West Wales and the Valleys Convergence Operational Programme

European Social Fund 2007-2013

Convergence – ESF

Europe and Wales: Investing in your future

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West Wales and the Valleys Convergence Programme

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Executive Summary

Introduction

The agreement of the European Council and the European Parliament on the EU budget for 2007-2013 means that West Wales and the Valleys will receive "Convergence" funding – the highest level of support available under the next round of Structural Fund programmes. West Wales and the Valleys qualifies for this support because at the time of the European Union (EU) budget agreement in December 2005, the region's average Gross Domestic Product (GDP) per head was just below 75% of the European GDP average – the qualification limit.

This provides West Wales and the Valleys with a major opportunity to build on the very significant progress made under the Objective 1 programme 2000 – 2006 and to complete the transformation from a region suffering protracted economic problems into a strong and sustainable economy.

The region will receive total Community funding of €2.08 billion to support Convergence programmes worth over €4 billion. This ESF Convergence programme will receive Community funding of €833 million (40% of the total). When this is combined with national public and private funding, the programme will provide €1.50 billion to boost growth and jobs over the period 2007-2013.

Vision

Our vision for West Wales and the Valleys is of a vibrant, entrepreneurial region at the cutting edge of sustainable economic development, with its people living in prosperous, strong, healthy, safe, and where relevant, bilingual communities within an ever improving natural environment.

Our ambition is for West Wales and the Valleys to be at the forefront of the EU's drive to be a beacon of economic, social and environmental progress to the rest of the world. West Wales and the Valleys will be a world-class exemplar of a region of 1.9 million people, at the geographical periphery of Europe, but thriving in competitive world markets and providing a world-class environment in which people want to live, work and play.

Analysis

The analysis shows that the West Wales and the Valleys economy has improved considerably in recent years, continuing its transformation from a long period of economic change that saw the disappearance of much traditional industry. Over recent years, the region has experienced considerable improvements in labour market conditions, with increasing employment, falling unemployment and growth in earnings across the region.

However, there is still much to be done to reduce economic disparities with the rest of Wales and the UK and to achieve full convergence with other parts of the EU. The region's relatively low GVA (Gross Value Added) per head is primarily attributable to two main factors - a higher proportion of the working age population

not being in employment and lower value-added per worker, reflecting in part the region's industrial composition. A further factor is the inability to benefit from strong agglomeration effects, due to Welsh towns and cities being relatively small and much of the region being sparsely populated and distant from major centres.

Despite improvements in the labour market, the employment rate in the region remains below the Welsh and UK averages, mainly due to higher levels of economic inactivity. Rates of economic inactivity are higher amongst certain disadvantaged groups and amongst certain communities across the region, in particular the Valleys of South Wales. It is increasingly evident that falling demand for unskilled labour is at the heart of the region's relatively high economic inactivity levels.

Lower value-added per worker (or output per job) across West Wales and the Valleys can be partially explained by the region's industrial composition, rather than the region's workers being less productive than UK and EU counterparts. A further factor is the lower skill levels across the region, with higher levels of the working age population with low basic skills and with identified skills gaps and shortages, particularly at intermediate levels.

Delivering effective public services is also important to sustainable economic growth. Current performance is patchy and the nature of demand is changing. Businesses and communities need better services to support economic regeneration.

Other benchmarks of competitiveness indicate a need to further increase levels of entrepreneurship, R&D and ICT utilisation in order to continue the transformation of the region towards the knowledge economy; and the need to address some of the inadequacies in infrastructure and create an attractive and sustainable environment. These issues are addressed in the complementary ERDF Convergence programme for West Wales and the Valleys.

Policy Context

The new Structural Fund programmes for 2007-2013 will have a stronger focus on the Lisbon and Gothenburg agenda for growth, jobs and sustainable development as set out in the *Community Strategic Guidelines for Cohesion* approved by Member States. The objectives and priorities of the West Wales and the Valleys Convergence programmes are consistent with the Lisbon and Gothenburg strategies and have been developed in the context of the *UK National Strategic Reference Framework (*NSRF) which explains how the Structural Funds will contribute to the overall *UK National Reform Programme (NRP*) for growth and jobs.

To maximise the impact from the Structural Funds, the Convergence programmes will be aligned with relevant Welsh Assembly Government policies for delivering sustainable growth and jobs. These include:

- *Wales: A Better Country* – the Welsh Assembly Government's broader strategic policy agenda;

- *Wales: A Vibrant Economy* – the economic development strategy for Wales;
- *The Learning Country 2*: *Vision into Action* – the education and lifelong learning strategy for Wales;
- *The Wales Skills and Employment Action Plan 2005;*
- *Making the Connections – Delivering Better Public Services in Wales* – the strategy for improving public services in Wales.
- *The Wales Spatial Plan*;
- *The Wales Sustainable Development Scheme – Starting to Live Differently*;
- *The Environment Strategy for Wales; and*
- *Mainstreaming Equality.*

Strategy

The overall aim of the ESF Convergence programme is:

To create a high skill, knowledge driven economy, with full employment, a skilled, adaptable workforce and responsive businesses, at the cutting edge of sustainable development.

The key drivers to achieving this through the ESF programme are by:

(a) Supplying young people with skills for learning and future employment;

(b) Increasing employment, in particular by tackling economic inactivity;

(c) Improving skills to help businesses to move continually up the value chain and increase the value-added per job, thereby raising productivity and earnings; and

(d) Modernising and improving the quality of our public services.

The success of the Programme will be assessed on tracking progress against a range of economic and skills indicators set out in *Wales: A Vibrant Economy* and the *Learning Country 2*, notably employment, qualification levels and GVA, in absolute terms and relative to other parts of the UK and EU. Indicators and targets for individual priorities will also be closely monitored and will be grossed up to provide programme level targets. The Operational Programme will also be subject to evaluation.

Priorities

The programme will be implemented through a simplified structure comprising four main priorities plus a Technical Assistance priority.

Priority 1: Supplying young people with skills for learning and future employment

Objective - to prepare young people for future employment by raising aspirations and increasing participation in learning.

Priority 2: Increasing employment and tackling economic inactivity

Objective – to raise levels of employment and economic activity, and secure higher participation in the labour market.

Priority 3: Improving skill levels and the adaptability of the workforce.

Objective – to improve skills levels amongst the workforce, tackle skills gaps and shortages, support the progression of workers through acquisition of low, intermediate and higher levels skills, and promote gender equality in employment.

Priority 4: Modernising and improving the quality of our public services - Making the Connections

Objective – to support targeted investments in public services to make them more customer focused, flexible, integrated, efficient and ambitious.

A separate Technical Assistance priority (Priority 5) will ensure the efficient and effective management of the Programme.

Cross Cutting Themes

The Cross-Cutting themes of Equal Opportunities and Environmental Sustainability will be fully integrated into these priorities. The Programme will also support Innovative Actions and Transnational/Inter-regional Co-operation.

Financial Allocation

94% of ESF Convergence resources will be targeted at those categories of investment which will contribute most to achieving the Lisbon objectives for growth and jobs as defined in EU General Regulation [1083/2006], Article 8.

Detailed financial allocations by Priority and indicative allocations by theme are set out in Chapter 7 – Financial Allocations, within the main Programme document.

Implementation

The programme has been developed in partnership and will also be implemented in partnership. A single Programme Monitoring Committee (PMC) will oversee the

implementation of the Convergence and the Regional Competitiveness programmes in Wales. Strategic Frameworks will strengthen programme delivery and ensure projects are focused on key headline objectives and targets. There will also be a stronger emphasis on regional collaboration in the development of strategies and projects, in the context of the Wales Spatial Plan.

Chapter 1: Introduction

1.1 This Convergence Operational Programme sets out the Welsh Assembly Government's strategy and priorities for the economic, social and environmental regeneration of West Wales and the Valleys over the period 2007–2013, with the support of the European Social Fund (ESF). It is supported by a separate but complementary European Regional Development Fund (ERDF) programme. Acting together, these programmes will have a catalytic effect in extending and enhancing the Welsh Assembly Government's own strong commitments to the Lisbon and Gothenburg reform agenda.

1.2 The Convergence Operational Programmes have been developed in the context of the Integrated Guidelines for Growth and Jobs (2005 – 2008), and the Community Strategic Guidelines (2007 -2013) which set out cohesion policy objectives at EU level. The programmes complement the strategic priorities and objectives set out in the UK *National Strategic Reference Framework* and will contribute directly to addressing the challenges set out in the UK *National Reform Programme for Jobs and Growth*, with the aim of delivering long-term sustainable growth, high employment and a fair and inclusive society.

1.3 The ESF Convergence Programme will promote a close alignment between EU and national policies for jobs and growth. The Wales economic development strategy, *Wales: a Vibrant Economy* provides strategic direction towards a vibrant economy delivering strong and sustainable economic growth by providing opportunities for all. It has a clear focus on the Lisbon objectives of improving economic growth and providing additional jobs for the people of Wales, taking forward the priorities in *Wales: A Better Country*.

1.4 The main policy framework on employment and skills is set out in The *Learning Country 2: Vision into Action*, alongside the *Skills and Employment Action Plan 2005*, and *Reaching Higher*. The Welsh Assembly Government wants Wales as a place where high quality, lifelong learning liberates talent, extends opportunities, empowers communities, provides better jobs and skills to enable people to prosper in the new economy, and creates a sustainable future for Wales as a whole. To achieve this vision, these strategies recognise the need to increase employment levels, particularly by tackling economic inactivity, and to improve the skill levels of the workforce to support higher value-added jobs, and to contribute to the development of the knowledge economy.

1.5 These considerations lead to an emphasis within the ESF Operational Programme on:

- supplying young people with the skills for learning and future employment;
- encouraging unemployed and economically inactive persons to enter the labour market;

- improving skill levels and the adaptability of the workforce; and
- modernising and improving the quality of our public services.

1.6 The ESF Convergence Operational Programme builds on the extensive consultation that has taken place with a wide range of partners and stakeholders over recent months to shape the direction of the new European Structural Fund programmes.

Chapter 2: Analysis

Executive Summary

2.1 The aim of the European Social Fund (ESF) is to strengthen economic and social cohesion by improving employment opportunities. Specifically ESF funding is designed to increase economic growth, by promoting employment and adaptability, and by enhancing human capital.

2.2 Within the range of ESF priorities this analysis highlights specific challenges for Wales and its regions. Given this, and in accordance with the objectives of the Community in relation to social inclusion, non-discrimination, the promotion of equality, education and training and to better contribute to the implementation of the objectives and targets of the Lisbon and Gothenburg European Councils, the analysis is presented in the following sub-sections:

- Demographic Trends – highlighting how the population across Wales has changed and the implications these changes have on the labour market and wider economic prospects.
- Access to employment and inclusion in the labour market – providing a headline overview of labour market conditions including issues relating to specific constraints and accessibility.
- Social inclusion of people at a disadvantage – describing specific issues for those disadvantaged in the labour market. This includes analysis, where available, of labour market trends by gender, age, ethnicity and for those with a disability. This disaggregated analysis provides an overview of whether particular groups of society are disadvantaged in the labour market and a summary of some of the reasons underlying any disadvantage using empirical evidence where available, and focussing in particular on younger people.
- Human capital –providing analysis of the skills of the Welsh population are assessed together with a review of the importance of skills in determining labour market outcomes. This analysis provides a focus on the role of education in labour market outcomes especially for individuals from disadvantaged backgrounds.
- Deprivation – Review of spatial deprivation in Wales and the potential for administrative capacity to improve the quality of public services in Wales. In addition, aspects of the environment that affect the quality of life for individuals are also assessed.

2.3 The analysis provides the evidence for our strategy and proposed interventions via the ESF. These will take forward the guidelines and recommendations made under the *European Employment Strategy (EES)* which reflecting the Lisbon agenda aims to achieve full employment, improve quality and productivity at work and enhance social and territorial cohesion. The analysis presented highlights the

progress Wales and its sub-regions have made in relation to a number of headline targets set in the EES including targets to increase participation in lifelong learning.

2.4 The analysis also examines the underlying strengths and weaknesses of the Welsh labour market of West Wales and the Valleys which sets the scene for programming in the context of the Lisbon agenda and the UK's *National Reform Programme.*

2.5 West Wales and the Valleys covers an area of 1.24 million hectares (around 12,400 km^2), comprising a population of some 2.9 million. The mountains of Wales are the most significant relief feature, covering more than half of the country and dominating the appearance of the landscape. Approximately 80% of the total area of Wales is designated as Less Favourable Areas, which parallels closely the mountainous and upland areas within Wales. West Wales and the Valleys is a diverse area of Wales where approximately 65% of the total population of Wales reside. The West Wales and the Valleys region includes the following local authorities:

- Isle of Anglesey;
- Gwynedd;
- Conwy;
- Denbighshire;
- Ceredigion;
- Pembrokeshire;
- Carmarthenshire;
- Swansea;
- Neath / Port Talbot;
- Bridgend;
- Rhondda, Cynon, Taff;
- Merthyr Tydfil;
- Caerphilly;
- Blaenau Gwent; and
- Torfaen.

2.6 The relevant eligible areas are illustrated in the West Wales and the Valleys Convergence region map, Figure 1 below.

Figure 1. Map of the West Wales and the Valleys Convergence Programmes area

2.7 The analysis presented in this chapter provides an overview of the Welsh labour market in accordance with the Community Strategic Guidelines with a particular focus on the priority of creating more and better jobs across Member States. In addition to the headline all-Wales overview the analysis highlights particular issues at the regional level with a particular emphasis on common themes and differences between the Convergence and Competitiveness and Employment Programme areas of Wales with some additional local level analysis within.

2.8 The analysis in this chapter utilises a range of data sources. At the EU level the Eurostat Regio database has been used to highlight Wales and sub-Wales level data in the context of European wide data and trends. Data from the UK's Office for National Statistics has been used to provide specific UK, Wales and sub-Wales data. This has been supplemented by reference to academic research in the field of labour and social economics to provide evidence of the underlying reasons for statistical trends.

Introduction

2.9 This analysis provides a more detailed appraisal of the demographic structure and labour market conditions that underpin the development of the Convergence and Regional Competitiveness and Employment ESF programmes. It provides an analysis of the strengths and weaknesses for Wales as a whole, with further sub-regional analysis for both West Wales and the Valleys and East Wales.

2.10 Headline economic performance is conventionally measured by Gross Domestic Product per head of population[1]. Across West Wales and the Valleys GDP per head stands at approximately 77% of the average for the 25 countries of the European Union as a whole and 84% of the Welsh average. GDP per head for East Wales stood was 18% above the average for the 25 countries of the European Union.

2.11 The importance of demographic structure and labour market conditions are highlighted in the analysis of the prosperity gap between Wales and the UK as a whole[2]. Between 2001 and 2003 GVA[3] per head across West Wales and the Valleys stood at £10,100 compared to £12,100 across Wales, £15,400 across the UK as a whole and £15,600 across East Wales. Analysis of the components that contribute to overall economic performance show that approximately 35% of the overall gap in GVA per head in Wales compared to the UK average is explained by adverse labour market conditions (employment to working age ratio and jobs to employment ratio),

[1] It is widely recognised that GDP per head may not fully reflect wider welfare or quality of life factors. However, it does provide a useful measure of economic performance within each time period.
[2] Welsh Assembly Government's *Wales: A Vibrant Economy*, Strategy for Economic Development, 2005: http://www.wales.gov.uk/subitradeindustry/content/wave/wave-e.htm
[3] GVA is calculated as GDP minus indirect taxation and subsidies. Data comparing Wales to the EU average is only available as GDP per head.

with a further 10% of the overall gap explained by Wales having a slightly larger dependent population[4].

2.12 Figure 2 below shows the results of this analysis. Overall variations in GVA per head can be broken down principally into differences in:

- the proportion of the population that is of working age;
- the proportion of the working age population that is actually in work;
- the proportion of the working age population that work in a given area (reflecting commuting patterns); and
- the average output or value-added per job[5].

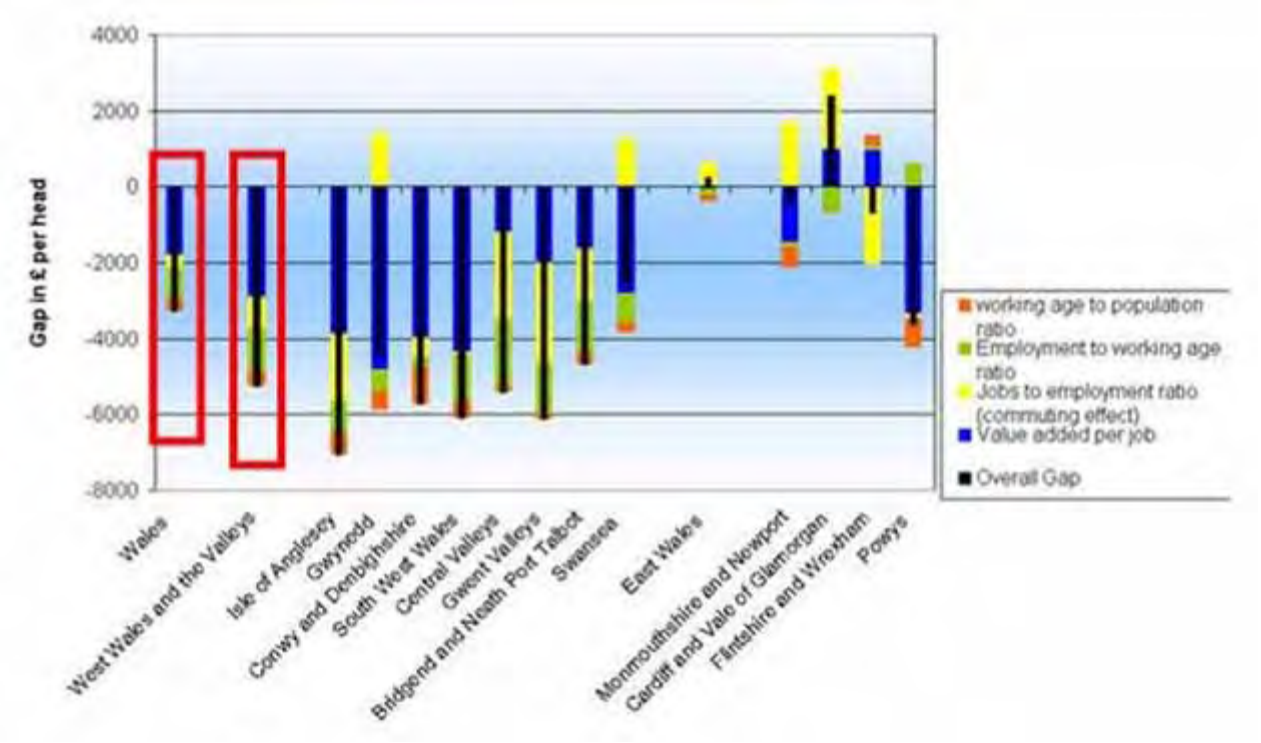
2.13 The lower employment to working age ratio (the employment rate) explains approximately 25% of the overall gap in GVA per head in Wales compared to the UK average. Approximately 10% is explained by Wales having a lower jobs-to-employment ratio. This is in part a consequence of commuting patterns in Wales with individuals resident in Wales working outside the region for employment. The orange section of Figure 2 shows that GVA per head in Wales is less than the UK average because Wales has a lower proportion of working age individuals than the UK as a whole. That is, Wales has a larger proportion of dependents in the population than the UK average.

2.14 Figure 2 shows some interesting differences between West Wales and the Valleys and East Wales. GVA per head in West Wales and the Valleys is approximately £5,300 lower than across the UK as a whole. The majority of this gap is explained by lower value-added per job. Labour market conditions (lower employment to working age ratio in particular) explain the majority of the remaining gap. GVA per head in East Wales is approximately £250 higher than across the UK as a whole. Despite East Wales having lower value added per worker and a lower employment rate, these are more than off-set by a higher jobs-to-employment ratio.

[4] Relative dependency of the population is calculated by the ratio of working age individuals compared to the total population.

[5] Often referred to as productivity, although as illustrated later in the document, referring to productivity differences can be misleading, as productivity measures do not account for the industrial structure of the economy.

Figure 2. Analysis of GVA per head differences across Wales compared to the UK average, 2001–2003 average



Source: Welsh Assembly Government based on ONS data

2.15 Figure 2 shows that enhancing the employment opportunities for individuals in Wales and maximising the potential of the Welsh population are key considerations in closing the gap in GVA per head in Wales compared to the UK average. Within this analysis it is important to understand the differing performance of sub-regions within Wales and the differing needs of individuals, in particular, those currently disadvantaged and those suffering from poverty and deprivation.

2.16 Table 1 provides a summary of the data supporting Figure 2. The data shows the overall contribution each factor has on explaining the lower/higher GVA per head of population compared to the UK average. The data in Table 1 have been rounded to the nearest 5% since this analysis is provide to indicate broad rather than to specific estimates of the extent the factors explain differences in GVA per head.[6]

[6] Further details on the methodological approach are available in Welsh Assembly Government's *Wales: A Vibrant Economy*, Strategy for Economic Development, 2005: http://www.wales.gov.uk/subitradeindustry/content/wave/wave-e.htm

Table 1: Contribution of the factors that explain GVA per head differentials, Percentage of total gap

	GVA per workforce job	Jobs to employment	Employment to working age	Working age to population
Wales	-55%	-10%	-25%	-10%
West Wales and the Valleys	-55%	-15%	-20%	-10%
East Wales	-0.5%	+250%	-60%	-70%

Demographic trends

2.17 Table 2 shows key demographic trends in Wales and the overall age profile of the Welsh population. Overall, there are just under three million people resident in Wales according to the Mid-2004 population estimates.

2.18 Approximately 65% of the Welsh population live in the NUTSII[7] area of West Wales and the Valleys, with the remaining 35% living in East Wales. As Table 2 shows, Wales (especially West Wales and the Valleys) has a higher proportion of individuals in the upper age brackets, particularly in the 60-69 and 70+ age brackets than compared to the UK as a whole.

2.19 In total some 60% of the total population of Wales is of working age, with approximately 20% aged under 16 and 20% in post-retirement ages. There is some slight difference within the sub-regions of Wales, with East Wales having a slightly higher proportion of the total population in the working age bracket than West Wales and the Valleys (61% versus 59%) and a slightly lower proportion of individuals in the post-retirement age bracket (19% versus 21%).

[7] Nomenclature of Territorial Units for Statistics. Further details are available at: http://europa.eu.int/comm/eurostat/ramon/nuts/introduction_regions_en.html

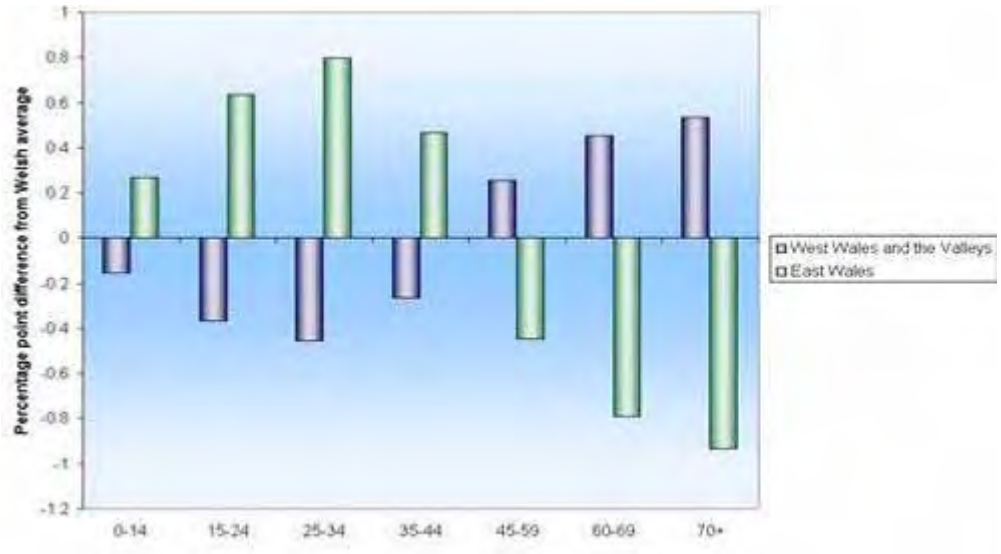
Table 2: Population by age group, 2004

	Age group							
	0-14	**15-24**	**25-34**	**35-44**	**45-59**	**60-69**	**70+**	**Total**
Thousands								
East Wales	197	147	133	159	209	105	126	1,077
West Wales and the Valleys	336	238	208	263	378	206	247	1,896
Wales	533	385	342	422	587	311	373	2,953
UK	10,866	7,720	7,937	9,192	11,518	5,716	6,885	59,834
Percentage of total								
East Wales	18.3	13.7	12.4	14.8	19.4	9.8	11.7	100.0
West Wales and the Valleys	17.9	12.7	11.1	14.0	20.2	11.0	13.2	100.0
Wales	18.0	13.0	11.6	14.3	19.9	10.5	12.6	100.0
UK	18.2	12.9	13.3	15.4	19.2	9.6	11.5	100.0

Source: ONS Mid-2004 population estimates

2.20 Sub-regional analysis shows that East Wales has a similar age profile as the UK, with a slightly higher proportion of individuals in the 15-44 age bracket. West Wales and the Valleys, however, has a lower proportion of individuals in the 44 and under age brackets, and a higher proportion of individuals in the 45 and over age brackets. Figure 3 shows the differences in the age composition of East Wales and West Wales and the Valleys compared to Wales as a whole.

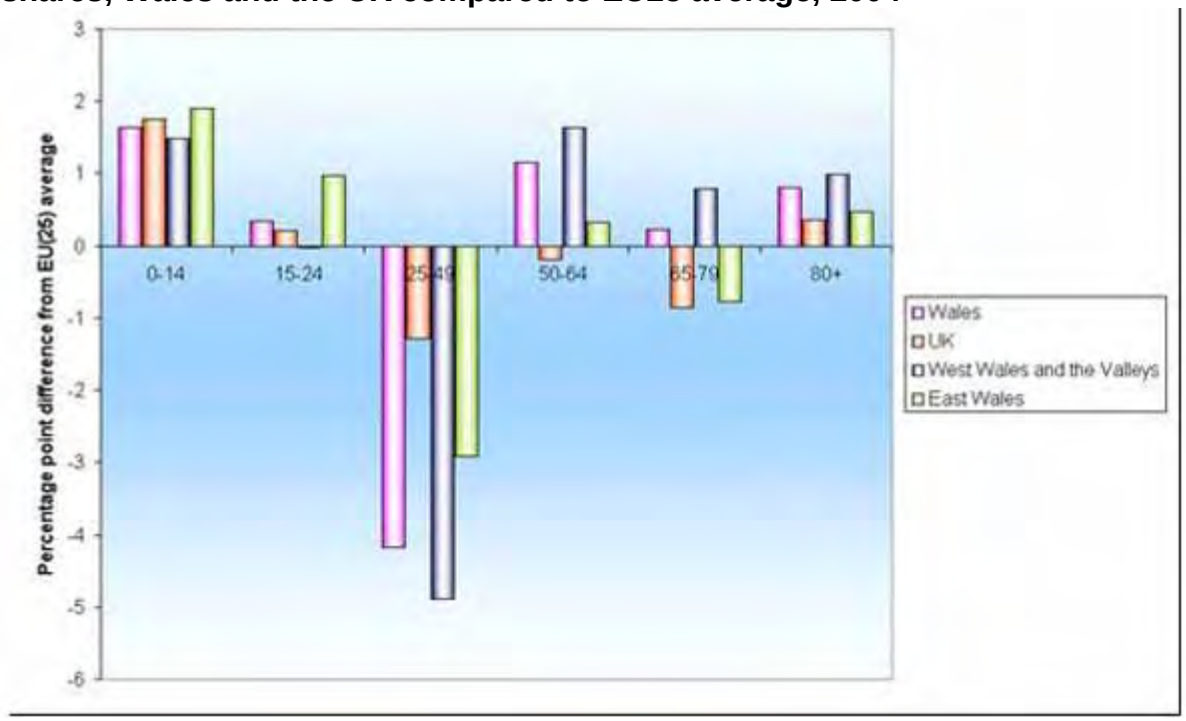
Figure 3. Population age profile percentage point difference in age group shares, West Wales and the Valleys and East Wales compared to Welsh average, 2004



Source: Mid-year population estimates, Office for National Statistics

2.21 Figure 4 below compares the age profile of West Wales and the Valleys, East Wales, Wales and the UK compared to the average for the EU25. As Figure 4 shows, Wales and the UK have a relatively low concentration of individuals in the prime working age bracket 25-44. This is particularly the case for West Wales and the Valleys. Compared to the EU25 average, Wales has a relatively high concentration of individuals in the upper age brackets, typically, post-retirement ages. The sub-regions of Wales, Wales and the UK have a relatively high concentration of children compared to the EU25 average.

Figure 4. Population age profile percentage point difference in age group shares, Wales and the UK compared to EU25 average, 2004



Source: Mid-year population estimates, Office for National Statistics and Eurostat

2.22 Demographic patterns and in particular migration can provide an insight into the relative attractiveness of an area for individuals[8]. Table 3 shows that since 1981 the population of West Wales and the Valleys has increased by 2.3%, but for the period 1991–2001, the population growth ceased while in East Wales it continued to grow at the 1981–1991 growth rate (3.8%). Across all the time periods shown, population growth in West Wales and the Valleys lagged that for East Wales and consequently for Wales as a whole.

[8] It must be noted that migration patterns are a factor of various interactions and not just relative attractiveness.

Table 3: Population change since 1981

	Level (000s)				Change (Percentage)			
	1981	1991	2001	2004	1981-1991	1991-2001	1981-2004	1991-2004
East Wales	980	1,017	1,056	1,077	3.8	3.8	9.9	5.9
West Wales and the Valleys	1,834	1,856	1,855	1,876	1.2	-0.1	2.3	1.1
Wales	2,814	2,873	2,910	2,953	2.1	1.3	4.9	2.8

Source: Census, Mid-Year Population Estimates

2.23 Figure 5 below, shows the population change between 1991 and 2004[9] according to broad age breakdowns. A key consideration in the analysis is the proportionate increase in the working age population since this has a strong correlation to the overall dependency ratio[10] of the population.

