveyed. This is manifested in job promotions and pay rises for around a fifth of employees.
- Learners who had a choice about attending training (i.e. participation was voluntary, not obligatory) were more likely to report gains in knowledge and skills and productivity improvements than those learners who did not have a choice. The difference is statistically significant.
- Learners in IT, financial and professional services were more likely to report positive outcomes of training than employees in other sectors.

### Outcomes for employers

- Almost all employers reported having a better skilled workforce because of SGW. It has led to a reduction in skills shortages and gaps and improvements in the productivity and flexibility of the workforce.
- Employers reported that SGW has led to improved awareness of training needs and to better focus training resources in their organisations.
- SGW has allowed employers to speed up or scale up training programmes.
- Most employers reported positive impacts on their business, such as improved quality of products and services, cost savings, increased sales, introducing new products and winning new contracts.

### Economic impacts for employers

- 24 out of 44 employers who responded to this survey question did not create any full-time jobs as a result of SGW. Among the 20 employers who did create

jobs, most created fewer than five (5) jobs though on average 7.1 full-time jobs and 0.7 part-time jobs were created.

- Job growth in SGW was mostly driven by smaller employers (though the sample size does not allow for statistical testing). Nearly two-thirds of employers who created jobs were SMEs.
- Turnover grew for just under half of participating employers. Turnover growth also appears to be driven by smaller companies. Two thirds of SMEs reported turnover increases, compared to one-third of larger businesses.
- Profits increased for half of employers surveyed. More SME employers attributed profit growth to SGW participation than larger employers.
- SGW Extension is estimated to have created GVA of £49.1m to the Welsh economy as a result of increases in turnover (best estimate). The sensitivity analysis suggests additional impact from turnover is in the range of £15.1m in GVA to £116.4m GVA.
- SGW is estimated to have generated an additional 1,400 jobs. The monetary value of these jobs is £56.4m in GVA (best estimate). The sensitivity analysis suggests that it is in the range of 700 jobs created (£26m GVA) to 2,800 jobs created (£109.2m GVA).
- SGW Extension generated £4.87 in GVA for every £1 of public (ESF and Welsh Government) spending on the project. When private costs are included (employers paying wages of learners), the estimated RoI is £2.61 in GVA for every £1 spent.
- The cost per job created is £13,200 in private, public and ESF contributions. The return of investment from additional jobs created is £3.00 for every £1 spent.

## **6. Comparative Assessment**

### **Introduction**

6.1 This section presents evidence from research and other evaluations of programmes which delivered similar activities or which aimed to achieve similar results. These are then compared with findings for SGW to identify whether there are different ways to achieve outcomes or to improve programme performance. Finally, it compares the return on investment and costs per job generated against other programmes for which these have been calculated.

### **Identification of Comparator Programmes**

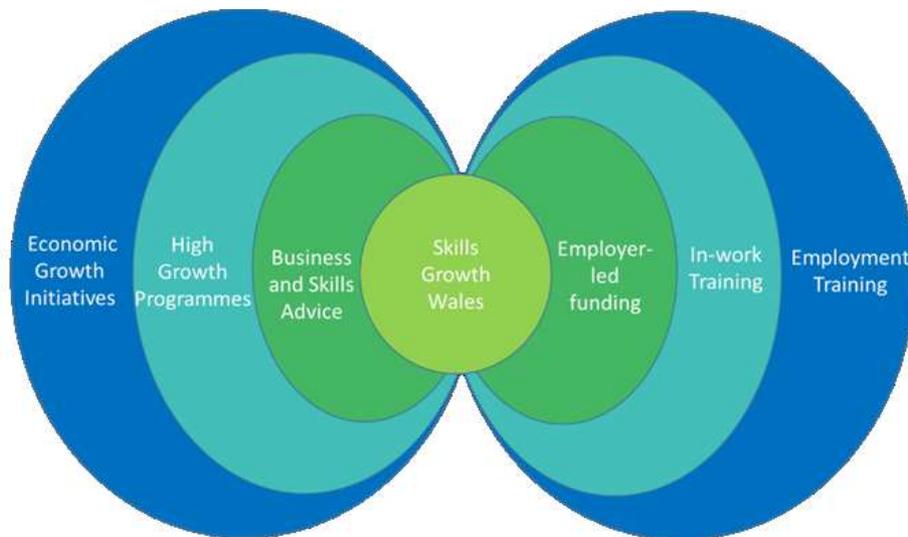
6.2 The SGW programme has the following features:

- Employers given access to funding that can be used for investment in training of their choice to all employees (so this includes upskilling entry-level staff as well as upskilling and reskilling the qualified workforce and managers);
- Training for selected employers who are performing well, anticipate growing in the near future and operate in high productivity and growth sectors;
- Opportunity for provision of business advice and skills brokerage through the WDAs;
- Aims to create jobs through business growth.

6.3 A rapid search for and assessment of evaluations or other research of Welsh and other UK and international programmes that were similar to SGW identified no other evaluations of programmes that replicate the main features of the SGW model.

6.4 Considering the range of public sector interventions, SGW includes features of both business support and advice programmes (particularly those which are aimed at high growth companies) and of employer-led in-work training programmes. This is represented graphically below.

**Figure 6.1 Skills Growth Wales fit within types of public intervention programmes**



- 6.5 While it has not been possible to identify a set of programmes that would sufficiently allow for like-for-like comparison with the outcomes and impacts achieved by the SGW programme, the next section presents findings from research and evaluative evidence about each general type of public intervention.

### **Employment Training**

#### *Rationale*

- 6.6 Public interventions to increase employment-related (vocational) training are driven by labour market failures. Many individuals in the workforce do not have the necessary funds to invest in their own training (liquidity constraints) or are too short-sighted (present-oriented) to invest in upgrading their skills when this would generate future higher earnings or improved employment prospects. Many employers also face liquidity constraints which prevents investment in training and may be trapped in a cycle of low productivity, leading to lower profit margins which in turns leads to lower training budgets and under-investment in training. Employers are often discouraged from investing in generic training because they fear employees leaving the company once they have acquired higher skills and become more productive (the “poaching” externality). Empirical evidence from the UK and

other countries suggests that there is indeed under-provision of employment training because of market failures reducing demand (Brunello and De Paola, 2004).

- 6.7 In an economic downturn, the factors creating the original market failures may be extenuated: employers and individuals face higher liquidity constraints and become more risk-averse and therefore less likely to invest in training for uncertain future rewards. There is therefore a higher impetus for Government initiatives to address this market failure, such as at the time of the ProAct programme.
- 6.8 Governments have a range of policy options at their disposal to correct for the under-provision of training. These include providing funding for employment training programmes (through training providers, to individuals, or directly to employers as is the case for SGW), providing wage subsidies (as in the case of apprenticeships and traineeships in all part of the UK) and providing tax incentives for employers and individuals where training costs are tax-deductible (as is the case in Italy and the Netherlands) (Brunello and De Paola, 2004).

#### *Evaluations of Employment Training programmes*

- 6.9 A search for comparative programmes identified many evaluations of programmes which subsidize the training costs of unemployed workers so that they can re-enter employment (such as the Welsh Government's ReAct<sup>38</sup> programme), new hires (previously unemployed) and new entrants (trainees and apprentices), and improve the basic skills of the existing workforce (such as the Welsh Government's Essential Skills in the Workplace programme).
- 6.10 Equally, the search identified evaluations of programmes which provide government funding for training to training providers and enable eligible employers to access this if it matches their needs. They are generally recruited by training providers or third parties and are not therefore directly comparable to SGW but some can offer lessons for SGW.
- 6.11 The Employer Training Pilots (ETP) in England, for example, were implemented between 2002 and 2004 in eight areas (Ambramovski et al, 2005). The pilot offer

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<sup>38</sup> [Redundancy Action](#)

differed by area but generally the pilots offered employers free or subsidized training for a basic or level 2 qualification, while in some cases they also offered wage subsidies. The programme design allowed the evaluator to compare the impacts of ETP participants with those of similar employers in a matched control group in areas that did not participate in the pilots. The evaluation found that the ETPs' additionality was limited as it found no statistically significant difference in the incidence of training or volumes of training between participating employers and those in the control group. The evaluators recommended focusing on "hard to reach" employers who do not typically engage in training. Participation in ETPs by employers who had strategic training plans in place tended to generate little additional benefit (high deadweight).

6.12 The Train to Gain programme evolved from the ETPs and was a national programme delivered in England between 2006 and 2010. It had some similarities with SGW in that it also included support to employers from an independent skills broker to identify training needs and source training. A National Audit Office (2009) review in 2009 identified the following:

- The programme was successful in encouraging training providers, such as colleges, to make major changes in how they deliver training in order to meet employer needs, for example offering more flexible provision;
- Brokerage was most successful where employers did not typically engage with training initiatives ("hard to reach" employers) and therefore understood least how training could help them;
- Additionality was modest with half of employers (50 per cent) who would have arranged the same or similar training in the absence of the programme (although this training may not have led to a qualification).

6.13 Looking at the evidence about the effectiveness of employment training programmes more widely and systematically, the What Works Centre for Local Economic Growth (2014b) review on Employment Training undertook a meta-analysis of 71 studies of the impact of training programmes in Organisation for Economic Cooperation and Development (OECD) countries that met quality criteria to show a causal impact. Only a few of these were studies of programmes that retrained or upskilled existing staff. Once again these mainly aim to respond to structural problems in the economy such as economic downturns rather than to promote accelerated business growth in improved economic circumstances. As such, such programmes generally aimed to improve employability of individuals trained or to meet skills gaps, rather than generate new jobs.

6.14 In relation to the employment outcomes in these programme studies, the What Works Centre (2014) meta-analysis found that:

- Training had a positive impact on participants' employment opportunities and earnings (such as finding employment or progressing from low wage or unstable employment into higher wage or secure job) in more than half the evaluations reviewed;
- Employer involvement in training improved the effectiveness of training in terms of generating employment outcomes. On-the-job / in-firm training tend to perform better than classroom-based training programmes. Employer involvement in developing the course content and co-designing delivery likely to be a factor contributing its success;
- The impact of training on employment was modest (in terms of reducing unemployment) and should not be oversold;
- Training programmes that respond to structural shocks in the local economy are highly tailored to local contexts. This means that it is especially difficult to identify generalizable lessons on programme design and make comparisons of impact.

*Employer-led investment in training*

6.15 Supporting employer-led investment in training has been recently used more extensively. In Wales, the Enhancing Leadership and Management Skills Programme included a discretionary support strand which allows employers to access a flexible pot of funding that can fund up to half of the costs of leadership and management training chosen by employers for eligible courses where training needs could not be met by the approved training providers in the non-discretionary strand. However, the take-up of this strand was limited (potentially because employers' could also access SGW support which covered 100 per cent of the costs) (Old Bell 3 Ltd, 2014) and therefore does not offer any evaluative evidence.

6.16 In England, the government has recently provided financial support for developing sectoral training and workforce development solutions and enabling employer selected training through three project funds. These are:

- The Growth and Innovation Fund (GIF)<sup>39</sup> which provided funding to employer groups (such as Sector Skills Councils) to fund projects which tackle skills needs and develop sustainable training products which employers will continue to pay for after GIF funding finishes. Much of the funding was provided for projects which aimed to tackle skills needs in high growth sectors, such as science industries, financial services, energy and sustainability, ICT and advanced manufacturing.
- The Employer Investment Fund (EIF)<sup>40</sup> which provided funding to employer organisations to create skills solutions (including upskilling existing employees) which can then be sustainably funded by employers. Again, many of these funded projects were in high productivity and growth sectors (motor industries, financial services and advanced manufacturing).
- The Employment Ownership of Skills (EOS) programme<sup>41</sup>. The EOS pilots have funded programmes of training which were developed by employers for internal and external provision. Funding for half the cost of the training is paid directly to employers. The training provided through EOS is designed to raise skills, allow employers to fill skills shortages, and drive enterprise and innovation and ultimately generate economic growth.

6.17 These programmes share similarities with SGW, in that employers or groups of employers have choice over funded training delivered and flexibility over organising the provision of training. They broadly aim to correct market failures, primarily through increasing demand and improving the supply of training so that it matches employer needs. These programmes however also include activities that do not feature within the SGW model, such as developing new qualifications and accredited training programmes and fostering collaboration between employers, employer bodies and training providers. Innovation and sustainability of the training solutions developed (rather than job creation as in the SGW) are generally the key performance metrics used in such programmes.

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<sup>39</sup> Further information about GIF can be found at <https://www.gov.uk/government/publications/growth-and-innovation-fund> [ Accessed 12<sup>th</sup> August 2015]

<sup>40</sup> Further information about the EIF can be found at: <https://www.gov.uk/government/publications/ukces-employer-investment-fund> [ Accessed 12<sup>th</sup> August 2015]

<sup>41</sup> Further information about the EOS Pilots can be found at: <https://www.gov.uk/government/publications/employer-ownership-of-skills-pilot> [ Accessed 12<sup>th</sup> August 2015]

6.18 Impact evaluations of these programmes have not yet been published. However, Table 6.1 summarises findings from initial and baseline evaluations of these funds that are relevant to features of the SGW programme.

