

22 June 2006

Dear Neil Surman,
Department for Education, Lifelong Learning and Skills,
Cathays Park,
Cardiff,
CF10 3NQ

The Federation of Small Businesses welcomes the opportunity to respond to the National Assembly document The Learning Country 2 as the UK's leading SME organisation representing 9,500 businesses in Wales alone, the FSB has a dedicated Welsh Office with staff concentrating on Welsh business issues. **We wholly support the notion that education is a key factor to a thriving economy, and therefore the acknowledgement by the document that educational provision should be geared towards skills needed for a successful working career for students.**

We welcome the inclusion of principles of sustainable development within the document, on page 9. Economic Sustainable Development and Environmental Sustainable Development should be working in conjunction, as part of a package of support schemes encouraging and helping businesses. **Promoting local procurement**, supporting access and affordability to business recycling and offering financial incentives, such as soft loans, for businesses to look at micro generation options.

With the majority of the Welsh economy made up of SME it is important that this vital section of the economy has a voice with regards to planning of education needs, for example with the YPPs mentioned on page 13, it is essential that private sector experience is sought and that these schemes are well advertised to potential employers. As mentioned above **we're pleased that the document on page 26 acknowledges the need for employability to be a sustained key theme**, but again we would emphasise the importance of having private SMEs as part of any Future Skills Wales process feeding into policies affecting the Welsh economy.

The FSB in Wales also appreciates that poor attendance levels, a problem throughout Wales for many years, is looking to be addressed under a heading of **pupil engagement**. We feel that this fits well with the overriding theme of employability, as poor attendance in school is not a habit that should be carried into professional working life, but forcing attendance at school could lead to a resentful attitude to work, which may be carried through into adult

life. This would of course diminish an individual's quality of life as well as the productivity of the business in question.

A survey of FSBs membership in Wales showed that 59% of businesses are looking to expand in the next two years through a variety of methods, the main technique being improved sales and marketing (42%). It is also worth noting that 17.50% businesses noted that they would hope to achieve this through **increasing expenditure on staff training**.

With regard to the type of training needed by businesses, strengths considered competitive by businesses include product and service quality (80%), specialised expertise or products (57%), customer service (75%) and quality of staff (61%).

37.60 % FSB members surveyed were looking towards increasing staff over the next year, but **significantly basic skills shortages were noted when trying to recruit**, the highest proportions including skills such as technical, communication, customer service, numeracy and literacy. Skills shortages listed highest among current staff were managerial skills, advanced IT skills, customer service, technical skills and sales and marketing.

As such job progression and career development need particular consideration in giving businesses support to provide opportunities for on-job training for individual progress, tackling social deprivation as well as developing growing businesses for a strong Welsh economy. We are encouraged by the intention of extending the range of vocational qualifications through the medium of Welsh, page 16.

Further Education providers relying on minimum numbers to fill courses to make them viable is a worrying trend. This means that specialised courses could be cut, leading to a shortage of specialist workers in future, due to unavailability of training or students having to expend cost to study away from their locality. Apprenticeship schemes are not always undertaken by skilled workers due to the time and financial burden experienced by businesses. Financial support as well as an increase of vocational skills taught at an earlier level, to ensure basic skills before being accepted by a business, could be an important encouragement for businesses to take on students.

Barriers to Growth 2006 shows that the majority of staff training in the past 12 months by the businesses surveyed were carried out by a staff member in the workplace (25.70%) but 25.20% also replied that no training has been undertaken. Therefore perhaps investigation into training the trainer schemes is warranted, so that on-job learning is structured and recognised. The main reasons noted for encouraging businesses to undertake more training were funding for training (51.30%) and wage compensation (39.50%). However it is worth noting that not all encouragement were based on financial incentives, with better information, guidance and advice sought by 25.80% and training delivered in the workplace by 23.20%. Tailored packages aimed at individual business needs and better flexibility was also noteworthy.

Worryingly, access to advice on training may be limited to fewer businesses than economically healthy, as only 7% sought advice from government funded business support in the past year. The main reasons stipulated for this were, not being aware of the services and confusion over the provision, but also importantly that they were inappropriate for the business, problems with unqualified advisors, that many businesses are too small and that business needs are excluded from targeted support.

Respondents were well educated with 50.90% having a degree or professional qualifications. **However 54.40% had at least an 11 year gap between leaving HE and starting their own business.** With 60.30% being in full or part time employment before this. **Therefore the instilling of not just employability but also entrepreneurial skills, page 26, and creating future employers is of vital importance to a sustained economy.**

Enclosed is a copy of our recently published Barriers to Growth for Wales report which hopefully will have statistics of use to your consultation process. If you would like to discuss any of the above, or would find the FSB's viewpoint on a particular matter of use, you are welcome to contact us at the above Cardiff office number.

Yours Sincerely,

Non Rhys