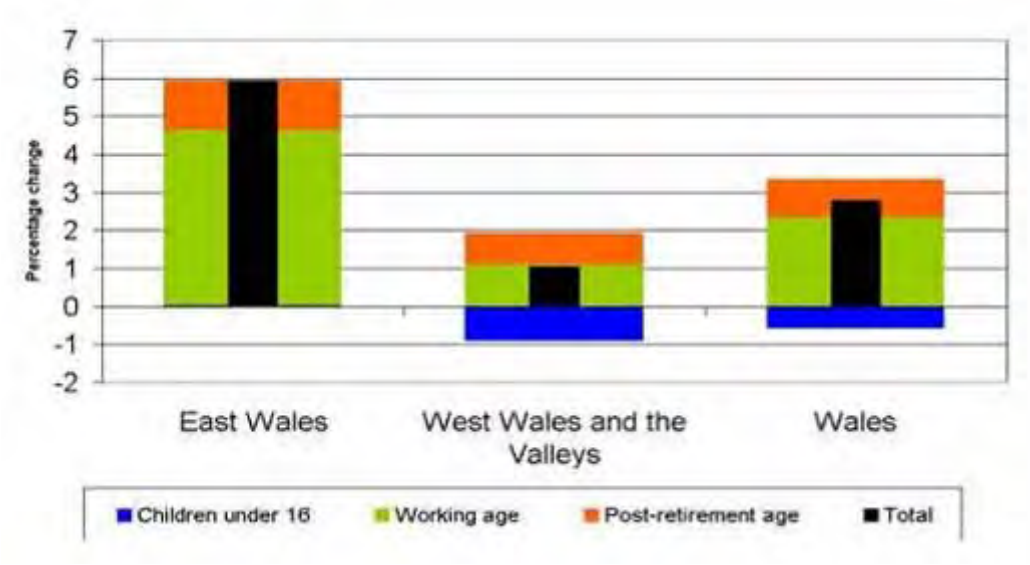
2.24 Like Wales as a whole, West Wales and the Valleys experienced a reduction in the child population during the period. Proportionately, this fall, however, was greater in West Wales and the Valleys than across Wales as a whole. Unlike East Wales and Wales as a whole, the proportionate increase in the post-retirement age population across West Wales and the Valleys was almost as large as that for the working age population. This trend is due to the relatively small increase in the working age population across West Wales and the Valleys rather than the relative change in the post-retirement population.

2.25 While East Wales experienced a small increase in the child population, the greatest increase was observed in the working age population accounting for nearly 80% of the growth over the period.

[9] Data for specific age groups for 1981 was not available for the geographies selected, therefore 1991-2004 was chosen for the analysis.

[10] Relative dependency of the population is calculated by the ratio of working age individuals compared to the total population.

Figure 5. Age breakdowns of population change, 1991–2004



Source: Mid-year population estimates, Office for National Statistics

2.26 Table 4 below shows the components of population change across Wales, West Wales and the Valleys and East Wales. It identifies that Wales' natural population is falling, that is deaths exceeds births. This trend is a common phenomenon across most of the developed world and results in birth rates below the required replacement rate for the population to remain broadly constant[11]. Against this general trend, the number of births exceeded the number of deaths in East Wales. This increase was predominately concentrated in the city regions of Cardiff and Newport.

Table 4: Components of population change, 2001–2004

	Mid-2001 population	Live births	Deaths	Natural change	Net migration and other changes	Total change	Mid-2004 population
East Wales	1,056	35	33	2	20	22	1,077
West Wales and the Valleys	1,855	58	67	-9	29	21	1,876
Wales	2,910	93	99	-7	49	42	2,953

Source: Office for National Statistics
(Totals may not add due to rounding)

2.27 The Government's Actuary Department produce population projections. The latest projection for Wales shows that net in-migration is expected to continue to be the key driver of population growth across Wales. Between 2004 and 2024 the

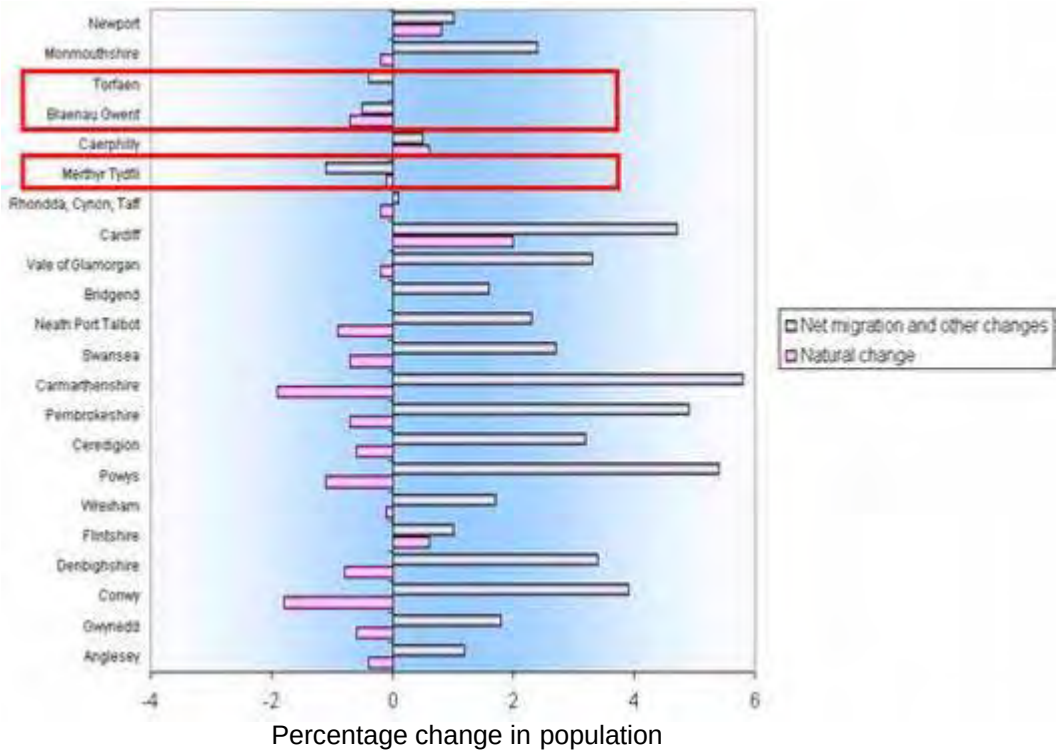
[11] If the average woman has less than 2 children then the number of second generation will be less than the current generation, thus the second generation does not 'replace' the previous generation.

population of Wales is predicted to increase by approximately 239,000 people, of which 234,000 is predicted to be due to net in-migration with the remaining 5,000 due to the number of births exceeding the number of deaths, which is contrary to the recent trend shown in Table 4. The number of children aged 16 and under, and the number of dependent children, is predicted to fall with a rise in the number of dependent pensioners.

2.28 The main driver of population change across Wales is net in-migration and other changes more than offset the natural population decline. Within West Wales and the Valleys, however, net out-migration is a feature of the upper valleys (with low in-migration and some out-migration),[12] while most other areas experience net in-migration.

2.29 The sub-Wales analysis is presented in Figure 6. It shows that the only Local Authorities in Wales that experienced net out-migration were Torfaen, Blaenau Gwent and Merthyr Tydfil, all located in the upper South Wales Valleys. Migration patterns can be important as they can provide an insight into the relative attractiveness of an area for individuals[13].

Figure 6. Local Authority analysis of population change, 2001–2004



Source: Office for National Statistics

[12] Defined as the Local Authorities of: Blaenau Gwent; Merthyr Tydfil and Torfaen.
[13] It must be noted that migration patterns are a factor of various interactions and not just relative attractiveness.

2.30 Table 5 shows net migration according to age bands. This Table shows that West Wales and the Valleys is a net gainer in population for all age bands except 16-24, which is mostly explained by student migration to universities. East Wales is a net gainer of population from migration across each age band including the 16-24 age bracket and this is partially explained by the large student population centred around Cardiff University. The pattern for Wales is much the same as other regions of the UK except London and the South East. Linked to the above net out-migration the overall population of individuals aged 11-25 across Wales as a whole (sub-Wales data not available for this time period) between 1981 and 2004 has fallen by 11.2%. Between 1991 and 2004 the population of individuals aged 11-25 across West Wales and the Valleys fell by 2.1% compared to a rise of 4.7% across East Wales.

2.31 Net in-migration from England is driving the overall trend both across West Wales and the Valleys and East Wales. An interesting trend is the net out-migration from East Wales to West Wales and the Valleys. This is driven in the main by large migration flows of people from Cardiff to areas in Caerphilly, Rhondda Cynon Taff and Bridgend. Of particular note is the net in-migration of individuals of working age. Evidence[14] suggests that working individuals with higher skills are more socially mobile[15]. This might suggest that Wales is likely to benefit economically from in-migration of working age individuals. Recent evidence from Experian's Mosaic database[16] shows that Wales has a high representation of in-migration from career professionals living in sought after locations which has a strong association with the attractiveness of a location for employment prospects but also quality of life factors.

[14] Gibbons, S et al, 2005, Is Britain Pulling Apart? Area Disparities in Employment, Education and Crime, Centre for Market and Public Organisation Working Paper 05/120, published in N. Pearce and W. Paxton (eds.) *Social Justice, Building a Fairer Britain*, Institute of Public Policy Research: http://www.bris.ac.uk/Depts/CMPO/workingpapers/wp120.pdf

[15] Social mobility measures the degree to which people's social status changes between generations.

[16] Further details are available at: http://www.business-strategies.co.uk/Products%20and%20services/Micromarketing%20data/Consumer%20segmentation/Mosaic.aspx

Table 5: Average annual net migration trends area analysis, 2002–2004

Age band	East Wales to West Wales and the Valleys	England to West Wales and the Valleys	Net in-migration to West Wales and the Valleys	West Wales and the Valleys to East Wales	England to East Wales	Net in-migration to East Wales	Net migration Wales
0-15	360	2,240	2,590	-360	1,030	672	3,262
16-24	-670	-820	-1,490	670	430	1,099	-391
25-44	530	2,350	2,880	-530	1,450	920	3,800
45-64	490	4,020	4,520	-490	1,380	887	5,407
65+	170	1,010	1,170	-170	360	194	1,364
All ages	**880**	**8,800**	**9,670**	**-880**	**4,650**	**3,772**	**13,442**

Source: Office for National Statistics

2.32 Within Wales the largest net movements are between South East Wales and the Valleys with an average annual net flow of 680. The second largest flow is between the Valleys and South West Wales[17] with an average annual net movement of 600 people from the Valleys moving to South West Wales. Migration patterns within Wales are typically North to South with average annual net flows from North Wales to Mid (40), South West Wales (20) and South East Wales (160) and net flows from Mid Wales to South West Wales (170) and South East Wales (180). There is an annual average net outflow of people from the Valleys to Mid (70) and North Wales (20) but an average annual net in flow of people from South East Wales (680).

2.33 There is evidence[18] that employment rates for the low skilled have increased in areas that have also seen a rise in the opportunities for highly paid employment. The rationale supporting this is that lower skilled individuals gain employment opportunities in service sector occupations supporting the more affluent consumers. Changes in the social structure of an area can therefore have a role for wider economic regeneration, and migration patterns can be an important function including migration from outside the UK. A total of 392,000 individuals applied to the Worker Registration Scheme between 1 May 2004 and 31 March 2006. Wales had the lowest percentage of total UK registrations with only 2% registered representing just over 7,200 applications. Early evidence suggests that accession workers are continuing to go where the work is, helping to fill the gaps in our labour market, particularly in administration, business and management, hospitality and catering,

[17] Local authority level data not published due to the small numbers of net movements at this local level.

[18] Gibbons, S et al, 2005, Is Britain Pulling Apart? Area Disparities in Employment, Education and Crime, Centre for Market and Public Organisation Working Paper 05/120, published in N. Pearce and W. Paxton (eds.) *Social Justice, Building a Fairer Britain*, Institute of Public Policy Research: http://www.bris.ac.uk/Depts/CMPO/workingpapers/wp120.pdf

agriculture, manufacturing and food, fish and meat processing. Data from the International Passenger Survey shows that over the period 2002 – 2004, there has been net in-migration from the rest of the world to Wales, of just over 5,500 individuals[19].

Access to employment and inclusion in the labour market

2.34 As Figure 2 shows, adverse labour market conditions explain approximately 35% of the overall gap in GVA per head in Wales compared to the UK average. Understanding the Welsh labour market and, in particular, understanding the barriers to participation and the needs of the disadvantaged are of crucial importance.

2.35 Table 6 summarises the latest (i.e. the latest year that data is available) labour market conditions, comparing West Wales and the Valleys, East Wales, Wales, the UK and the European Union (EU25). As Table 6 shows, East Wales, West Wales and the Valleys and Wales as a whole perform well on the leading labour market indicators compared to the average for the EU25 and have shown significant improvement since 2001. Despite considerable progress in recent years, approximately 16% of Welsh children live in workless households, compared to 15% for the UK as a whole and 10% for the EU25.

2.36 Interestingly, the lower unemployment rate across West Wales and the Valleys than for the EU25, is not matched by an equivalent difference in employment rates. The explanation lies in the relatively lower economic activity (or higher economic inactivity) across West Wales and the Valleys compared to the EU25. This is also the case for comparisons between East Wales and the UK. East Wales has a considerably lower unemployment rate than the UK average but the employment rate is still below the UK average. Again, it is higher economic inactivity that explains the difference in the headline employment rate. This is explained further in the following sections.

2.37 Long-term unemployment has been highlighted in the EES as a particular concern. The fall in long-term unemployment seen across Wales and its sub-regions is welcome news. The UK Government has recently introduced measures including work-focussed interviews to assist individuals currently not in employment back into active engagement[20]. These measures are expected to help the UK and its sub-regions to meet the targets and benchmarks in the EES in relation to providing a new start for long-term unemployment individuals and increase participation in active labour market measures.

[19] Data is not available on the origin of immigrants in Wales due to the small sample size.
[20] DEPARTMENT FOR WORK AND PENSIONS, 2006, A New Deal for Welfare: Empowering People to Work. Available at: http://www.dwp.gov.uk/aboutus/welfarereform/docs/A_new_deal_for_welfare-Empowering_people_to_work-Full_Document.pdf

Table 6: Labour market summary, EU25 comparison (percentage)

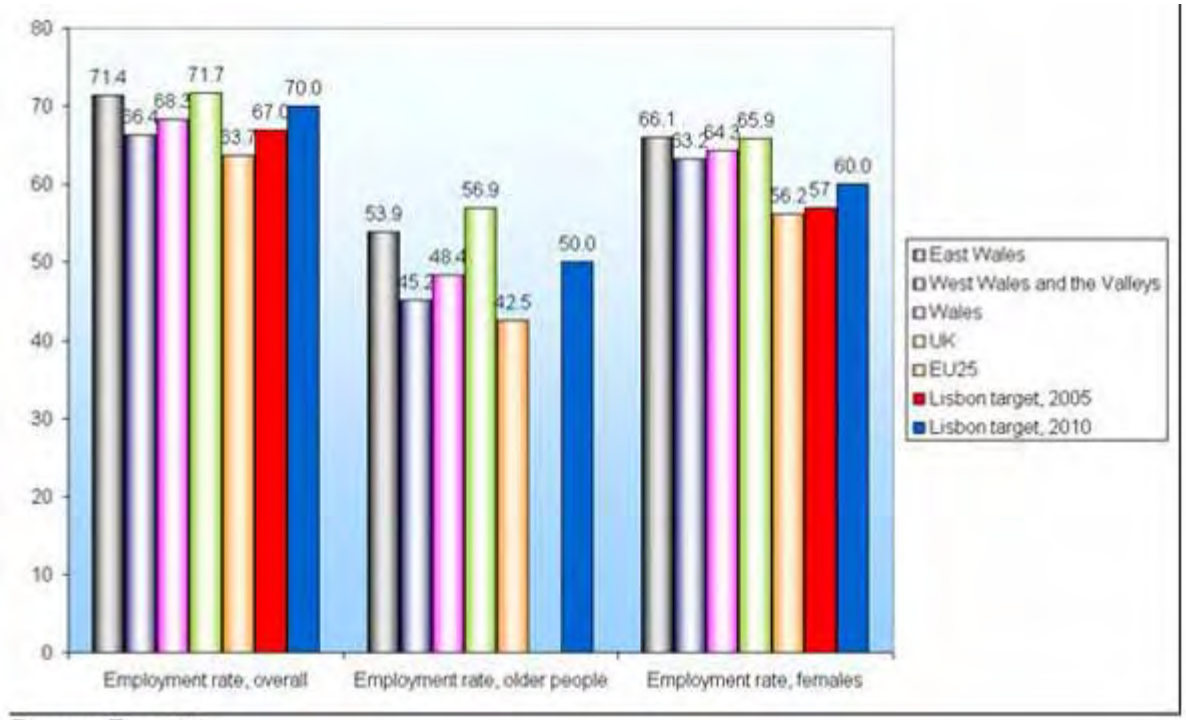
	2001	2005	Change over 2001	Absolute change over 2001
Employment rate (a)				
West Wales and the Valleys	63.1	66.4	3.3	44
East Wales	69.5	71.4	1.9	32
Wales	65.4	68.3	2.9	76
UK	71.4	71.7	0.3	627
EU 15	63.9	65.1	1.2	5,838
EU25	62.7	63.7	1.0	6,278
Economic activity rate (b)				
West Wales and the Valleys	67.4	70.0	2.6	34
East Wales	73.7	74.0	0.3	26
Wales	69.5	71.5	2.0	60
UK	75.2	75.3	0.1	580
EU15	69.1	71.0	1.9	7,860
EU25	68.7	70.1	1.4	7,852
Unemployment rate (c)				
West Wales and the Valleys	6.3	5.1	-1.2	-8
East Wales	5.0	3.5	-1.5	-6
Wales	5.8	4.5	-1.3	-14
UK	5.0	4.7	-0.3	-45
EU15	7.5	8.2	0.7	1,997
EU25	8.6	9.0	0.4	1,648
Long-term unemployment rate (d)				
West Wales and the Valleys	27.2	21.8	-5.4	-4
East Wales	30.7	22.4	-8.0	-4
Wales	28.4	22.0	-6.4	-8
UK	25.3	21.1	-4.2	-70
EU15	..	..	..	..
EU25	..	45.5	..	..

(a) Employed persons are all persons aged between 15 and 64 who during the reference week (week when the data was collected) worked at least one hour for pay or profit, or were temporarily absent from such work. Family workers are included. Rate for those aged between 15 and 64;
(b) Economically active population comprises employed and unemployed persons. Rate for those aged between 15 and 64;
(c) Unemployment rate represents unemployed persons as a percentage of the economically active population. Rate for those aged 15 and over.
(d) Those unemployed for at least 12 months
.. Data unavailable.
Source: Eurostat

2.38 Figure 7 shows the progress that the Wales has made towards the headline Lisbon employment targets. As Figure 7 illustrates, using Eurostat data for 2004, Wales falls just short of the main Lisbon employment targets for 2010 with the exception of the employment rate for females. The data uses the European definitions for employment for age ranges 15-64. The key difference with this

definition and the data presented in the rest of this analysis is the UK definition for employment uses males aged 16-64 and females 16-59. Care should be taken when comparing data from Eurostat and data from UK sources[21]. A further discussion of labour market issues is available in the next section.

Figure 7. Progress against Lisbon targets 2005 and 2010



Source: Eurostat

2.39 Table 7 shows the latest labour market conditions across Wales and its sub-regions using the UK Labour Force Survey (care should be taken when comparing Table 6 and Table 7 due to differences in methodology and time periods[22]). Despite recent improvements, the employment rate in Wales remains below the UK, reflecting continuing high rates of economic inactivity rather than high rates of unemployment.

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[21] An overview of the methodology for the European Labour Force Survey is available at: http://epp.eurostat.ec.europa.eu/portal/page?_pageid=0,1136184,0_45572601&_dad=portal&_schema=PORTAL&screen=ExpandTree&open=%2Fpopul%2Flabour&product=EU_population_social_conditions&nodeid=71140&vindex=4&level=2&portletid=39994101_QUEENPORTLET_92281242&scrollto=0#LABOUR_MARKET
An overview of the UK labour market data sources is available at: http://www.statistics.gov.uk/about/data/guides/LabourMarket/default.asp

[22] Summary details on the methodology for the European Labour Force Survey available at: http://europa.eu.int/estatref/info/sdds/en/regio/lmemp_r_sm.htm
Summary details on the methodology for the UK Labour Force Survey are available at: http://www.statistics.gov.uk/statbase/Product.asp?vlnk=1537

2.40 There have been strong increases in employment levels in West Wales and the Valleys, with the employment rate increasing at over twice the rate of growth in East Wales. Since 2001, employment in West Wales and the Valleys has increased by approximately 40,000[23] and the employment rate has increased by 2.4 percentage points to 69.5%. However, the nominal employment rate has still not caught up the Welsh average. Despite East Wales having a higher employment rate than for Wales as a whole, the employment rate fall well below the aspiration for the employment rate for the UK to reach 80%[24].

2.41 Unemployment in Wales has fallen to historically low levels. Since 2001, the unemployment rate in Wales has fallen by 0.3 percentage points to stand at 5.1%. Across West Wales and the Valleys unemployment has fallen by 0.6 percentage points to stand at 5.3%. Contrary to the trend across Wales as a whole, the unemployment rate across East Wales has increased with the current rate just below the UK and Welsh averages. Despite historically higher unemployment, it is not the unemployment picture that explains Wales' relatively low employment rate; it is higher rates of economic inactivity that explain the lag in employment rates.

2.42 Despite significant reductions in economic inactivity across the whole of Wales, including West Wales and the Valleys over the last four years, the rate of economic inactivity remains more than three percentage points higher in Wales and nearly five percentage points higher in West Wales and the Valleys than in the UK as a whole. It is in West Wales and the Valleys where most progress has been made in reducing economic inactivity in Wales and that is encouraging.

2.43 Economic inactivity in East Wales has fallen by 1.4 percentage points since 2001 to stand at 22.5% which is well below the Welsh average. Despite generally favourable labour market conditions across East Wales, economic inactivity is still above the UK average.

[23] Data comparing 12 months to March 2005 to 2001 from the Local Labour Force Survey
[24] DEPARTMENT FOR WORK AND PEMSIONS, 2006, A New Deal for Welfare: Empowering People to Work. Available at: http://www.dwp.gov.uk/aboutus/welfarereform/docs/A_new_deal_for_welfare-Empowering_people_to_work-Full_Document.pdf

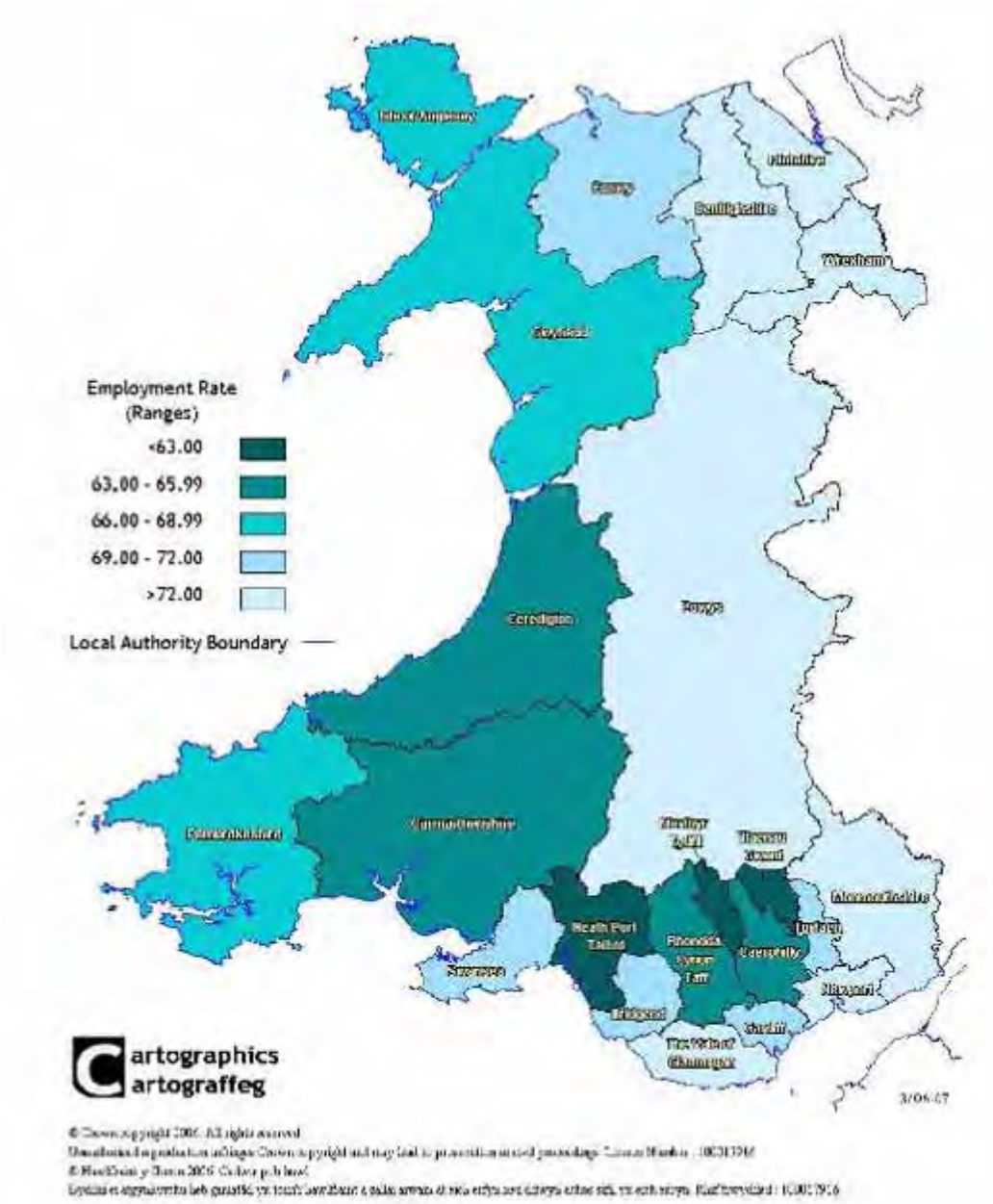
Table 7: Labour market summary

		2001	Year to March 2006	Change since 2001
Employment (a)				
East Wales	Level (000s)	478	495	16
	Rate (%)	*(72.6)*	*(73.7)*	*(1.1)*
West Wales and the Valleys	Level (000s)	756	796	40
	Rate (%)	*(67.0)*	*(69.5)*	*(2.4)*
Wales	Level (000s)	1,234	1,291	56
	Rate (%)	*(69.1)*	*(71.0)*	*(2.0)*
UK	Level (000s)	27,433	28,117	684
	Rate (%)	*(74.1)*	*(74.1)*	*(0.0)*
ILO Unemployment (b)				
East Wales	Level (000s)	23	25	2
	Rate (%)	*(4.5)*	*(4.8)*	*(0.3)*
West Wales and the Valleys	Level (000s)	48	45	-3
	Rate (%)	*(6.0)*	*(5.3)*	*(-0.6)*
Wales	Level (000s)	71	70	-1
	Rate (%)	(5.4)	(5.1)	(-0.3)
UK	Level (000s)	1,450	1,483	32
	Rate (%)	*(5.0)*	*(5.0)*	*(-0.0)*
Economic inactivity (c)				
East Wales	Level (000s)	152	146	-6
	Rate (%)	*(23.9)*	*(22.5)*	*(-1.4)*
West Wales and the Valleys	Level (000s)	312	293	-20
	Rate (%)	*(28.6)*	*(26.5)*	*(-2.1)*
Wales	Level (000s)	464	438	-26
	Rate (%)	*(26.9)*	*(25.0)*	*(-1.9)*
UK	Level (000s)	7,856	7,986	130
	Rate (%)	*(21.9)*	*(21.9)*	*(-0.0)*

(a) Levels are for those aged 16 and over, rates are for those of working age (males aged 16-64, females aged 16-59);
(b) Levels and rates are for those aged 16 and over. The rate is as a proportion of economically active (employment plus ILO unemployed). The International Labour Organisation (ILO) definition of unemployment covers those who are out of work and want a job, have actively sought work in the last four weeks and are available to start work in the next two weeks; plus those who are out of work, have found a job and are waiting to start in the next two weeks;
(c) Levels and rates are for those of working age (males aged 16-64, females aged 16-69).
Source: Labour Force Survey

2.44 Within Wales considerable variations exist in labour market performance. Figure 8 shows the employment rate across Wales, with the darker shades showing where the employment rate is low and lighter shades showing higher employment rates. The areas with the lowest employment rate are found in South Wales, in particular in Blaenau Gwent, Merthyr Tydfil and Neath Port Talbot. Within East Wales Cardiff has the lowest employment rate, and as shown in later sections, pockets of deprivation.

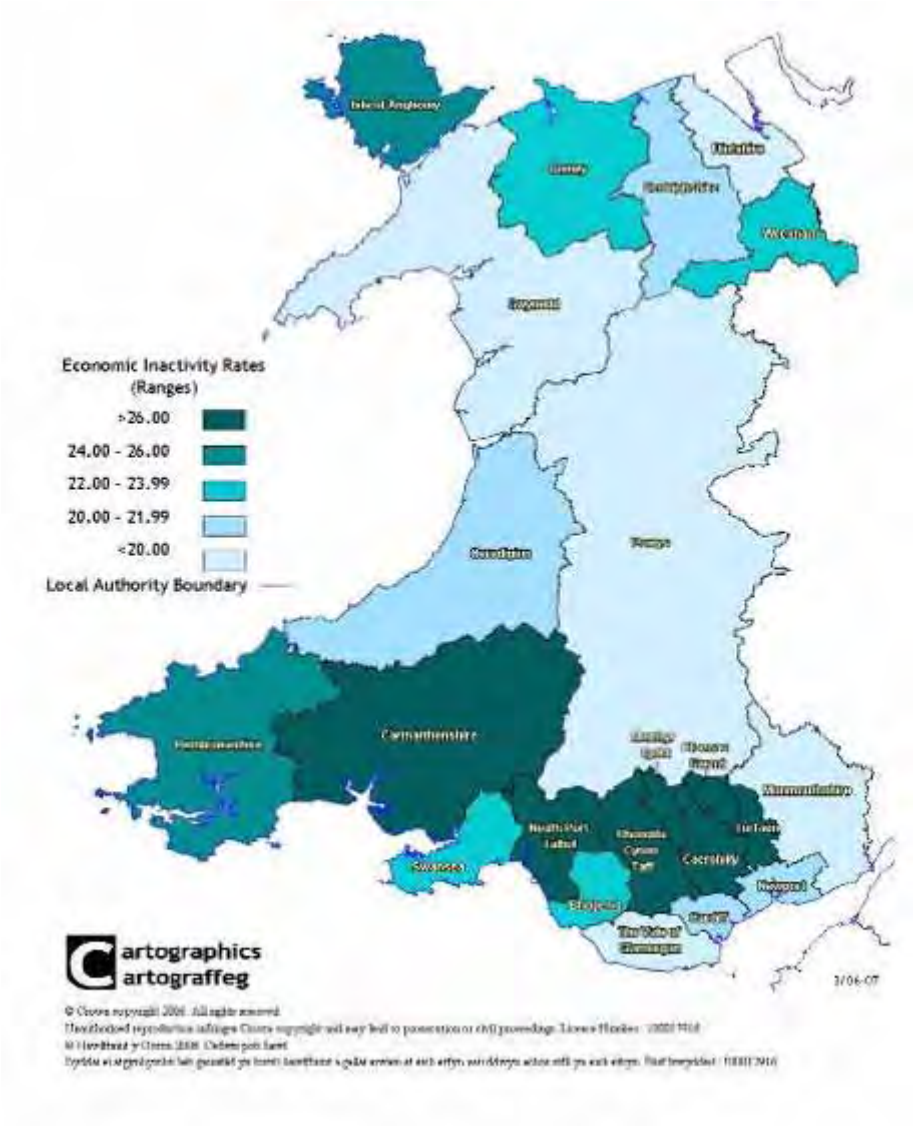
Figure 8. Employment Rates by Local Authority



Source: Labour Force Survey

2.45 Figure 9 below shows further that in terms of labour market indicators it is in the South Wales valleys where Wales' relative underperformance is concentrated. Figure 9 illustrates the economic inactivity rates by local authority. The darker the shade the higher the economic inactivity rates within the local authority. All of the local authorities of the South Wales valleys have an economic inactivity rate above 26% compared to only Carmarthenshire outside the South Wales valleys. Within East Wales, Wrexham has the highest economic inactivity rates with Flintshire, Powys and Monmouthshire all having economic inactivity rates below 20% of the Working age population.