**Table 6.1 Lessons from initial evaluations of EIF, GIF and EOS training projects**

	EIF and GIF: research on demand-led solutions (ICF GHK, 2013), findings from project level learning and performance (Mackay et al, 2015) and baseline qualitative research (Cox et al, 2015)	EOS Pilot, Round 1; initial findings (CFE Research, 2015)
<b>Programme design and management</b>	<p>Programme design needs to balance “flexibility” (e.g. allowing for changes as employer needs evolve) with setting out clear requirements at the outset of the programme.</p> <p>Projects fail to meet initial targets because they are set at unrealistic levels.</p> <p>Closing down a project that is not working is a key challenge for management.</p>	<p>Applications include very high and often unrealistic targets for training volumes (only 37 per cent of planned starts) within the time frames.</p> <p>Bureaucratic burden and administrative issues were the most prevalent challenges faced by employers. Many employers misunderstood funding rules (particularly in relation to apprenticeships) and the timeframe available to deliver training.</p> <p>Administrative arrangements for approving training and staff to be trained and delivering within a specified period meant that employers would be unlikely to meet targets.</p> <p>Employers generally welcomed the choice over provider (including internal provision), the opportunity for innovation, and the flexibility offered including timing and content.</p>
<b>Engaging Employers</b>	<p>Wide approach to promotion required to effectively engage employers who are “out of the loop” - this included tapping into supply chain and peer-to-peer networks. SMEs in particular lack awareness, information, resources and capacity to engage.</p>	<p>Sector-level collaboration can encourage participation of SMEs because it generates sufficient volumes of learners from across several SMEs and reduces risk of high costs to be removed or reduced.</p>

	<b>EIF and GIF: research on demand-led solutions (ICF GHK, 2013), findings from project level learning and performance (Mackay et al, 2015) and baseline qualitative research (Cox et al, 2015)</b>	<b>EOS Pilot, Round 1; initial findings (CFE Research, 2015)</b>
<b>Role of intermediaries</b>	<p>Intermediaries play a key role in identifying and facilitating the right solutions.</p> <p>Effectiveness depends on the right people with sector knowledge (and local knowledge in some areas)</p> <p>Regular contact required (mixture of intensive face-to-face work and telephone/email communication) with employers to maintain relevance of solutions</p>	<p>Initial findings suggest that intermediary-led models (including where other employers act as the intermediary) perform less well than those led by employers directly.</p> <p>Employers encountered challenges in identifying achieving a common price for similar training.</p>
<b>Benefits / added value</b>	<p>Early, self-reported findings suggest that the EIF and GIF programmes were most effective in helping businesses identify and define skills and implement training solutions at their businesses – at least a third would not have happened without participation in the programme.</p>	<p>Initial findings suggest that programme additionality was subtle: EOS helped employers to offer training to a greater number of staff or to offer this sooner. For many the training would have occurred eventually.</p> <p>Some SMEs would not have provided training, especially for apprentices, without the collaborative solution.</p> <p>Employers have adapted training to their needs with some continuing to use it and other employers taking advantage of it.</p>

*Implications for SGW*

6.19 In relation to SGW, the research and evaluation evidence suggests that:

- Creating additional jobs is not generally the main impact sought by employment training interventions. Improving the employability of individual's trained, filling skills gaps encountered by employers, generating a sustained increase of

employer investment in training and raising companies' productivity are expected impacts of such programmes;

- Administrative burdens experienced with SGW appear to be a common feature of publicly-funded, employer-led training investment programmes;
- Difficulties experienced in SGW with employers setting realistic targets and then meeting them within a set of regulations while business needs evolve appear to be a common feature of similar programmes;
- SMEs have particular needs and distinct approaches are required to engage them effectively with the help of intermediary organisations and/or brokers. This is consistent with feedback from some stakeholders and WDAs about the SGW recruitment model not effectively reaching out to small employers that are not engaged in well-known networks;
- SGW findings on additionality are consistent with early findings of other employer-led programme evaluations. Public support and funding can encourage some employers to invest in training when they would not have been able to afford to otherwise. However, where employers can make their own decisions about the allocation of training subsidies, these might be used to deliver what was originally planned (though in greater volumes or earlier) meaning that the resulted added value of such programmes can be modest.

## **Economic Growth initiatives**

### *Rationale*

- 6.20 Economic growth is generally related to job creation. Companies that have higher gross revenue (turnover) tend to hire more workers. However, the relationship is not necessarily linear: new companies which generate jobs tend to displace or replace jobs in existing companies (a process termed “creative destruction” (Schumpeter, 1942)). Companies can also generate higher revenues by improvements in productivity or reductions in costs (for example through the introduction of a new technology or a new form of business organisation) which may lead to job losses or higher productivity from the existing workforce.
- 6.21 Policymakers are inherently interested in policies that generate economic growth and support job creation. In particular, governments intervene in markets to correct market failures which prevent businesses growing and generating jobs. Examples of such failures which create barriers for business growth include: lack of access to

finance, administrative barriers (red tape), lack of appropriate information and advice, and lack of investment in core infrastructure where public benefit exceeds private benefits (such as for transport infrastructure).

6.22 A wide range of policy instruments are available to governments to address these market failures and support economic growth. These include direct investment in infrastructure which would not have been made without public investment, changes in taxation and business regulations to reduce administrative barriers as well as provision of specific programmes to reduce information asymmetries and improve access to markets so as to help new business start-up and support existing businesses to grow into new markets (such as through exports). Typically all of these measures are considered when devising economic strategy. For example, the Welsh Government's five year strategy for business "Economic Renewal: a new direction" (Welsh Government, 2010) includes five key areas for action in creating the environment for business to succeed which are:

- Modernising and improving infrastructure including broadband and transport;
- Ensuring Wales is an attractive place to do business through its approach to regulation and public sector procurement;
- Developing the skills of the workforce and new entrants;
- Encouraging innovation including the transfer of research and development into new products and services; and
- Targeting business support on specific sectors and the needs of start-up enterprises.

#### *High growth programmes*

6.23 Our search for comparator programmes for SGW which primarily aimed at creating additional jobs identified that the majority of such programmes focus on supporting SMEs and start-up companies. Typically such programmes offer a range of services to SMEs and start-ups which can include business advice and support, access to finance, networking and partnership opportunities, office space and facilities, mentoring and coaching, and skills advice and brokerage. Formal training often focuses on leadership and management and business management skills to improve managing resources, change management, marketing and sales.

- 6.24 The rationale for interventions to support SMEs is based on evidence that indicates that most new jobs are created by SMEs. In the UK, the majority of new jobs are created by small firms: out of a total of 2.6 million jobs created on average each year between 1998 and 2010 existing small firms (i.e., less than 50 employees) contributed 34 per cent (around 870,000 jobs) while start-ups (of which nine out of 10 employ less than five people at birth) contributed a further third (33 per cent or another 870,000 jobs) (Anyadike-Danes et al, 2013).
- 6.25 More recent economic research has challenged perceived wisdom about the contribution of SMEs to net job creation (Haltiwanger et al, 2013). Evidence suggests that business age is particularly important: with young businesses and start-ups playing the main role in creating new jobs (while downsizing or failing older SMEs tend to account for a high proportion of job losses) (Criscuolo et al, 2014). In turn, this has challenged the rationale of designing public business support interventions which support businesses solely based on size (Deloitte, 2014).
- 6.26 Thus more recent policy initiatives in OECD countries have often focused on supporting potentially high growth companies and newer enterprises. High growth companies disproportionately account for the most jobs created. In the period 2010-2013, high-growth companies accounted for 1 per cent of all businesses yet created 18 per cent of all new jobs created (Deloitte, 2014).
- 6.27 The OECD definition of a high-growth firm (HGF) is that it must have at least 10 employees at the beginning of the period and to record an annual average growth of 20 per cent in employment or turnover over the period being considered (Deloitte, 2014). Analysis of the characteristics of HGFs in the UK presented in the box below suggests that these companies are “young survivors”: relatively new companies that have been able to survive beyond the initial five year period.

### **A typical High Growth Company**

*Age:* HGFs are younger but the majority of HGFs (70 per cent) are at least five years old. Very few start-ups experience an incidence of high growth in their first 10 years.

*Sector:* HGFs are not concentrated in high tech or growth sectors. All major sectors contain between 4 and 10 per cent of firms which are HGFs. Almost half the HGFs in the UK are in business services, wholesale or retail sector. The highest proportions were in financial services, real estate and business services.

*Employment size:* The majority of HGFs employed fewer than 50 employees in their base year – over half employing between 10 and 19 employees. A typical HGF tripled its employment in three years. The average HGF (2005-2008) started with 60 employees in 2005 and had over 170 employees in 2008.

Source: Anyadike-Danes, M., Bonner, K, Hart, M. and Mason, C. (2009) *Measuring Business Growth: High-growth firms and their contribution to employment in the UK*, NESTA

6.28 Picking the right companies to support is a key challenge faced in the design and implementation of HGF support initiatives. HGFs only account for 1 per cent of all companies which means that they are hard to find. The OECD definition is mostly useful for retrospective statistical analysis of what has happened or what is expected. There is a risk that programmes have inclusion criteria which target companies that were going to grow anyway (high deadweight) or end up supporting companies which do not create additional value in terms of jobs or turnover (Deloitte, 2014).

6.29 HGF support schemes have been implemented in various countries and regions including the UK. The table below outlines key features of 10 schemes identified in Roper and Hart (2013). Six of these schemes (Denmark, Scotland, Netherlands, Flanders, Germany and Australia) have also been reviewed as part of an OECD benchmarking study. It is important to note that these schemes' support offer is considerably wider than that offered by SGW (and thus are not directly comparable).

<b>High Growth Scheme</b>	<b>Description</b>
Danish Growth Houses	Five “Growth Houses” set up as independent, commercial, non-profit foundations which aim to support and sustain growth of start-ups. Offer consulting support, business diagnosis, physical office space, networking and access to external growth opportunities. A 2013 value for money evaluation (using a control group) suggested a net present value of 2.6 over two years.
US Jobs and Innovation Accelerator Challenge	US federal programme which supports regional partnerships (or clusters) of SMEs in advanced manufacturing. Each cluster receives simultaneous investment by five government agencies to support cluster development (links with large firms, academia, training providers), standard development, R&D assistance, demonstration projects and training.
Sweden’s national incubator programme	Number of publically-funded incubators which aim to respond to the perceived weakness of universities to generate spin-offs, some funded by performance-related mechanisms. Generally, high performing incubators use “pick the winner” selection. Typical support includes access to finance, business set-up, marketing, networking and coaching, some offer access to exports and training.
Ontario’s Medical and Related Science Discovery District (MaRS)	MaRS provides support to early-stage organisations in science, ICT and social innovation sectors. Includes advisory services, an investment fund, support for web and mobile companies, networking and physical space.
Dutch Growth Accelerator	Public programme delivered by a consortium of private organisations; aims to support 200 SMEs to grow turnover from €2m to €20m over five years through developing and implementing a strategic growth plan. A limited cohort of 15-20 companies are accepted every year which have to contribute €75,000 to take part. Interim findings suggest that participating companies had better performance and higher turnover than comparators.
Scotland’s “Companies of Scale” programme	Scottish Enterprise programme which provides support to companies with turnover of £10m and who have the ambition to become £100m plus businesses. Provides intensive support to a small number of companies (16 in 2011) focused on growth triggers: new product development, new markets and exports. Requires high level

<b>High Growth Scheme</b>	<b>Description</b>
	of commitment from participating companies.
Germany's High-tech Grunderfonds	Public-private partnerships which provide investment in young technology or innovation oriented companies – pursues a “picking winners” approach. Coaching and mentoring also offered, although not a condition of funding. Early findings indicate success in stimulating start-ups.
Commercialisation Australia	Government programme that mostly supports small innovative start-up companies. Participants must aim to commercialise a new, clearly identified product, process or service. Four grants offered for: purchase expert advice and services; engage an experienced CEO or other executive; assistance with testing commercial viability; and support with access to market. Employer contribution of 50 percent required, except for expert advice grants where employer contribution is 20 per cent.
England's Growth Accelerator Programme	Government programme delivered by consortium of private organisations working with range of specialist local partners. Support to SMEs for commercialisation, business planning, access to finance and developing leadership skills through coaching leaders and £2,000 matched-grant for specific training.
Ireland's Management 4 Growth Programme	Enterprise Ireland programme to support management teams of established SMEs to develop strategy, operations and management practices so as to drive sales and export growth. Maximum of three senior managers per company can participate, with the company contributing around 45 per cent of costs (€12,000 out of around €27,000).

