



The Economic Contribution of Further Education in Wales 7th Economic Summit

Presented by:

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Submission by fforwm on behalf of further education colleges in Wales

Summary

- FE colleges in Wales are keen to work closely with Welsh Assembly Government (WAG) in tackling the economic recession.
- Colleges make a significant economic contribution to the economy – an estimated £1.4bn annually.
- Colleges have strong links with employers and are used to working closely with them in designing programmes, providing services and forming strategic partnerships.
- The development and expansion of foundation degrees will make an important contribution to raising higher technical and vocational skills.
- FE colleges are keen to work closely with higher education institutions in responding to the economic downturn and to respond positively to the Review of Higher Education in Wales
- Colleges strongly support the ProAct, ReAct, and Pathways to Apprenticeship (PTA) programmes.
- Colleges are continuing to build relationships with Human Resource Development (HRD) Advisers and local Careers Advisers in taking forward ProAct and ReAct respectively.
- These programmes involve a substantial investment of staff time in working with employers and others to develop programmes that meet the needs of employers – this emphasises the commitment of colleges to the programmes.
- There is some concern about what happens to young people and adults once the PTA – a one year programme – and other Welsh Assembly Government initiatives come to an end.
- fforwm would urge WAG to continue to develop long term initiatives to enable colleges to plan their future programmes.

Introduction

1. fforwm welcomes the opportunity to discuss the economic contribution of further education in Wales.

Economic contribution of further education

2. A number of studies have showed the economic contribution of further education.
3. The then Department for Enterprise, Innovation and Networks (DEIN) commissioned the University of Cardiff¹ to investigate the economic impact of the *purchasing activity* of FE institutions and their staff and students. Scottish Executive-commissioned research showed the return on investment in *qualifications*.² Combining these two indicators (and assuming that FE colleges in Wales are broadly similar to FE colleges in Scotland), they indicate that **FE colleges in Wales contribute an estimated £1.4bn to the Welsh economy.**
4. In addition to the direct economic contributions brought about by an investment in FE, studies have also demonstrated additional benefits to learners. For example, free courses offered to unemployed learners in England have been demonstrated to contribute significantly to the learners' ability to move into work and in improving employability. A Canadian study has shown that **students benefit from increased earnings and improved lifestyles; taxpayers benefit from an enlarged economy and lower social costs; and society as a whole benefits from increased job and investment opportunities, higher business revenues, greater availability of public funds and an eased tax burden.**³
5. fforwm would welcome further detailed research on the economic contribution of further (and higher) education including the identification of the return on investment in skills for the individual, the employer and the taxpayer. Too often the language of 'cost' and 'expenditure' rather than 'investment' and 'return' is used. Funding has to be constrained but investment in education and training returns substantial financial benefits.

¹ DEIN (January 2007) *The Impact of Further Education Institutions on the Economy of Wales*

² Scottish Executive (2006) Review of Scotland's Colleges: Unlocking Opportunity. The Difference Scotland's Colleges Make to Learners, the Economy and Wider Society

³ Association of Canadian Community Colleges (2006) *The Economic Contribution of Canada's Community Colleges and Technical Institutes: An Analysis of Investment Effectiveness and Economic Growth*. Quoted in *Building a Better Scotland, Strategic Spending Review Submission 2007*, Association of Scotland's Colleges, 2007

Links with employers

6. Colleges also make a major contribution to the economy of Wales through their partnership with employers. **Colleges in Wales report links with over 25,000 employers annually.** 21 colleges deliver publicly funded work-based learning (WBL) courses, receiving around £23m from the Welsh Assembly Government (WAG). Colleges also deliver work-based learning funded by employers.
7. 'Employer engagement' describes the involvement of employers in developing the skills of the existing and future workforce through links with education providers.⁴ 'Provider responsiveness' and 'meeting learner and employer skill needs' are sometimes used interchangeably with 'employer engagement'.⁵ Employer engagement includes:

- involvement of employers in the design, development, management and delivery of learning to improve the 'work-readiness' and employability of learners;
- direct services that colleges offer to employers, including training needs analysis and bespoke training services;
- strategic partnerships that colleges form with employers, with other providers and with national/regional agencies to meet the skill needs of local areas.

8. The scope of employer engagement in FE in Wales is vast and covers work with micro, small and medium sized enterprises (SMEs) as well as large and multi-national companies. It can:

- be part of the college's WBL contract;
- include bespoke training;
- involve curriculum links through entrepreneurship champions;
- be delivered through the Welsh Baccalaureate Qualification (WBQ);
- be delivered through learners' work experience programmes.

9. Good practice examples of employer engagement within FE in Wales can be found in a fforwm-commissioned, CIF-funded report.⁶

⁴ Miller, A., Learning and Skills Network (2007) *Developing Employer Engagement*

⁵ Hughes, M., LSN (2006) *What do we know about working with employers, a synthesis of LSDA work on employer engagement*

⁶ Clough, L., for fforwm (March 2007) *Promoting Effective Practice in Employer Engagement.*

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10. The Enterprise & Learning Committee's inquiry into the "Economic Contribution of HE" in 2008 heard positive comments about the contribution of FE colleges to employer engagement. Two examples are colleges being involved in mini Knowledge Transfer Programme (KTP) schemes involving colleges working with small businesses and the Federation of Small Businesses favourably reporting on the involvement of FE colleges with SMEs in Wales.
11. Colleges have around 190 business members serving on their governing bodies. Many of these are top managers of major companies covering a variety of sectors. These business governors make a major contribution to their colleges' relationships with business and shape their strategic plans.