Figure 9. Economic Inactivity rates by Local Authority

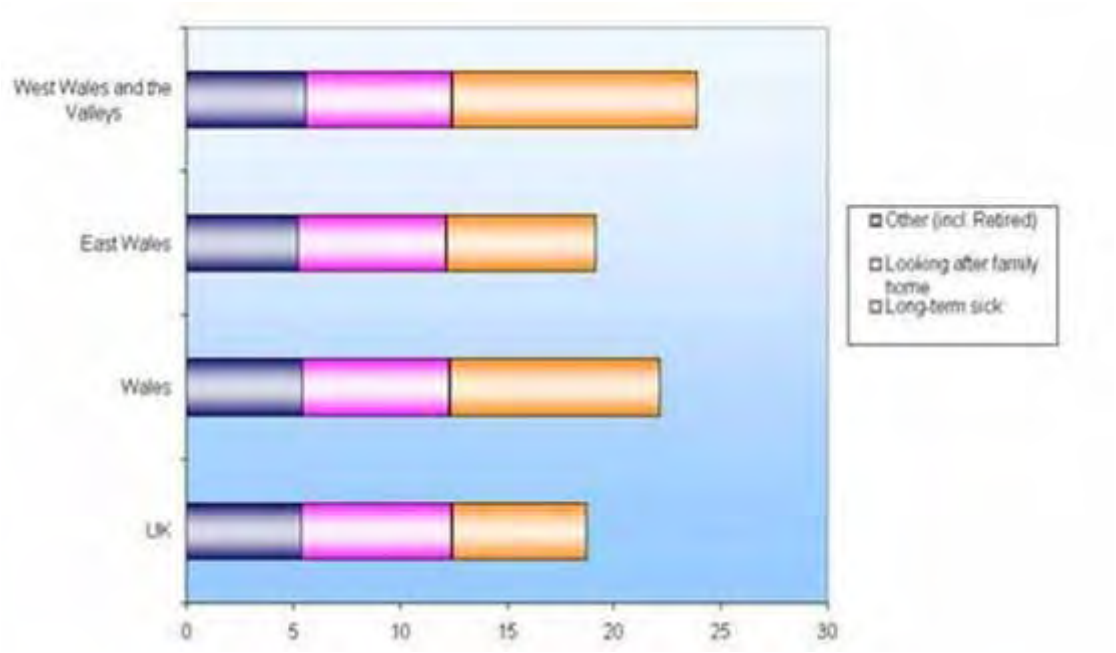


Source: Labour Force Survey

2.46 A key challenge facing the Welsh economy in enhancing access to employment is the sustainable inclusion in the labour market of inactive individuals. As highlighted in the above analysis, despite these improvements in labour market conditions, the employment rate in Wales is still below the average for the UK as a whole. With unemployment rates in Wales now in line with the UK average, higher unemployment does not explain this difference, indeed it is higher rates of economic inactivity that explain the majority of the differential in employment rates.

2.47 Progress has been made in reducing economic inactivity rates across Wales as a whole. To make further progress in this area it is important to understand the underlying causes of excess inactivity in West Wales and the Valleys. The factor most commonly identified by respondents, particularly men, was a long-standing, self-reported, work-limiting health condition. As Figure 10 shows, this accounts for much of the overall difference in economic inactivity between West Wales and the Valleys and Wales to the average for the UK. Respondents for East Wales were similar to the UK as a whole. Levels of inactivity are persistently highest amongst those with low skills as will be discussed below.

Figure 10. Economic Inactivity rate by reason given, 2004



Source: Labour Force Survey

2.48 Reported ill health is undoubtedly more of an issue in some parts of Wales than in the UK as a whole. Table 8 summarises some results from the Welsh Health Survey on self-reported health assessments[25] for individuals of working age. Table 9 shows that in 2004/05 there was a higher incidence of nearly all illnesses and conditions in West Wales and the Valleys than in East Wales and Wales as a whole for working age individuals.

[25] Reflects people's own understanding of their health rather than a clinical assessment of their condition.

Table 8: Percentage of adults reporting selected illnesses/conditions (a)

	Currently being treated for									
Region	High blood pressure	Any heart condition (excl high blood pressure)	Asthma	Any respiratory illness (incl asthma)	Any mental illness	Arthritis	Back pain	Diabetes	Limiting long-term illness	Has fewer than 21 teeth
West Wales & the Valleys	10	4	10	11	10	8	10	3	21	17
East Wales	8	4	8	10	8	6	8	3	17	13
Wales	10	4	9	11	9	7	10	3	20	16

Source: Welsh Health Survey 2003/04

(a) Working age adults is defined as 16-64 for men and 16-59 for women

See Welsh Health Survey report and survey webpages for description of survey and full definitions.

http://www.wales.gov.uk/keypubstatisticsforwales/content/publication/health/2005/hs2003-04/hs2003-04.htm

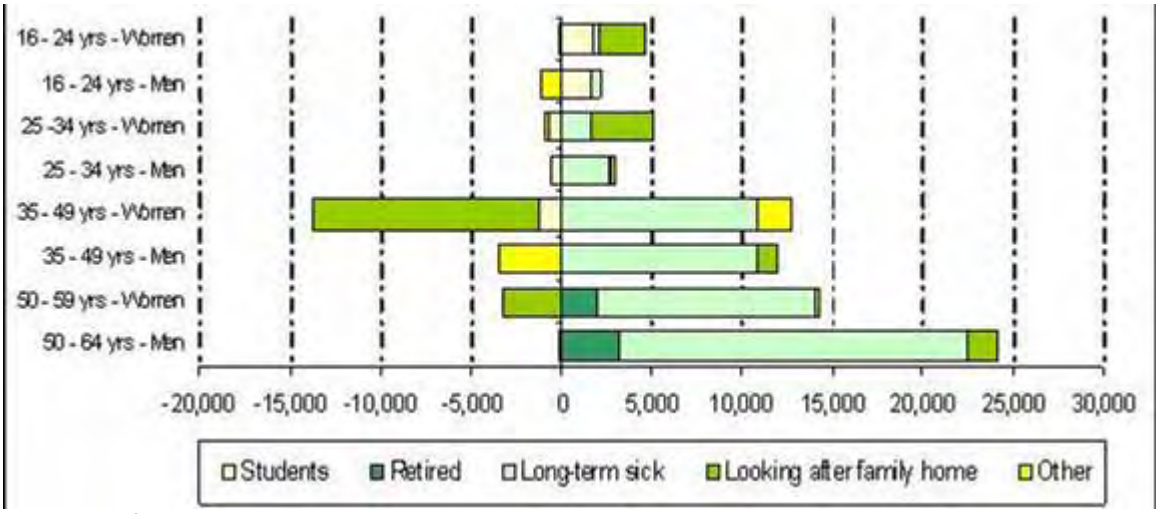
http://www.wales.gov.uk/keypubstatisticsforwalesdatacollection/health/health-survey/health-survey.htm

2.49 While self-reported ill health is identified as a key reason explaining higher economic inactivity, male economic inactivity rates rose during the 1980s and 1990s at a time when objective measures (measures such as those highlighted in Table 8) for health improved. Extensive research[26] in this area has led to an emerging consensus that a significant proportion of those with apparently work-limiting health conditions, including people on incapacity benefits, could, with the right help and support, play a more active role in the labour market.

2.50 Figure 11 shows some interesting results of the excess economic inactivity in Wales compared to the UK by gender, age and reason given. Figure 11 shows that for both males and females in the upper age brackets it is long-term sick that explains the majority of the excess in economic inactivity in Wales compared to the UK as a whole. This is also the case for males and females in the 35-49 age bracket, however, for females in this age bracket Wales has fewer females economically inactive due to them looking after the home and family than compared to the UK average. For females in the 16-24 and 25-34 age brackets looking after the home and family explain the majority of the excess economic inactivity in Wales than compared to the UK as a whole.

[26] Welsh Assembly Government Strategy and Communications Group, 2004. Review of Economic Inactivity: http://www.wales.gov.uk/assemblydata/N000000000000000000000000023624.pdf
Department for Work and Pensions, 2006, Impacts of the Job Retention and Rehabilitation Pilot. A research report carried out by the National Centre for Social Research and Urban Institute on behalf of the Department for Work and Pensions: http://www.dwp.gov.uk/asd/asd5/rports2005-2006/rrep342.pdf

Figure 11. Number of economically inactive in Wales in excess of UK average inactivity rates, by age group, gender and reason, 2003



Source: Labour Force Survey

2.51 The rise in female employment in general across Wales has focussed attention on the issue of childcare as a potential barrier to participation in the labour market[27]. As Figures 10 and 11 show 'looking after home and family' accounts for a large proportion of the reasons given for being economically inactive. It has been argued that the UK has suffered both from poor accessibility to and affordability of childcare and that this helps to explain in part economic inactivity across the UK[28]. The *Childcare Strategy for Wales* highlights a number of areas where Wales has deficiencies in the provision of childcare in particular under provision in some of Wales' most deprived areas[29]. Research[30] indicates that subsidising childcare and increasing availability leads to an increase in employment for females and, in particular, lone parents; the impact, however, is greatest when policies are targeted and means tested. In addition to childcare there is a body of evidence[31] that shows that the presence of elderly family members decreases participation in the labour market.

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[27] Blackerby, D et al. 2003 Identifying Barriers to Economic Inactivity in Wales. A Report for the Economic Research Unit of the Welsh Assembly Government: http://www.wales.gov.uk/subiresearch/content/eru/rpt03-04-e.htm

[28] Duncan, A and Giles, C. 1996. Should we Subsidise Childcare and if so how? *Fiscal Studies, Vol 17 pp. 39-61*.

[29] Further details are available in The Childcare Strategy for Wales – Childcare is for Children, available at:http://new.wales.gov.uk/topics/educationandskills/policy_strategy_and_planning/104009-wag/87760-wag11114/?lang=en

[30] Duncan, A et al, 2001. Mothers' Employment and the use of Childcare in the UK, Institute of fiscal Studies WP01/23;
Duncan, A and Giles, C. 1996. Should we Subsidise Childcare and if so how? *Fiscal Studies, Vol 17 pp. 39-61*.

[31] Greenhalgh, C. 1980. Participation and hours worked of married women in Great Britain. *Oxford Economics Papers* Vol 32, pp. 296-318

2.52 In addition to childcare, several other barriers to employment have been identified for those currently economically inactive. The importance of networks, both informal and formal, in the form of access to public transport have been highlighted as potential barriers especially for individuals living in rural areas[32]. This has obvious implications for Wales given that a large proportion of the land mass is rural in nature.

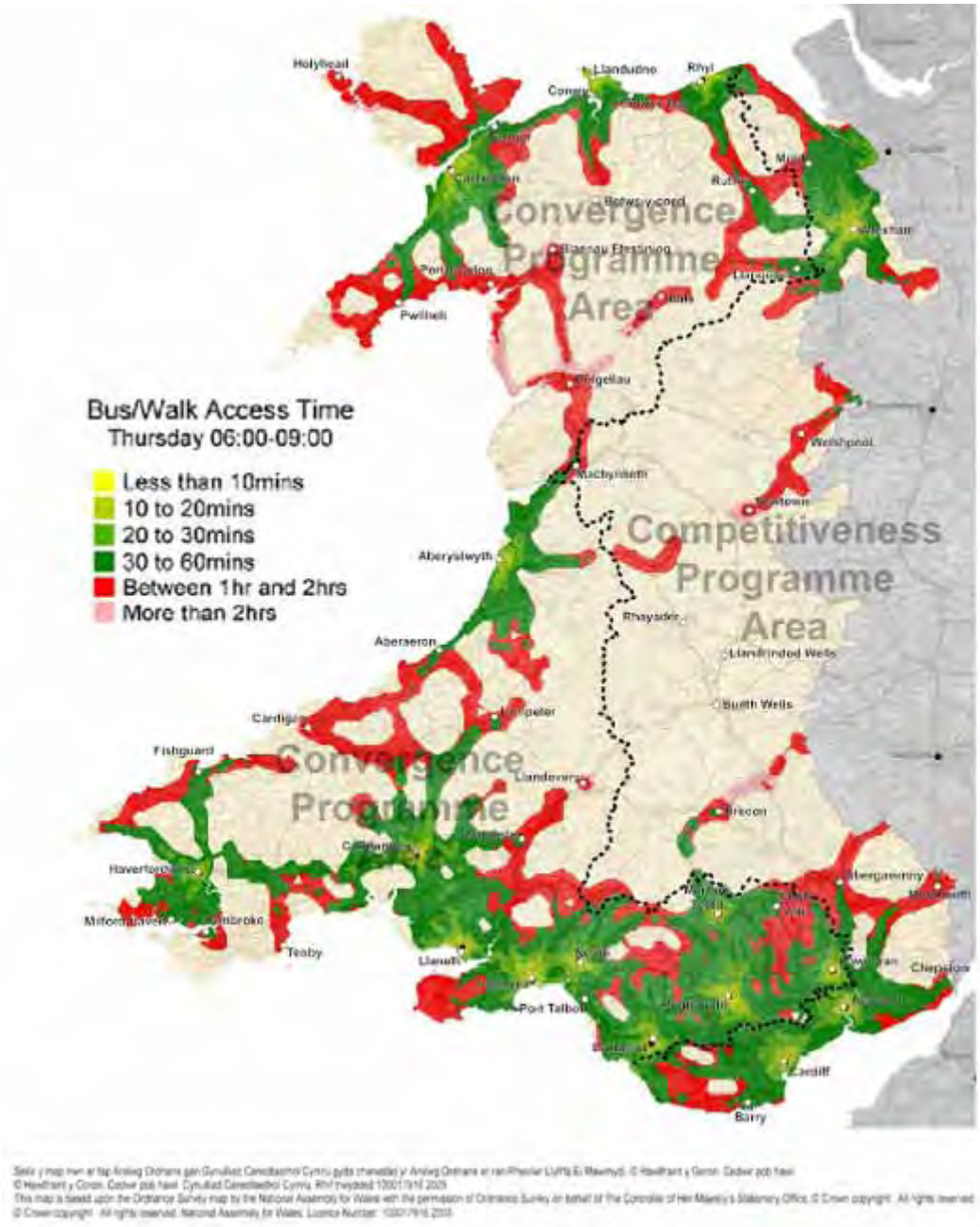
2.53 Figure 12 below shows access to key employment centres in Wales[33] by bus and walking. The red areas show where access is beyond one hour. The areas with the poorest bus/walking access to key employment centres in Wales can be found in West Wales. However, there are large pockets of poor access to employment centres within the South Wales valleys. This is a concern especially given the relative economic inactivity rates across South Wales Valleys and the links between transport access as a barrier to employment for some individuals that are economically inactive[34].

[32] Cartmel, F and Furlong, A, 2000. Youth Unemployment in Rural Areas. A Report for the Joseph Rowntree Foundation.

[33] The employment centres used in this plot were taken from the Welsh Assembly Government's *Wales Spatial Plan*. The centres included are all town/city centres with more than 2,000 jobs (2000 data), with the addition of cross-border locations Chester, Shrewsbury, Hereford and Bristol. The *Wales Spatial Plan*, November 2004:

[34]Blackerby et al, 2003, Identifying Barriers to Economic Activity in Wales. A report for the Economic Research Unit Welsh Assembly Government:

Figure 12. Bus and walking access to key employment centres (a)



(a) The employment centres used in this plot were taken from the Wales Spatial Plan. The centres included are all town/city centres with more than 2,000 jobs (2000 data), with the addition of cross-border locations Chester, Shrewsbury, Hereford and Bristol.

Source: Halcrow Group Limited

2.54 Although individual barriers to activity have been identified, individuals face several disadvantages, therefore, a coordinated approach is needed to reduce economic inactivity across West Wales and the Valleys and East Wales[35].

Social inclusion of people at a disadvantage

2.55 While the leading labour market indicators have shown encouraging progress in recent years, Wales still suffers from lower employment and higher economic inactivity rates than the UK. As the following analysis shows, certain groups in society fare worse in terms of overall labour market participation.

2.56 Table 9 shows the changes in employment rates disaggregated by disability and ethnicity. Table 9 shows that employment rates and economic activity rates for those with a disability[36] across East Wales, West Wales and the Valleys and Wales as a whole are significantly lower than for those without any disability. This is not surprising given that disability in the Labour Force Survey is partially defined as those with a work limiting disability[37]. Unemployment rates (which measures those able, willing and actively seeking employment) for those with a disability, however, are considerably higher than for those without a disability. In total across Wales as a whole 221,000 disabled individuals are economically inactive and just under 13,000 disabled individuals are registered unemployed. Recent research[38] has highlighted that the employment rate for individuals with a disability but which is not work limiting, are almost identical to those for individuals without a disability. It is therefore the work limiting component that lies at the heart of employment differentials between individuals with and without a disability.

2.57 Table 9 also shows that Black Ethnic Minority (BME) individuals fare worse in terms of labour market outcomes compared to the non-BME population across Wales as a whole and the sub-regions of Wales. However, some care should be taken when interpreting the figures for the BME population in Wales due to small sample sizes. For example, for Wales as a whole the unemployment rate over the period 2001–04 has large annual changes with the unemployment rate in 2001 being 7.5% and then rising to 14.8% in 2002. In addition, changes in unemployment, while large in percentage terms, are small in absolute. The rise in the unemployment rate between 2001 and 2004 represented an additional 1,600 individuals registered as unemployed across Wales as a whole. In total across Wales as a whole, there are 3,000 individuals from BME origin registered as unemployed and 14,000 registered as being economically inactive.

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[35] Berthourd, R. 2003. Multiple Disadvantages in Employment: A Quantitative Analysis. A Report for the Joseph Rowntree Foundation.
[36] Disability is defined as work limiting disabled or Disability Discrimination Act disabled or both.
[37] Labour market outcomes for individuals with a disability, but not work limiting are similar to that of non-disabled individuals.
[38] JONES. M. K (2005) disability and the labour market: A review of the empirical evidence http://www.swan.ac.uk/welmerc/pdf%20and%20cv/Disability%20and%20the%20Labour%20Market%20A%20review%20of%20the%20empirical%20evidence-%20DP.pdf

2.58 Recent evidence[39] has investigated the differences in labour market outcomes of BME individuals in England and Wales and the reasons for these differences. Three main conclusions appear from this work. Firstly BME individuals tend to live in disadvantaged areas and so face a labour market penalty (although the causality of this is unclear). Secondly, BME individuals have lower educational attainment than non-BME individuals. Finally, evidence suggest that religion is an additional source of variation in labour market behaviour in that after controlling for individual characteristics, individuals with certain religious beliefs have adverse labour market outcomes.

[39] Clark. K and Drinkwater S. 2005. Dynamics and Diversity: Ethnic Employment Differences in England and Wales, 1991-2001. IZA Discussion Paper No. 1698
http://www.econ.surrey.ac.uk/staff/sdrinkwater/dp1698.pdf

Table 9: Labour market summary, disaggregated by disability (a) and ethnicity (percentage)

	Employment		Economic Inactivity		Unemployment (b)	
	2001	2004	2001	2004	2001	2004
Disability						
East Wales						
All Persons	72.6	73.9	23.9	22.9	4.7	4.2
Disabled	44.1	48.0	52.4	49.1	7.2	5.7
Not disabled	79.3	80.2	17.1	16.5	4.3	3.9
West Wales & the Valleys						
All Persons	67.0	69.6	28.6	26.5	6.1	5.4
Disabled	33.9	38.2	62.4	58.4	9.9	8.1
Not disabled	77.8	79.9	17.6	16.0	5.5	4.9
Wales						
All Persons	69.1	71.2	26.9	25.1	5.1	4.9
Disabled	37.1	41.3	59.3	55.5	8.9	7.2
Not disabled	78.4	80.8	17.4	16.2	5.1	4.5
Ethnicity						
East Wales						
All Persons	72.6	73.9	23.9	22.9	4.5	4.1
BME population (c)	52.8	58.4	43.0	34.7	7.1	10.5
Non-BME population	73.3	74.6	23.1	22.4	4.5	3.8
West Wales & the Valleys						
All Persons	67.0	69.6	28.6	26.5	6.0	5.2
BME population (c)	62.6	59.0	31.7	32.9	8.2	12.1
Non-BME population	67.1	68.7	28.6	26.4	5.9	5.1
Wales						
All Persons	69.1	71.2	26.9	25.1	5.4	4.8
BME population[3]	55.7	58.6	39.7	34.1	7.5	11.1
Non-BME population	69.3	71.5	26.6	24.9	5.4	4.6

(a) Disability is defined as work limiting disabled or Disability Discrimination Act disabled or both;
(b) Unemployment rates broken down by disability are based on working age people only as disability question not asked to those in work, but over working age. Therefore the all persons rate will differ to working age unemployment rates;
(c) All in BMEs.
Source: Annual Labour Force Survey / Annual Population Survey

2.59 The gap between male and female employment rates in Wales is around half that for the UK as a whole and female employment has recently been growing faster

than male employment across Wales as a whole. Between 2001 and 2004, the female employment rate across Wales increased by 2.9% compared to 1.7% for males, and now stands at 67.8%. The female employment rate has increased for each age bracket, but has been particularly pronounced for those aged 35–59. This is set against a fall in employment rates of prime working age[40] males across Wales of some 0.4 percentage points between 2001 and 2004 compared to an increase of 1.7 percentage points for females. Across Wales as a whole 250,000 females and 188,000 males are economically inactive, the causes of which are discussed in later sections.

2.60 Also of concern is the fall in male youth (aged 16-24) employment in East Wales. Recent data[41] (2003–2004) shows that across Wales as a whole (sub-Wales data not available) the number of young people not in employment, education or training (NEET) has risen to 13% from 11% in 2002–2003. It is widely acknowledged in the economic literature[42] that for young adults education, skills and their labour market experiences are crucial for their future life chances. Therefore, time away from active engagement in the labour market can pose problems later in life for these individuals. Recent evidence has highlighted the importance of improving educational achievement, and preventing the build-up of substantial periods in unemployment as youths and that this may reduce the extent to which a minority of individuals (particularly men) spend a large part of their working lives unemployed.

[40] Defined as those aged 25-34.
[41] Office for National Statistics, 2005 SB/80/2005. Participation of Young People in Education and the Labour Market 2003/04:
[42] For example see Gregg, P and Tominey, E, 2001 The Impact of Youth Unemployment on Adult Unemployment in the NCDS Economic Journal vol 111, issue 475, F626-653.

Table 10: Employment rates by gender and age

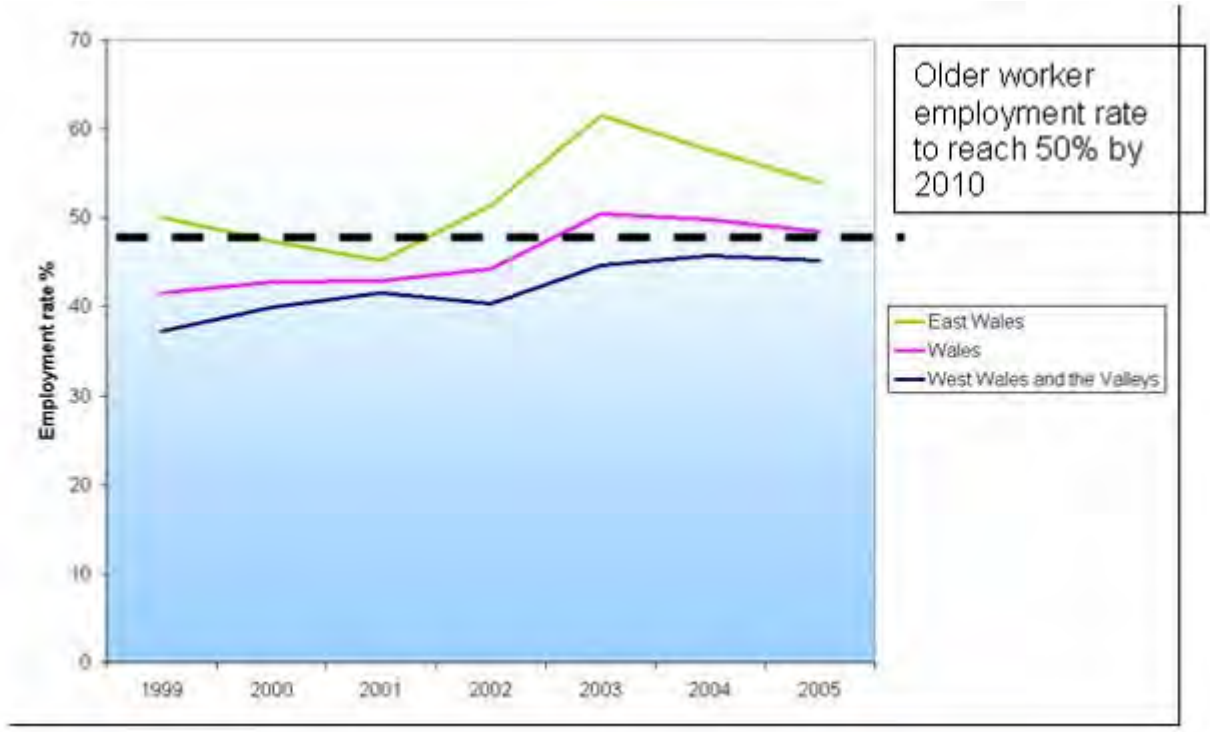
	East Wales		West Wales and the Valleys		*Wales*	
	2001	**2004**	**2001**	**2004**	**2001**	**2004**
Males						
16-24	60.4	58.5	56.6	60.5	58.0	59.7
25-34	87.2	87.8	84.6	83.6	85.6	85.2
35-49	88.1	89.9	82.1	85.8	84.3	87.3
50-64	68.9	71.3	57.8	60.9	61.6	64.5
65+	9.6	8.3	5.8	6.5	7.1	7.1
Working age	77.3	78.0	70.6	72.9	73.1	74.8
Females						
16-24	55.1	59.6	51.3	54.8	52.7	56.7
25-34	69.8	72.0	68.8	70.2	69.2	70.9
35-49	75.9	76.7	70.7	74.4	72.7	75.3
50-59	62.8	69.0	56.1	59.6	58.5	62.9
60+	8.9	8.9	6.9	7.8	7.6	8.2
Working age	67.6	70.5	63.2	66.2	64.9	67.8
Persons						
16-24	57.7	59.7	53.9	57.7	55.3	58.2
25-34	78.2	79.5	76.5	76.7	77.1	77.8
35-49	81.8	83.1	76.3	80.0	78.4	81.1
50-64	66.3	70.4	57.1	60.4	60.3	63.9
65+	9.1	8.7	6.5	7.3	7.4	7.8
Working age	72.6	74.3	67.0	69.6	69.1	71.4

Source: Local Labour Force Survey

2.61 A headline Lisbon employment target is to increase the employment rate of older workers (those aged between 55 and 64) to 50% by 2010. Figure 13 summarises the latest position for Wales, West Wales and the Valleys and East Wales against this target. The overall employment rate for older workers across Wales is just below the Lisbon target of 50%. Across East Wales the employment rate for older workers is above the Lisbon target and has been since 2002. The employment rate for older workers across West Wales and the Valleys is just below the Lisbon target at 45.2%. Increasing the employment rate for older workers will help towards the target to increase the effective average exit age from the labour market identified in the EES[43].

[43] European Commission (2005/600/EC) Council decision of 12 July 2005 on guidelines for the employment policies of the Member States.
http://eur-lex.europa.eu/LexUriServ/site/en/oj/2005/l_205/l_20520050806en00210027.pdf

Figure 13. Older Worker Employment rate



Source: Eurostat

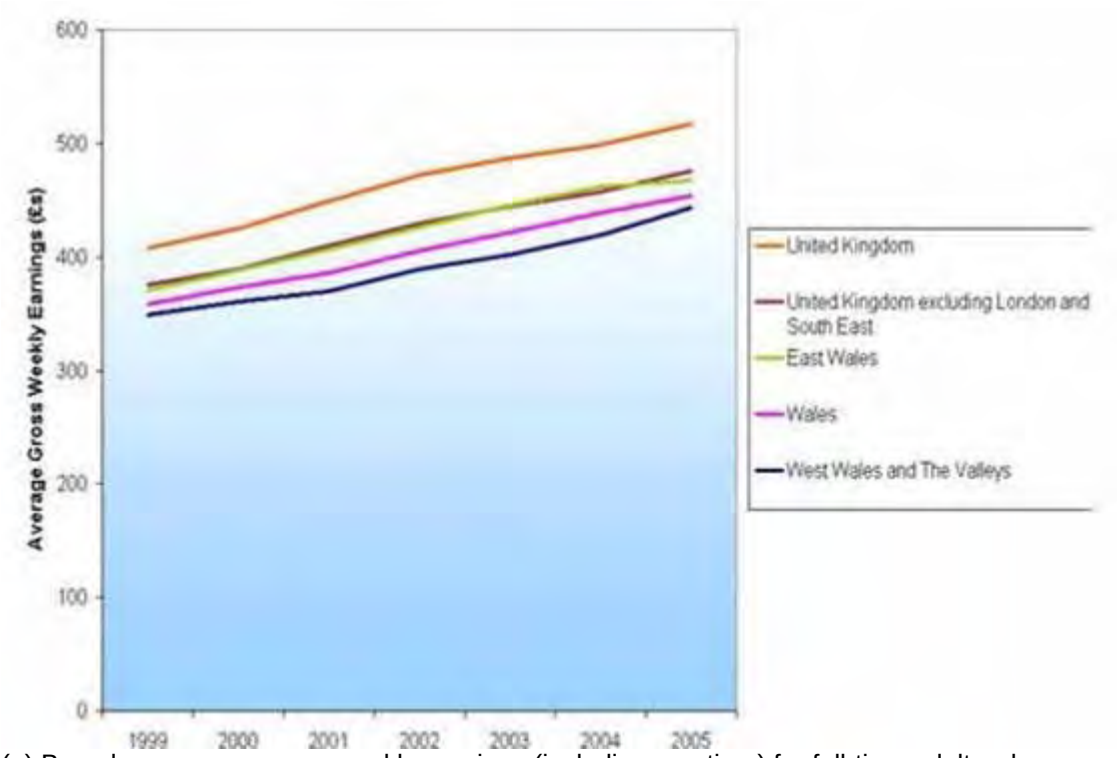
2.62 Across Wales as a whole approximately 50% of the rise in employment between 2001 and 2004 has been in part-time employment. For males, 56% of the rise in employment was part-time while the corresponding figure for females was 44%. The picture across East Wales is somewhat different to that for Wales as a whole with approximately one-third of the total increase in employment being part-time for males and females over the period 2001 to 2003. In total, 26% of all employees work part-time across Wales, totalling 334,000 individuals. For females this figure is 44% (264,000 individuals) compared to 11% (70,000 individuals) for males. The proportions across West Wales and the Valleys and East Wales are much in line with the all Wales average.