6.30 Many of the schemes reviewed are relatively recent without impact evaluations being available. Furthermore, Roper and Hart (2013) identify inherent problems with identifying the added value of such schemes owing to the high degree of selection. Nonetheless, the review of the evidence from the schemes presented suggests that the following features support programme effectiveness:

- Participants must be committed and should be able to self-select – strong commitment by the company management is more likely to generate larger and sustained effects. Businesses should want to be part of the scheme. This

requires that the scheme is clear about required commitments and makes a strong and ambitious case for participation;

- Intensive support to a small number of selected companies - the most effective programmes often involve peer-group and shared-learning activities. This requires tailoring business needs to a selection of activities rather than all businesses participating in a general scheme. In the OECD benchmarking study the two programmes with the highest intensity (the Dutch and Scottish programmes) reported the highest turnover growth rates; the scheme with the least intensive interaction (in Denmark) reported the lowest average turnover growth rates (OECD, 2013);
- Sustained engagement - schemes to support sustained growth tend to require continued engagement with a business over a period of years (such as the Dutch five year programme) rather than short term engagements;
- Partnership based - measures which draw on the expertise and networks of a range of support organisations tend to be more successful;
- Holistic approaches – programmes that offer a wide offer of activities and consider both the development of the business (such as through providing finance or business strategy) and the skills of the leadership and management team (through coaching, mentoring and training) are likely to work better than schemes that only focus on one of these two elements;
- Regional delivery - regional programmes can better support participation of employers, facilitating attendance by firms at scheme events and sessions and making face-to-face mentoring and peer-group sessions more feasible.

6.31 Programme design and focus on HGFs does not guarantee that such initiatives will have significant contributions to employment outcomes. Evidence from the OECD benchmarking study is inconclusive as the Danish and German programmes reported stronger effects on employment growth than on sales growth, while in both the Scottish and Dutch schemes the employment gains were less significant than those for turnover.

#### *Business Advice Programmes*

6.32 As the SGW programme included an element of business advice through the provision of support from the WDA it is also useful to consider evidence of evaluations of such initiatives. The What Works Centre for Local Economic Growth undertook a systematic review of evaluations of business information, advice and mentoring aimed at improving business growth and other business outcomes (What Works Centre for Local Economic Growth, 2014a). The review focused on

programmes that provided support to existing businesses to help them grow, as well as those providing support to individuals to set-up their own business. It should be noted however that, the review specifically excluded programmes which provided financial support and access to finance (and therefore, these programmes cannot be directly compared to SGW which provided financial support for training).

6.33 Nonetheless, the review identified the following from the evidence which is of relevance to SGW:

- Business advice has a positive impact on at least one business outcome (such as establishing start-ups and helping businesses to grow through increases in exports, sales or profits) in the majority of impact evaluations reviewed (17 out of 23 programmes);
- Business advice programmes tend to be better at improving productivity and turnover of existing businesses than delivering employment benefits (such as growth in employment of existing businesses, reducing unemployment through self-employment). Results for sales, profits and exports were mixed;
- Programmes that use hands-on, “managed brokerage” may perform better than those offering responsive assistance online or over the telephone (such as providing advice through a website or call centre). However, this conclusion does not consider the cost-effectiveness of each type of programme.

#### *Implications for SGW*

6.34 In relation to SGW, the research and evaluation evidence in relation to business support programmes suggests that:

- High growth programmes generally measure their success in terms of turnover growth and business benefits such as increases in sales, profits, productivity and exports. Creation of additional jobs is expected, especially where programmes support start-ups which generating self-employment, but rarely constitutes the main success measure;
- Other business support schemes have struggled with defining inclusion and selection criteria. The evidence is inconclusive about what constitutes appropriate and effective selection criteria;
- Programmes that use hands-on, “managed brokerage” or “intensive” support with a small number of companies appear to be more effective. SGW support and involvement was comparably light-touch and supported a relatively large number of businesses for the size of the Welsh economy;

- Programmes that deliver a comprehensive package of support appear to have better results. SGW combined grant-funding with WDA advice (although this was optional). By recruiting WDAs through the Workforce Development Programme it also ensured that employers could access other training opportunities provided by the Government. Other typical and effective features of high-growth programmes (such as networking between participants, stakeholders and training providers; and coaching and mentoring) however were not included within the SGW support offer.

### **Comparison of Returns on Investment**

- 6.35 While it has not been possible to identify evaluations which were directly comparable to the SGW programme, it is possible to compare Return on Investment (RoI) estimates of the SGW Extension programme with RoI estimates for other types of training and skills interventions.
- 6.36 The RoI (calculated as the GVA generated by the intervention compared to the financial input) of interventions in training and skills are summarized in Table 6.2 below, along with descriptions of the programmes.

**Table 6.2: Comparator studies for SGW programme showing Return on Investment**

<b>Programme Description (and notes on methodology)</b>	<b>RoI (£)</b>
The Welsh Government’s ProAct programme. This project provided funding to employers to provide training and offered wage subsidies to safeguard jobs within Wales. The project focussed largely on the automotive sector. The evaluation reported on the additional GVA the programme generated through increase in sales in participating employers.	£3.51
Regional Development Agencies-funded projects in England (Pricewaterhouse Coopers, 2009). Meta-analysis of evaluations of people and skills intervention programmes. Many of these projects provided training for unemployed individuals to enter the labour market, therefore the RoI would be expected to be lower than providing training and creating jobs in the high growth sectors targeted by SGW.	£0.90 annual return
The methodology for each evaluation is not included in the report, but many estimates of GVA generated have been made using wage and productivity uplifts generated from providing training leading to qualifications. Therefore the methodology differs from the one used in the evaluation of SGW.	£2.50 cumulative return
Skill for Care’s Workforce Development Innovation Fund (WDIF) (ICF, 2014). The WDIF distributed Department of Health funding to support innovative training and workforce development projects across the adult social care sector in England. This report evaluates the return to investment for employers due to training funded by the WDIF (through wage uplifts from qualifications). The comparison with the SGW programme should be treated with caution as:	£2.36 cumulative return
<ul style="list-style-type: none"> <li>– The adult social care sector is a sector with low productivity and provides non-exportable services therefore opportunities for growth are limited.</li> <li>– The participants were not selected on the criteria of having a credible growth plan and being in a high growth sector.</li> <li>– Not all of the impacts of the programme could be monetised therefore the monetary impact of the programme reported is likely to be conservative.</li> </ul>	

6.37 In SGW Extension, the Return on Investment has been estimated as £2.61 (for every £1 of financial input £2.61 of GVA was generated). This was calculated by estimating the change in turnover and converting this to GVA. This estimate compares favourably with RoI reported elsewhere.

### Comparison of costs per job

6.38 A second way of examining the cost effectiveness of the SGW programme is to compare the cost per job created against those reported in other project evaluations Table 6.3 below presents some comparator studies which show that the estimated cost per job created or protected for some comparator studies.

**Table 6.3: Comparator studies for SGW programme showing Cost per job created safeguarded**

Programme	Region	Cost per job
ProAct	Wales	£12,015
Regional Selective Assistance (RSA)	Wales	£8,010
Regional Selective Assistance (RSA)	Scotland	£12,800
Selective Finance for Investment in England (SFIE) / Grant for Business Investment (GBI)	East of England	£13,612
SFIE / GBI	South East England	£5,892
SFIE / GBI	North East England	£3,919
SFIE / GBI	North West England	£6,768
SFIE	South West England	£5,555
SFIE / GBI	West Midlands	£8,470
SFIE / GBI	Yorkshire and the Humber	£6,232
SFIE / GBI	East Midlands	£7,840
Coal Investment Scheme	UK	£14,182

- 6.39 The cost per job created for the SGW Extension project has been estimated as £13,200. This suggests that SGW Extension was relatively more expensive in terms of employment outcomes compared with most other interventions as shown above.

### **Summary Points**

- 6.40 This chapter has found that:

#### **Identification of comparator programmes**

- No other evaluations of programmes that replicate the main features of the SGW model can be identified. The main features are: employers given access to funding for training of their choice; supported employers that are performing well (i.e. are growing or are profitable); programme provides brokerage and business advice; the programme aims to create jobs.

#### **Findings from research into employment training initiatives**

- SGW key aim - to create more jobs – differs from most employment training programmes which generally aim to improve the employability of individuals trained or to meet skills gaps. Programmes that support employer-led investment in training also usually aim to increase employer involvement and investment in training and to sustain this beyond the period of programme participation which was not an aim of SGW.
- Publicly-funded employer-led programmes experience similar challenges as SGW in terms of employers facing administrative burdens and setting realistic and achievable targets for delivery of training.
- SGW and other employer-led training programmes have found that SMEs have specific needs and require distinct approaches to engage and support their participation in employer-led funding programmes. Brokers and intermediaries can assist with these.

#### **Findings from research into economic growth initiatives**

- SGW focus on companies of all sizes and ages differs considerably from other programmes that aim to create additional jobs, which generally focus on supporting SMEs and start-ups. This is because the majority of new jobs in the UK are created by small firms. More recent evidence suggests that young

companies contribute most to job creation, with failing older SMEs accounting for job losses. Programmes in OECD countries have in recent years focused on supporting HGFs with at least 10 employees which generate an annual average growth of 20 per cent in employment or turnover.

- Other high-growth programmes usually use turnover growth and other business benefits (improvements in sales, profits, and productivity) as the success metrics. Additional job creation is usually expected where programmes support creation of new start-up businesses. This differs from SGW.
- Other business support schemes have faced similar challenges as SGW in defining inclusion and selection criteria to high growth schemes. The evidence is inconclusive about what constitutes appropriate and effective selection criteria.
- Programmes that use hands-on, “managed brokerage” or “intensive” support with a relatively small number of companies appear to be more effective than programmes delivering light-touch support to a large number of businesses. This supports findings from SGW about the value of WDAs to employers.
- Programmes that deliver a comprehensive package of business support (where funding for training is one part of the package) also appear to have better results than programmes that only offer a limited support offer.

#### **Return on investment and cost per job**

- The RoI has been estimated as £2.61 GVA for every £1 of financial input. This estimate compares favourably with RoI reported by other programmes.
- The cost per job created for the SGW Extension project has been estimated as £13,200. This suggests that SGW Extension was relatively expensive compared to most other programmes identified.

## 7. Findings and lessons for future programmes

- 7.1 This section draws together findings from sections 2-5 to address each of the evaluation research questions set out in paragraph 1.6. To provide lessons to inform the development and delivery of programmes with similar ambitions, it draws on an assessment of the SGW delivery model and what other studies indicate to be features of programmes which successfully use training as a component of business support for growth.

### How well has the programme performed

- 7.2 This section the performance of the SGW Extension programme in relation to expected programme targets, whether it met business needs and whether it delivered added value and provided value for money.

#### *Achieving Programme Targets*

- 7.3 SGW Extension supported 22 per cent more employees than initially expected (nearly 15,000 compared to 12,000). However, the programme provided funding 156 employers while 172 benefitted from WDA support towards developing a training plan, fewer than the target of 200.
- 7.4 SGW Extension awarded £13m in funding, considerably lower than the initial budget of £22m. Thus, even though more employers and employees were supported, the funding invested per employer and per employee was lower than anticipated (average of £76,300 and £817 respectively). Nearly a third of employers (29 per cent) invested under £250 per employee which suggests investment in low value training courses (such as one-day training) rather than high value courses.
- 7.5 SGW Extension companies created an estimated 3,300 jobs since participating in the programme. However, only 1,400 of these jobs can be attributed the companies' participation in SGW Extension (i.e. are additional to what would have happened without SGW Extension). This is lower than the target of 2000. SGW Extension supported a small number of employers in low carbon growth industries and supported sustainable development training.
- 7.6 The programme delivery ensured that participating employers had an equalities and diversity plan in place by making this a condition of grant prior to approval but did

not, as the programme aims stated assist employers to adopt or improve equality and diversity strategies and monitoring systems, therefore did not meet this target. In addition fewer female employees (22 per cent) benefitted from training than targeted (54 per cent) and the share of female employees in Wales the sectors supported by SGW (30 per cent).

### *Meeting Business Needs*

- 7.7 Most employers reported positive impacts of the training on their business suggesting that the programme supported enabling of business growth. Around three quarters reported improved quality of products and services and meeting customer needs; around two thirds reported making cost savings and increasing sales; over half reported introducing new products and winning new contracts.
- 7.8 Turnover and profit increased for half of employers surveyed. SMEs in particular reported benefits, with two thirds reporting growth in their turnover.
- 7.9 Considering job creation, 20 out of 44 employers responding to the survey question did not reported creating full-time jobs, with 24 out of 44 indicating that they did not create any full-time jobs. Smaller employers drove job creation with nearly two thirds of SMEs creating jobs compared to one third of large companies.
- 7.10 SGW Extension supported employers to identify training needs and increase investment in training. Most employers surveyed (45 out of 54) reported a positive impact on their awareness of training needs. 33 out of 54 reported a positive impact from a better focus of their training resources while 25 out of 54 reported that they had increased their investment in training.
- 7.11 The evidence suggests the programme model enabled investment in training that was applicable to business needs. Almost all employers report that SGW training has led to improvements in addressing skills gaps and shortages and providing a more flexible and productive workforce.
- 7.12 There is also considerable evidence that SGW Extension supported raising skills of the workforce and enabled individuals to progress in their jobs. Over 80 per cent of

learners surveys report gains in knowledge and skills, 61 per cent report doing more things in their job as a result of training while 47 believe training has resulted in improved chances from promotion. This is supported by evidence from case study interviews.