Foundation degrees

12. The foundation degree (FD) is a comparatively new qualification at the National Qualifications Framework (NQF) Level 5. At present, a large volume of Level 5 learning in Wales comprises of HNDs. However, in both England and Wales, the demand for HNDs is in decline. By contrast, the demand for FDs is increasing, particularly in England, where the Government has targeted their growth. FDs can meet Wales' strategic priorities, with funding for development and provision.
13. FE colleges in Wales will be soon be afforded the same powers as colleges in England to apply to offer their own foundation degrees (FDs), subject to rigorous quality and other criteria (under the Apprenticeships, Skills, Children and Learning Bill, which is likely to receive Royal Assent in the autumn). At present, colleges may only offer university-awarded FDs, which means that a prerequisite of offering a FD in Wales is that a university is interested in partnership.
14. fforwm recognises that most FDs will continue to be run in conjunction with universities but that the new power enables them to develop FDs when there is no expertise within higher education institutions. fforwm is pleased to be represented on a DCELLS-led group which is now drawing up policy for the development of FDs in Wales.
15. Both FDs and apprenticeships include work-based learning (WBL). It will be important to articulate progression *into* the foundation degree from Level 3 (e.g. BTEC National Diplomas, A levels, the Welsh Baccalaureate Advanced Diploma).
16. Colleges look forward to developing their partnerships with higher education institutions as recommended in the Review of Higher Education in Wales chaired by Professor Merfyn Jones.

ProAct, ReAct and Pathways to Apprenticeships

17. FE colleges have strongly supported the ProAct, ReAct and Pathways to Apprenticeship Programmes.
18. On **ProAct**, colleges are developing links with local employers in the key industries. One college has secured contracts worth over £1m. Other colleges are working in partnership with local employers in the priority areas.
19. **ProAct** funding is allocated to employers. Where colleges are the preferred training provider (a **ProAct**-funded company can source training in-house or through private providers as well as colleges), colleges have found that they need to give much support to local companies to help identify the training required and draw up the contracts. Much of the value of the contracts goes to the employer. Where there is a surplus for colleges, this is usually small.
20. The number of **ReAct** learners in colleges has increased considerably since January 2009 – doubling between January and April of this year. Colleges are ensuring that they have short, focused courses on offer at all times of the year to suit the needs of those recently made redundant.
21. Colleges have been developing working relationships with the WAG's Human Resource Development (HRD) Managers and with local Careers Advisers. The former are gatekeepers in respect of **ProAct** and the latter for **ReAct**. Two important conferences have brought together college staff with responsibility for employer liaison and HRD advisers. Colleges have been working with local Careers Advisers in developing programmes to suit those recently made redundant.
22. **The Pathways to Apprenticeship (PTA)** programme involving £10m of European funding matched by the colleges will deliver a one year full-time college-based apprenticeship for up to 2,160 young people wishing to take an apprenticeship but unable to find an employer. Areas covered are construction, engineering, hair and beauty, plumbing, heating and ventilation, food and drink and professional cookery.
23. Colleges, in partnership with WAG and with Sector Skills Councils, are drawing up these full-time one year courses. Detailed clarification is still awaited over funding arrangements. However there are a number of issues to be resolved including the future of **PTA** after this cohort completes and finding suitable work experience for the high volumes anticipated in certain sectors.

Annex 1

fforwm

fforwm is the national organisation representing the 23 further education (FE) colleges and two FE institutions in Wales. It is an educational charity and a company limited by guarantee. fforwm's Board comprises college principals and chairs of corporations, appointed by member colleges. fforwm provides a range of services to its members including networks, conferences, research, consultancy and the sharing of good practice. It also works closely with a wide range of partners in post-16 education and training. Through fforwm, colleges are represented on various committees, working parties and other groups influencing and shaping policy in post-16 education and life-long learning.

FE colleges in Wales

FE colleges are a hugely successful sector, delivering high quality learning beneficial to learners and to business in Wales. In its evidence to the FE Review chaired by Sir Adrian Webb, fforwm pointed out that:

Colleges are the main deliverers of nationally recognised qualifications in Wales. In fact, no other sector comes close to matching the volume and range of education and training provided by colleges in Wales. Colleges also have an excellent track record in widening access to disadvantaged students and to those wishing to return to learning. Meeting the skills needs of their locality effectively and efficiently through well-established close links with employers is a strong feature of colleges' work. Colleges also have a major role to play in supporting and developing the local and regional economy by being:

- *one of the largest employers of staff in a given area;*
- *a major service provider, and*
- *an important strategic partner to other external stakeholders including local authorities, schools and universities as well as employers and local/regional planning agencies.*