2.63 In addition to the increase in employment levels across Wales, average earnings have also increased. Since 1999, average earnings in Wales have increased by 28% in nominal terms (13% in real terms). This increase is much the same across the sub-regions of Wales and for the UK as a whole. However, Wales had the third lowest average weekly earnings amongst UK regions and devolved administrations in 2005. Average gross weekly earnings for full-time adults in Wales were £455 in April 2005, 88.0% of the average for the UK as a whole[44]. Within Wales and its sub-regions there are clear differences as shown in Figure 14 with

[44] Annual Survey of Hours and Earnings 2005, Office for National Statistics: http://www.statistics.gov.uk/StatBase/Product.asp?vlnk=14203

lower average earnings across West Wales and the Valleys than across East Wales. Within East Wales however, Powys and Monmouthshire have lower average earnings than for Wales as a whole and the second lowest for all local areas within Wales. Carmarthenshire, Ceredigion and Pembrokeshire have the lowest average earnings at some 93% of the Welsh average. These differences are in part explained by relative industrial structures of the sub-regions which is discussed briefly below.

Figure 14. Average gross weekly earnings (a)(b)



(a) Based on average gross weekly earnings (including overtime) for full-time adults whose pay was not affected by absence;
(b) Since the 2004 survey, supplementary information has been collected in order to improve coverage and hence make the survey more representative. This includes information on businesses not registered for VAT and for people who changed or started new jobs between sample selection and the survey reference period. Therefore there is some discontinuity in comparing data for 2005 with that of earlier years.
Source: Annual Survey of Hours and Earnings.

2.64 Together with an increase in female employment in Wales, the earnings gap between males and females is lower in Wales than the UK average, and Welsh women fare better compared to their UK counterparts than Welsh men do in terms of average hourly earnings[45]. Female full-time hourly earnings (excluding overtime) in Wales (and across West Wales and the Valleys and East Wales) in April 2005 were 88% of the equivalent male figure. This was considerably above the average for the UK as a whole (82.7%).

2.65 The average difference between male and female earnings across the UK is greater than across the EU25[46]. In 2004, average gross hourly earnings for females were some 78% of the average male rate, compared to 85% across the EU25.

2.66 A recent study[47] that investigated the difference in pay for males and females across the UK highlighted that labour market segregation was a factor that explained the relative earnings of males and females in that women are generally working in a narrow group of occupations, mainly offering part-time work with pay below the average for the UK.

2.67 In addition, the economic contribution of women is not fully utilised. For women in part-time employment this is even more pronounced with up to 45% of women working part-time not fully utilising their skills and qualifications in their job. Secondly, there is strong evidence that women are not sufficiently rewarded for their economic contribution and that the gender pay gap, although narrowing steadily over recent decades, still persists.

2.68 In Wales in 2004, women occupied 83% of jobs in personal service occupations and 78% of jobs in administrative and secretarial occupations. In contrast, men occupied 93% of skilled trades and 84% of process, plant and machine operatives. It is still the case that the majority of senior positions in virtually all sectors are taken by men; for example, in the teaching profession the majority of secondary teachers are women, yet the majority of secondary head teachers are men.

2.69 Research[48] indicates that: 36% of the pay gap is due to differences in life-time working patterns (for example, taking time off work to look after children and often

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[45] A factor explaining the relatively small gender pay gap in Wales is the relatively low pay for men rather than higher than average pay for women.

[46] The gender pay gap is given as the difference between average gross hourly earnings of male paid employees and of female paid employees as a percentage of average gross hourly earnings of male paid employees. The gender pay gap is based on several data sources, including the European Community Household Panel (ECHP), the EU Survey on Income and Living Conditions (EU-SILC) and national sources. The target population consists of all paid employees aged 16-64 that are 'at work 15+ hours per week'. UK level data is based on data for employees aged 16-59/64, therefore care should be taken when comparing the data based on EU comparisons to that based on UK definitions.

[47] Women and Work Commission, 2005, Shaping A Fairer Future: http://www.womenandequalityunit.gov.uk/publications/wwc_shaping_fairer_future06.pdf

[48] Equal Opportunities Commission research, 'Modelling Gender Pay Gaps': http://www.eoc.org.uk/PDF/modelling_gender_pay_gaps_wp_17.pdf

returning to lower-paying posts, or women making fewer job moves than men, which contributes directly to wage increases for men); occupational segregation accounts for 18%; 38% is due to differences in labour market motivations and preferences of women compared to men and to direct discrimination; and 8% is due to human capital differences such as women's lower qualification mix and lower number of years' experience if they have taken time off for caring responsibilities. Employers, in anticipation that women will take career breaks, may also treat women less favourably so that even those women who do not take a career break, or take a very short one, will suffer a penalty. Lack of equal pay for equal work is still a factor and some researchers believe that even once all explanatory factors are taken into account an unexplained gap of around 10% may exist. Consequently, despite 47% of the Welsh workforce now being female, the pay gap remains.

Human capital

2.70 Long-term economic growth and increases in earnings depend crucially on raising value-added per job in the economy. Analysis[49] of the variation across Great Britain suggests that skills are a major factor in the level of productivity. As discussed in more detail below Wales as a whole (west Wales and the Valleys in particular) has an adverse skills profile with a higher proportion of individuals without any formal qualifications than compared to the UK as a whole. For Wales (sub-Wales data not available) the adverse skills profile explains approximately 20% of Wales' lower productivity compared to the average for Great Britain as a whole. Evidence[50] suggests that a 10% increase in the proportion of individuals with degree level qualifications or better increases productivity by nearly 1%, while the same proportionate decrease in the proportion of individuals with no formal qualifications increases productivity by around 0.7%. Continued investment in improving the skills of the population could therefore help boost productivity, as well as help alleviate disparities in employment rates through reducing economic inactivity.

2.71 Increasing the level of skills in the workforce is also associated with increased rates of economic activity and improvements to productivity, both of which will raise rates of gross value-added per head, which in turn will impact on levels of individual and community prosperity. The 2004 EU Joint Interim Report states that 'raising the average educational attainment of the population by one year represents a 5% increase in growth in the short term, and a further 2.5% in the long term'[51].

2.72 There is a broad consensus that a change in the composition of the demand for labour lies at the heart of the analysis of trends in the labour market over the last couple of decades. The relative labour market position of low skilled people has

[49] Rice, P and Venables, A, 2004, 'Spatial determinants of productivity analysis for the regions of Great Britain', *CEP Discussion Paper* No.642.
[50] Rice, P and Venables, A, 2004, Spatial determinants of productivity analysis for the regions of Great Britain, *CEP Discussion Paper* No.642.
[51] Joint interim report of the Council and the Commission on the implementation of the detailed work programme on the follow-up of the objectives of education and training systems in Europe, 3 March 2004.

worsened across the developed world, taking the form of lower relative pay and/or lower employment rates[52].

2.73 Levels of skills in the Welsh workforce have risen over recent years. While the proportion of working age adults in West Wales and the Valleys with no qualifications has fallen, skills levels remain below other UK regions and the EU as a whole.

2.74 Employment rates for low skilled people tend to be higher where there are low concentrations of such people. (The clearest example of such a pattern is the South East of England outside London). The changing composition of the demand for labour has therefore had its greatest negative effects where the supply of such labour is highest, including parts of Wales. Furthermore, as it is much more difficult for unskilled people than for skilled people to migrate to places where the demand for their labour is relatively high, such spatial disparities have become entrenched[53].

2.75 Skills are increasingly important in determining labour market outcomes. Table 11 shows the employment rate disaggregated by the highest qualification held by employees. Table 11 shows that while the overall employment rate has increased, the employment rate for those with no formal qualifications has fallen. The same pattern has occurred across West Wales and the Valleys and East Wales. Analysis the employment rate disaggregated by age and qualifications shows that only 30% of individuals aged 16-24 without any qualifications are in employment compared to 70% for those with Level 4 and above. The employment rate for young people without any qualifications is over 10 percentage points lower than for any other age bracket.

2.76 This trend of falling employment for those with low level skills is a common phenomenon across the European Union. Using data from Eurostat employment for individuals aged 15 and over with pre-primary, primary and lower secondary education (level 0-2 on ISCED 1997) fell by nearly 4,000. This compares to rises of 7,300 and 7,700 for those with level 3-4[54] on ISCED 1997 and 5-6[55] on ISCED 1997 respectively across the EU. However, individuals with level 0-2 qualifications represented 27% of total employment across the EU compared to 10% for the UK, 13% for Wales, 14% for West Wales and the Valleys and 11% for East Wales.

[52] Faggio, G and Nickell, S, 2005. Inactivity Among Prime Age Men in the UK. *CEP Discussion Paper* 673: http://cep.lse.ac.uk/pubs/download/dp0673.pdf
[53] Faggio, G and Nickell, S, 2005. Inactivity Among Prime Age Men in the UK. *CEP Discussion Paper* 673: http://cep.lse.ac.uk/pubs/download/dp0673.pdf
[54] Upper secondary and post-secondary non-tertiary education
[55] Tertiary education

Table 11: Employment rate by highest qualification, Wales

Highest Qualification level	2001	2004	Change 2001-04
West Wales and the Valleys			
Level 4 and above	84.1	84.7	0.6
Level 1-3	69.7	72.2	2.5
No Qualifications	45.9	44.5	-1.4
Total	67.0	69.7	2.7
East Wales			
Level 4 and above	85.5	86.6	1.1
Level 1-3	74.5	74.7	0.2
No Qualifications	51.4	50.2	-1.2
Total	72.6	74.4	1.8
Wales			
Level 4 and above	84.7	85.5	0.8
Level 1-3	71.5	73.1	1.6
No Qualifications	47.7	46.3	-1.4
Total	69.1	71.4	2.3

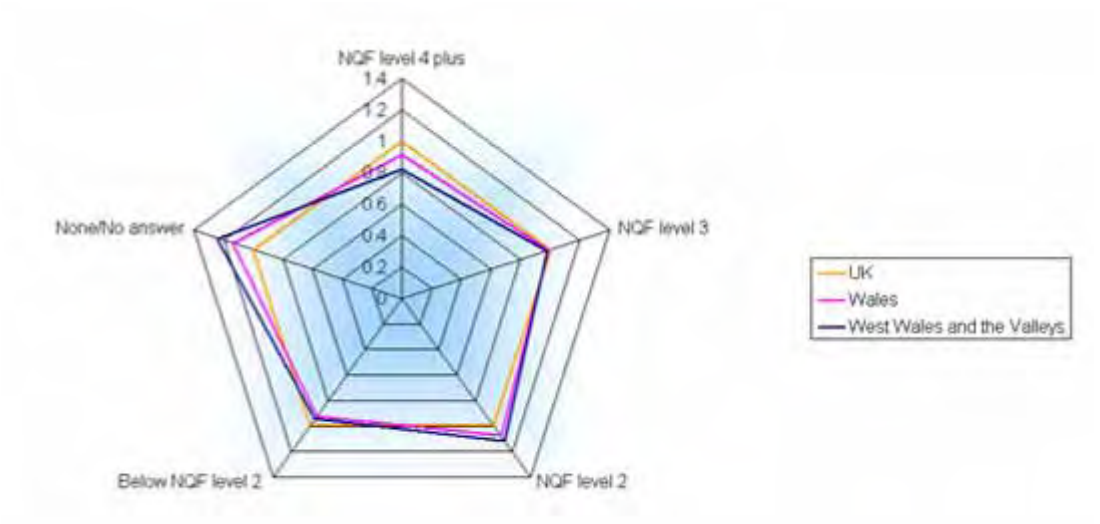
Source: Labour Force Survey

2.77 A major part of the explanation of the inactivity problem is the skill profile of the Welsh population. The available evidence suggests that the skills position in Wales is worse than in the UK as a whole, and that the position in West Wales and the Valleys is worse than in the rest of Wales. Figure 15 shows the relative skills set for individuals in Wales compared to the average for the UK as a whole. The chart is illustrated as a location quotient. A location quotient measures the relative concentration of a variable compared to a benchmark area. In Table 12 a score of 1 shows where the relative concentration of individuals with a given skill/qualification level is the same as for the UK average. A score of less than 1 shows where an area has a relatively low concentration and a score of greater than 1 shows where an area has a relatively high concentration compared to the UK average.

2.78 As Figure 15 shows, Wales and to a greater extent West Wales and the Valleys have relatively high concentrations of individuals with no qualifications and a relatively low concentration of individuals at the higher end of the qualification spectrum, Level 4 and above. East Wales, on the other hand, has a profile similar to the UK average, but with a slightly higher concentration of individuals with Level 4 and above. The distribution of low skills therefore closely fits the distribution of inactivity across Wales, which is consistent with there being a strong skill-related cause of inactivity. Across Wales as a whole some 304,000 working age individuals do not have any formal qualifications. The figures for West Wales and the Valleys and East Wales are 208,000 and 96,000 respectively.

2.79 Using Eurostat data for 2005 shows that West Wales and the Valleys, East Wales, Wales and the UK as a whole have a far lower proportion of its population with pre-primary, primary and lower secondary level qualifications with 43% of the population of the EU (aged 15 and over) with their highest qualification at this level compared to 13% for West Wales and the Valleys, 12% for East Wales, 14% for Wales and 11% for the UK as a whole.

Figure 15. Qualification/skills set (UK=1)



Source: Labour Force Survey

2.80 Table 12 shows the highest qualifications held by individuals across Wales broken down by individuals with and without a disability and individuals from minority ethnic groups and those not from minority ethnic groups. As Table 12 shows, individuals with a disability have lower levels of skill attainment than individuals who are not disabled. This is true across the sub-regions of Wales as well as for Wales as a whole. Interestingly, the proportion of individuals from minority ethnic groups without any formal qualifications is lower in West Wales and the Valleys that those that are not from minority ethnic groups. This is contrary to the observations across East Wales and Wales as a whole. The proportion of individuals from minority ethnic groups with level 4 and above qualifications is also higher in West Wales and the Valleys than for individuals from non minority ethnic groups. This again is contrary to the observation across East Wales and Wales as a whole.

Table 12: Levels of highest qualifications held by persons of working age, percentage of working age population, 2004

		No Qualifications	Level 2 and above	Level 3 and above	Level 4 and above
Not disabled	West Wales and the Valleys	14.3	68.8	43.8	24.0
	East Wales	12.0	71.5	50.2	30.3
	Wales	13.4	69.8	46.3	26.4
Disabled (a)	West Wales and the Valleys	33.0	49.1	28.7	14.1
	East Wales	26.6	55.5	34.4	20.1
	Wales	31.0	51.2	30.5	16.0
Ethnic minority population (b)	West Wales and the Valleys	18.1	61.3	38.8	25.7
	East Wales	24.2	54.6	39.3	28.2
	Wales	22.1	56.9	39.1	27.4
Non ethnic minority population	West Wales and the Valleys	18.9	63.9	40.1	21.6
	East Wales	14.5	69.0	47.4	28.3
	Wales	17.3	65.8	42.8	24.0

(a)Disability is defined as work limiting disabled or Disability Discrimination Act disabled or both.
(b) All in ethnic minorities.
Source: Labour Force Survey

2.81 The level of skill attainment for females in Wales is similar to that for males. There are two main differences however. Firstly, females across Wales as a whole have higher attainment rates at level 4 and above. Secondly, a higher proportion of females in Wales as a whole do not have any formal qualifications. The differences however are small and only represent between 0.5 and 1 percentage point. A similar patter is found across West Wales and the Valleys and East Wales with a higher proportion of females with qualifications at level 4 and above and a higher proportion of females without formal qualifications. The difference in the overall level of qualification attainment between males and females across West Wales and the Valleys compared to East Wales is generally reflective of the population as a whole as illustrated in Table 13.

Table 13: Levels of highest qualifications held by persons of working age by gender, percentage of the working age population, 2004

		No Qualifications	Level 2 and above	Level 3 and above	Level 4 and above
East Wales	**Males**	**14.1**	**70.6**	**50.4**	**27.7**
	Females	**15.7**	**66.1**	**43.6**	**28.8**
	Total	**14.9**	**68.4**	**47.1**	**28.3**
West Wales and the Valleys	**Males**	**18.2**	**66.1**	**43.2**	**20.9**
	Females	**19.7**	**61.5**	**36.8**	**22.4**
	Total	**18.9**	**63.9**	**40.1**	**21.6**
Wales	**Males**	**16.7**	**67.8**	**45.9**	**23.4**
	Females	**18.2**	**63.2**	**39.3**	**24.8**
	Total	**17.4**	**65.6**	**42.7**	**24.1**

Source: Welsh Local Labour Force Survey

2.82 According to the latest survey of adult basic skills in Wales[56], it is estimated that 25% of adults in Wales have entry level literacy skills and 53% in Wales are estimated to have entry level numeracy skills. Compared to England, Wales has a higher percentage of adults with entry level numeracy and literacy skills, but the gap is particularly pronounced in literacy (see full report for details). Unsurprisingly, there is a strong correlation between education attainment and performance in both literacy and numeracy assessments. Overall males and females had similar scores in the literacy assessments; however, males outperformed females in the literacy assessments. The recent Leitch Review of Skills[57] has highlighted the importance of improving the basic skills of the population to enhance employability and productivity. A recent study conducted for Wales[58] also highlighted the role of improving the basic skills of the population of Wales as one of the main areas of focus to alleviate the skills gap Wales has with the UK and many leading developed countries.

2.83 The Maastricht Study 'Achieving the Lisbon goal: the contribution of Vocational Education and Training' stressed the importance of tackling basic skills' deficits

[56] BASIC SKILLS AGENCY FOR WALES, 2004, The National Survey of Adult Basic Skills in Wales. Available at: http://www.basic-skills-wales.org/bsastrategy/resources/Survey%20of%20Adult%20Basic%20Skills%20in%20Wales.pdf

[57] Prosperity for all in the global economy – World class skills. Leitch review of skills for HM Treasury (2005) http://www.hm-treasury.gov.uk/media/523/43/leitch_finalreport051206.pdf

[58] Sloane et al (2007) The long tail of low skills in Wales and the UK – A review of the Evidence

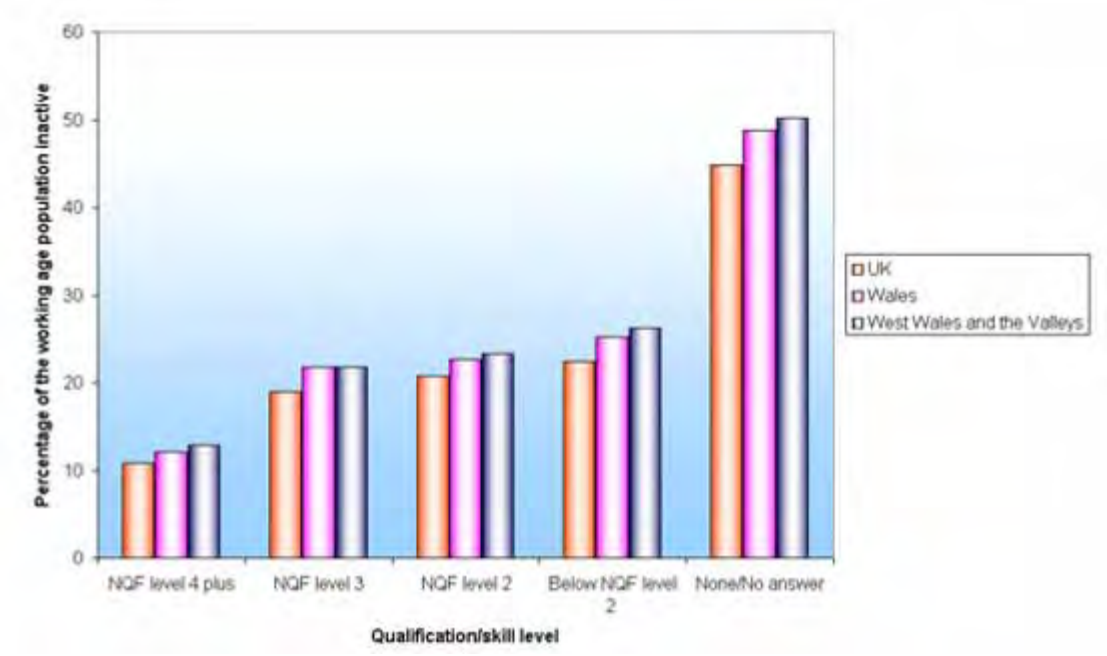
estimating that by 2010 only 15% of jobs will be for those with basic schooling, and that the impact for individuals and businesses of training the low skilled is as high as the impact for the highly educated, though many of the disadvantaged and employers are unaware of this'[59]. Tackling basic skills early in life will therefore be of crucial importance as modern economies develop.

2.84 The weakening of the demand for less skilled labour across the developed world is reflected in unemployment and economic inactivity rates amongst groups with different qualifications and skills set. Figure 16 sets out the rates of economic inactivity in West Wales and the Valleys, Wales and the UK according to the individual's highest level of qualifications.

2.85 This shows that there is significantly increased economic inactivity in groups with no formal qualifications. The higher the qualification/skill levels (moving from right to left on Figure 16), the lower the economic inactivity rate for individuals within each cohort. This is most significant, however, between no qualifications and basic skills / Level 1, and where there is a high relative concentration of individuals with no formal qualifications a higher percentage of individuals are economically inactive, as is the case for West Wales and the Valleys.

[59] The Maastricht study 'Achieving the Lisbon goal: the contribution of VET' (final report to the European Commission) http://ec.europa.eu/education/policies/2010/studies/maastricht_en.pdf

Figure 16. Economic inactivity rates by highest qualification, 2004 (per cent of the working age population)



Source: Labour Force Survey

2.86 Data on the qualifications held by pupils in the final year of formal education shows that pupils in West Wales and the Valleys under-perform the average for East Wales and Wales as a whole. Across West Wales and the Valleys the percentage of pupils that achieve five or more GCSEs grade A*-C or vocational equivalent is below the average for East Wales and Wales as a whole. Pupils in West Wales and the Valleys also under-perform in the core subjects (English or Welsh, Maths and Science). In addition, the average GCSE/GNVQ points score in West Wales and the Valleys is also below the average for East Wales and Wales as a whole and a higher proportion of pupils in West Wales and the Valleys leave school without any formal qualifications.

Table 14: Attainment of pupils in final year of compulsory education (percentage) 2005/06 provisional results

Maintained schools in...	Percentage of pupils in final year of compulsory education who...					
	Achieved five or more GCSEs grade A*-C or vocational equivalent	Achieved five or more GCSEs grade A*-G or vocational equivalent	Achieved one or more GCSEs grade A*-G or vocational equivalent	Average GCSE/GNVQ points score	Achieved no GCSE, GNVQ or ELQ (a)	Achieved GCSE grade A*-C in each of the core subjects (b)
East Wales	54.7	87.1	93.5	42.4	3.6	40.8
West Wales and Valleys	52.0	85.5	93.2	40.1	3.9	37.6
Wales (c)	53.4	85.9	93.1	41.0	4.1	39.4

(a) Entry Level Qualification: Certificate of Educational Achievement or Certificate of Achievement.

(b) Core Subject Indicator: Achieved GCSE grade A*-C in each of English or Welsh, maths and science.

(c) Includes independent schools.

Source: Office for National Statistics

2.87 Linked to the above analysis, West Wales and the Valleys has a slightly lower proportion of pupils continuing in further education beyond the age of 16 than compared to East Wales and the average for Wales as a whole. In total 73% of pupils in West Wales and the Valleys continue in schools or further education institutions following the final year of compulsory education, compared to 74% across Wales as a whole and 76% across East Wales.

2.88 The qualification levels of 16-18 year olds across West Wales and the Valleys (and Wales and East Wales) are much in line with the UK average. In the 19-21 year age bracket there are two noticeable differences. Firstly, West Wales and the Valleys has a higher proportion of 19-21 year olds without any formal qualifications compared to Welsh and UK averages (10% for West Wales and the Valleys and 8% for Wales and the UK). Linked to this, West Wales and the Valleys has a lower proportion of 19-21 year olds with higher level skills (level 3 and above) than Wales and the UK (50% for West Wales and the Valleys and 52% for Wales and the UK).

2.89 Table 15 shows the achievement of pupils entered for at least 2 A/AS Levels across West Wales and the Valleys, East Wales and Wales as a whole. As Table 15 shows A/AS level achievement across West Wales and the Valleys is below the Welsh average.

Table 15: Attainment of pupils aged 17 at the start of the academic year, 2005/06 provisional results

Maintained schools in…	Percentage of pupils who entered 2 or more A/AS Levels or achieved vocational equivalent who…		
	Achieved 2 or more A/AS levels grade A-C or vocational equivalent	Achieved 2 or more A/AS levels grade A-E or vocational equivalent	Average points score per pupil
East Wales	69.0	94.1	20.7
West Wales and Valleys	66.2	93.3	19.3
Wales	68.2	93.8	20.2

Source: Office for National Statistics

2.90 A variety of studies[60] have found that it is possible to dramatically improve the life chances of disadvantaged children through well-funded and sustained early years interventions. These include intensive programmes that are focused on the most disadvantaged. The evidence also shows that continued support for the most disadvantaged throughout schooling can help to raise employment prospects. Evidence[61] from the Education Maintenance Allowance (EMA) (financial support available to disadvantaged children to maintain in school post 16) shows that young people who had spent two years in post-16 education were generally in a better position than those who had entered the labour market immediately after compulsory education. In particular, those who spent two years in post-16 education before entering the labour market at 18, were much more likely to be in managerial, professional and associated professional and technical jobs.

2.91 Additional evidence[62] shows that the EMA increased the proportion of 16-18 year olds who were in full-time education at both age 16 and 17 by 6.1 percentage points; the effect was particularly strong for young men (8.6 percentage points). The largest effect was on young people from lower socio-economic groups in particular those from semi-skilled and unskilled workers and those not in work. EMA also had a substantial impact on young people who had been 'low' or 'moderate' achievers at the end of Year 11. In addition young people that received the EMA were less likely to 'long-term' NEET (14.2 per cent) than those that did not receive support (23.2 per cent).

[60] For a review of the evidence underpinning the statements in this paragraph, see Cunha, F., Heckman, J., Lochner, L. & Masterov, D. (2005) *Interpreting the evidence on life cycle skill formation*

[61] Department for Education and Skills (2006) young people and the labour market: Evidence from the EMA pilots database. http://www.dfes.gov.uk/research/data/uploadfiles/RW59.pdf

[62] Department for Education and skills, 2005, Evaluation of the Education Maintenance Allowance pilots: Young people aged 16 to 19 years final report of the quantitative evaluation http://www.dfes.gov.uk/research/data/uploadfiles/RR678.pdf

2.92 Further evidence[63] shows that individuals still receive a positive premium for each year in school despite the rise in the supply of education. In the UK there has been a large expansion in the supply of qualified labour. This expansion has not led to a fall in the average return to a year of schooling in the UK, suggesting that the demand for qualifications in the UK is still sufficiently high to justify further expansion.

2.93 Following the changing composition for the demand for labour resulting in falling demand for individuals with low skill levels[64] training throughout an individuals working life has increased in importance. Lifelong learning is the concept that 'It's never too soon or too late for learning' and covers all education and training for individuals of working age, although indicators typically include those aged 25-64.

2.94 Table 16 shows the percentage of adults aged 25-64 that are participating in lifelong learning. As Table 16 shows both Wales and the UK as a whole have a higher percentage of adults aged 25-64 in lifelong learning than Europe. The percentage of adults aged 25-64 participating in life-long learning across West Wales and the Valleys is below the average for Wales as a whole, albeit marginally. Across Wales as a whole and across the sub-regions, participation in life-long learning is above the 12.5% target as set in the European Employment Strategy[65].

Table 16: Participation in lifelong learning, 2004 (a)

	Percentage of adults aged 25-64 in education and training
West Wales and the Valleys	14.3
East Wales	15.5
Wales	14.8
UK	15.5
EU(15)	9.3
EU(25)	8.6

(a) Life-long learning indicator refers to persons aged 25 to 64 who answered they received education or training in the four weeks preceding the survey (numerator). The denominator consists of the total population of the same age group, excluding no answers to the question 'participation to education and training'.
Source: Eurostat

2.95 As noted above, skills are very important in determining labour market outcomes, in particular economic inactivity. However, the skills of the labour force can also have implications for employers. The Future Skills Wales[66] survey aims to

[63] Powdthavee. N and Vignols. A 2005. Using rate of return analysis to understand sector skill needs. Centre for the Economics of Education http://cee.lse.ac.uk/cee%20dps/ceedp70.pdf
[64] Faggio, G and Nickell, S, 2005. Inactivity Among Prime Age Men in the UK. *CEP Discussion Paper* 673: http://cep.lse.ac.uk/pubs/download/dp0673.pdf
[65] European Commission (2005/600/EC) Council decision of 12 July 2005 on guidelines for the employment policies of the Member States. http://eur-lex.europa.eu/LexUriServ/site/en/oj/2005/l_205/l_20520050806en00210027.pdf
[66] The Future Skills Wales Partnership's collective aim is to provide reliable information on the skill deficiencies employers in Wales are experiencing which can be used to inform skills development

provide information on skills' gaps among employers in Wales. Results from the latest survey show that 18% of employers in Wales reported a skills gap in 2005. This figure is broadly in line with previous years' surveys. The skills most commonly lacking among employees were generic skills, such as problem solving skills, customer handling skills, communication skills and team working.

2.96 Analysis[67] of skill shortages on a sectoral basis in Wales highlight that the occupations with the highest proportion of hard-to-fill vacancies reported were Skilled Trades, Associate Professional occupations and Elementary occupations. Amongst these hard-to-fill vacancies just over half were due to skill shortages in technical and practical skills

2.97 Recent evidence[68] has further highlighted the importance of generic skills in determining individuals' outcomes in the labour market and to the wider social status of individuals. Generic skills such as communication skills, the ability to pay attention and problem solving skills are found to be important in determining labour market outcomes, although to a lesser extent than formal qualifications.

2.98 A proficiency in ICT is also important for a very large number of jobs in the UK, and according to e-Skills UK, 90% of new jobs now require some level of ICT skills and over 400,000 employees need to increase their IT skills to meet growing demand. The development of ICT skills across the workforce is required for developing, operating and maintaining ICT systems, making effective use of tools used in modern office environments, exploiting new ways of conducting business and organisational processes, and to establish new enterprises.