- 7.13 SGW Extension design enabled participation in training and WDA support through the medium of Welsh. However, the evidence suggests that the programme made a limited contribution to training to improve Welsh language competencies or increasing training through the medium of Welsh as this was not actively promoted.

#### *Additionality and Returns on Investment*

- 7.14 Evidence on additionality is mixed, with over half of employers indicating that they would deliver similar training but over a longer period while just under half would have delivered shorter or cheaper training as an alternative. Only 6 out of 54 employers surveyed would have not undertaken any training at all.
- 7.15 Without SGW Extension support, turnover growth in participating companies would have been 42 per cent lower (this compares favourably to other similar programmes). However, total employment would have only per 6.5 per cent lower (this compares less favourably to other similar programmes).
- 7.16 The economic impact assessment estimates that SGW Extension contributed an addition £49.1m GVA from turnover growth and £54.6m in GVA from the value of the 1,400 additional jobs created.
- 7.17 For every £1 invested an estimated £2.61 in GVA was generated (this is as effective as other similar initiatives). However, the cost per job created is £13,200 (this is higher than other initiatives).

### *Overall assessment of SGW Extension achievement of targets*

- 7.18 This indicates that the SGW Extension has provided demand-led training which has generally been successful in upskilling learners so that they are more competent and productive in their job role. In turn, businesses' growth and improved productivity can be attributed to the training. Within about half of the businesses surveyed there has been growth so far in jobs and/or turnover and an estimated net increase in 1,400 jobs and growth in turnover with an increase in £103.7m in GVA. The businesses surveyed had additional employees being trained and spent more on training during the period while many brought forward training or invested in higher quality training than they would have done.
- 7.19 The SGW Extension did not reach its targets for investment, businesses engaged and higher proportions of females trained. This may go towards explaining why the gross estimated impacts on jobs are lower than anticipated from Business Cases and the relatively high cost per job. A higher investment (longer or more intensive training at a higher level) could be expected to have a greater impact.
- 7.20 In mitigation, some of the SGW training was delivered in 2014/15 so businesses would have had less time to benefit and any impact rests with businesses implementing their plan to take advantage of the workforce training (since SGW provided no follow up support) in accordance with the Business Case. Changes to businesses' plans could be affected by factors other than the timing and content of the training.

### **How well has the delivery model worked**

- 7.21 This section considers the features of the SGW Extension Delivery Model and summarises what has worked well and what has worked less well.
- 7.22 The SGW's relatively 'closed' recruitment model was successful in ensuring that most applicants to the programme were employers with credible growth plans. However, comparison with successful job creation initiatives elsewhere suggests that SGW Extension effectiveness may have been diluted by supporting large and medium sized companies and well established companies that are less likely to create additional jobs.
- 7.23 Recruitment of employers through WDAs and Welsh Government networks and contacts was broadly effective in ensuring that employers recruited met the programme criteria. However, this model may have not captured employers who

were outside the geographical or business networks of WDAs and Welsh Government. There also appears to have been limited engagement and strategic coherence with other Welsh Government investment (in buildings, plant machinery, other training, innovation) and business advice initiatives. These may have limited the reach and effectiveness of the programme.

- 7.24 Findings from employers through the survey and case studies suggests that the role of WDAs was broadly effective in supporting participating employers. WDAs had a strong role in assisting employers with completing Business Case application documents and with the Training Plans. Their role is generally valued by employers but the evidence suggests that WDAs added most value where employers did not have a strong culture of investment in training and had limited awareness of the market for training provision. These were more likely to be SMEs.
- 7.25 It is clear that involvement of WDAs in sourcing appropriate training and Programme Team review of prices ensured that training funded was delivered at competitive market rates. Nonetheless, the requirement to source several quotes for training where this was not practical (such as where very specialised training was required) was a source of frustration for some employers and WDAs.
- 7.26 Nonetheless, advice and support for SGW was purposely designed to be optional and light-touch with a limit on WDA time (reflected in payment to WDAs). There were opportunities missed in promoting ESF cross-cutting themes and wider Welsh Government objectives (including promoting training through the medium of Welsh) through the WDA involvement with employers (and potentially through the programme more widely). Equally, with more follow-up to see if help (from other Government programmes) and advice could support the application of training, some businesses may have made better progress towards their growth ambitions.
- 7.27 Employers were generally very satisfied with the programme and support received overall. However, high administrative requirements (paperwork) associated with funding model (no direct cash contribution by the employer) hindered some businesses' use of investment allocated. The requirement to fund accredited training limited usefulness for employers (particularly in high-tech and advanced manufacturing) which required training in emerging skills (not yet accredited). Some businesses could not spend the funding allocated within the timeframe while limited ability of employers to change specified employees to be trained led to less funding claimed for training (because they could not claim for substitutes) and less training delivered.

7.28 It is unclear from the evidence whether the funding offer (no direct cash contribution required from employers for training) has been on-balance a success factor. It is clear that the funding offer was appealing to employers and that it allowed some employers to deliver high volumes of training in a short time period which potentially triggered business growth. Employers also recognise that receipt of high levels of public funding comes with requirements for evidencing accountability, however some would prefer making a contribution towards training costs if this leads to loosening of criteria and evidencing requirements. Where employers make no contribution it could encourage applicants to include training which is not essential to the growth ambitions.

7.29 It indicates that the following might have increased the achievements and effectiveness of the SGW programme:

- A closer relationship with other programmes especially those disbursing Structural Funds to achieve business growth where the training could have supported success (referrals to SGW) and those which could have supported the successful implementation of the application of competences gained from training to achieve growth ambitions (referrals from SGW);
- A relationship with WDAs which ensured that SMEs across Wales were targeted and considered for inclusion in the programme;
- A greater focus on small businesses to create jobs and larger businesses to raise productivity (and maintain jobs/increase skills);
- Training Plans being submitted through the year and approved quickly; and
- Discouraging funding being sought for low value training.

#### **How does the programme's delivery and achievements compare to other similar programmes**

7.30 Evidence from other publicly-funded employment-training programmes indicates that SGW:

- Experienced similar challenges around administrative burdens which could have reduced the achievement of outcomes;
- Encountered similar challenges in terms of ensuring that employers set realistic targets for volumes of employees to be trained and delivering these within the given timeframe;

- Reported similar findings around the additionality of employer-led programmes where employers may use training subsidies to deliver what was planned in the absence of the intervention and thus limiting the added value of the programme;
- May not have considered and catered for the specific needs of small businesses; and
- May not have considered and catered for those employers which are not engaged in well-known networks or relationships with the Welsh Government and its various business support intermediaries.

7.31 Evidence from other high growth support programmes indicates that SGW:

- Demonstrates comparable results in terms of programme impacts with greater additionality reported on turnover and business benefits and lower additionality on employment outcomes;
- Included a more limited service offer and offered less intensive and targeted support than the most effective programmes; and
- Unlike successful programmes elsewhere, did not include opportunities for partnerships, networking and cohesion with other Welsh and UK Government initiatives which are included in successful programmes elsewhere.

7.32 Comparing the returns of investment with other similar programmes, suggests that £2.61 of GVA to the Welsh economy for £1 invested in SGW generated favourable returns compared to other training programmes. However, the cost per job created is estimated to be £13,200 which is at the most expensive end of programmes compared.

#### **What are the lessons for future programmes?**

7.33 SGW was essentially a training intervention which was available to all businesses with business support and advice to ensure the training was relevant and met business needs.

7.34 The evaluation of SGW indicates that the Welsh Government should consider the following when devising future programmes: first in relation to their shape/design and then in relation to their implementation and delivery and the evaluation of their impact.

### *Design and rationale*

7.35 For programmes that provide financial support to employers directly for workforce development:

- Programme design should reflect the rationale for a public intervention which is to address employer underinvestment in training and thus eliminate skills gaps and shortages;
- Programme objectives, targets and metrics should therefore include outcomes in relation to investment in training and achieving business benefits related to this - sales, profit, productivity - and impact on turnover in the longer term – rather than employment growth; and
- Advice and support can ensure as evidenced in SGW that businesses are better able to invest in training effectively.

7.36 For programmes that are expected to support growth:

- Programme design should reflect the rationale that it is small businesses that are most likely to create jobs and that large businesses are most likely to increase productivity and job survival. These are generally separated to focus on different groups of businesses with different needs and solutions; and
- Although training can be a component of support, high growth programmes focused on small employers, for example, require business advice and support which enables the implementation of plans (coaching, mentoring, peer support, networking) not just their development of the plan.

7.37 For programme to support equalities, sustainability and Welsh language aims:

- To determine the key aspects of the programme which could effect a change in outcomes
- To integrate these aspects throughout the delivery to well-defined outcomes and targets.

### *Implementation and delivery*

7.38 For any programmes that provide funding to employers and include an intermediary element:

- Establish and sustain links to other programmes which can be mutually supportive; map relationships to other targets and impacts and build into referral and support mechanisms to businesses;
- Train the intermediaries, closely monitor their performance and sustain relationships through further briefing;
- Ensure payments to intermediaries reflect the cost benefits of their support towards achieving targets; adjust these if experience suggests they are not well matched and ensure there is flexibility in what support businesses are offered;
- Provide clear information to businesses at the point of application providing a straightforward account of administrative requirements and scheme regulations; and
- Promote flexibilities and systems to businesses to reduce the paperwork burden.

*Evaluation of impact*

7.39 For programmes that provide funding to employers where it is desirable to measure their economic impact:

- If a quasi-experimental approach to evaluation is to be feasible, design the programme to enable a comparative group of employers who are not taking part in the programme to be identified. This could be through restricting a programme to a defined area or to criteria being met for inclusion (which can then be used for propensity score matching); and
- Ensure data collected can be shared with evaluators for analysis and invitations to participate in research.

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## Annexes

## Annex 1 – Evaluation Framework

Logic model element	Indicator	Tool / method of evidence collection
Rationale	Evidence base for the activities selected	<p>Document and MI Review</p> <p>Scoping interviews</p> <p>Stakeholder interviews</p> <p>Training provider interviews</p> <p>WDA interviews</p> <p>Employer survey</p> <p>Employer case studies</p>
Inputs	<p>Funding allocation and spend</p> <p>Programme was well managed / allocation of inputs was appropriate</p>	<p>Document and MI Review</p> <p>Scoping interviews</p> <p>Stakeholder interviews</p> <p>Scoping interviews</p> <p>Stakeholder interviews</p> <p>Training provider interviews</p> <p>WDA interviews</p> <p>Employer survey</p> <p>Employer case studies</p>

Logic model element	Indicator	Tool / method of evidence collection
Outputs	Assessment of achievement against targets:	Document and MI Review
	No. of Employers engaged	
	No. of Participants trained	
	No. of Learning and Development Strategies	
	No. of Qualifications at L2 or above	
	No. of training providers providing training	
Short-term Outcomes	Employers	Employer survey
	Filled current training needs / sector demand	Employer case studies
	Improved knowledge of business training needs	WDA interviews (triangulation)
	Increased awareness and use of training provision, including other WG support	Stakeholder interviews (triangulation)
	Able to meet equality plan needs in relation to training	Training provider interviews (triangulation)
	Able to meet Welsh language/medium training requirements	Document Analysis
	Employees	Employee survey
	Raised skill level	Employer survey
	Increased morale and job satisfaction	Employer case studies
	Increased productivity	Document analysis
	Accessed further education and training	
	Increased proficiency in Welsh language skills	

Logic model element	Indicator	Tool / method of evidence collection
Medium-term Outcomes	Employers	Employer survey
	Creation of 3,000 jobs	Employer case studies
	% increase in turnover	Stakeholder interviews
	% increase in profit	WDA interviews (triangulation)
	Increased potential for growth and job creation	
	% increase in training budgets	
	Increased ability to meet skills needs	
	Employees	Employee survey
	Increase in pay/ wages	Employer survey
	Ongoing effect on career progression	Employer case studies
	Ongoing effect on pay	
	Ongoing effect on skills	
	Employee is able to respond to changes in the organisation / business	
	More opportunities for career progression for women, BME individuals, workers with a disability	
More opportunities for training for women, BME individuals, workers with a disability		
Longer-term Impacts	Contributed to highly skilled and highly educated workforce	Employer survey Document analysis National data analysis
	Contributed to targets for full employment	

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Logic model element	Indicator	Tool / method of evidence collection
	Encourage and stimulate enterprise	
	Contributed to growth in GDP as a result of increased turnover, profitability and job creation by businesses	

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## **Annex 2 – Research Tools**

This annex includes the research tools to be used in the evaluation. It includes a:

- Topic guide for telephone interviews with WD Advisors;
- Topic guide for telephone interviews with stakeholders;
- Topic guide for telephone interviews with Training Providers;
- Lines of Inquiry for Case Studies
- Survey of Employers Questionnaire
- Survey of Learners Questionnaire

Topic Guide for Workforce Development (WD) Advisors

<b>Date of interview:</b>		<b>Name of interviewer:</b>	
<b>Name of interviewee:</b>			
<b>Position:</b>			

Background

What is your role within the team of WDs? Explore any geographical/sector patch/expertise (e.g Welsh language skills) if appropriate and key activities involved in building relationships and advising businesses on SGW etc

How long have you been in the role? How long have you been providing WD advice as part of SGW and other programmes?