Industrial structure, innovation and R&D

2.99 In addition to human capital, recent evidence[69] has highlighted the importance of industrial structure in explaining regional differences in productivity and overall economic performance. Across Wales as a whole and its sub-regions there is a relatively high representation of civilian workforce jobs in declining industries typically with low value added. Although East Wales has a higher representation of employment in service sector activities compared to the Welsh average there is still a higher representation of employment in agriculture and production activities both of which have seen a decline in employment over recent years. The high representation of employment in agriculture is particularly pronounced in Powys where some 12% of all employment is within this sector. The high relative

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policy and planning. The survey is far reaching and is based on information gathered from no fewer than 6,719 organisations across Wales between March and May 2005. Further details are available at: http://www.futureskillswales.com/

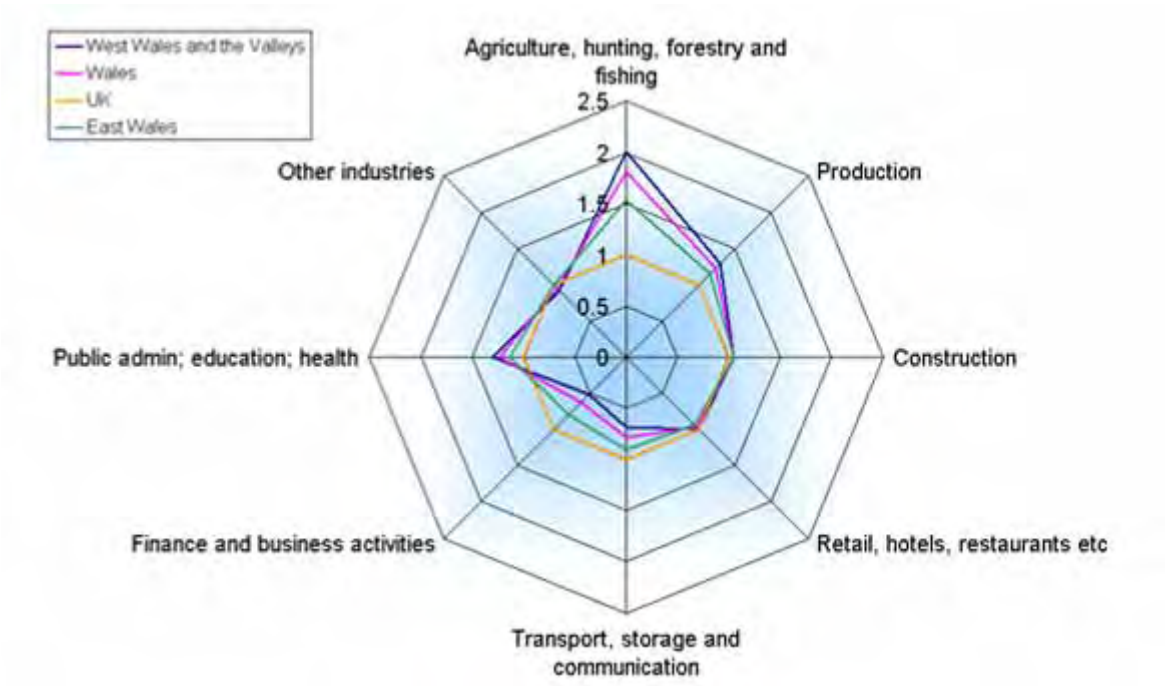
[67] Future Skills Wales, 2005, Future Skills Wales: Sector Skills Survey. http://www.futureskillswales.com/eng/content.php?cID=5&pID=1&zID=100&nhID=136

[68] Blanden, J et al 2005, Educational Inequality and Intergenerational Mobility in S Machin and A Vignoles (eds) *What Can Education Do?* Centre for the Economics of Education.

[69] Rice, P and Venables, A, 2004, 'Spatial determinants of productivity analysis for the regions of Great Britain', *CEP Discussion Paper* No.642.

employment concentration in agriculture et al and production sectors and the relatively low concentration of employment in finance and business services are even more pronounced for West Wales and the Valleys. Figure 17 summarises the distribution of civilian workforce jobs across Wales and its sub-regions according to broad industrial groups[70]. The evidence[71] suggests that it is important not only to improve employment opportunities but to improve these opportunities in higher value added sectors. Such improvements will help to improve the productivity of Wales and its overall economic prosperity.

Figure 17. Civilian workforce jobs (UK=1)



Source: Office for National Statistics

2.100 The industrial structure of Wales helps to explain Wales' relative position on a number of headline indicators of innovation and R&D. For example, overall R&D expenditure as a percentage of GVA across Wales (sub-Wales data are not available) is below the average for the UK as a whole at 1.3% of total GVA. The main underlying factor explaining this low figure is the proportionately lower R&D expenditure found within the business sector in Wales. This is mostly reflective of the industrial structure of the Welsh economy with, for example, relatively low representation of pharmaceutical companies that have high R&D spend.

2.101 The industrial structure of Wales has implications on labour market indicators associated with innovation and R&D. The number of researchers provides a useful

[70] The chart is illustrated as a location quotient. A location quotient measures the relative concentration of a variable compared to a benchmark area.
[71] Rice, P and Venables, A, 2004, 'Spatial determinants of productivity analysis for the regions of Great Britain', *CEP Discussion Paper* No.642.

proxy for the number of people employed in providing high value-added services and research and development functions. West Wales and the Valleys has a lower number of researchers in HEIs per 10,000 population than across Wales and the UK as a whole. Using data from the UK's Annual Population Survey; West Wales and the Valleys had a lower proportion of total employment in R&D related activities than compared to Wales and the UK as a whole. In total 2% of all employment was in R&D related activities across West Wales and the Valleys compared to 2.3% for Wales and the UK respectively. Across East Wales, however, 2.6% of all employment was in R&D related activities.

2.102 Information on employment in high technology sectors[72] is collected by Eurostat and shows the proportion of total employment that is in high and medium high technology and knowledge intensive high technology services sectors. The data set is useful, as it is possible to make comparisons across West Wales and the Valleys to that of the average for the EU25. Table 17 shows the latest data.

2.103 As Table 17 shows, the proportions of employment in high and medium high technology manufacturing and knowledge-intensive high-technology services in West Wales and the Valleys and East Wales are below that of the UK and European averages, representing just under 10% of total employment in the sub-region. The figure for West Wales and the Valleys is, however, higher than for Wales as a whole. This is partially explained by the high representation of manufacturing employment in West Wales and the Valleys, some of which is in high technology sub-sectors. Between 2001 and 2004, however, employment in high and medium high technology manufacturing and knowledge-intensive high-technology services in East Wales fell as a percentage of total employment in the sub-region.

Table 17: Employment in high and medium high technology manufacturing and knowledge-intensive high-technology services, percentage of total employment

	2001	2004	Change since 2001
EU25	10.26	10.18	-0.08
EU15	11.17	10.46	-0.71
UK	11.93	10.00	-1.93
Wales	9.64	9.69	0.05
East Wales	10.04	9.41	-0.63
West Wales and the Valleys	9.38	9.88	0.50

Source: Eurostat

[72] 'Statistics on high-tech industries and knowledge-intensive industries' comprise economic, science, technology, innovation and employment data describing manufacturing and services industries broken down by technological intensity. Further details are available at: http://epp.eurostat.cec.eu.int/portal/page?_pageid=0,1136250,0_45572555&_dad=portal&_schema=PORTAL

Deprivation

2.104 Table 18 provides information on relative income poverty[73] in Wales compared to the regions and devolved administrations of Great Britain. In Wales, 21% of the total population were in households in relative income poverty, a little higher than for Great Britain as a whole (20%). A total of 19% of working age adults and 18% of pensioners in Wales were in households of relative income poverty, both slightly higher than for Great Britain as a whole. The proportion of children living in households of relative income poverty was above that for Great Britain as a whole, albeit marginally.

Table 18: Risk of being in low-income groups after housing costs, percentage (3-year rolled average 2002/03–2004/05)

	All People	Working age adults	Children	Pensioners
North East	23	21	32	18
North West and Merseyside	21	19	29	20
Yorkshire and the Humber	21	19	29	19
East Midlands	21	19	26	22
West Midlands	23	20	30	22
Eastern	18	15	22	21
London	27	24	39	21
South East	17	15	21	18
South West	19	17	25	18
Scotland	20	19	25	18
Wales	**21**	**19**	**28**	**18**
England	21	19	28	20
Great Britain (a)	20	18	27	17

(a) Totals for Great Britain and shown for the year 2004/05 only and are not 3-year rolled averages.
Source: DWP, Households below Average Income 2004/05

2.105 Recent evidence[74] has highlighted some of the trigger events that result in large changes in individual income levels and entry into poverty. One of the main events is a marital split which account for some 40% of entries into poverty. This has particular implications for lone parents. It is however important to look at repeat poverty spells. The average duration of being in poverty is 3.6 years and more time spent in poverty is associated with having more children, being a lone parent, being elderly and not working. The evidence highlights the importance of the labour market as a route out of poverty for those of working age and job retention is crucial in

[73] Income poverty is defined as below 60 per cent of median household income. The results above are based on the 'after housing costs' measure but data is available in the full report on both a 'before housing costs' and 'after housing costs' basis.
[74] JENKINS, S (2006) Poverty dynamics, family background and attainment: BHPS evidence. Seminar to the Welsh Assembly Government.

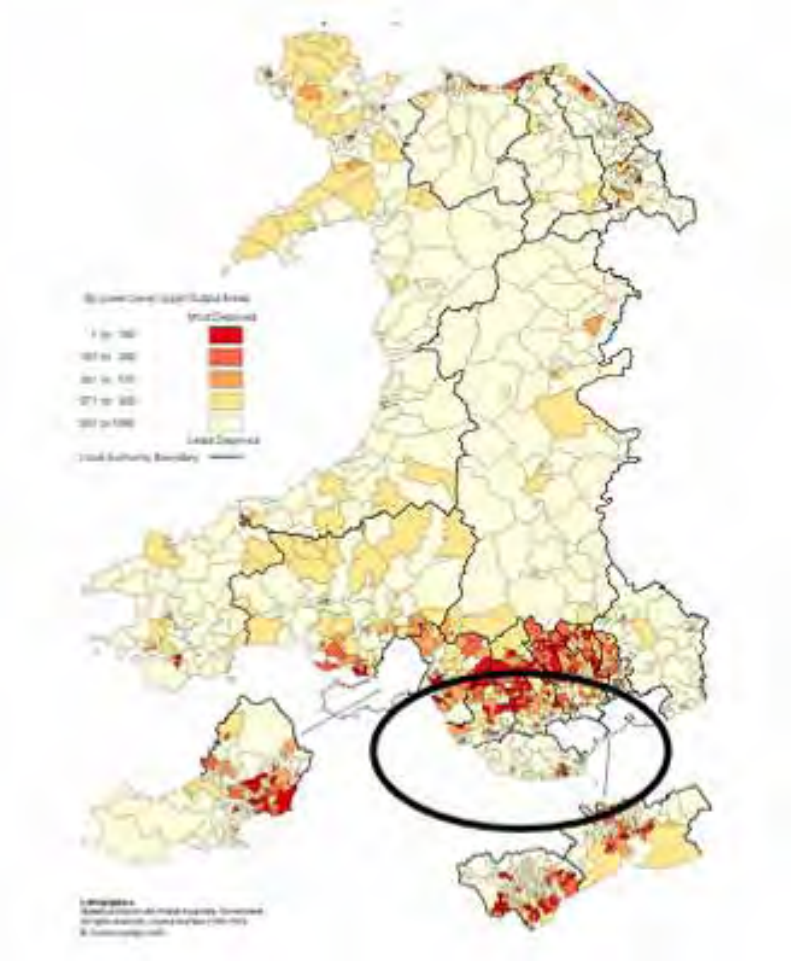
preventing entries into poverty. Particular help is required for certain groups that are at higher risk of entering poverty which include families with children and in particular lone parents.

2.106 The Welsh Index of Multiple Deprivation 2005 (WIMD)[75] is the official measure of deprivation for small areas in Wales. Deprivation is a wider concept than poverty. Poverty means not having enough money (or other essentials) to get by. Deprivation refers to problems caused by a general lack of resources and opportunities (not just money). The WIMD 2005 is made up of seven separate kinds of deprivation[76]. Figure 18 summarises the overall picture, showing that areas of the upper valleys have the highest relative concentration of deprivation across West Wales and the Valleys and Wales as a whole[77]. Within East Wales severe pockets of deprivation are present particularly around the City regions of Cardiff and Newport. Indeed, the most deprived small area in Wales is located in Cardiff.

2.107 Figure 18 also shows some interesting findings in terms of rural and urban deprivation. While it is acknowledged that rural deprivation is an issue in Wales, particularly in terms of access (see figure 19), many of the most deprived areas within local authorities typically rural in nature (Pembrokeshire, Gwynedd and Ceredigion for example) are around urban centres. The most deprived areas in Pembrokeshire are around the urban areas of Pembroke Dock and Milford Haven. In Gwynedd, one of the most deprived areas is Caernarfon, and Holyhead in Anglesey is the most deprived area within the Local Authority[78].

[75] For further details see: http://www.wales.gov.uk/keypubstatisticsforwales/wimd2005.htm
[76] Income, employment, health, education, housing, access to services and environment.
[77] Although city wards of Cardiff, Newport and Swansea also suffer from high relative deprivation.
[78] Further Local authority analysis is available at: http://www.wales.gov.uk/keypubstatisticsforwales/wimd/wimd2005-analysis/wimd2005-analysis-r1.htm

Figure 18. Overall Index of Multiple Deprivation



Source: Welsh Index of Multiple Deprivation 2005

2.108 Overall, the most deprived 10% of Lower layer Super Output Areas (LSOAs) in Wales have around twice the concentration of both income and employment deprived individuals as the average for Wales as a whole. Therefore, it is in these areas where the concentration of deprivation is greatest. Across the Local Authorities in Wales, Merthyr Tydfil had the largest percentage of LSOAs in the most deprived 10% of LSOAs. In total, 36% of all LSOAs in Merthyr Tydfil were in the most deprived 10% in Wales. Table 19 shows the number and percentage of LSOAs within each Local Authority that are within the most deprived in Wales.

2.109 As Table 19 shows the Local Authorities in Wales with the highest concentration of deprivation include Merthyr Tydfil, Blaenau Gwent, Rhondda Cynon Taff and Neath Port Talbot. Local Authorities with the lowest concentration of deprivation include Monmouthshire, Powys and Ceredigion. Interestingly Cardiff had a high proportion of LSOAs within the 10% most deprived and the highest absolute number of LSOAs within this category in Wales.

Table 19: Number and percentage of LSOAs within each local authority that are within the most deprived (10%, 20%, 30% or 50%) in Wales

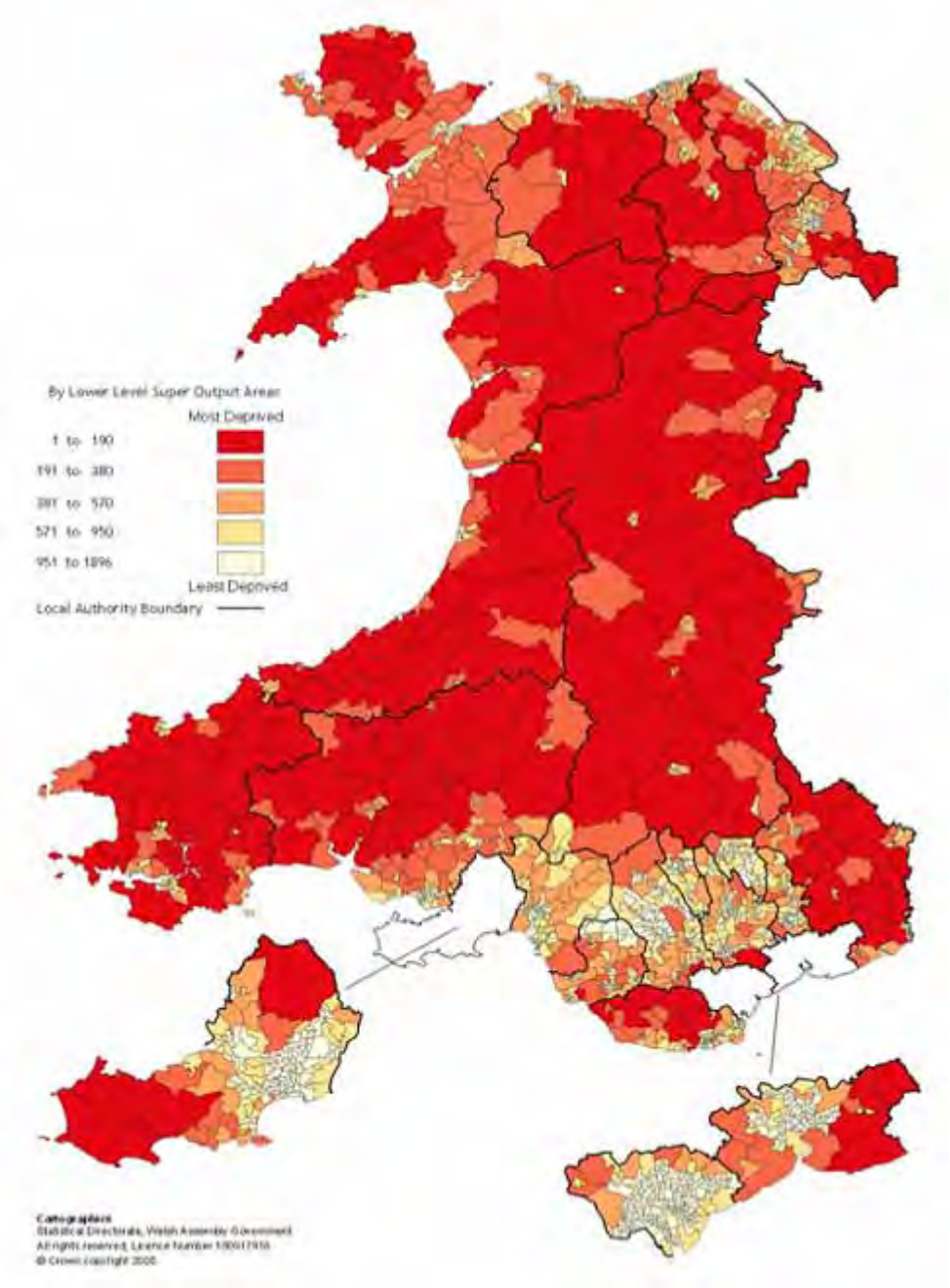
	10%		20%		30%		50%	
Local Authority	Number	% of LA	Number	% of LA	Number	% of LA	Number	% of LA
Isle of Anglesey	1	2%	5	11%	9	20%	27	61%
Gwynedd	2	3%	3	4%	5	7%	29	39%
Conwy	3	4%	9	13%	14	20%	29	41%
Denbighshire	5	9%	9	16%	10	17%	23	40%
Flintshire	2	2%	6	7%	14	15%	27	29%
Wrexham	6	7%	13	15%	22	26%	35	41%
Powys	0	0%	1	1%	4	5%	18	23%
Ceredigion	0	0%	1	2%	2	4%	11	23%
Pembrokeshire	2	3%	6	8%	9	13%	29	41%
Carmarthenshire	7	6%	16	14%	26	23%	65	58%
Swansea	22	15%	37	25%	48	33%	70	48%
Neath Port Talbot	17	19%	31	34%	50	55%	66	73%
Bridgend	10	12%	18	21%	30	35%	50	59%
The Vale of Glamorgan	2	3%	5	6%	13	17%	23	29%
Cardiff	33	16%	55	27%	70	34%	91	45%
Rhondda Cynon Taff	29	19%	57	38%	79	52%	114	75%
Merthyr Tydfil	13	36%	20	56%	26	72%	31	86%
Caerphilly	12	11%	32	29%	49	45%	82	75%
Blaenau Gwent	12	26%	22	47%	33	70%	42	89%
Torfaen	2	3%	8	13%	23	38%	33	55%
Monmouthshire	0	0%	0	0%	3	5%	8	14%
Newport	10	11%	26	28%	21	33%	47	50%
Wales	**190**	**10%**	**380**	**20%**	**570**	**30%**	**950**	**50%**

Source: Welsh Index of Multiple Deprivation 2005

2.110 The WIMD also provides a useful insight into issues of access to services[79]. Figure 19 shows this kind of deprivation is concentrated in the western areas of Wales rather than the valleys. The access to services domain not only provides an insight to the quantum of services in a given location, but also relative access to transport since the indices are measured as time taken to access a given service.

[79] Services include, access to food shop, GP, schools, NHS Dentist, public library and leisure centre. For more details see: http://www.wales.gov.uk/keypubstatisticsforwales/wimd/wimd2005-report/wimd2005-report-geo.htm

Figure 19. Access to services



Source: Welsh Index of Multiple Deprivation 2005

2.111 Although individuals' characteristics are viewed in the academic literature[80] as more important in determining economic outcomes, evidence on the significance of

[80] See Durlaf, S, 2004. Neighbourhood Effects. *Handbook of Urban and Regional Economics, Volume 4, Economics, J. V. Henderson and J.-F. Thisse, eds.*
Mackay, S, 2003 Local Area Characteristics and Individual Behaviour. Social Research Division, Department of Work and Pensions. In-house report 123.

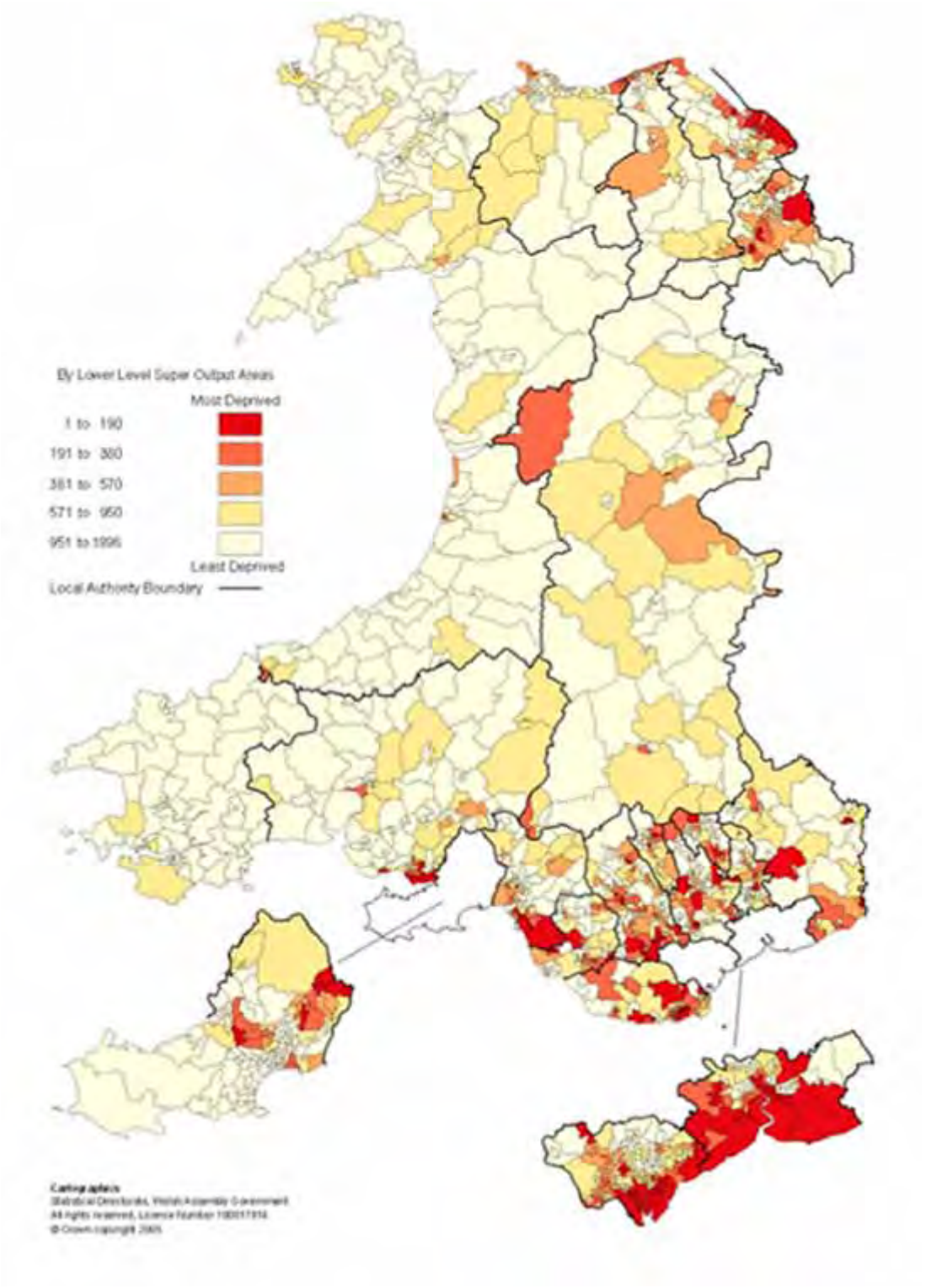
‘place’ shows that the overall attractiveness of a town or region can have a significant impact on the economic outcomes of the inhabitants[81]. The environment can therefore be an important driver of economic and social well being, as well as being a public good in its own right. A high quality environment can help stimulate the delivery of growth and competitiveness agendas and there are economic opportunities to exploit in the growing environmental goods and services sector. Preserving and enhancing the quality of the environment will be increasingly important for our economy and quality of life in the era of the knowledge economy.

2.112 The environment domain from the WIMD 2005 is intended to model the factors related to the physical environment which may affect quality of life. The domain includes indicators such as air quality, air emissions, access to waste disposal site, relative proximity to Environment Agency regulated industrial sources and risk of flooding.

2.113 Figure 20 shows that the main areas of environmental deprivation are seen across Cardiff and Newport, especially around the city centre wards and former heavy industrial areas (Newport in particular).

[81] Dynamic Small Towns: Identification of Critical Success Factors. Report for the Economic Research Advisory Panel 2002.

Figure 20. Physical Environment Deprivation



Source: Welsh Index of Multiple Deprivation 2005

2.114 Of the top 10% LSOAs in the Welsh Index of Multiple Deprivation, i.e. the 10% most deprived, the majority are located in West Wales and the Valleys. One of the seven core indicators within the Welsh Index of Multiple Deprivation (2005)[82] is access to services. Further studies have demonstrated that other factors of deprivation, such as low income and economic inactivity, also appear to reinforce constraints on service usage[83].

2.115 The need for further reform of public services in Wales was evidenced by the independent Beecham Review of Local Service Delivery, commissioned by the Welsh Assembly Government, in its report *Beyond Boundaries*[84]*.* It gathered evidence from 300 organisations and people, benchmarked service performance in Wales against comparators in England and surveyed the public. The Review concluded that performance in Wales as a whole was patchy across a wide range of services and identified 3 key barriers to improvement.

2.116 The culture in public services is too rigid and insufficiently cross-cutting, lacking in responsiveness and ambition. The machinery of government is too complex. In addition, the capacity of leaders, managers and the workforce is over-stretched, with concerns including: leadership (political and managerial, organisations), strategic and cross-cutting thinking (on health, employment, skills, inequalities), specialist expertise (professional skills, project management, contracting, e-government), skills (communication, negotiation, relationship management), challenge and innovation. A separate study has confirmed that workforce planning and strategic thinking about workforce development in public services in Wales is poor.

2.117 The pressure on capacity is growing as the nature of service delivery is changing. Services have to be more responsive to individual needs and circumstances. They are more dependent on networks of organisations to respond to increasingly specialised or complex requirements in areas such as health, education and transport. The financing models are more complex around capital development and asset management. Engagement of the community and partners in service planning and delivery is increasingly critical to service change.

2.118 The access challenges in West Wales and the Valleys are not uniform however, and public services need to respond to a complex patchwork of need. Some access challenges are common across the region and may be open to

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[82] http://www.lgdu-wales.gov.uk/eng/WimdProject.asp?id=1762

[83] For example: 'Social Exclusion and Lack of Access to Services - Evidence from the 1999 PSE Survey of Britain', Bramley G. and Ford T., Herriott-Watt University, 2001

[84] The Beyond Boundaries Report, Welsh Assembly Government, http://new.wales.gov.uk/about/strategy/makingtheconnections/beechamreview/beechamrep?lang=en

collective solutions: geographical access is an issue in rural West Wales, and is also relevant to many Valleys communities. Where people face multiple deprivation, however, tailored interventions are needed: for example, in rural areas, the evidence suggests that a higher proportion of the rural poor are likely to be older people[85], who have been demonstrated to require the highest levels of care and support from public services.

2.119 Capacity issues are compounded by skills gaps in the region and by the relatively small size of many delivery bodies. For example its local authorities on average serve a smaller population, some as low as 60,000, than the all-Wales average. This is reflected in the voluntary sector. The challenge is to sustain the resulting advantages of local awareness and accountability while finding ways of strengthening the capacity to respond to rapidly changing service imperatives and innovate.

2.120 *Beyond Boundaries* endorsed the Assembly Government's approach to public service reform set out in *Making the Connections* (October 2004) and subsequent action plan. It recommended that it be pushed faster and further. A recent report commissioned by the Improvement & Development Agency, has reported a lack of expertise in managing change. 72% of local authorities in England report skills gaps in organisational and change management affecting crucial areas of reform, and over 60% of authorities in business process re-design[86]. This re-inforces the capacity shortfalls identified in the Beecham Report on local service delivery in Wales.

2.121 All public service bodies in Wales will have to undergo significant change over the next 5 – 7 years in the way they plan, design and deliver services. This is due to major changes in demand for, and design of public services, due to demographic and societal change, including issues such as the increase of 47% in those over the age of 85 by 2018, declining numbers of children and the incidence of family-related problems. The increasing requirement of people, communities and businesses for a broader, more responsive, and diversified range of public services which can be tailored to their particular needs, for example wider curriculum choices in schools and colleges and flexible learning pathways, which can be more easily accessed across the whole community are a second factor.

2.122 The third factor is the increasing emphasis on delivering better outcomes and the consequent need for public services to work together in a much more integrated way (local government, health service, education, third sector etc), e.g. to reduce economic inactivity, build a skilled workforce, promote local sustainable communities; the need to deliver services and networks (including complex

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[85] Welsh Assembly Government (2003) The Age-Related Housing, Domiciliary Care and Support Requirements of Older People in Wales

[86] Improvement and Development Agency report, The future shape of local authorities' workforces, April 2007, http://www.idea.gov.uk/idk/aio/6205504

environmental issues such as waste management, public transport provision, commissioning care for people with high needs) which depend on specialist knowledge and management capacity which can only be mobilised through regional or sub-regional partnerships; and the need to be agile in managing resources in order to sustain and improve front-line services in a period of limited growth in public expenditure through greater efficiency in key business processes and resource allocation.

2.123 The demand for change in public services sector design and delivery is informed by a body of evidence from a number of key sources, which are consistent in their messages. Much of this evidence is brought together in the 2006 report of the Review of Local Service Delivery in Wales (the Beecham report), commissioned by the Welsh Assembly Government. On the basis of evidence from 300 organisations and individuals and analysis of data, it concluded that current service performance in Wales was patchy in comparison with a family of comparators. The capacity to lead and manage change, partnerships, projects and cross-cutting approaches was over-stretched, the organisational culture was too conservative and not sufficiently ambitious, the system of government and service delivery was too complex. The report concluded that Wales could become an exemplar of small country governance if it delivered on four critical success factors: citizen engagement, focus on delivery, effective partnerships and openness to constructive challenge.

2.124 The Wales Audit Office (the national public audit body) and the individual service inspectorates re-enforce these conclusions in their annual reporting mechanisms, identifying corporate and expert capacity as areas of continuing high risk. This includes HR functions and workforce development. Analysis shows significant skills shortages within the voluntary sector, including at the management and problem-solving level. On regeneration, the Wales Audit Office has identified the need for more effective partnership working to deliver a more strategic and co-ordinated approach, and to build capacity and skills in planning, project management and community development[87].

2.125 If the economy of West Wales and the Valleys is to make the step change it aspires to, its public services as a whole have to be not only comparable with the best, but also able to support and drive economic growth within the area. However, the challenge is greater for public service bodies in the Convergence region than elsewhere in Wales.

[87] Wales Audit office report – Regeneration: A Simple approach for Wales, August 2005 http://www.wao.gov.uk/assets/englishdocuments/Regeneration.pdf

SWOT Analysis

2.126 The following summarises the socio-economic evidence in the form of a SWOT (Strengths, Weaknesses, Opportunities and Threats) analysis. The SWOT analysis highlights the particular areas where Wales stands out as being different to the rest of the UK as a whole, as well as providing key areas where targeted intervention can best make an impact. The SWOT is disaggregated at the all-Wales level to show where there are distinct differences between West Wales and the Valleys, and East Wales. However, common themes are present in both East Wales and West Wales and the Valleys.

Table 20: West Wales and the Valleys SWOT Analysis

Strengths	Weaknesses
-Improvements in the labour market conditions with rising employment coupled with falling unemployment and falling economic inactivity show problems not to be intractable. -Higher employment growth across West Wales and the Valleys compared to Wales, the UK and the EU as a whole. -Rise in female employment with the current employment rate above the 60% target set in the Lisbon agenda. -Lower gender pay gap than across the UK as a whole, although still above EU average. -Lower proportion of pupils leaving school at 16 without attaining a formal qualification than across Wales as a whole. -Very good quality natural environment in almost all areas of West Wales and the Valleys, attractive to tourists and in principle should be attractive to families and investors. -Good quality of life helping to increase net migration into Wales.	-Low GDP per head relative to all Wales and UK averages. Despite improvements, West Wales and the Valleys, has lower employment, higher economic inactivity and higher unemployment than for Wales as a whole and compared to the UK average. -Higher dependency ratio than compared to the European average explained by a higher representation of individuals above the working age. -Fall in the population of 11-25 year olds between 1991 and 2004. -Net out-migration of individuals aged 16-24. -Higher rate of economic inactivity than the average for the EU as a whole. - Higher unemployment rate amongst disadvantaged groups (disabled individuals, Black & Minority Ethnic Groups). -Lower than average earnings than for Wales and UK as a whole. -Higher incidence of poor health coupled with a higher proportion of people reporting to be economically inactive due to ill health. -Adverse skills profile, with a high proportion of individuals without any formal skills. - Only 30% of individuals aged 16-24 without any qualifications are in employment compared to 70% for those with Level 4 and above. The employment rate for young people without any qualifications is over 10

	percentage points lower than for any other age bracket. - Adverse skills profile for individuals with a disability compared to those without. - Higher proportion of 19 – 21 year olds without any formal qualifications than compared to Welsh and UK averages. -Low levels of basic skills across Wales as a whole (sub-Wales data not available) than compared to England. - Rise in the number of young people not in employment, education or training (NEET). -Greater importance placed on preventing the build up of substantial periods of unemployment and NEET for young people given the scaring effects this can have on individuals. -A higher proportion of females across West Wales and the Valleys do not have any formal qualifications than compared to males. -High proportion of females working in part-time employment. -Poor accessibility and problems with affordability of childcare. -Lower proportion of pupils achieving five or more GCSEs grades A*-G or vocational equivalent than compared to the average for Wales as a whole. -Lower proportion of pupils staying on at further education at the age of 16 coupled with lower A/AS level attainment than compared to Wales as a whole. -Over-reliance on low value-added declining sectors in particular. agriculture and production.

	-Lower R&D expenditure as a percentage of GDP than for the UK as a whole. -Lower proportion of employment in high and medium technology manufacturing and knowledge-intensive high-technology services. -High levels of overall deprivation driven in the main by income and employment deprivation. -Higher proportion of Welsh children living in workless households than compared to UK and EU25 average. -Remoteness of some areas of West Wales and the Valleys with relatively poor access to markets and public services. - Demographic and societal changes e.g. increase in numbers of elderly, declining number of children and incidence of family problems, creating new and changing pressures / demands for public services. - Failure to modernise delivery of public services and associated inefficiencies caused by capacity issues and skills gaps e.g. project management and leadership, amongst the workforce.
Opportunities	**Threats**
-Opportunity to build on the strengths of the previous round of Structural Funds and the increase in capacity for community, public and private sector regeneration. -Opportunities to utilise existing higher education infrastructure to improve the skills of the population. -Opportunities to improve the educational outcomes of children by effective targeted interventions on the	-Falling demand for low skilled individuals cited as principal cause for higher economic inactivity in West Wales and the Valleys. As demand continues to fall, social issues become entrenched. -Nearly 1 in 5 businesses reporting a skills gap in Wales. -Ageing population resulting in a lower relative proportion of working age individuals (high dependency

most disadvantaged. -Opportunities available across some parts of West Wales and the Valleys from in-migration of individuals. -Scope to improve the skills levels and increase the size and depth of the labour pool. -Opportunity to build on existing networks and expand the capacity of public administration and services in the region, to ensure they are equipped to play their role, and better able to meet the needs of their users, individuals, businesses and communities.	ratio) and increased pressure on many public services (although a better understanding of migration patterns is required as this may counter the natural ageing of the population). -Falling population in the upper valleys as individuals migrate to other parts of Wales and England. -Higher risk of entering poverty for lone parents and workless households with dependent children.

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Chapter 3: The Strategy

Introduction

3.1 This chapter sets out the overall strategy for the West Wales and the Valleys' ESF Convergence programme. It considers the key challenges facing the region and reviews the progress made in addressing these, including with the support of the current Objective 1 programme. The strategy sets out the objectives and priorities for the new ESF Convergence programme, explaining its contribution to the continuing revival of the West Wales and the Valleys economy and stimulation of growth potential. It has been developed in the context of both the European Commission's *Integrated Guidelines for Growth and Jobs*[88] and the *Community Strategic Guidelines for Cohesion 2007–2013*[89].

3.2 The strategy explains how the programmes will contribute to the UK's overall response to the Lisbon agenda for jobs and growth, as set out in the *National Reform Programme*[90] and the *National Strategic Reference Framework (NSRF)*[91]. It also explains how EU funds will be concentrated to maximise the potential for growth and jobs, and to add value to the Welsh Assembly Government's strategies for increasing employment and improving skills. Finally, the strategy sets out the main principles that will guide the implementation of the new programmes, including the key role to be played by partners at national, regional and local levels. The development of the programmes will be taken forward reflecting the key principles of EU Cohesion policy, including partnership, transparency, co-financing, evaluation, proportionality, sustainable regional development, equal opportunities and added value.

Current EU Structural Funds 2000 – 2006

3.3 West Wales and the Valleys is benefiting from support of over £1.3bn (€1.8bn) from the European Structural Funds programmes under the Objective 1 programme 2000–2006. Coupled with match funding from the public, private and voluntary sectors, just over 1,700 projects are receiving investment totalling more than £3.1 billion, of which £0.88 billion is supporting 652 ESF projects, making a real difference to the futures of businesses, communities and individuals across the region. The Mid-term Evaluation Update (MTEU) of the Objective 1 programme 2000–2006[92] estimates that up to 84,800 unemployed or economically inactive people will have moved into employment or further learning by the end of the programme period. Furthermore, up to 40,500 net new jobs and 1,895 net new SMEs will have been created. Structural Funds have played a significant role in

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[88] Integrated Guidelines for Growth and Jobs (2005–2008) http://ec.europa.eu/growthandjobs/pdf/COM2005_141_en.pdf

[89] Cohesion Policy in Support of Growth and Jobs: Community Strategic Guidelines, 2007-2013 *http://ec.europa.eu/regional_policy/sources/docoffic/2007/osc/1180706_en.pdf*

[90] Lisbon Strategy for Jobs and Growth: UK National Reform Programme, updated October 2006 http://www.dti.gov.uk/files/file34761.pdf

[91] UK National Strategic Reference Framework: 2007–2013 http://www.dti.gov.uk/files/file34769.doc

[92] Mid-term Evaluation Update for Objective 1 Programme 2000–2006, Final Report, December 2005 by Old Bell 3 for the Welsh Assembly Government: http://www.wefo.wales.gov.uk/resource/2005-12-23-O1-MTEU-Final-Report6586.pdf

developing the West Wales and the Valleys economy, contributing significantly to the aim of achieving strong and sustainable economic growth in line with the Lisbon and Gothenburg reform agendas.

3.4 The new ESF Convergence programme builds on this success and learns from the experience of the Structural Fund programmes 2000–2006, both in terms of its strategic focus and the arrangements for implementation. The next phase of the transformation of the West Wales and the Valleys economy will take forward existing interventions with a proven track record of success, while encouraging new and innovative approaches. It will not simply be more of the same, but more of the best, with a strong focus on increasing employment and improving skills. The available funding will be devoted to building lasting economies and communities that will thrive and drive strong and sustainable economic growth. Investments will be made on the basis of future potential and this theme of long-term economic capacity building – essential for jobs and growth – will be the cornerstone of resource allocation.

Key strategic challenges

3.5 Chapter 2, the Analysis, showed that the West Wales and the Valleys economy has improved considerably in recent years, continuing its transformation from a long period of economic decline that saw the disappearance of much traditional industry. However, there is still much to be done to reduce economic disparities with the rest of Wales and the UK, to achieve full convergence with other parts of the EU, and to realise our ambition to be at the leading edge of economic development.

3.6 The headline economic position (traditionally measured through GVA per head of population) of West Wales and the Valleys lags behind that of Wales and the UK and stands at 77% of the EU25 average. Two main factors help explain the economic under-performance of West Wales and the Valleys compared to the rest of the UK: a lower employment rate and lower value-added per worker (output per job).

3.7 Despite considerable improvements in labour market conditions and growth in earnings across West Wales and the Valleys, the employment rate across the region is still below the Welsh and UK averages. The majority of this difference is explained by higher economic inactivity, rather than higher unemployment. Rates of economic inactivity are higher amongst certain disadvantaged groups, including people with disabilities, work-limiting health conditions, older workers, lone parents and ethnic minorities. Economic inactivity rates are also higher amongst certain communities across the region, in particular the valleys of South Wales.

3.8 The consensus in the economic literature is that falling demand for unskilled workers lies at the heart of high economic inactivity. Improving the skills of the working age population together with removing barriers to participation (poor health, access to services such as transport) are of paramount importance to improving their employment prospects. In addition, ensuring young people leave school equipped with the skills to ensure a successful transition into work is vital for supporting the future growth and productivity agenda for the region. Ensuring

more young people are able to access higher level skills will help ensure a workforce skilled and adaptable enough to meet the challenges of a modern knowledge economy. Beyond this, raising levels of employment addresses the wider social consequences of worklessness and poverty which impact on health and social inclusion.

3.9 Lower value-added per worker across West Wales and the Valleys is partially explained by the sub-region's industrial composition rather than Welsh workers being less productive than UK and EU counterparts. A further factor relates to the lower skills levels across the region, with higher levels of workers with low basic skills and identified skills gaps and skill shortages at intermediate level. In addition, further restrictions arise from Welsh towns and cities being relatively small, and much of Wales being sparsely populated and distant from major centres (reflecting an inability to benefit from strong agglomeration effects).

3.10 Encouragingly, however, the economy in West Wales and the Valleys has shown clear signs of improvement over recent years supported, in part, by the Structural Funds. This success is most apparent in the labour market, but has also been evident in developing private sector businesses and improving the infrastructure of the region. These improvements show that the economic and social problems of West Wales and Valleys are not intractable, and progress can, and has been, made.

3.11 Delivering effective public services will be a key factor if West Wales and the Valleys is to continue this economic growth and respond the competitive pressures of the global economy. Services in education and training, health, transport housing, regeneration and economic development are all crucial and are central to the Welsh Assembly Government's mainstream policies and programmes. Current performance is patchy and the nature of demand is changing. Businesses and communities need services which are more readily acceptable and more readily support economic regeneration. Services need to be more easily accessed, flexible, responsive the diverse needs, integrated with each other and more efficient. This means transforming the way services are led, planned and delivered by investing in capacity of the public services, to ensure leadership, skills and performance systems are capable of responding to 21st century needs.

Aim and Objectives for the ESF Convergence Programme

3.12 The following objectives have been arrived at by an examination of the key challenges facing West Wales and the Valleys in the context of achieving sustainable economic growth. The SWOT analysis summarises the main challenges and opportunities for the region over the next seven year period and the programme priority axes have been developed to add value to existing policies for addressing these issues. The separate ESF and ERDF programmes should be viewed collectively as a means of achieving the vision for West Wales and the Valleys as a vibrant entrepreneurial region at the cutting edge of sustainable growth.

3.13 The overall aim of the ESF Convergence programme for West Wales and the Valleys is:

To create a high skill, knowledge driven economy, with full employment, a skilled, adaptable workforce and responsive businesses, at the cutting edge of sustainable development.

3.14 The objectives of the ESF programme are :

- supplying young people with skills for learning and future employment;
- increasing employment and tackling economic inactivity;
- improving skills levels and the adaptability of the workforce; and
- modernising and improving the quality of our public services (Making the Connections).

3.15 The objectives of the complementary ERDF programme are to:

- promote a high value-added economy by improving knowledge and innovation for growth by fostering Research and Development, innovation and technology and its commercial exploitation and increasing access to and take up of ICT;
- strengthen the economy by increasing the size and widening the range of the business stock and tackling market failures in relation to business advice, information and finance;
- equip the region with the physical infrastructure necessary for the development of a modern and competitive economy;
- create an attractive business environment; and
- build sustainable communities.

3.16 These objectives will support the delivery of the Lisbon objectives of improving economic growth and providing additional jobs for the people of West Wales and the Valleys, with complementary relationships between economic, social and environmental policies.

Policy Response

3.17 The Structural Funds Regulations anticipate a more strategic approach to programming in the 2007 – 2013 period, with a strengthening of the focus of EU cohesion policy on the Lisbon and Gothenburg agendas for growth, jobs and sustainable development[93]. Member States have approved a set of "*Community Strategic Guidelines for Cohesion*"[94] (CSGs), which provides a framework for helping to deliver the Lisbon objectives as defined in the Integrated Guidelines for Growth and Jobs. Not all elements of this framework are relevant to all regions of the EU and each region must select the most appropriate combination of

[93] Common Actions for Growth and Employment: The Community Lisbon programme, 20 July 2005 (www.europa.eu.int)
[94] Community Strategic Guidelines on Economic, Social and Territorial Cohesion 2007-2013, Council of the European Union, 18 August 2006
http://ec.europa.eu/regional_policy/sources/docoffic/2007/osc/1180706_en.pdf

investments to deliver the growth and jobs agenda, taking account of its particular strengths and weaknesses.

3.18 The CSGs establish that future Structural Fund programmes should address three main priorities:

- Enhancing the attractiveness of Member States, regions and cities by improving accessibility, ensuring adequate quality and level of services, and preserving their environmental potential;

- Encouraging innovation, entrepreneurship and the growth of the knowledge economy by research and innovation capacities, including new information and communication technologies; and

- Creating more and better jobs by attracting more people into employment, improving the adaptability of workers and enterprises, and increasing investment in human capital.

3.19 All three CSG objectives are relevant in shaping the Convergence strategy for West Wales and the Valleys, where there is a need to focus investments on actions required to promote long-term competitiveness, job creation and sustainable development. The third is particularly relevant to this programme.

3.20 The objectives and priorities of the West Wales & the Valleys Convergence programmes are consistent with the Lisbon agenda and will contribute directly to the overall *UK National Reform Programme (NRP),* which in turn responds to the Integrated Guidelines for Growth and Jobs. This response includes policies and actions under the ESF Convergence Programme to address the challenges of widening opportunities for the acquisition of skills and supporting the adaptability of workers and enterprises, improving employment prospects for the most disadvantaged, and through the ERDF Programme building an enterprising and flexible business sector, and promoting innovation and R&D.

Figure 21. Links between Operational Programmes, CSGs and Integrated Guidelines

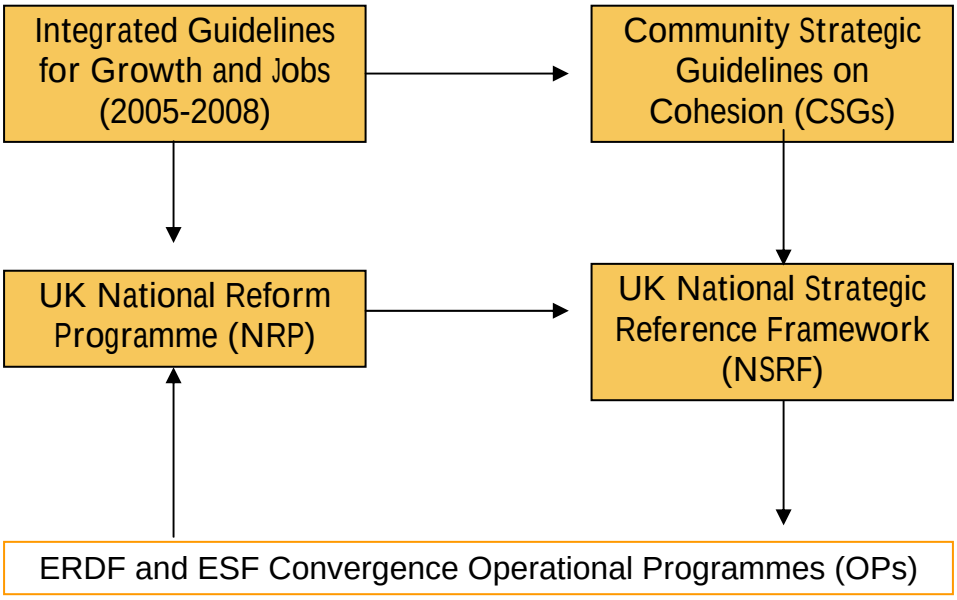
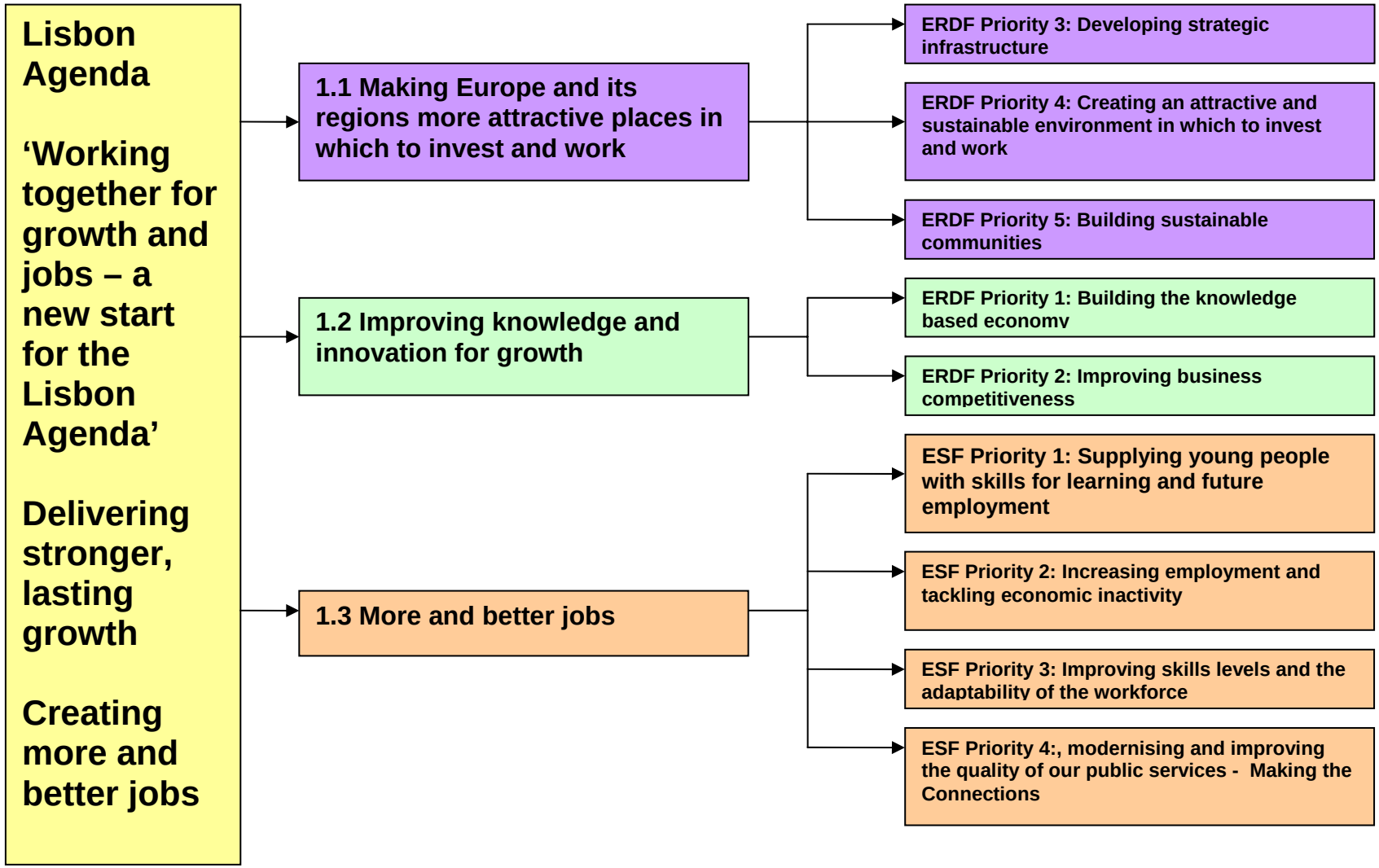


Figure 22. Links between CSG objectives and ESF and ERDF Convergence Priorities



3.21 The contribution which the Structural Funds will make to this programme of reform is set out in the UK *National Strategic Reference Framework (NSRF).* The NSRF provides a policy framework to inform the preparation of Operational Programmes (OPs) at national and regional levels. It includes an analysis of the UK's economic strengths and weaknesses and specifies the strategy chosen for the Convergence and Regional Competitiveness & Employment programmes in each part of the UK. The UK NSRF includes a separate chapter setting out the strategy for regional economic growth in Wales and the Structural Fund priorities for both the Convergence and Regional Competitiveness & Employment programmes. The West Wales & the Valleys ESF Convergence Operational Programme is closely aligned with this policy framework.

3.22 The programme is designed to deliver our vision for creating a vibrant entrepreneurial region at the cutting edge of sustainable development with prosperous communities across Wales. The key drivers to achieving this through the ESF programme are:

- Developing the skills needed by young people, particularly those who are disadvantaged, to access learning and training opportunities;
- Increasing employment, in particular by tackling economic inactivity;
- Improving skills levels of workers and the adaptability of businesses, to help them move continually up the value chain and increase the value-added per job, thereby raising productivity and earnings;
- Support for targeted investments in public services to improve customer focus, accessibility, relevance and efficiency.

3.23 The strategic framework for supporting economic development has been developed in the context of *Wales: A Better Country*[95], the Welsh Assembly Government's broad strategic policy agenda. In particular, actions to promote economic development must occur alongside other elements of this strategic agenda – namely improving quality of life for everyone by advancing social justice, improving the environment, health and education, in line with the *Wales Sustainable Development Scheme – Starting to Live Differently*[96].

3.24 The economic development strategy is set out in *Wales: A Vibrant Economy*[97]*(W:AVE)*, produced in 2006, to set the strategic framework for the European Structural Funds programmes 2007–2013. Its vision is of a vibrant economy capable of delivering strong and sustainable growth by providing opportunities for all. The aims of *W:AVE* taking forward the Lisbon agenda are:

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[95] Welsh Assembly Government's *Wales: A Better Country*: http://new.wales.gov.uk/docrepos/40382/40382313/40382/403821211/walesabettercountry_-e.pdf?lang=en

[96] Welsh Assembly Government's *Wales Sustainable Development Scheme*: http://new.wales.gov.uk/about/strategy/strategypubs/sustainscheme;jsessionid=FD3733C3E0866069FF7F44E3AE8B7870.www2?lang=en

[97] Welsh Assembly Government's *Wales: A Vibrant Economy*: http://new.wales.gov.uk/docrepos/40382/4038231141/4038211251/403821125/4038211251/wave?lang=en

- increasing employment by supporting job creation and stimulate growth across Wales;
- investing in the regeneration of deprived communities and stimulate economic growth across Wales;
- helping businesses to grow and increase value-added per job, output and earnings by:
  - investing in transport, ICT networks and other economic infrastructure;
  - attracting more high value-added functions to Wales and supporting businesses and sectors with strong growth potential;
  - improving the skills base and delivering more demand-led training tailored to the needs of businesses;
  - helping businesses to become more competitive by supporting the drivers to business growth: entrepreneurship, innovation, investment and trade; and
- ensuring that all economic programmes and policies support sustainable development, in particular by encouraging clean energy generation and resource efficiency.

3.25 *W:AVE* features an approach which works through key sectors. These have been identified through a number of routes. It identifies ten sectors as important for future economic growth, these include automotive, aerospace, agri-food, high technology, pharmaceuticals/ bio chemicals, financial services, creative industries, construction, hospitality, leisure and tourism, and social care. Action undertaken through the ESF programme will complement the activity of the ERDF programme, which will be targeted initially on supporting businesses and employees within these key sectors. This initial set will be reviewed at a later date following a more detailed sectoral and structural analysis of the change within the Welsh economy.

3.26 Alongside this, the Welsh Assembly Government strategies *Extending Entitlement and 14-19 Learning Pathways*[98] specifically tackle the high proportion of 16-18 year olds with no qualifications and who are not in employment, education or training (NEET), and *Reaching Higher*[99], the Welsh Assembly Government's strategy which promotes and extends access to higher education.

[98] Welsh Assembly Government's *Extending Entitlement and 14-19 Learning Pathways*: http://new.wales.gov.uk/topics/educationandskills/policy_strategy_and_planning/extending_entitlement/?lang=en and http://new.wales.gov.uk/topics/educationandskills/policy_strategy_and_planning/learning_pathways/?lang=en

[99] Welsh Assembly Government's *Reaching Higher education strategy,*: *http://new.wales.gov.uk/docrepos/40382/4038232/4038211/40382121/reachinghigher-e.pdf?lang=en*

3.27 The strategy is also supported by and complemented UK level employment policies delivered in West Wales and the Valleys region by the Department for Work and Pensions. Proposals in *A New Deal for Welfare: Empowering people to work*[100] focuses more support on tackling economic inactivity and raising employment amongst those traditionally considered to be at a greater distance from engagement with the labour market.

3.28 *The Learning Country 2: Vision into Action*[101] builds upon the original 10 year strategy published by the Welsh Assembly Government in 2001, which aims to transform education and training in Wales to create a place where high quality lifelong learning liberates talent, extends opportunities, empowers communities, provides better jobs and skills to enable people to prosper in the new economy and creates a sustainable future for Wales. The *Learning Country 2* re-affirms and updates this vision. It contains a number of key objectives and targets which will contribute to the Lisbon agenda of delivering stronger, lasting economic growth and creating more, and better jobs. These objectives are to:

- Promote inclusion in education and learning;
- Provide engaging, stimulating and flexible learning programmes and pathways;
- Equip young people to be able to respond to changing employment markets;
- Extend and enhance the capabilities of our learning workforce;
- Develop the skills and knowledge of our learning workforce;
- Improve skills and add value to the Welsh economy;
- Improve knowledge exploitation and maximise the contribution of HE to the development of a knowledge economy;
- Promote equality of opportunity for all learners.

3.29 There are also a number of key targets which have been set to assess and benchmark progress towards the strategic vision of the *Learning Country 2*. These include:

- The percentage of 15 year olds achieving the equivalent of GCSE grade A* - C to reach 60 % by 2010 (2007 milestone 53%)
- By 2010 no pupil to leave full-time education without an approved qualification;
- The percentage of 16 – 18 year olds in employment, education or training to reach 93% by 2010;
- 95 % of young people by the age of 25 to be ready for high skilled employment and / or further or higher education by 2010;
- By 2010 the completion rates for Modern Apprenticeships to increase to 40%;

[100] Dept of Work & Pensions Consultation Report, June 2006 A New Deal for Welfare - Empowering People into Work, http://www.dwp.gov.uk/welfarereform/docs/welfare_reform_response.pdf
[101] Welsh Assembly Government strategy The Learning Country 2:Vision into Action, 2006, http://new.wales.gov.uk/docrepos/40382/4038232/403829/News/2006/learning-country-via-e.pdf?lang=en

- The percentage of working age adults with level 1 or above basic skills in literacy to be 80% and level 1 or above basic skills in numeracy to be 55% by 2010;
- The percentage of adults of working age with a qualification equivalent to level 2 or above to be 70%, with level 3 or above to be 50% and with level 4 or above to be 30% by 2010.

3.30 The *Learning Country 2: Vision into Action* is complemented and supported by the *Skills and Employment Action Plan 2005 (SEAP 2005)*[102], which takes forward Wales' lifelong learning agenda and demonstrates Wales' commitment to achieving the objectives of the *European Employment Strategy* [103]. *SEAP 2005* supports the Welsh Assembly Government's work with its partners in the public, private and voluntary sectors to make real progress in taking forward action to tackle the skills and employment challenges facing Wales. The vision is for a Wales where everyone has the skills, motivation and opportunity to obtain good quality jobs that meet their aspirations and abilities, and where employers work with their employees and public sector agencies to raise the skills to the highest possible levels to support high quality jobs in a growing economy. The key objectives of the plan are:

- To improve the mechanisms for workforce development;
- Supply new entrants to the labour market with the skills needed for employment;
- Work with employers and employees to improve skills; and
- Help more people into sustained employment.

3.31 The aspiration it to lift the number of people in the workforce with the higher skills needed for economic growth and prosperity, whilst at the same time pressing for more employment opportunities at higher levels. Level 3 has been identified as the minimum level Wales needs to aspire to achieve, if it is to lift its economic performance to match the ambitions of *W:AVE*. However, West Wales and the Valleys, and Wales generally, has a large basic skills deficit and this needs to be tackled as a priority. Work is required to tackle step by step, improvements in basic literacy and numeracy, then increase the supply of people with intermediate and higher level and graduate skills needed in employment sectors, whilst at the same time aiming to raise the demand for higher level skills across the board.

3.32 *SEAP 2005* also supports the UK Government's agenda to help more people of working age into sustainable employment by addressing the range of barriers to participation in work. Action through this programme will add to the work envisaged and planned through *SEAP 2005* and contribute to the UK Government's long-term goal of increasing employment opportunities for all and meeting its challenging target of an 80% per cent employment rate.