Check information on businesses assisted in SGW and explore how allocated.

Check whether any role played in recruiting businesses to participate in SGW. If so, where did they get leads and how did they gain their interest.

**IF WDA did NOT work with SGW employers, GO TO Q15**

Quality of service to employers

Check what they have generally done for businesses? Explore in relation to:

Helping employers to identify skills gaps and training needs to meet growth plans

Assisting with the training plan for funding and costing

Help employers to source appropriate training (courses, providers) to meet their needs (e.g work based, Welsh language skills, Welsh-medium training, time flexible) and assess costs

Convincing employers of the value of accredited/industry standard training

Signposting employers to access other forms of support (explore views on why employers accessed or didn't access other forms of support)

Helping employers with identifying and sourcing non-eligible training

Helping employers to establish processes to review skills needs within their organisation

Helping employers to develop/improve equality/diversity strategies

Seek examples about the businesses assisted. Explore examples where businesses changed their initial views and practices as a result of the relationship.

What has been effective in getting employers engaged in the SGW programme? Explore in terms of how they promote SGW to employers and whether they employ different approaches to

engaging with different employers (size, sector, region, stage of growth) within SGW and with other programmes.

Establish how frequently different assistance has been provided; the level of assistance needed (inputs/time); differences between employers in level/type of need; similarities in needs and gaps in knowledge about training courses/providers; any training which has been difficult/not possible to source to meet employer needs. Explore whether they employ different approaches with different employers (size, sector, region, stage of growth) to meet needs.

Explore perceptions of the strengths of the project model/process? Weaknesses? Gaps? Added value? Challenges in delivering the advice (and whether they were overcome or remain)? Differences between phases of SGW?

Explore perceptions of the impact of the advice? E.g plans in place, better plans in place, increased knowledge of courses/providers, increased investment in training, skills gaps filled that were a constraint on growth (comparing situation at end of relationship compared to starting point). Seek concrete examples

#### Relationship with Providers

What actions did you undertake to identify suitable providers that would meet employers' needs? What research did you undertake? What sources of help and assistance did you use? Explore how easy/difficult this process was and how useful the sources of information are/were.

To what extent were training providers proactive in promoting SGW or particular training courses to employers? Explore views of whether this worked well or not so well and why. Seek concrete examples.

How have providers responded to meeting new needs? Explore the extent they have been flexible and proactive in adapting training and delivery to meet employers' needs where they did not match. How have they been persuaded to change and what has been effective in achieving this? What have been barriers? Seek concrete examples of where it went well.

Explore perceptions of the wider benefits of SGW to providers (e.g new business beyond SGW, new contacts, new delivery models tested)?

#### Impact and added value

To what extent has the service to **employers** brought about action and investment that would not have otherwise happened? Explore nature of these and evidence and examples. Explore any evidence of displacement (i.e. the extent to which the impact of the service has been offset by a reduction in activity elsewhere)

To what extent has the service's work with training **providers** brought about changes that would not otherwise have happened? Explore nature of these changes with evidence and examples. Explore any evidence of displacement.

NOW GO TO Q19

ONLY ASK For WD Advisors that did not work on SGW

Explore understanding and engagement of SGW programme? To what extent were they aware of SGW? Had they received sufficient and appropriate information about it? Was the rationale and benefits for employers clear? Were the processes for providing advice and referring employers to SGW clear? What could be improved?

Explore their reasons for not working with SGW employers. Explore fully for: whether SGW not suitable for the types of employers they engaged and supported (region, sector, size, growth plan); suitability of training and funding offer; lack of demand / interest by employers; lack of awareness; barriers around process; lack of time. Particularly explore regional / geographical dimension. Identify what specific factors would have generated greater engagement.

Explore understanding and engagement of SGW programme? To what extent were they aware of SGW? Had they received sufficient and appropriate information about it? Was the rationale and benefits for employers clear? Were the processes for providing advice and referring employers to SGW clear? What could be improved?

Explore perceptions of the strengths of the SGW programme model/process? Weaknesses? Gaps? Added value? Challenges in delivering the advice (and whether they were overcome or remain)? Differences between phases of SGW?

Finally

Was there anything about SGW you thought I was going to ask that we haven't covered? Do you have any other comments you would like to make about SGW?

**Thank you for your time**

## Topic Guide for Stakeholders

<b>Date of interview:</b>		<b>Name of interviewer:</b>	
<b>Name of interviewee:</b>			
<b>Position:</b>			
<b>Provider Organisation:</b>			
<b>Location</b>			

### Background

What is your understanding of SGW and what has been your organisation's relationship with it? Explore any involvement in its development? And in identifying or signposting businesses to participate

What do you see as the need for SGW in your sector? Is this the same now as it was in 2012? How far does it contribute to sector workforce skills needs? What gap does it fill in WG support for developing workforce skills in your sector? Explore for differences between employers (size, sector, region, stage of growth).

Explore to what extent take up from the sector reflects level of need or reflects other factors (e.g. promotion, eligibility, indirect costs of training). Explore for differences between employers (size, sector, region, stage of growth).

### Effectiveness of the service

From your perspective what are your views on key features of the SGW delivery model since 2012:

The criteria for eligible businesses

The maximum value of the training

The choice/selection of training/training provider

Accredited/industry standard training

WD advisor

Application and claim processes

If aware of businesses' experiences, explore whether the changes made in the programme have been improvements and why? What has worked well and why? What has not or what have been challenges (e.g. availability of training to match needs, businesses who can identify training that will achieve growth, quality and experience of HRDs?)

From wider knowledge of WG and other programmes to engage employers in workforce development, how well does it compare? [be prepared to mention others] What are its good features? How could it be improved?

How far would you support SGW or a similar programme continuing and why?

How far do you believe that SGW has (explore for examples for each response and explore for differences between employers by size, sector, region, stage of growth):

Provided information, advice and guidance to employers so that they can make better informed choices about training needed to achieve growth

Provided information, advice and guidance to employers so that they can make better informed choices about training providers who can better meet their needs

Drawn in employers to participate in training they would not otherwise have done/supported

Enhanced the links between employers and learning providers and built continuing relationships and investment in training

Increased providers' responsiveness to employers and their flexibility to meet employers' needs

Built more employer support for accredited training/industry standards

Provided more efficient and effective relationships between WG funded support for businesses and employers

Finally

Was there anything about SGW you thought I was going to ask that we haven't covered? Do you have any other comments you would like to make about SGW?

**Thank you for your time**

## Topic Guide for Training Providers

<b>Date of interview:</b>		<b>Name of interviewer:</b>	
<b>Name of interviewee:</b>			
<b>Position:</b>			
<b>Provider Organisation:</b>			
<b>Location</b>			

### Background

Establish role of interviewee in provider and check information on courses/qualifications delivered and employers covered

Explore the relationship with SGW and when this started? Establish if any involvement in identifying and referring employers? If so, what did they do and why? Explore for any differences by employer type (size, sector, region, stage of growth)

What from the provider perspective is the need for SGW? Explore whether it helps to identify appropriate training for employers and engages employers in new training which they would fail to do? Explore for any differences by employer type (size, sector, region, stage of growth, Welsh-speaking workforce)

### Effectiveness of the service

From your perspective what are your views on key features of the SGW delivery model since 2012:

The criteria for eligible businesses

The maximum value of the training

The choice/selection of training/training provider

Accredited/industry standard training

WD advisor

Application and claim processes

Explore any limitations on training that can be offered to meet needs and on employer/provider interest (including regarding training through the medium of Welsh or Welsh language skills)

From your perspective, what do you see as being the key benefits of SGW? If they see none, explore why they think this. To what extent has SGW delivered these benefits? Explore any reasons why it has/has not.

What is your perception of how well the WD advisor identifies employers' training needs and providers to meet these? Explore with examples:

To what extent do employers have the correct understanding of the provision you deliver?

Are employers signposted to courses that meet their needs?

Do employers have a good understanding of the course?

Are learners finding the courses relevant to their needs? Any feedback from learners? Can you share this with us?

How has your relationship with SGW (and WDAs) developed since 2010? Explore how it works, if it has improved/deteriorated/variable, and what have been the causes of this.

What are the overall strengths of the service? How does it compare with other schemes to support (co-investment in) the development of workforce skills? Explore cost effectiveness, efficiency

What are the key challenges and areas for improvement?

To what extent do the WD advisors offer impartial advice to employers about your provision? Explore the benefit employers get from impartial advice which may improve their relationship with providers.

Impact and added value of the service

Explore perceptions of how many SGW learners/employers would have accessed the training provided without the SGW offer including the WDA service? (Proportions they feel would have come to them directly, how many would have been engaged by their marketing, and how many would not have accessed it at all)

To what extent has engagement in SGW developed more responsive employer provision [which would not be attributable to other programmes or internal improvements]? Explore in terms of whether it has led to:

Changing curriculum offer (including Welsh language skills training)

Changing delivery methods (including delivery through the medium of Welsh)

Marketing to employers and understanding the market better

Engaging with employers to increase take-up of other publicly funded training and purchase of employer-funded training

Explore for any differences by employer type (size, sector, region, stage of growth)

Would the same changes have occurred anyway?

Not at all

Over the same time period, but on a reduced scale (by what % smaller?)

At the same scale, but not as quickly (how many months delay?)

On the same scale, and over the same time period

Other

Explore why.

Finally

Was there anything about SGW you thought I was going to ask that we haven't covered? Do you have any other comments you would like to make about SGW?

### **Thank you for your time**

Lines of Inquiry for Case Studies

Company lead on relationship with SGW and WDA

Establish quality of working relationship with SGW and processes

Explore the process of learning about SGW (training provider, WDA, other). Use information from MI data

What was the rationale for taking forward an SGW application? Explore business needs, timing, ambitions.

Explore the relationship with WD and how this contributed to the process required. Explore (training plan, learning strategy, diversity and Welsh language skills training and training through the medium of Welsh, , sourcing training, arranging training, 12month review and evaluation report)

Explore the quality of information, advice and guidance from WDA at all stages

Explore the general benefits of the WDA

Establish added value of process and training

Explore perceptions of SGW funding model (employer-sourced provision, flexibility in training dates, multiple training plans allowed)

Explore the benefits of the training plan and focus on equalities/diversity and 12m report

Explore the benefits of new training courses compared to previous training (content, relevance, depth, accreditation, providers, mode of delivery, flexibility)

Explore whether training gaps have been filled (e.g. sector-specific issues, Welsh language skills and training through the medium of Welsh, providers sourced for Welsh language)

Explore any benefits in terms of more efficient use of training budgets, filling skills gaps/shortages without incurring recruitment costs. Seek specific examples.

Establish extent that growth plan has been achieved and its attribution to SGW process and training (and other factors)

Explore in relation to turnover, jobs

Explore other growth eg in new business/customers

Explore in relation to productivity/efficiency of work/costs

Explore attribution to specific training courses and other factors (market demand, borrowing/investment, recruitment, premises/equipment)

Senior manager with overview of SGW training and the development of the business before/since the training

For each training course, establish and explore:

Relevance and comparative quality of the training

How the manager was involved in selection and sourcing of training (if at all)

Application of the training in the business

Expected benefits and outcomes at the point of application

Have these benefits and outcomes been achieved? Why/ why not?

Does achievement relate to the training or to other factors?

Establish perspectives on the added value of the process and the training

Explore the benefits of the training plan, 12 month report and focus on diversity

Explore the benefits of new training courses compared to previous training

Content / depth

Mode of delivery

Relevance

Accreditation

Providers

Explore whether training gaps have been filled (e.g. sector-specific, Welsh language skills, Welsh-medium training)

Any benefits in terms of more efficient use of training budgets, filling skills gaps/shortages without incurring recruitment costs

Establish the extent that the growth plan has been achieved and its attribution to SGW process and training (and other factors)

Explore in relation to turnover, jobs

Explore other growth eg in new business/customers

Explore in relation to productivity/efficiency of work/costs

Explore attribution to specific training courses and other factors (market demand, borrowing/investment, recruitment, premises/equipment)

Staff trained on selected courses (preferably agreed in advance)

Establish the relevance of the training to the job/role/business: explore content and knowledge/skills etc gained and their value

Establish perceptions of comparative quality of course and cost effectiveness of time spent and return

Establish the use of the training on the job. Explore:

what applied and when

benefits to job / role / business

what enabled this

what not applied and why

Establish personal benefits of the training. Explore:

Pay

Promotion

Job satisfaction

Attitudes to work/career/ambitions/

Relationships in the business (within team / with management)

Explore learners' perceptions of wider benefits to the business, particularly in relation to growth plans.

Line managers of groups of staff trained

Establish the relevance of the training to the job/role/business

Explore content

knowledge/skills gained and their value

Establish perceptions of comparative quality of course and cost effectiveness of time spent and return on this

Establish the use of the training on the job: explore what applied/when and with what benefit to job/role/business; what enabled this; what not applied and why

Establish perceptions of personal benefits of the training for staff: Explore pay, promotion, job satisfaction, attitudes to work/career/ambitions/ relationships in the business

Establish the benefits of above on specific improvements in efficiency/productivity, growth in turnover, new customers/services, job creation, skill gap filling

## Employers' Survey

ICF Consulting and Beaufort Research have been commissioned by the Welsh Government to evaluate the final phase of Skills Growth Wales ESF project which started March 2012 and will be completed by September 2015.