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[102] Welsh Assembly Government's *Skills and Employment Action Plan 2005*: http://www.learning.wales.gov.uk/pdfs/c5104-seap-report-e.pdf - search='Skills and Employment Action Plan 2005 Welsh Assembly government'

[103] European Employment Strategy: http://ec.europa.eu/comm/employment_social/employment_strategy/index_en.htm

3.33 At the UK level a major review of the UK's skills levels and future needs was published in December 2006 by Lord Sandy Leitch. His report on UK skills, "*Prosperity for all in the global economy – World class skills*[104]", contains a number of recommendations on how the vision of developing the UK as a world leader on skills by 2020, can be progressed. This followed the publication in 2003 and 2005 respectively of the UK central government's White papers, *Skills: Getting on in business, getting on at work*[105], and *21st Century Skills: realising our potential*[106]. UK central government has welcomed the Leitch review, and accepted the proposal for a new UK wide Commission for Employment and Skills. It has been agreed that Wales will have a representative on this body. The formal UK Government response will be published in Summer 2007, following the Comprehensive Spending Review.

3.34 Since devolution the Welsh Assembly Government has developed its own Wales' tailored strategies for skills and education which are outlined above. Many of the issues raised by Lord Leitch are already recognised, and are being addressed within Wales. The Welsh Assembly Government has therefore welcomed the report and the inclusion of Welsh initiatives cited within the report e.g. all age careers advice services that link advice to actual employment opportunities. Much of the activity recommended by Lord Leitch is being progressed using *SEAP 2005*.. The particular area where Wales will need to co-ordinate activity will be with the Sector Skills Councils which have a UK wide remit to ensure a distinctly Welsh approach to the issues raised by Lord Leitch.

3.35 There are a couple of key UK level policies for employment, such as *Empowering People to Work*, which are delivered in Wales by Jobcentre Plus, the government agency supporting people of working age from welfare into work, and helping employers to fill vacancies. It is part of the Department for Work and Pensions (DWP). Its key objectives are to:

- Increase the effective supply of labour by promoting work as the best form of welfare and helping unemployed and economically inactive people move into employment;
- Work towards parity of outcomes for ethnic minority customers;
- Provide high-quality and demand-led services to employers, which help fill job vacancies quickly and effectively with well-prepared and motivated employees;
- Help people facing the greatest barriers to employment to compete effectively in the labour market and move into and remain in work;
- Improve continuously the quality, accessibility and delivery of services to all customers; and
- Ensure that people receiving working age benefits fulfil their responsibilities while providing appropriate help and support for those without work.

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[104] The Leitch Review of Skills index page at HM Treasury website, http://www.hm-treasury.gov.uk/independent_reviews/leitch_review/review_leitch_index.cfm

[105] Dept for Education and Skills: "Skills, Getting on in business, getting on in work" White Paper 2005, http://www.dfes.gov.uk/skillsstrategy/index.cfm?fuseaction=content.view&CategoryID=6

[106] DfES, 2003 White Paper – 21St Century Skills – Realising our Potential, http://www.dfes.gov.uk/skillsstrategy/uploads/documents/21st%20Century%20Skills.pdf

3.36 It delivers a number of mandatory and voluntary programmes for individuals under the overarching Welfare to Work banner, such as the *New Deal* suite of programmes – *New Deal for Young People; for Disabled; for Lone Parents; for partners of the unemployed*. It also works with the Welsh Assembly Government on a number of initiatives, notably the *Want2Work* project under the current Objective 1 programme, and is responsible for delivering support, where requested, to employers whose workers are under threat of, or under notice of redundancy.

3.37 The *Wales Spatial Plan*[107] provides the overall framework for future collaborative action between the Welsh Assembly Government and its partners to achieve sustainable economic growth and development in all parts of Wales. It sets a 20-year horizon for development and for integrating the investment necessary for the sustainable development of communities throughout Wales. Economic development policies will take account of location differences and priorities, and this requires co-ordinated action at national, regional and local levels, such as the recent development of the Heads of the Valleys regeneration framework. It also recognises the importance of cross-border and inter-regional connections.

3.38 Within this there is recognition that 'one size' solutions do not fit all parts of Wales and different approaches are taken for the individual *Spatial Plan* areas:

- **North West:** The vision for this area is of a high quality natural and physical environment supporting a cultural and knowledge-based economy, that will help the area to maintain its distinctive character, retain and attract back young people, and sustain the Welsh language.

  The legacy of economic change and social deprivation means the North West Wales area will face a big challenge to equip all of its people with the skills they will need to be part of a successful high-productivity economy. Despite recent improvements, economic inactivity rates remain high in pockets throughout the region, especially in more remote communities.

- **North East:** The vision for this area is of harnessing the economic drivers on both sides of the border, reducing inequalities, and improving the quality of its natural and physical assets.

  In realising this vision a key issue for Denbighshire and Conwy is linking areas of opportunity (the prosperous areas of Deeside and North West England) with areas of need. Areas of need are characterised by a complex set of issues in relation to skills, educational, social deprivation, health and economic inactivity, especially the coastal towns of Conwy and Denbighshire. Communities here are unable to access quality employment against

[107] Welsh Assembly Government's *Wales Spatial Plan*: http://new.wales.gov.uk/about/strategy/spatial/sppublications/walesspatial?lang=en

a backdrop of labour market shortages prevalent within the area as a whole.

- **Central Wales:** The vision for this area is of offering high quality living and working in smaller-scale settlements set within a superb environment, providing dynamic models of rural sustainable development, and moving all sectors to higher value-added activities.

  The western counties of Central Wales have the highest levels of educational attainment in Wales. However, the challenge in realising the Spatial Vision is to reconcile this with greater opportunities for young people to stay in the area, by providing the skills required for higher quality employment.

- **South East:** The vision for the South East area is for an innovative skilled area offering a high quality of life – international yet distinctively Welsh. It will compete internationally by increasing its global visibility through stronger links between the Valleys and the coast, and with the UK and the rest of Europe, helping to spread prosperity within the area and benefiting other parts of Wales.

  The Heads of the Valleys have the highest concentration of social deprivation and economic inactivity in Wales, allied to low levels of educational attainment and skills, poor health and a declining population. This has had a major impact on the ability of the area to attract high quality jobs and for communities to access jobs in other more prosperous parts of the South East region. It is essential therefore, in the Convergence qualifying parts of this region, to focus intervention on providing a labour force with the right skills for a modern economy, and to work with deprived communities to remove economic and social barriers to accessing employment.

- **Swansea Bay:** The vision for this area is of planned sustainable growth and environmental improvement, realising its potential, supported by integrated transport within the area and externally, and spreading prosperity to support the revitalisation of West Wales.

  A key issue in this area will be to ensure that employment-related services in the area are demand-led, client-centred and joined-up so that they work well for both the economically inactive / people seeking work, and employers (private, public and voluntary sector) seeking staff. Wherever possible, links will be made between such work to provide individuals with skills and support, with initiatives that generate employment. It will be important to ensure that the geographical pattern of provision caters for people in more remote communities, as well as those in the larger towns.

- **Pembrokeshire:** The vision for this area is of strong communities supported by a sustainable economy based on the area's unique environment, maritime access and tourism opportunities.

  The area faces a big challenge, to equip all of its people with the skills they will need to be part of a successful high-productivity economy, and to raise economic activity rates which remain low in some of the deprived communities in the area generally, but in particular in pockets of urban deprivation around the Cleddau, Carmarthen and North Pembrokeshire hubs.

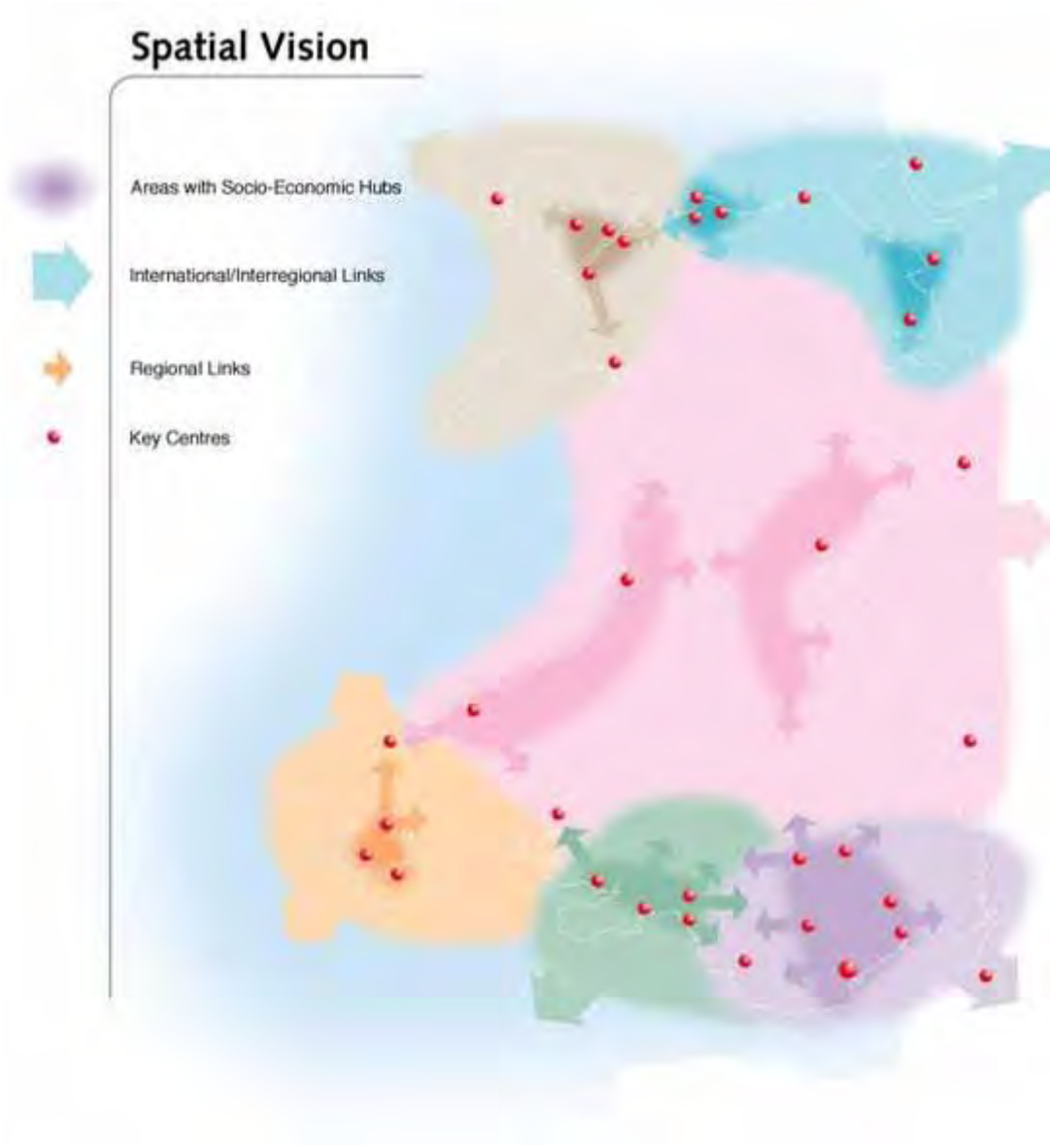


Figure 23. Wales Spatial Plan Areas

3.39 The new *Environment Strategy for Wales*[108] will provide opportunities for further development of the environment as a fast growing economic sector in its own right and will be used to ensure that the Structural Fund interventions are targeted so as to deliver economic and environmental progress in tandem and in line with the principles agreed at the Gothenburg Council.

3.40 The Welsh Assembly Government recognises that the public sector, as a large employer, makes an important contribution to economic development and the successful delivery of related policies and programmes. *Making the Connections*[109] sets out the vision of a prosperous, sustainable, bilingual, healthy and better-educated country that will guide the transformation of public services and deliver services of top quality in Wales. *Delivering the Connections*[110] provides an action plan for taking forward the improvements required in public services. The goal is to make services more accessible and open to genuine participation, more joined-up and coherent, more effective and efficient, and more responsive to the needs of individuals, businesses and communities.

3.41 The Welsh Assembly Government launched *A Science Policy for Wales* for consultation in November 2006. This policy provides a framework for promoting scientific and technical research, and the application of such research to business problems, products and services. The Science Policy will inform investments to boost science and R&D, and its commercialisation through the ERDF Convergence strategy. The ESF programme will seek to complement activity in pursuit of the ERDF programme's objectives.

3.42 In addition to the key policies outlined above, the Convergence programmes will be informed by a range of other thematic policies and strategies. These are highlighted in Chapter 4 in relation to the main programme Priorities. See the Wales Policy Map at Figure 24, and Key Strategies Map at Figure 25 below.

Figure 24. Wales Policy Map

See below

Figure 25. Key Strategies Map

See below

[108] Welsh Assembly Government's *Environment Strategy for Wales*: www.countryside.wales.gov.uk/environmentstrategy
[109] Welsh Assembly Government's *Making the Connections*: http://new.wales.gov.uk/about/strategy/makingtheconnections/?lang=en
[110] Welsh Assembly Government's *Delivering the Connections*: http://new.wales.gov.uk/about/strategy/makingtheconnections/actionplan/?lang=en

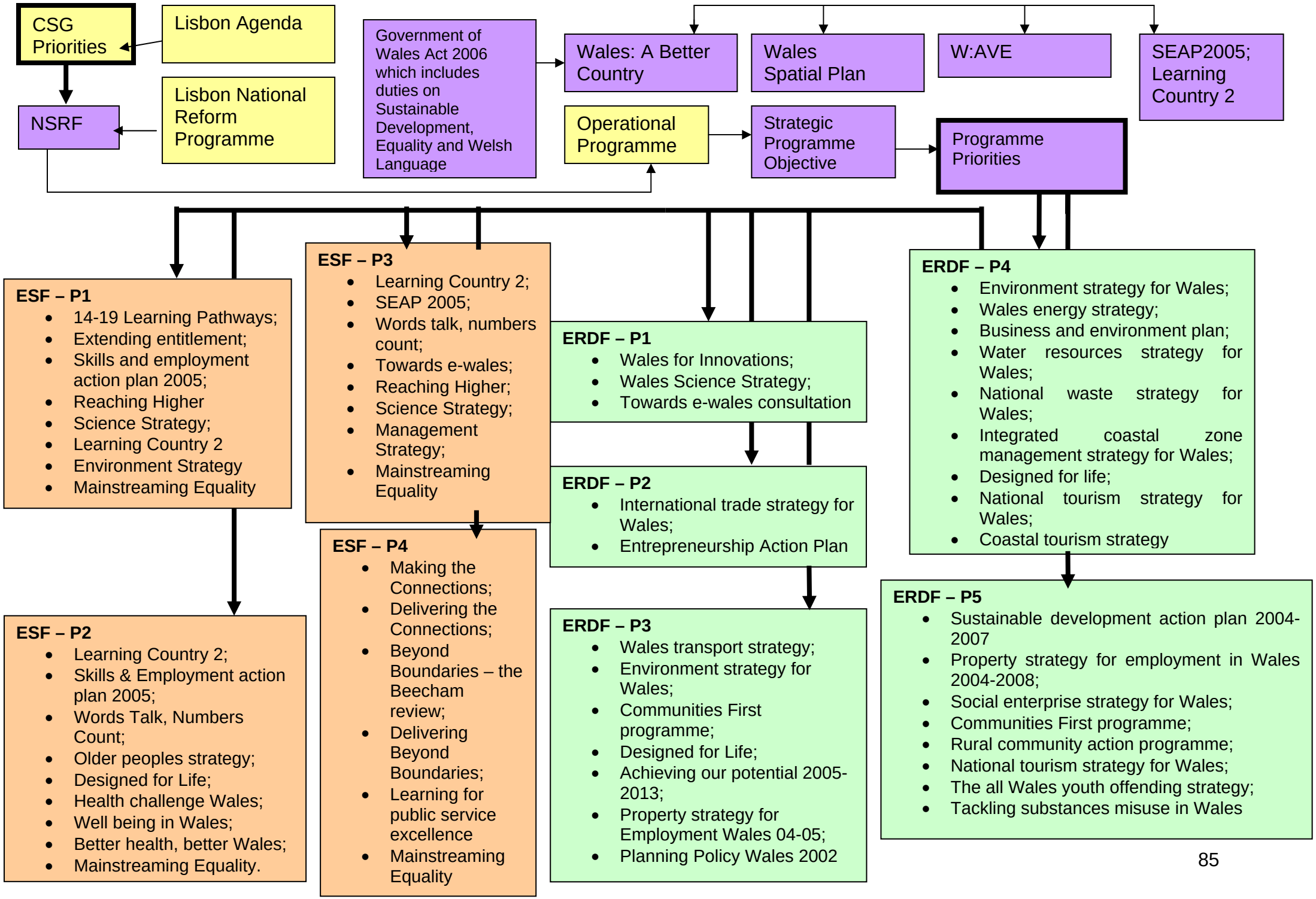
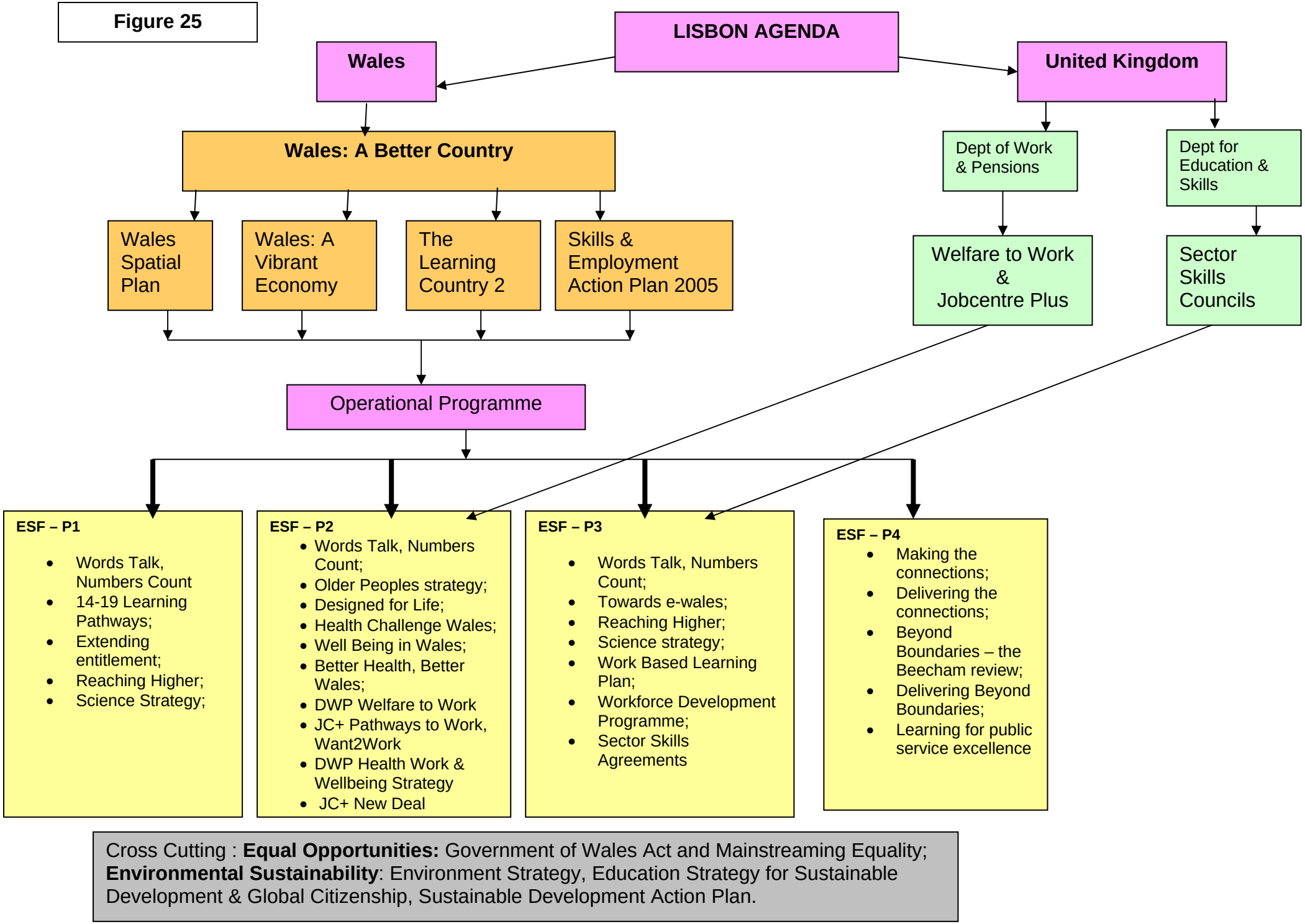

CSG Priorities
Lisbon Agenda
NSRF
Lisbon National Reform Programme
Government of Wales Act 2006 which includes duties on Sustainable Development, Equality and Welsh Language
Wales: A Better Country
Wales Spatial Plan
W:AVE
SEAP2005; Learning Country 2
Operational Programme
Strategic Programme Objective
Programme Priorities
ESF – P1
14-19 Learning Pathways;
Extending entitlement;
Skills and employment action plan 2005;
Reaching Higher
Science Strategy;
Learning Country 2
Environment Strategy
Mainstreaming Equality
ESF – P3
Learning Country 2;
SEAP 2005;
Words talk, numbers count;
Towards e-wales;
Reaching Higher;
Science Strategy;
Management Strategy;
Mainstreaming Equality
ERDF – P1
Wales for Innovations;
Wales Science Strategy;
Towards e-wales consultation
ERDF – P4
Environment strategy for Wales;
Wales energy strategy;
Business and environment plan;
Water resources strategy for Wales;
National waste strategy for Wales;
Integrated coastal zone management strategy for Wales;
Designed for life;
National tourism strategy for Wales;
Coastal tourism strategy
ERDF – P2
International trade strategy for Wales;
Entrepreneurship Action Plan
ESF – P4
Making the Connections;
Delivering the Connections;
Beyond Boundaries – the Beecham review;
Delivering Beyond Boundaries;
Learning for public service excellence
Mainstreaming Equality
ESF – P2
Learning Country 2;
Skills & Employment action plan 2005;
Words Talk, Numbers Count;
Older peoples strategy;
Designed for Life;
Health challenge Wales;
Well being in Wales;
Better health, better Wales;
Mainstreaming Equality.
ERDF – P3
Wales transport strategy;
Environment strategy for Wales;
Communities First programme;
Designed for Life;
Achieving our potential 2005-2013;
Property strategy for Employment Wales 04-05;
Planning Policy Wales 2002
ERDF – P5
Sustainable development action plan 2004-2007
Property strategy for employment in Wales 2004-2008;
Social enterprise strategy for Wales;
Communities First programme;
Rural community action programme;
National tourism strategy for Wales;
The all Wales youth offending strategy;
Tackling substances misuse in Wales

Figure 25


LISBON AGENDA
Wales
United Kingdom
Wales: A Better Country
Wales Spatial Plan
Wales: A Vibrant Economy
The Learning Country 2
Skills & Employment Action Plan 2005
Dept of Work & Pensions
Dept for Education & Skills
Welfare to Work & Jobcentre Plus
Sector Skills Councils
Operational Programme
ESF – P1
Words Talk, Numbers Count
14-19 Learning Pathways;
Extending entitlement;
Reaching Higher;
Science Strategy;
ESF – P2
Words Talk, Numbers Count;
Older Peoples strategy;
Designed for Life;
Health Challenge Wales;
Well Being in Wales;
Better Health, Better Wales;
DWP Welfare to Work
JC+ Pathways to Work, Want2Work
DWP Health Work & Wellbeing Strategy
JC+ New Deal
ESF – P3
Words Talk, Numbers Count;
Towards e-wales;
Reaching Higher;
Science strategy;
Work Based Learning Plan;
Workforce Development Programme;
Sector Skills Agreements
ESF – P4
Making the connections;
Delivering the connections;
Beyond Boundaries – the Beecham review;
Delivering Beyond Boundaries;
Learning for public service excellence
Cross Cutting : Equal Opportunities: Government of Wales Act and Mainstreaming Equality; Environmental Sustainability: Environment Strategy, Education Strategy for Sustainable Development & Global Citizenship, Sustainable Development Action Plan.

Concentration of Resources

3.43 The *Community Strategic Guidelines for Cohesion* emphasise the importance of concentrating resources, both thematically and geographically. The aim is to focus on the investments that are required to increase long-term competitiveness, job creation and sustainable development. The Convergence programmes for West Wales and the Valleys will have a strong concentration on interventions that contribute to the Lisbon growth and jobs agenda. This means more investment in areas such as employment and skills through the ESF programme, and complemented through the ERDF Convergence programme, through investment in research and development (R&D), innovation, entrepreneurship, the information society, environmentally friendly products and processes, renewable energy and some areas of infrastructure, including transport.

3.44 This concentration will be achieved by:

- targeting 94% of Convergence (ESF) resources on categories of investment identified in EU General Regulation [1083/2006] Article 9(3) as supporting the objectives of *Integrated Guidelines for Growth and Jobs*. For both ERDF and ESF Programmes the total identified is 79% of total resources, compared with the minimum Lisbon target of 60%;
- ensuring that the ESF Convergence programme contributes to relevant priorities identified in the UK's *National Reform Programme*;
- focusing the programme priorities in line with the Welsh Assembly Government's key policies and strategies, including *The Learning Country 2: Vision into Action*, and the *Skills and Employment Action Plan 2005* which set the agenda for education and lifelong learning, and *Wales: A Vibrant Economy*. These strategies are closely aligned with the Lisbon and Gothenburg agenda;
- using the key sectors identified in *W:AVE* to focus resources on those with significant growth potential, particularly under ESF Priority 3, and to complement ERDF Priority 2.
- using the framework of the *Wales Spatial Plan* to target resources on areas of need and opportunity;
- implementing the programmes through Strategic Frameworks which will ensure project activity is focused on key programme objectives, and is effectively co-ordinated; and
- fostering synergies with other EU and national policies on the ground.

3.45 The detail of the financial allocations is contained in Chapter 7 but in summary spending will be focused as per the Welsh Assembly Government's intention to increase ESF funded people-related interventions from 35% to 40% of resources. This proposal received widespread support from partners across all sectors during the public consultation exercise. This also addresses the European Council's recommendation to the UK in March 2007 as part of its review of the UK's progress in implementing the *National Reform Programme* for growth and jobs, that the UK

increase basic and intermediate skills, to raise productivity, and further improve employment prospects for the most disadvantaged. In Priority 1 funding will focus on the needs of disadvantaged young people needing help to remain in learning and training. Under Priority 2 expenditure will focus on addressing the needs of the economically inactive in becoming ready for employment, and accessing employment opportunities through targeting individual barriers and needs. In Priority 3 support will focus on the basic, intermediate and higher skills needs of the workforce. A small proportion of funding will support Priority 4 which will seek to improve service delivery and efficiencies in the supply of public services across West Wales and the Valleys.

Framework of Priorities

3.46 In line with the European Commission's agenda for simplification of Structural Funds programming and implementation, the new Convergence programme will be implemented through a simplified structure, separate ESF and ERDF Operational Programmes, with programming at priority level. For the ESF Programme there will be a framework of four main priorities identified below (plus a Technical Assistance priority). There will be no 'measure level' programming, although each priority will include a number of specific 'Themes' which will be used to ensure a balanced approach to implementation. The four priorities are:

ESF Priority 1: Supplying Young People with Skills for Learning and Future Employment

3.47 The objective of this priority is to prepare young people (aged 11 – 19 years) who are at particular risk of under-achieving or becoming NEET, for future employment by raising their aspirations, and increasing participation in learning or training. It will not fund mainstream education activity.

3.48 Success in achieving a skilled and internationally competitive workforce for the future, will depend in large part on ensuring that as many young people as possible are engaged in appropriate and relevant forms of education, learning or training. Ensuring that young people have the education and skills needed to ensure a successful future transition into work, is an essential requirement to support the economic growth and productivity agenda in West Wales and the Valleys. Themes under this priority will focus on:

(a) Tackling Under-Achievement; and
(b) Raising Skills and Aspirations

3.49 The following table illustrates how this priority will contribute to the EU and UK policy priorities. This priority will contribute to categories 66 and 73 of the categories of Structural Fund investment identified in EU Regulation [1083/2006], Article 9.

3.50 This priority will address the scope of assistance as identified in EU Regulation [1081/2006] Article 3, section 2a(ii).

Table 21: Priority 1 contribution to EU and UK policy priorities

	Contribution of Priority to EU and UK Policy Priorities
Integrated Guidelines for Growth and Jobs	GL19: To ensure inclusive labour markets for job seekers and disadvantaged people GL 20: to improve matching of labour market needs GL 24: To adapt education and training systems in response to new competence requirements
Community Strategic Guidelines	GL 1.3.1: Attract and retain more people in employment and modernise social protection systems GL1.3.3: Increase investment in human capital through better education and skills
UK National Reform Programme	Skills (3.77 – 3.90) Delivering employment opportunity for all (4.7 – 4.35) Equipping people to realise their potential (4.36 – 4.38)
UK NSRF	Increasing employment and tackling economic inactivity (266 – 268)

ESF Priority 2: Increasing Employment and Tackling Economic Inactivity

3.51 The objectives of this priority are to raise levels of employment and economic activity, and secure higher participation in the labour market.

3.52 The performance of the West Wales and the Valleys labour market has improved considerably over recent years, with increasing employment and declining unemployment. Despite this, the employment rate in the region is still lower than in many parts of the UK due to a higher proportion of the working age population not participating in the labour market. This priority will focus primarily on the economically inactive, with the aim of helping them into sustained employment, and help people with work-limiting health conditions and disabilities to remain in work where they may be at risk of becoming unemployed or economically inactive. Bringing more people into sustainable employment will be essential in propelling the West Wales and the Valleys economy to higher levels of GVA, and in reducing poverty, ill health and social exclusion. A range of active labour market measures and other actions will be necessary to help such individuals overcome barriers to employment and particular attention will be given to the specific barriers faced by a range of disadvantaged groups.

3.53 Themes under this priority will focus on:

(a) helping people into sustainable employment; and

(b) helping people to remain in work.

3.54 The following table illustrates how this priority will contribute to the EU and UK policy priorities. This priority will contribute to categories 66, 67 and 71 of the categories of Structural Fund investment identified in EU Regulation [1083/2006], Article 9.

3.55 This priority will address the scope of assistance as identified in EU Regulation [1081/2006] Article 3, section 1b.