The Skills Growth Wales project provided employers with grants towards the cost of training existing and new workers that would help companies to achieve growth plans.

We understand that your application to Skills Growth Wales was successful and you received funding towards training your employees. We would be very grateful if you could spare 20 minutes of your time to answer a number of questions about the Skills Growth Wales programme and the impact it has had on your organisation.

Are you the most appropriate person to talk to about this support?

**IF NOT ASK TO SPEAK TO THE MOST APPROPRIATE PERSON OR MAKE AN APPOINTMENT**

Would you be willing to take part now?

<b>Yes</b>	Continue with interview
<b>No</b>	Arrange a suitable appointment time or thank and close

**Your responses will be treated in the very strictest of confidence and will not be made available to any third party in a way that would enable the identification of any individual respondent. The information that you provide will only be used for the purposes of this evaluation.** If you have any questions about this survey, or the study more broadly, please do not hesitate to contact the study manager from ICF Consulting (Stephanie Charalambous at [steph.charalambous@icfi.com](mailto:steph.charalambous@icfi.com) or on 20 3096 4815) or Faye Gracey at Welsh Government on 02920 825459.

### Section 1: Business background

First of all, can I ask what your position within the business is? WRITE IN:

Please could you confirm the business name? WRITE IN:

### Section 2: Project Effectiveness

How did you first hear about the Skills Growth Wales project? [Read out codes]

1	Through the Workforce Development Programme	
2	From a Workforce Development Advisor	

3	Other Welsh Government contact	
4	Through a Training Provider	
5	Through a sector or industry contact or network	
6	Through Wales TUC	
7	Another company	
8	Website / the internet	
9	Don't know/refused (Do not read out)	

Please tell me how satisfied you were with the support and information provided by Welsh Government staff over the duration of the Skills Growth Wales programme/ [INTERVIEWER TO READ OUT]:

1	Very dissatisfied	
2	Fairly dissatisfied	
3	Fairly satisfied	
4	Very satisfied	
6	Don't know/refused (Do not read out)	

**Our records show that as part of the Skills Growth Wales programme you received support from < Name of WDA> a Workforce Development Advisor.**

Please tell me what support did the Workforce Development Advisor give your organisation?  
UNPROMPTED, RECORD VERBATIM

Please can I check did the Workforce Development Advisor provide any of the following types of support? READ OUT EACH IN TURN

1	Completing the Skills Growth Wales Business Plan (application form)	
2	Undertaking an assessment of skills, training and development needs	
3	Help with developing a Learning and Development Plan for your company	

4	Help with developing Training Plans for Skills Growth Wales funding	
5	Advising or recommending training providers	
6	Helping with organising training in your company	
7	Undertaking the 12 month review and evaluation of training	
8	Advising on ESF paperwork requirements	
9	Advice on Welsh language skills training	
10	Advice on training through the medium of Welsh	
10	Advice on equality and diversity	
11	Advice on environmental sustainability	
12	Other help	

Please tell me how useful to your organisation did you find the following aspects of support provided by the Workforce Development Advisor? If you didn't receive a particular aspect of support please tell me.

... identifying your organisations' learning and development needs?

Not at all useful

Somewhat useful

Fairly useful

Very useful

Did not receive (Do not read out)

DK (Do not read out)

... understanding how training can help your business achieve growth?

Not at all useful

Somewhat useful

Fairly useful

Very useful

Did not receive (Do not read out)

DK (Do not read out)

... advising on suitable training providers for your needs?

Not at all useful

Somewhat useful

Fairly useful

Very useful

Did not receive (Do not read out)

DK (Do not read out)

...developing Training Plans for Skills Growth Wales?

Not at all useful

Somewhat useful

Fairly useful

Very useful

Did not receive (Do not read out)

DK (Do not read out)

... helping with organising training for my staff?

Not at all useful

Somewhat useful

Fairly useful

Very useful

Did not receive (Do not read out)

DK ( Do not read out)

... the evaluation and review of training for the 12 Month Review for Skill Growth Wales?

Not at all useful

Somewhat useful

Fairly useful

Very useful

Did not receive (Do not read out)

DK (Do not read out)

... the support of the Workforce Development Advisor overall?

Not at all useful

Somewhat useful

Fairly useful

Very useful

Did not receive (Do not read out)

DK (Do not read out)

Thinking about all training you were able to fund through Skills Growth Wales, please tell me how satisfied you were with the following aspects related to training:

... the availability of suitable training providers in your industry?

Very dissatisfied

Fairly dissatisfied

Fairly satisfied

Very satisfied

Did not receive (Do not read out)

DK (Do not read out)

... the availability of suitable training providers in your area or region?

Very dissatisfied

Fairly dissatisfied

Fairly satisfied

Very satisfied

Did not receive (Do not read out)

DK (Do not read out

... the availability of training through the medium of Welsh for your business needs?

Very dissatisfied

Fairly dissatisfied

Fairly satisfied

Very satisfied

Did not receive (Do not read out)

DK (Do not read out

... the process of organising training for your employees?

Very dissatisfied

Fairly dissatisfied

Fairly satisfied

Very satisfied

Did not receive (Do not read out)

DK (Do not read out

... the relevance of the training delivered to your business needs?

Very dissatisfied

Fairly dissatisfied

Fairly satisfied

Very satisfied

Did not receive (Do not read out)

DK (Do not read out

...the content of the training delivered?

Very dissatisfied

Fairly dissatisfied

Fairly satisfied

Very satisfied

Did not receive (Do not read out)

DK (Do not read out

...the quality of the training delivered?

Very dissatisfied

Fairly dissatisfied

Fairly satisfied

Very satisfied

Did not receive (Do not read out)

DK (Do not read out

... the cost of training?

Very dissatisfied

Fairly dissatisfied

Fairly satisfied

Very satisfied

Did not receive (Do not read out)

DK (Do not read out

SECTION 3: Added value

ASK ONLY IF RESPONDENT REPORTS THAT SKILLS, TRAINING AND DEVELOPMENT NEEDS ASSESSMENT TOOK PLACE AT Q5/6.

If you had not participated in Skills Growth Wales, would you have undertaken a skills needs assessment as that undertaken by Workforce Development Advisor in some other way? (READ OUT)

1	Not at all
2	Undertaken it over the same time period, but on a reduced scale
3	Undertaken it on the same scale but not as quickly
4	Undertaken it on the same scale and over the same time period
5	Don't know/refused (Do not read out)

ASK ONLY IF RESPONDENT REPORTS THAT LEARNING AND DEVELOPMENT PLAN OR TRAINING PLAN TOOK PLACE AT Q5/6.

If you had not participated in Skills Growth Wales, would you have developed a Learning and Training Plan for your company in the some other way? (READ OUT)

1	Not at all
2	Undertaken it over the same time period, but on a reduced scale
3	Undertaken it on the same scale but not as quickly
4	Undertaken it on the same scale and over the same time period
5	Don't know/refused (Do not read out)

How many individuals within your organisation have undertaken training funded through Skills Growth Wales since date (??)?

Don't know

Without Skills Growth Wales support, how many individuals would have taken part in the training since date (??)?

Don't know

Without Skills Growth Wales support, would the training that you would have organised for staff been in this period... (READ OUT)

1	No training would have been organised	YES / NO
2	Fewer staff would have been trained	YES / NO
3	Cheaper or shorter training	YES / NO
4	Taken place over a longer period	YES / NO

6	Don't know/refused (Do not read out)	
---	--------------------------------------	--

How many individuals within your organisation have undertaken training funded through Skills Growth Wales through the medium of Welsh in this period?

Don't know

ASK IF ANSWER AT Q14 IS 1+

Without Skills Growth Wales support, how many individuals would have taken part in training through the medium of Welsh in this period?

Don't know

#### SECTION 4: Outcomes

Please tell me what impact you think the Skills Growth Wales programme has had in helping your business to...[ READ OUT]

...have a better skilled workforce?

A very negative impact

A negative impact

No impact

A positive impact

A very positive impact

Not relevant (Do not read out)

DK (Do not read out)

...have a more flexible workforce?

A very negative impact

A negative impact

No impact

A positive impact

A very positive impact

Not relevant (Do not read out)

DK (Do not read out)

... reduce skills shortages and gaps within your organisation?

A very negative impact

A negative impact

No impact

A positive impact

A very positive impact

Not relevant (Do not read out)

DK (Do not read out)

...improve the productivity of your workforce?

A very negative impact

A negative impact

No impact

A positive impact

A very positive impact

Not relevant (Do not read out)

DK (Do not read out)

**ONE**

...improve workforce morale and attitude to work?

A very negative impact

A negative impact

No impact

A positive impact

A very positive impact

Not relevant (Do not read out)

DK (Do not read out)

...improve the level of enterprise and innovation among senior managers in your organisation?

A very negative impact

A negative impact

No impact

A positive impact

A very positive impact

Not relevant (Do not read out)

DK (Do not read out)

... improve the literacy, language and numeracy skills of your staff?

A very negative impact

A negative impact

No impact

A positive impact

A very positive impact

Not relevant (Do not read out)

DK (Do not read out)

... improve the Welsh language skills of your staff?

A very negative impact

A negative impact

No impact

A positive impact

A very positive impact

Not relevant (Do not read out)

DK (Do not read out)

...be more aware of your company's training needs?

A very negative impact

A negative impact

No impact

A positive impact

A very positive impact

Not relevant (Do not read out)

DK (Do not read out)

...better focus training resources?

A very negative impact

A negative impact

No impact

A positive impact

A very positive impact

Not relevant (Do not read out)

DK (Do not read out)

...better meet the training needs of women, ethnic minorities and people with disabilities in your workforce?

A very negative impact

A negative impact

No impact

A positive impact

A very positive impact

Not relevant (Do not read out)

DK (Do not read out)

...become more aware of how training providers in your area and industry can support your workforce development?

A very negative impact

A negative impact

No impact

A positive impact

A very positive impact

Not relevant (Do not read out)

DK (Do not read out)

...improve your company's environmental sustainability?

A very negative impact

A negative impact

No impact

A positive impact

A very positive impact

Not relevant (Do not read out)

DK (Do not read out)

Please tell me what impact you think the Skills Growth Wales programme has had in helping your business to...[ READ OUT]

...introduce cost savings?

A very negative impact

A negative impact

No impact

A positive impact

A very positive impact

Not relevant (Do not read out)

DK (Do not read out)

...improve quality of your products and services?

A very negative impact

A negative impact

No impact

A positive impact

A very positive impact

Not relevant (Do not read out)

DK (Do not read out)

...increase your sales?

A very negative impact

A negative impact

No impact

A positive impact

A very positive impact

Not relevant (Do not read out)

DK (Do not read out)

...meet customer requests or needs?

A very negative impact

A negative impact

No impact

A positive impact

A very positive impact

Not relevant (Do not read out)

DK (Do not read out)

...introduce new products and/or services?

A very negative impact

A negative impact

No impact

A positive impact

A very positive impact

Not relevant (Do not read out)

DK (Do not read out)

... win new contracts ?

A very negative impact

A negative impact

No impact

A positive impact

A very positive impact

Not relevant (Do not read out)

DK (Do not read out)

...expand into new markets, including through exports?

A very negative impact

A negative impact

No impact

A positive impact

A very positive impact

Not relevant (Do not read out)

DK (Do not read out)

... be in a better position to bid for work?

A very negative impact

A negative impact

No impact

A positive impact

A very positive impact

Not relevant (Do not read out)

DK (Do not read out)

... be in a better position to employ more staff in Wales the next three years ?

A very negative impact

A negative impact

No impact

A positive impact

A very positive impact

Not relevant (Do not read out)

DK (Do not read out)

How could Skills Growth Wales be improved? Spontaneous. Probe Fully

#### SECTION 5: The impacts on your business

We are now going to ask a few questions about your business to help us identify the impact of the Skills Growth Wales project has had on your business.

Including yourself, how many people are employed at your business establishment today **at...**?

1	Full time	Specify
2	Part time	Specify
3	Refused/DK	

If you had not received Skills Growth Wales support, how many people do you think would be employed at your business establishment now? **WRITE IN:**

1	Full time	Specify
2	Part time	Specify
3	The business would have closed	

4	Refused/DK	
---	------------	--

I am now going to ask you some questions about your annual training budget...

Between when you first accessed the Skills Growth Wales and the present day, has your annual training budget... [ READ OUT]

1	Increased
2	Decreased
3	Stayed exactly the same
4	Refused/ DK

Please could you estimate how much you spent on training and staff development in 2014 (your training budget for 2014)? WRITE IN

£

If you had not accessed Skills Growth Wales support please could you estimate how much you would have spent on training and staff development in 2014? WRITE IN:

Don't know

I am now going to ask some questions about turnover.....

Are you willing and able to provide actual data on your business's annual turnover or would you rather make use of more general turnover bands? CODE ONE:

1	Provide actual turnover data	GO to Q25
2	Prefer to use general turnover bands	GO to Q26
3	Refuse to provide/DK turnover	Go to Q34

Please indicate your annual turnover... (WRITE IN):

1	When you first accessed the service	
2	Now	

3	Refused / DK	Go to Q27
---	--------------	-----------

If you had not received support from Skills Growth Wales what do you think your current annual turnover would be? WRITE IN:

1	Specify turnover	GO TO Q34
2	Refused/DK	GO TO Q34

Please indicate which of the following bands your annual turnover falls within:

**READ OUT**

1	Less than £50,000	
2	£50,001-£100,000	
3	£100,001-£250,000	
4	£250,001-£500,000	
5	£500,001-£1 million	
6	From £1 million to less than £5 million	
7	From £5 million to less than £10 million	
8	Over £10 million	
9	Refused/DK	

Please could you estimate by how much your annual turnover has changed between when you first accessed the Skills Growth Wales and the present day...

1	Increased	Go to Q29
2	Decreased	Go to Q30
3	Stayed exactly the same	Go to Q4
4	Refused/ DK	Go to Q34

How much has your turnover increased? Please answer in a percentage

Refused/ Don't know

GO TO Q34

How much has your turnover decreased? Please answer in a percentage

Refused/ Don't know

If you had not accessed Skills Growth Wales support how do you think that your annual turnover would have increased or decreased, and by how much?

1	Increased	Go to Q32
2	Decreased	Go to Q33
3	Stayed exactly the same	Go to Q34
4	Refused/ DK	Go to Q34

How much do you think your turnover would have increased?  
your answer as a percentage.

Please give

Don't know

GO TO Q34

How much do you think your turnover would have decreased?  
Please give your answer as a percentage.

Don't know

**ASK ALL**

Now thinking about profit rather than turnover...

Between when you first accessed the Skills Growth Wales and the present day, has your actual profit...

1	Increased
2	Decreased
3	Stayed exactly the same
4	Refused/ DK

If you had not accessed Skills Growth Wales support do you think that your annual profit would have...

1	Increased
2	Decreased
3	Stayed exactly the same
4	Refused/ DK

Looking forward to 2018, so in three years' time, in all likelihood how do you think that your business's employment and annual turnover will change? CODE ONE PER STATEMENT:

	Increase	Decrease	Stay the same	Refused DK
Employment	1	2	3	4
Annual turnover	1	2	3	4

Please estimate what proportion of your DIRECT COMPETITORS are located within the following areas (ANSWERS SHOULD ADD UP TO 100%):

In Wales	%	Refused/ Don't know
Elsewhere in the UK	%	Refused/ Don't know
Outside the UK	%	Refused/ Don't know
TOTAL	100%	Refused/ Don't know

Please estimate what proportion of your CUSTOMERS who are located within the following areas (ANSWERS SHOULD ADD UP TO 100%):

In Wales	%	Refused/ Don't know
Elsewhere in the UK	%	Refused/ Don't know
Outside the UK	%	Refused/ Don't know
TOTAL	100%	Refused/ Don't know

Please estimate the proportion of your SUPPLIERS who are located within the following areas (ANSWERS SHOULD ADD UP TO 100%):

In Wales	%	Refused/ Don't know
Elsewhere in the UK	%	Refused/ Don't know

Outside the UK	%	Refused/ Don't know
TOTAL	100%	Refused/ Don't know

Please estimate the proportion of your current EMPLOYEES who live within the following areas (ANSWERS SHOULD ADD UP TO 100%):

In Wales	%	Refused/ Don't know
Elsewhere in the UK	%	Refused/ Don't know
Outside the UK	%	Refused/ Don't know
TOTAL	100%	Refused/ Don't know

In a sentence or two, please can you describe any positive or negative effects (if any) that the Skills Growth Wales programme has brought to your business. PROBE FULLY.

Do you have any other comments you would like to make about SGW? Was there anything about SGW you thought I was going to ask that we haven't covered? PROBE FULLY.

**THANK AND CLOSE**

## SGW Employee Survey

We understand that you participated in <Name of Training Course> in <Month, Year>. Your employer, <name of employer> received funding towards the cost of that training from the Skills Growth Wales project. This was a European-funded project that helped employers with grants towards the cost of training for existing and new workers that would help companies to achieve growth plans.

ICF Consulting and Beaufort Research have been commissioned by the Welsh Government to evaluate the final phase of the Skills Growth Wales project.

We would be very grateful if you could spare 10 minutes of your time to answer a number of questions about this specific training programme and the impact it has on you and your company/employer.

Would you be willing to take part now?

<b>Yes</b>	Continue with interview
<b>No</b>	Arrange a suitable appointment time or thank and close

**Your responses will be treated in the very strictest of confidence and will not be made available to any third party that would enable the identification of any individual respondent. The information that you provide will only be used for the purposes of this evaluation.** If you have any questions about this survey, or the study more broadly, please do not hesitate to contact the study manager from ICF Consulting (Stephanie Charalambous at [steph.charalambous@icfi.com](mailto:steph.charalambous@icfi.com) or Faye Gracey at Welsh Government on 02920 825459.

### Section 1: Business background

**You may have participated in lots of different training courses. From now on, please only answer about <Name of Training Course> in <Month, Year>.**

First of all, can I ask what is your job title/role is? WRITE IN:

When did you start working in your job? WRITE IN:

Date: MM / YY

If new role since 2012: What was your job at the time when you attended Skills Growth Wales training?

How long have you been working with < Name of Company>? WRITE IN:

Date: MM / YY

Do you manage any staff in your current job?

1	Yes
2	No

Did you manage any staff at the time when you attended Skills Growth Wales training?

1	Yes
2	No

## Section 2: Effectiveness

Thinking about the <NAME OF TRAINING> course, which of these statements best describes whether you had a choice about attending the training?

1	I HAD a choice about attending the course – I did not have to do it if I didn't want to
2	I did NOT have a choice about attending the course – I had to do it as part of job

DK

Thinking about the training course that you attended, please tell me how far you agree or disagree with the following statements. The training was: [ READ OUT]

...relevant to your job role at the time (?) ?

Strongly disagree

Disagree

Agree

Strongly agree

DK (Do not read out)

...relevant to the activities of your company?

Strongly disagree

Disagree

Agree

Strongly agree

DK (Do not read out)

...relevant to your future job prospects?

Strongly disagree

Disagree

Agree

Strongly agree

DK (Do not read out)

... was interesting and informative?

Strongly disagree

Disagree

Agree

Strongly agree

DK (Do not read out)

... provided by high quality lecturers / tutors / instructors ?

Strongly disagree

Disagree

Agree

Strongly agree

DK (Do not read out)

...used high quality resources or equipment?

Strongly disagree

Disagree

Agree

Strongly agree

DK (Do not read out)

... was well organised?

Strongly disagree

Disagree

Agree

Strongly agree

DK (Do not read out)

... arranged to fit with my job commitments ?

Strongly disagree

Disagree

Agree

Strongly agree

DK (Do not read out)

Did the Skills Growth Wales training meet your expectations?

1	Yes
2	No

How could the training course be improved? Please tell me about how it was organised, delivered or the course content. Open response. Prompt fully .

### Section 3: Impacts

Thinking about you and your job, please tell me how far you agree or disagree with the following statements:

The Skills Growth Wales training has helped you: [ READ OUT]

... learn new things relevant to your job or the business?

Strongly disagree

Disagree

Agree

Strongly agree

Not relevant (Do not read out)

DK (Do not read out)

... develop new skills or improve skills you already had?

Strongly disagree

Disagree

Agree

Strongly agree

Not relevant (Do not read out)

DK (Do not read out)

... improve your competence in your job?

Strongly disagree

Disagree

Agree

Strongly agree

Not relevant (Do not read out)

DK (Do not read out)

...do your job better or faster?

Strongly disagree

Disagree

Agree

Strongly agree

Not relevant (Do not read out)

DK (Do not read out)

...improve your English, maths or computer skills?

Strongly disagree

Disagree

Agree

Strongly agree

Not relevant (Do not read out)

DK (Do not read out)

...improve your Welsh language skills?

Strongly disagree

Disagree

Agree

Strongly agree

Not relevant (Do not read out)

DK (Do not read out)

...be more satisfied about your job?

Strongly disagree

Disagree

Agree

Strongly agree

Not relevant (Do not read out)

DK (Do not read out)

And as a result of attending Skills Growth Wales training, please tell me how far you agree or disagree with the following statements:

The Skills Growth Wales training

...allowed you to do more or different things in your job role?

Strongly disagree

Disagree

Agree

Strongly agree

Not relevant (Do not read out)

DK (Do not read out)

...allowed you to take on more responsibility?

Strongly disagree

Disagree

Agree

Strongly agree

Not relevant (Do not read out)

DK (Do not read out)

...helped you get a promotion?

Strongly disagree

Disagree

Agree

Strongly agree

Not relevant (Do not read out)

DK (Do not read out)

...improved your chances of a promotion?

Strongly disagree

Disagree

Agree

Strongly agree

Not relevant (Do not read out)

DK (Do not read out)

...helped you get a pay rise?

Strongly disagree

Disagree

Agree

Strongly agree

Not relevant (Do not read out)

DK (Do not read out)

...improved your career options in general?

Strongly disagree

Disagree

Agree

Strongly agree

Not relevant (Do not read out)

DK (Do not read out)

Thinking about your company as a whole, please tell me whether you agree or disagree with the following statements:

Because of Skills Growth Wales training, the company

...is managed better?

Strongly disagree

Disagree

Agree

Strongly agree

Not relevant (Do not read out)

DK (Do not read out)

...relationships between staff and management are better?

Strongly disagree

Disagree

Agree

Strongly agree

Not relevant (Do not read out)

DK (Do not read out)

...has been able to win more work or new contracts?

Strongly disagree

Disagree

Agree

Strongly agree

Not relevant (Do not read out)

DK (Do not read out)

...has expanded to provide new products or services?

Strongly disagree

Disagree

Agree

Strongly agree

Not relevant (Do not read out)

DK (Do not read out)

Finally, please tell me how far you agree or disagree with the following statements:

Since you attended Skills Growth Wales training:

...there are more opportunities for training at your company?

Strongly disagree

Disagree

Agree

Strongly agree

Not relevant (Do not read out)

DK (Do not read out)

...you have attended more training provided by your company?

Strongly disagree

Disagree

Agree

Strongly agree

Not relevant (Do not read out)

DK (Do not read out)

...you have attended other training, learning or education courses outside your company?

Strongly disagree

Disagree

Agree

Strongly agree

Not relevant (Do not read out)

DK (Do not read out)

In a sentence or two, please can you describe any positive or negative effects (if any) from the Skills Growth Wales training on you. PROBE FULLY.

**THANK AND CLOSE**

### **Annex 3 – Impact Analysis Technical**

This annex section describes in detail the computation of the impact of SGW on turnover, GVA and jobs created. In particular, it specifies the exact mathematical formulas used; sources of data and specific data collected with their strength and weaknesses; and assumptions made during impact calculations. Firstly, the general approach to impact calculation together with description of data inputs is presented. Secondly, the estimation of productivity growth of participant companies since they joined SGW is presented. Thirdly, the assumptions used to estimate the additionality and multiplier of productivity impacts are stated. Finally, we present estimates used in sensitivity analysis.

#### *General approach to calculation of turnover and GVA impacts of SGW*

ICF only reported the SGW productivity impact as an aggregate for the whole programme. Underlying impact calculations were computed at the level of individual employers only to account for differences in productivity impacts in different economic sectors. They do not accurately reflect the SGW impacts on individual employers, because average turnover growth rates were used to calculate their post SGW turnovers. This approach was used because of low response rate to the employer survey, which did not allow to accurately establish post SGW turnovers at the level of individual employers.

ICF calculated the impact of SGW on productivity in the following steps:

1. Establish pre SGW turnover of all participant employers.
2. Multiply the pre SGW turnovers by average turnover growth rate to get the post SGW turnovers.
3. Multiply pre SGW turnovers by GDP deflator to get its value in 2014 prices and thus account for inflation.
4. Calculate the difference between post and pre SGW turnovers expressed in 2014 prices. This yields real turnover difference that excludes inflation. Inflation is excluded because it has no bearing on the impacts of the programme. Employer turnovers would have grown because of inflation even in absence of SGW.
5. Multiply the calculated turnover differences by the ratio for turnover to GVA conversion. This expresses the changes in employer productivity between the start and end of SGW support.
6. Multiply the GVA differences by the proportion of impacts attributable to the programme after accounting for deadweight, displacement, leakage and substitution. This gives the productivity changes directly attributable to the SGW support.
7. Multiply the productivity changes due to SGW by a multiplier that captures the effect of the programme on wider economy. This gives the total increase in productivity for Welsh economy attributable to SGW.

8. Subtract the SGW funding to express the net benefits resulting from SGW support.
9. Divide the total benefits generated by SGW by the SGW funding to demonstrate the Return on Investment of the project.

When aggregated across all employers, it can be summarized by the following mathematical formula:

*Turnover difference adjusted for inflation*

$$SGW\ impact = (T_0 * T_{GR} - T_0/D_0) * TtoGVA * Atrib * Multip - SGW\ funds$$

where:

- $T_0$  is employer turnover prior to accessing SGW support. This data was primarily collected from management information, which contained information about 159 out of 172 participant employers. Turnover for six further companies was collected from Companies House accounts. For the remaining seven enterprises, turnover was assumed as the average turnover of all companies included in the management information.
- $T_{GR}$  is the average gross turnover growth rate for employers over the period of SGW support. Its calculation is explained in detail in the section below.
- $D_0$  is the GDP deflator used to adjust employer turnovers prior to SGW for inflation, so that they can be accurately expressed in 2014 prices.

We used the most recent set of GDP deflators for years 2011, 2012, 2013 available from HM Treasury (2015). For pre SGW turnovers where the year of turnover was not available (20 businesses), turnovers were assumed to refer to year 2012. This was the most frequent pre SGW turnover year in the management information.

- $TtoGVA$  is a turnover to GVA conversion ratio taken from the 2013 Annual Business survey (Office for National Statistics, 2014). ICF classified employers into six different economic sectors according to descriptions of their business activities<sup>42</sup> and used corresponding turnover to GVA conversion rates:

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<sup>42</sup> Available in the management information

**Table A3.1 Turnover to GVA conversion ratio by economic sector**

<b>Economic sector</b>	<b>Turnover to GVA conversion ratio</b>
<b>Advanced materials and manufacturing</b>	<b>31%</b>
<b>IT, Finance and Professional services</b>	<b>47%</b>
<b>Engineering</b>	<b>53%</b>
<b>Construction</b>	<b>38%</b>
<b>Food production</b>	<b>26%</b>
<b>Other</b>	<b>28%</b>

Table note: Based on 2013 Annual Business survey

- Atrib is proportion of impacts attributable to the programme. Its estimation is described in the section below.
- Multip is the multiplier of programme impacts. Its estimation is described in the section below.
- SGW funds is the SGW funding received by each employer. It equals the ‘agreed funding’ reported in management information. In cases where ‘agreed funding’ was not reported, ICF used ‘funding approved at panel’ instead (for 12 employers).

*Estimated average turnover growth rates*

ICF estimated turnover growth rates for SGW participants based on comparison of pre and post SGW turnovers of participant employers. This comparison was severely limited by gaps in data - the post SGW turnovers were available only for 57 employers. In particular:

- 39 employers reported post SGW turnover in the employer survey;
- 14 additional employers provided post SGW turnover information in management information (in the 12 month evaluations); and
- ICF secured post SGW turnover information for 4 additional employers from Companies House accounts.

The limited data availability did not allow for detailed disaggregation of turnover growth rates by employer characteristics. Thus, growth rates were estimated only for small (turnover less or equal to £35 million) and large employers (turnover above £35 million).

Both of these rates were estimated according to the following formula:

$$T_{GR} = \frac{\left( \left( \frac{T_1^{post}}{T_1^{pre}} - 1 \right) + \left( \frac{T_2^{post}}{T_2^{pre}} - 1 \right) + \dots + \left( \frac{T_n^{post}}{T_n^{pre}} - 1 \right) \right)}{n}$$

Where  $T_{GR}$  is turnover average growth rate;  $T^{post}$  is post SGW turnover;  $T^{pre}$  is pre SGW turnover; and  $n$  is the number of employers for which data was available. The resulting average turnover growth rates are presented in Table xx below:

**Table A3.2 Average turnover growth rates by employer type**

Type of outcome	Average turnover growth rate	Number of employers for which information available
Large	3%	14
Small	28%	43

Table note: Based on data reported in employer survey, management information and Company House accounts

Given the low data availability, these turnover rates must be interpreted with caution as they may under or overestimate the average turnover growth of the total employer population participating in SGW. ICF varied their magnitude in the sensitivity analysis to account for this.

An alternative solution would be to use the average turnover growth rates for the whole Wales. However, the employers recruited to SGW are likely to be different from the overall Welsh population given the recruitment criteria of the programme.

*General approach to calculation of jobs created impacts of SGW*

ICF only reported the impact on jobs created at an aggregate for the whole programme. The results do not accurately reflect the SGW impacts at an individual company basis because average growth in the number of jobs was used to calculate the impact. This approach was used because of low response rate to the employer survey, which did not allow to accurately establish post SGW employment at the level of individual employers.

ICF calculated the impact of SGW on jobs created using the following steps:

1. Establish pre SGW employment of all participant employers.
2. Multiply the pre SGW employment level by average change in employment level as a result of the SGW intervention to get the post SGW employment (taken from the survey results).
3. Calculate the difference between pre SGW employment and post SGW employment.
4. Multiply the employment differences by the proportion of impacts attributable to the programme after accounting for deadweight, displacement, leakage and substitution. This gives the employment changes directly attributable to the SGW support.
5. Multiply the employment changes due to SGW by a multiplier that captures the effect of the programme on wider economy. This gives the total increase in jobs for Welsh economy attributable to SGW.

6. Multiply the number of attributable jobs created by the SGW programme by the GVA per job (Office for National Statistics, 2015).
7. Subtract the SGW funding to express the net benefits resulting from SGW support.
8. Divide the total benefits generated by SGW by the SGW funding to demonstrate the Return on Investment of the project.

When aggregated across all employers, it can be summarized by the following mathematical formula :

$$SGW\ impact = ((Emp_0 * Emp_{GR}) - Emp_0) * Atrib * Multip - SGW\ funds$$

Where:

- *Emp<sub>0</sub>* is employment prior to accessing SGW support. This data was collected from management information, which contained information about all 166 participant employers.
- *Emp<sub>GR</sub>* is the average change in employment for employers over the period of SGW support. Its calculation is explained in detail in the section below.
- *Atrib* is proportion of impacts attributable to the programme. Its estimation is described in the section below.
- *Multipl* is the multiplier of programme impacts. Its estimation is described in the section below.
- *SGW funds* is the SGW funding received by each employer. It equals the ‘agreed funding’ reported in management information. In cases where ‘agreed funding’ was not reported, ICF used ‘funding approved at panel’ instead (for 12 employers).

#### *Estimated average turnover growth rates*

ICF estimated employment growth rates for SGW participant employers based on comparison of pre and post SGW employment of participant employers. This comparison was severely limited by gaps in data - the post SGW employment level was available only for 47 employers<sup>43</sup>. These were all from employers who had responded to the employer survey.

The mathematical formula below represents how the employment growth rate was calculated:

$$Emp_{GR} = \frac{\sum Emp_1 - \sum Emp_0}{\sum Emp_0}$$

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<sup>43</sup> 46 of these responses were used to calculate the growth rate. One response was excluded due to conflicting responses within the survey.

Where:

- $Emp_0$  is employment prior to accessing SGW support. This data was collected from management information, which contained information about all 46 employers used in this calculation.
- $Emp_1$  is employment post accessing SGW support. This data was collected from the employer survey for all 46 employers used in the calculation.

The employment growth rate was calculated to be 12.1% over the period of SGW support.

*Estimated proportion of impacts attributable to SGW*

ICF followed recent UK government guidelines for additionality assessment (HM Treasury, 2015 and BIS, 2009) of investments in human capital to estimate the proportion of impacts attributable to SGW. These guidelines recommend considering the following factors that influence additionality of impacts: deadweight, displacement, leakage and substitution.

Table A3.3 presents a brief description of each of these factors, the proportion of impact that they are assumed to account for and the total proportion of impact attributable to SGW.

**Table A3.3 Average turnover growth rates by employer type**

<b>Additionality factor</b>	<b>Description</b>	<b>Proportion of impact (turnover)</b>	<b>Proportion of impact (jobs)</b>
<b>Deadweight</b>	<b>Impacts that would have occurred regardless of SGW, such as turnover growth due to other factors than training</b>	<b>39%</b>	<b>47%</b>
<b>Displacement</b>	<b>The extent to which the SGW impact has been offset by reduction in activity in of non-participant employers in the area</b>	<b>22%</b>	<b>22%</b>
<b>Leakage</b>	<b>The extent to which SGW has benefitted participants from outside of the target area</b>	<b>10%</b>	<b>10%</b>
<b>Substitution</b>	<b>Participating employers used SGW funding to substitute their own training</b>	<b>3%</b>	<b>3%</b>
<b>Overall additionality</b>	<b>The share of productivity impacts attributable to SGW (<i>Attrib</i>)</b>	<b>42%</b>	<b>36%</b>

Table note: Department for Business, Innovation and Skills (2009) *Research to improve the assessment of additionality*, London. BIS Occasional paper no 1. 2009 and ICF employer survey

The share of productivity impacts attributable to SGW was calculated according to the following formula, as outlined in BIS (2009) and HM Treasury (2015):

$$Attrib = 1 - (1 - DW) * (1 - DS) * (1 - L) * (1 - S)$$

Where *DW* stands for deadweight, *DS* for displacement, *L* for leakage and *S* for substitution.

The exact value of deadweight, displacement, leakage and substitution are based on the following two sources:

- Employer survey included a set of questions that allowed us to identify the proportion of impact attributable to deadweight, substitution and leakage.
- The BIS (2009) presents estimates of all additionality factors based on meta-analysis of more than 200 recent evaluations at regional level.

Table A3.4 highlights that the estimates did not differ much between these two sources, suggesting that the BIS (2009) estimates reflect accurately the additionality of Skills Growth Wales. Thus, BIS (2009) estimates were used whenever employer survey estimates were not available or were not disaggregated by individual additionality factors.

**Table A3.4 Comparison of average turnover growth rates by source**

<b>Additionality factor</b>	<b>ICF employer survey (turnover)</b>	<b>BIS Research to improve the assessment of additionality</b>	<b>ICF employer survey (jobs)</b>
<b>Deadweight</b>	42%	39%	47%
<b>Substitution</b>		3%	
<b>Displacement</b>	22%	18%	22%
<b>Leakage</b>	10%	7%	10%

Table note: Department for Business, Innovation and Skills (2009) *Research to improve the assessment of additionality*, London. BIS Occasional paper no 1. 2009 and ICF employer survey

However, the estimated values of additionality factors must be treated with caution because of the following:

- Low number of employers participated in the employer survey. The respondent sample may not reflect accurately the overall additionality of the programme because of selection bias (for example, only employers that were more successful in using SGW support may have replied, which would lead to overestimation of additionality of the programme).
- Respondents may be biased when responding to additionality questions in the survey. Estimation of additionality is a complex problem that may be difficult to assess for employers. For example, they may underestimate the additionality of the programme because the full impacts of the training has not materialised up to date.

To account for these possible sources of bias, ICF varied the values of additionality factors in the sensitivity analysis.

*Estimated multiplier of SGW productivity*

According to recent UK government guidelines for additionality assessment (BIS, 2009 and HM Treasury, 2015), impacts of SGW on participant employers need to be multiplied to account for their wider productivity impacts on the Welsh economy.

ICF assumed these wider impacts will result from employer productivity or employment increases spilling over to their Welsh suppliers. To account for this effect, ICF included a question in the survey of employers about the average proportion of their suppliers from Wales.

On average employers reported that about 43% of their suppliers were from Wales and thus were likely to have increased their productivity as well. Similarly to other SGW impact estimates, the multiplier value was adjusted for deadweight, displacement, leakage and substitution. This yielded the following formula for calculation of the multiplier effect:

$$Multip = (1 + PSW * Atrib)$$

Where Multip stands for multiplier, PSW for proportion of suppliers from Wales and Atrib for the proportion of impacts attributable to the programme.

The resulting multiplier value was 1.13. This number was varied in the sensitivity analysis to account for the low number of responses in the employer survey.

*Sensitivity analysis*

The following values of additionality factor, multiplier and turnover growth estimates were used for sensitivity analysis:

**Table A3.5 Estimate values for sensitivity analysis**

<b>Estimate to be varied</b>	<b>Low estimate</b>	<b>Best estimate</b>	<b>High estimate</b>
<b>Turnover growth for large employers</b>	2%	3%	4%
<b>Turnover growth for small employers</b>	17%	28%	39%
<b>Deadweight</b>	31%	39%	46%
<b>Displacement</b>	13%	22%	24%
<b>Leakage</b>	3%	10%	12%
<b>Substitution</b>	1%	3%	6%
<b>Multiplier</b>	1.25	1.18	1.15

Table note: Department for Business, Innovation and Skills (2009) *Research to improve the assessment of additionality*, London. BIS Occasional paper no 1. 2009 and ICF employer survey

For additionality factors, ICF used the lower and upper bound of 95 per cent confidence interval for high and low impact estimates. These were reported in the BIS research to improve assessment of additionality.

The upper and lower values of multiplier were calculated according to the same formula as the best estimate based on the upper or lower values of additionality factors.

Finally, the 95 percent confidence interval was calculated for the general turnover growth rate from the ICF employer survey. The confidence interval was then divided by mean average turnover growth rate to see what proportion of turnover growth rate it accounted for. This proportion was applied to average turnover growth rates of large and small companies to get their upper and lower bound estimates.

This approach was used because the low number of survey responses did not allow for separate calculation of confidence intervals for small and large companies.