Table 22: Priority 2 contribution to EU and UK policy priorities

	Contribution of Priority to EU and UK Policy Priorities
Integrated Guidelines for Growth and Jobs	GL17: To implement employment policies aimed at achieving full employment, improving quality and productivity at work and strengthening social and territorial cohesion GL18: To promote a lifecycle approach to work GL19: To ensure inclusive labour markets for job seekers and disadvantaged groups GL21: To promote flexibility combined with employment security and reduce labour market segmentation. GL23: To expand and improve investment in human capital
Community Strategic Guidelines	GL1.3.1: Attract and retain more people in employment GL1.3.3: Increase investment in human capital through better education and skills GL1.3.5: Help maintain a healthy labour force
UK National Reform Programme	Skills (3.77 – 3.90) Delivering employment opportunity for all (4.7-4.35)Equipping people to raise their potential (4.36–4.38)
UK NSRF	Increasing employment and tackling economic inactivity (266 - 268)

ESF Priority 3: Improving Skill Levels and the Adaptability of the Workforce

3.56 To support productivity and progression in employment by raising skill levels at the levels of basic skills, intermediate and higher level skills, to tackle skills gaps and shortages, and to promote gender equality in employment. Raising the population's skills levels is associated with not only increased rates of economic activity, but also improvements to productivity and growth. This priority will focus on raising skill levels of employees and help employers and enterprises adapt to change and to raise productivity. The main focus of the priority will be to raise skill levels of those with

skill levels below Level 2, especially employees without basic numeracy, literacy and ICT skills, to bring them to Level 2 and above. Action under this priority will recognise that there are significant market failures in terms of demand deficiency and matching skills needs and training to areas of demand. Action is therefore required to identify skills shortages, gaps and mismatches, to support workers' progress in their careers, to develop higher-level specialist skills to meet the needs of business, and to help individuals adapt to new ways of working or to choose new pathways of employment, so they can prosper in a changing economy and society.

3.57 Current gender inequalities mean that the economic contribution of women is insufficiently utilised and this has a detrimental impact on the Welsh economy as a whole. A number of different approaches will be necessary to tackle the attitudinal and structural changes required to improve the current position of women within the workforce.

3.58 Themes under this priority will focus on:

- raising the skills base of the workforce and supporting progression in employment through basic, and intermediate level skills;
- skills for the knowledge economy: higher level skills and systems for workforce development; and
- promoting gender equality in employment.

3.59 The following table illustrates how this priority will contribute to the EU and UK policy priorities. This priority will contribute to categories 62, 64, 69, 70, 72 and 74 of the categories of Structural Fund investment identified in EU Regulation [1083/2006], Article 9.

3.60 This priority will address the scope of assistance as identified in EU Regulation [1081/2006] Article 3, section 1a.

Table 23: Priority 3 contribution to EU and UK policy priorities

	Contribution of Priority to EU and UK Policy Priorities
Integrated Guidelines for Growth and Jobs	GL17: Implement employment policies aimed at achieving full employment, improving quality and productivity at work and strengthening social and territorial cohesion GL20: Improve matching of labour market needs GL21: Promote flexibility combined with employment security and reduce labour market segmentation GL23: Expand and improve investment in human capital GL24: Adapt education and training systems in response to new competence requirements

	Contribution of Priority to EU and UK Policy Priorities
Community Strategic Guidelines	1.3.1 Attract and retain more people in employment and modernise social protection systems 1.3.2 Improve adaptability of workers and enterprises and the flexibility of the labour market 1.3.3 Increase investment in human capital through better education and skills
UK National Reform Programme	Skills (3.77 – 3.90) Delivering employment opportunity for all (4.7 – 4.35) Equipping people to realise their potential (4.36 – 4.38) Tackling gender inequality (4.43 - 4.51)
UK NSRF	Improving skills levels and improving the adaptability of the workforce (269 – 270)

ESF Priority 4: Modernising and improving the quality of our public services: Making the Connections

3.61 The objective of this priority it to improve the effectiveness and efficiency of public services in the region.

3.62 In *Making the Connections: Delivering Better Public Services in Wales*, the Welsh Assembly Government sets out its policy for improving the public service sector across Wales, including making it more accessible, coherent, effective and efficient, and more responsive to the needs of individuals, businesses and communities. The purpose of this priority is to build the capacity of public administration and services in the region, to ensure that they are properly equipped to play their role and better meet the needs of their users and the wider community, in overcoming the region's disadvantages and offering the level of service which is to be expected in the 21st Century.

3.63 Although this priority will only absorb a small proportion of the European funding available for West Wales and the Valleys, it will make an important contribution to developing the skills of public services managers, including the skills needed to lead and manage regeneration programmes. It will also support improvements in the efficiency and effectiveness of public service delivery, including through the development of shared services and electronic access to services by individuals and businesses.

3.64 Themes under this priority will focus on:

- transforming public services through more effective collaborative working; and
- building the capacity of public service sectors to deliver higher quality services.

3.65 The following table illustrates how this priority will contribute to the EU and UK policy priorities. This priority will contribute to category 81 of the categories of Structural Fund investment identified in EU Regulation [1083/2006], Article 9.

3.66 This priority will address the scope of assistance as identified in EU Regulation [1081/2006] Article 3, section 2b.

Table 24: Priority 4 contribution to EU and UK policy priorities

	Contribution of Priority to EU and UK Policy Priorities
Integrated Guidelines for Growth and Jobs	GL9: Facilitate the spread and effective use of ICT and build a fully inclusive information society. GL24: Expand and improve investment in human capital
Community Strategic Guidelines	1.3.4: Administrative capacity
UK National Reform Programme	Skills (3.77–3.90)
UK NSRF	Making the Connections and modernising public services (271 - 272)

ESF Priority 5: Technical Assistance

3.67 A separate Technical Assistance (TA) priority will provide support for programme management and implementation, including communications and publicity, research and evaluation and targeted capacity building actions. This priority will contribute to categories 85 and 86 of the categories of Structural Fund investment identified in EU Regulation [1083/2006], Article 9.

Employment Recommendations to the UK

3.68 The ESF Convergence programme will contribute to action taken in West Wales & the Valleys to address the European Council's recommendation to the UK in March 2007 as part of its review of the UK's progress in implementing the National Reform Programme (NRP) for growth and jobs. It will also support action to address the four employment recommendations to the UK made by the European Council on 14 October 2004 as part of the 2004 European Employment Strategy (EES) process. The EES has now been brought within the scope of the Integrated Guidelines for Growth and Jobs and the associated Lisbon planning and reporting processes, but the employment recommendations remain extant and very relevant to the needs of the region.

European Council Recommendation (March 2007) - Increase basic and intermediate skills, in order to raise productivity, and further improve employment prospects for the most disadvantaged.

3.69 The NRP identifies the need to open up opportunities for sections of the population with low employment rates and to raise the skill levels in the workforce. Good progress is being made in addressing these challenges but, as indicated in the Leitch review, more needs to be done. Action under ESF Priority 3 – *Improving skills levels and the adaptability of the workforce* will have a particular focus on increasing basic and intermediate skills in the workforce and supporting progression in employment. This will be complemented by action under ESF Priority 1 – *Supplying young people with skills for learning and future employment* – which will provide more flexible learning pathways and address early school leaving, as well as encouraging more young people to continue in learning and to progress to higher qualification levels. ESF Priority 2 – *Increasing employment and tackling economic inactivity* – will support the integration of vulnerable groups into the labour market including incapacity benefit claimants, disabled people, lone parents some ethnic minority groups, older people and those from areas of high deprivation, and those under formal notice of redundancy.

EES Recommendation 1 - Increase adaptability of worker and enterprises and ensure that wage developments do not exceed productivity developments.

3.70 Action to improve skills under ESF Priority 3 – *Improving skill levels and the adaptability of the workforce* - will help to improve levels of productivity, and increase the ability of enterprises and workers to innovate and adapt to new forms of work organisation and new technologies. The ERDF Convergence Programme will also contribute to addressing this recommendation through priorities aimed at improving business competitiveness and developing the knowledge economy.

EES Recommendation 2 - Ensure that active labour market policies and benefit systems prevent de-skilling and promote quality in work, by improving incentives to work and supporting the sustainable integration and progress in the labour market of inactive and unemployed people; address the rising number of people claiming sickness or disability benefits, and give particular attention to lone parents and people living in deprived areas.

3.71 ESF Priority 2 – *Increasing employment and tackling economic inactivity* – will make an important contribution to addressing this recommendation. It will support the integration of vulnerable groups into the labour market including incapacity benefit claimants, disabled people, lone parents some ethnic minority groups, older people and those from areas of high deprivation. Barriers to participation in work will be addressed through individually tailored support to increase employability and help people find jobs as well as by skills improvement. This priority will also help people with work-limiting health conditions and disabilities to remain in work and encourage employers to develop more flexible working practices.

EES Recommendation 3 - Improve access to and affordability of childcare and care for other dependants, increase access to training for low paid women in part-time work, and take urgent action to tackle the causes of the gender pay gap.

3.72 Notwithstanding considerable recent improvements in the availability and affordability of childcare, further progress on both aspects is needed for all parents to have a real choice to work. ESF Priority 2 – *Increasing employment and tackling economic inactivity* will include action to enhance access to affordable and appropriate support for people with caring responsibilities, especially childcare. ESF Priority 3 – *Improving skill levels and the adaptability of the workforce* will retain a focus on gender equality in employment, in particular tackling the causes of the gender pay gap. This will include actions to tackle occupational segregation – vertical and horizontal; raise awareness of gender disadvantage in the workforce, and increasing economic activity in occupations and sectors where men and women are currently under-represented.

EES Recommendation 4 - Investing more and more effectively in human capital and lifelong learning by implementing national and regional skills strategies to provide better incentives for lifelong learning and thereby increase productivity and quality in work; place particular emphasis on improving literacy and numeracy of the workforce, the participation and achievement of 16-19 year olds, and low-skilled workers, especially those in poorly paid jobs.

3.73 Increasing skills in the workforce, particularly at low and intermediate levels, but also including targeted investments in higher level skills, is identified as key to productivity growth and will be addressed through ESF Priority 3 – *Improving skill levels and the adaptability of the workforce*. There will be a focus on improving basic levels of literacy and numeracy; skills to support progression in employment and the higher level skills to support the knowledge economy. This priority will also contribute towards addressing skills mismatches. ESF Priority 1 – *Supplying young people with the skills for learning and future employment* – will contribute to reforms to the secondary curricula through the 14-19 Learning Pathways initiative, which will provide more flexible learning pathways and address early school leaving, as well as encouraging more young people to continue in learning and to progress to higher qualification levels.

Social Inclusion

3.74 The ESF Convergence programme will also take forward action which complements the UK National Action Plan on Social Inclusion (2006 – 2008) - *Working Together.* This Action Plan and the Welsh Assembly Government's Social Justice Report[111] highlight the key challenges to be addressed in tackling poverty

[111]Welsh Assembly Government's Wales Social Justice Report
http://new.wales.gov.uk/topics/socialjustice/publications/socjustreport2006?lang=en

and inequality. These include improving access to employment and tackling economic inactivity, raising skills, eradicating child poverty, reducing homelessness, combating health inequalities and improving access to quality services.

3.75 Tackling poverty and inequality is an essential objective in improving quality of life, promoting social inclusion, and delivering equality of opportunity to every community in Wales. The Welsh Assembly Government is developing and implementing a range of policies and programmes aimed at combating poverty and exclusion faced by disadvantaged groups and those living in the most deprived communities. These include Communities First, the Want2Work initiative, the Child Poverty Strategy and subsequent Implementation Plan, 14-19 Learning Pathways agenda, the Inequalities in Health Fund and the Welsh National Homelessness Strategy. The current Structural Fund programmes have supported action under a number of these initiatives.

3.76 The UK Social Inclusion National Action Plan sets out 4 key policy objectives, where the activities of the new ESF Convergence Operational Programme will assist and add value:

- Eliminating child poverty
- Increasing labour market participation
- Improving access to quality services; and
- Tackling discrimination

3.77 The UK Government has set a target to eliminate child poverty by 2020, and under *Priority 1 – Supplying young people with skills for learning and future employment*, the new ESF Convergence Operational Programme will help young people affected by some of the side effects of child poverty, such as poor literacy and numeracy, social disaffection and disengagement from learning, and barriers to future employment prospects, and help lift young people out of deprivation and break the cycle of poverty.

3.78 The UK NAP outlines the strategy for providing more help to people who are excluded from the labour market in order to achieve a reduction in the number of people claiming incapacity benefits by 1 million in a decade, 300,000 more lone parents in work, and an increase in the number of older workers by 1 million. ESF *Priority 2 – Increasing employment and tackling economic inactivity,* will support these objectives by tackling economic inactivity through encouraging and assisting individuals who are disengaged from the labour market to access employment opportunities, helping the low skilled and disadvantaged groups tackle barriers to employment, and also support measures to prevent employees and individuals with work-limiting health conditions becoming economically inactive.

3.79 Under *Priority 3 – Improving skills levels and the adaptability of the workforce* action will focus on improving skills levels amongst the workforce, particularly basic skills such as literacy and numeracy, and developing intermediate and higher skills,

as well as helping businesses adapt to changing economic conditions. In recognition that by 2024 around half of adults in the UK will be aged over 50 years, the retention and re-skilling of older workers within businesses and organisations, is an important step towards meeting future skills needs and adapting to a changing economic climate. This aspect of the ESF programme supports the NAP by ensuring people are able to break the cycle of poverty and obtain financial security via employment, and tackle issues such as age discrimination.

3.80 Efficient public services play an important part in tackling social exclusion. *Priority 4 – Improving and modernising public services: Making the Connections,* will assist with fulfilling this strategic objective. The NAP sets out how policies and services are being joined up more effectively at local level to ensure efficient and constantly improving public services, which are accessible to all. Priority 4 details the ways in which ESF funding can support the distinctive Welsh public services agenda and need for reform, through the Making the Connections strategy.

3.81 Under the ERDF Convergence Operational Programme's *Priority 5 – Building sustainable communities* a range of activity will support the overarching objectives contained within the UK National Action Plan. It will focus on tackling deprivation and improving local economies in an integrated way bringing together physical regeneration with community economic development. It will support the development of community networks, build the capacity of communities to be enterprising; ensure local people are given equality of opportunity to access the benefits of local investments; and support the development and growth of specific services where gaps have been or can be evidenced. In taking these issues forward, it will develop synergies with activity supported elsewhere in the ERDF Operational Programme and under the ESF Convergence Programme's priorities.

3.82 The NAP also identifies the UK Government's commitment to tackling discrimination. There has been considerable progress over the past 30 years but some groups are still at greater risk of deprivation than others, in particular disabled people and people from Black and minority ethnic (BME) groups. Too many people are prevented from achieving their full potential as a consequence of discrimination. Both the ESF and ERDF operational programmes will support this objective through its Equal Opportunities cross cutting theme which ensures all projects build in recognition of the need to address equality issues. The ESF programme will also provide more targeted support through action in Priority 3, Theme 3 – Promoting Gender Equality.

Approach to Added Value

3.83 The programme will build on investments supported under current and previous programmes, drawing on the evaluation of their impact and the lessons learned in their implementation. It is clear that the European Structural Funds are adding value to the implementation of national policies and programmes in Wales,

both in terms of substance and process. This emphasis on added value will be carried forward into the new programme period.

3.84 In terms of the programme's overall aim and objectives, the Structural Funds will complement national policies and support closer alignment with EU policies for supporting economic development. Making the most of these synergies will help to ensure that maximum value is derived from the new programmes. Multi-annual programming also provides a firm basis for longer term action aimed at addressing more fundamental or intractable issues, and effecting transformational change.

3.85 In terms of actual investment, the Structural Funds will add value to current provision in a number of ways. This includes introducing new employment and training services, or extending the provision of existing services. Secondly, value can be added by improving the quality of services and provision. Thirdly, there is an opportunity to bring forward investments that might be planned for some future date, for example, bridging the gap between the "*Want2Work*" programme, helping economically inactive people back into work, and the planned roll-out of "*Pathways to Work*" by the UK Department for Work and Pensions. The Structural Funds will also add value through increasing the focus on equal opportunities for all, and environmental sustainability through implementation of the Cross Cutting themes.

3.86 Value from the Structural Funds also comes through process. One key benefit is the interaction encouraged between partners at national, regional and local levels in the shared endeavour of promoting economic growth. Such partnership working has been a key feature of the preparatory phase of this new Programme and will be extended to include partnership at the Spatial Plan Area level and the arrangements for Strategic Frameworks. The funds also promote the principles of transparency, fairness and equal opportunities and these principles will continue to be reflected in the arrangements for dispersing funds. Finally the Structural Fund programmes encourage innovation and provide a platform for working with other regions and a wide range of organisations to share best practice. More detail on added value is contained in Chapter 4 - Priorities.

Cross-Cutting Themes

3.87 In addition to the priorities outlined above, two Cross-Cutting or horizontal themes will be integrated into all aspects of the Convergence programme in accordance with the requirements of EU Regulation [1083/2006] Articles 16 and 17. The strategy for implementing the two Cross-Cutting themes of equal opportunities and environmental sustainability is addressed in more detail in Chapter 5 - Cross-Cutting Themes, and the Implementing Provisions – Chapter 6.

Environmental sustainability

3.88 The growing evidence of climate change and its wider consequences emphasise the importance of making sure that economic growth does not come at

the cost of ever-increasing demands on the environment. Negative effects of growth will be offset both by specific actions, and by the integration of environmental sustainability throughout the programme as a horizontal theme. All projects will be expected to address the environmental sustainability theme by including appropriate opportunities to address the environmental issues that affect the region and the wider global environment.

Gender equality and equal opportunities for all

3.89 The need to recognise the contribution that all individuals can make is an important one. The European Roadmap for Equality between men and women 2006–2010[112], and the package of measures introduced in 2000 by the European Union designed to enforce the right of people everywhere to be treated equally and to strengthen respect for human rights throughout the European Union[113]. These directives reflect a growing recognition of the benefits of diversity for the economy and for society as a whole.

3.90 Equal Opportunities will be integrated as a cross-cutting theme into the ESF Convergence programme in order to promote equal access for all to opportunities in the Convergence programme. Assistance will be provided, for example, for actions that enable access to business support measures, including training and targeted interventions for previously excluded groups, particularly Black and minority ethnic people and disabled people. The theme of gender equality in the ESF programme can be supported by activities funded under the ERDF Convergence programme that challenge gender stereotyping, support women and men into non-traditional areas of work, and encourage work life balance.

3.91 The range of actions that will be taken within the priorities and themes to promote horizontal integration of the programme's environmental sustainability and equal opportunities objectives is demonstrated by a matrix analysis (Annexes D and E).

Complementarity between ESF Programme and other EU policies and funding instruments

ESF and ERDF

3.92 The ESF Convergence programme for West Wales and the Valleys has been developed to align closely with the ERDF Convergence programme, ensuring that the priorities identified for each programme, complement and add value to each other. There are close linkages especially in the areas of employment opportunities, innovation and higher level and graduate level skills, where delivery of the ESF

[112] The European Road Map for Equality between men and women 2006-2010 http://ec.europa.eu/employment_social/emplweb/news/news_en.cfm?id=136
[113] http://ec.europa.eu/employment_social/fundamental_rights/legis/legln_en.htm

elements support the innovation, research and development initiatives of the ERDF programme. Also, in the area of building sustainable communities, getting more people into sustainable employment, will be central to the long-term well being of individuals, families and thriving communities. Increasing employment is a key driver of economic growth and one of the factors that explains West Wales and the Valleys' productivity gap. The programmes will work together to support the shared vision of a vibrant West Wales and the Valleys' economy.

3.93 The Convergence programmes seek to maximise synergies between ESF and ERDF interventions. This could include support for the ESF programme's objectives through capital costs of developing new learning facilities under the ERDF programme's Priority 3 – developing the strategic infrastructure for a modern economy. Use will also be made of the provisions in EU Regulation [1083/2006] Article 34 (2), which allow up to 10% of the funds available within relevant Priority axis to finance, in a complementary manner, actions falling within the scope of assistance of the ESF or ERDF fund. The flexibility facility will be used to fund actions which fall within the scope of ERDF where those actions are directly linked to the ESF operation, and necessary for its successful implementation. The approach to deploying this flexibility is outlined in respect of each of the relevant Priorities in Chapter 4.

EAFRD and EFF

3.94 In line with of EU Regulation [1083/2006] Article 37(1f), the demarcation criteria and mechanisms for co-ordination between the ESF and the ERDF on the one hand, and the European Agricultural Fund for Rural Development (EAFRD) and the European Fisheries Fund (EFF) on the other are set out below. This explains how the Welsh Assembly Government will ensure that there is maximum alignment and value for money, whilst avoiding any duplication or double funding.

3.95 As a general principle, ESF funded activities will primarily address rural issues as part of a wider regional, sub-regional or national activity through the provision of integrated employment and skills programmes which contribute to improved economic performance. These will include interventions to raise economic activity rates within rural areas by reducing unemployment and economic inactivity, and supporting the development of a more skilled and adaptable workforce.

3.96 RDP and EFF funding will be focussed on supporting diversification of rural economies at the local level and on improving the quality of life in rural areas. This includes interventions in agriculture, including supporting innovative farm diversification, forestry and food processing, and the development and management of viable and sustainable marine and inland fisheries.

3.97 Demarcation will be achieved through clear differentiation in the eligibility rules. No activity will be eligible for funding from more than one programme. ESF funding will not be available for interventions that target individuals or enterprises engaged in

agriculture, forestry or fisheries, or individuals or enterprises engaged in the primary processing of agricultural, forestry or fisheries products. This will be clearly stated in the eligibility rules and this eligibility requirement will apply across all Structural Fund Programmes. The ESF will not fund activities which support agri-food schemes or the primary processing of agricultural and / or forestry products. This principle will apply equally to EFF in respect of fish and shellfish products and processing.

3.98 The RDP specifically identifies the need to create better rural communities with better access to economic opportunity. Where these actions may include addressing gaps in skills provision and mainstream training provision the general principle of demarcation by eligibility will apply in that RDP and EFF actions will be specific to meet the needs of the sectors identified above. For instance, provision of vocational training for farmers, or in the case of EFF support for the marine and inland fisheries sector, will not be eligible for support through the scope of the ESF programme.

3.99 Similarly, vocational training for agriculture and forestry workers relating to their skills levels will be covered under RDP Axis 1 (Farming Connect). Environmental management would be covered under Axis 2, and life skills or generic personal, basic and business skills could be supported under Axis 3. The ESF may support craft-based training programmes, for example, construction skills, but not in the fields outlined above. There is scope for complementarity between the instruments in how training and employment programmes work together, including helping on the non-vocational skills agenda, wider community needs, developing alternative sources of income, developing opportunities for family members, addressing general social and cultural needs.

3.100 The RDP sets out the requirement for the development of local development strategies to establish the governing principles and key areas for action and the exact activities to be undertaken. The LEADER methodology will be embedded in this process and for RDP Axes 3 and 4 these local strategies will be discussed with the Spatial Plan Area Groups, which will be asked to endorse them. The Spatial Plan Area Groups are responsible for contributing to the development of the separate thematic Strategic Frameworks delivering the ESF programme and this process will allow for the identification of any potential overlap between the ESF and EAFRD or EFF, whilst at the same time ensuring that opportunities to added-value and complementarity between the each of the funds is identified and maximised where possible.

3.101 The Welsh Assembly Government recognises the need to take account of the demarcation and complementarity set out above in the implementation of the ESF programme. This will be done in three ways:

- Cross membership of the respective PMCs for the Structural Funds, the EAFRD and the EFF.

- A specific statement in the Structural Funds' eligibility rules that farmers and those engaged in primary processing of agricultural, fisheries or forestry products are not eligible for support from the ESF for these activities; and

- External guidance for potential project applicants, developed jointly with staff working on the RDP and the EFF programme for Wales.

3.102 To eliminate the potential for double funding and to maximise complementarity at a project level, further communication will be made between the respective teams at application stage. As part of the WEFO process, applicants will need to show how their project fits with the relevant strategies and programme. Part of this will be the RDP and the EFF and WEFO appraisal officers will ensure that where any project has the potential to fit into the demarcation or complementarity areas as outlined above, the relevant officers will be consulted and rigorous appraisal will be carried out.

3.103 Post approval, projects will be subject to strict monitoring to ensure that the terms of the approval are adhered to and any subsequent request to amend a project will be given equally careful consideration.

3.104 A reciprocal arrangement will be introduced for projects submitted under the RDP and EFF.

3.105 Other European policies and instruments such as the Research Framework Programme 7[114] and Employment and Skills, such as the Lifelong Learning Programme[115] will be complemented by the ESF programme's activities. The Lifelong Learning Programme comprises four sectoral programmes on school education (Comenius), higher education (Erasmus), vocational training (Leonardo da Vinci) and adult education (Grundtvig), and is completed by a transversal programme focusing on policy cooperation, languages, information and communication technology and dissemination and exploitation of results. The aim of the new Lifelong Learning programme is to contribute through lifelong learning to the development of the Community as an advanced knowledge society, with sustainable economic development, more and better jobs and greater social cohesion. It aims to foster interaction, cooperation and mobility between education and training systems within the Community, so that they become a world quality reference.

Research and Development

3.106 The successful exploitation of research, technology and innovation will be critical to achieving our ambition of a thriving competitive economy. This will provide a cornerstone for achieving ever-increasing productivity and enterprise, and for

[114] European Commission's Research Framework programme 7 (FP7) for 2007–2013 'Building the Europe of Knowledge': http://ec.europa.eu/research/future/index_en.cfm
[115] European Union Lifelong Learning Programme, http://ec.europa.eu/education/programmes/newprog/index_en.html

creating more jobs and wealth, making Wales a world-class player. With the low level of business R&D expenditure compared to other parts of the UK, businesses need to be encouraged to collaborate in order to create a 'virtual agglomeration effect'. Higher education, further education and business will be encouraged to work together in order to promote technological development, transfer and commercialisation and to increase their access to the EU's 7th Research Framework Programme.

Monitoring and Evaluation of Progress

3.107 The Welsh Assembly Government considers high quality monitoring and evaluation to be essential for effective programme management and evidence-based policy decision making. Monitoring and evaluation made an important contribution to the management of the 2000–2006 Structural Funds Programmes in Wales and the lessons learned from monitoring and evaluation have been taken on board in the design of the 2007 - 2013 Structural Funds Programmes. Monitoring and evaluation will continue to have key roles to play in maximising the quality and effectiveness of the 2007 - 2013 Programmes.

3.108 The Welsh Assembly Government's approach to assessing the success of the Structural Funds Programmes is based around:

- tracking progress of a range of economic indicators, notably employment, earnings and GVA, in absolute terms and relative to other parts of the UK and EU;
- monitoring against the indicators set for individual priorities, grossed up to programme level;
- programme-level evaluation;
- strategic framework-level evaluation; and
- project level evaluation.

Tracking Indicators

3.109 The high level tracking indicators set out in *W:AVE* and the *Learning Country 2: Vision into Action* have been developed to provide a broad and robust picture of the fundamentals of sustainable economic growth. They will be used both to monitor progress over time and to compare Wales against other countries and regions. Many of these tracking indicators are also available at NUTS 2 level and will therefore be used to provide a balanced assessment of progress in the West Wales and the Valleys economy. Where data is not available at NUTS 2 level, appropriate alternative indicators have been identified. Progress will also be tracked against selected Lisbon indicators, many of which overlap closely with the indicators set out in *W:AVE*, but some of which are defined slightly differently.

3.110 It should be noted that performance against these indicators is dependent on other factors such as macroeconomic trends and global events. Nevertheless, the following high level economic development tracking indicators provide the overall context for assessing the progress of West Wales and the Valleys. The use of these tracking indicators will ensure that broader trends in the economy, including structural changes, are taken into account in the evaluation of the effectiveness of the Convergence programmes in Wales.

3.111 The following high level economic development tracking indicators will therefore provide the overall context for assessing the progress of the Convergence programme.

Table 25: Programme Level Tracking Indicators

	Economic development and Labour Market indicators
High-level economic	GVA per capita [i] Household disposable income per capita [i] Employment rate [i] Average earnings [i]
Labour market	Economic inactivity rate Unemployment rate [i] Migration flows
Value-added per job	GVA per worker and per hour worked [i]
Skills	Qualifications of working age population[ii] Qualifications of 16-18 year olds and 19-21 year olds [i] Proportion of the workforce in professional, technical, managerial and scientific employment
Social cohesion	Percentage of working age adults in workless households [iii] Percentage of children in workless households [iii]
Equal opportunities	Female earnings as a percentage of male earnings [iv]

i Indicator similar to short listed Lisbon Structural Indicator.
ii Indicator covers qualification indicators in *The Learning Country 2*.
iii Indicator not in W:AVE, alternative proposed. Data not currently available but expected to be available in 2007
iv Indicator not in W:AVE, alternative proposed

3.112 Baseline data can be found within Annex K - Indicators.

Table 26: Programme-level Indicators

All indicators and targets within this Operational Programme cover the whole Programme (Community, national public and national private funding) and are to be achieved by 2015.

Indicator	Target (2015)
Total participants[116]	267,500*
Female participants[117]	146,150
Economically inactive participants[118]	63,750
Unemployed participants[119]**	55,000
Employed participants[120]	122,500
Employers assisted or financially supported[121]	20,060
Collaborative agreements between public service bodies[122]	20
Participants entering employment[123]	27,500
Participants gaining qualifications[124]	79,530
Participants gaining a basic skills qualification [125]	43,900
Participants gaining a qualification at Level 2[126]	23,000
Participants gaining a qualification at Level 3[127]	8,900
Participants gaining a qualification at Level 4 and above[128]	3,800
Participants entering further learning[129]	57,700

*Includes 35,000 Priority 1 participants who are in the 11-19 age group
** Unemployed participants includes individuals under formal notice of redundancy

[116] The number of individuals participating in this Programme
[117] The number of female participants participating in this Programme
[118] The number of participants who are economically inactive (excluding students) participating in this Programme
[119] The number of participants who are unemployed participating in this Programme
[120] The number of participants who are employed participating in this Programme
[121] The number of employers that receive assistance or financial support, funded by ESF
[122] The number of collaborative agreements between public service bodies secured through ESF support
[123] The number of participants entering employment following participation in this Programme
[124] The number of participants gaining a qualification as a result of participation in this Programme
[125] The number of participants gaining a basic skills qualification as a result of participation in this Programme
[126] The number of participants gaining a qualification at Level 2 as a result of participation in this Programme
[127] The number of participants gaining a qualification at Level 3 as a result of participation in this Programme
[128] The number of participants gaining a qualification at Level 4 or above as a result of participation in this Programme
[129] The number of participants entering further learning following participation in this Programme

Strategic Implementation

3.113 In addition, experience and lessons learned suggest that a more strategic approach to implementation will help ensure that the new programmes make an even stronger contribution to sustainable economic development. Evaluations of the 2000–2006 programmes have suggested that there are too many projects and that it is difficult to quantify the contribution of some of these to achieving the strategic aims and objectives of the programmes. There is much to be gained by bringing complementary projects together within the context of strategic frameworks to drive the delivery of key parts of the programmes. Further information on this more strategic approach to delivery and the principles which will guide the development of the new frameworks is provided in Chapter 6, Implementing Provisions.

Welsh Language

3.114 The Welsh Assembly Government wants Wales to be a truly bilingual nation where people can choose to live their lives through the medium of either Welsh or English or both and where the presence of the two languages is a visible and audible source of pride and strength to everyone. In order to fulfil that vision, the Welsh Assembly Government has made a commitment – in *Iaith Pawb*[130], the National Action Plan for a Bilingual Wales and its Welsh Language Scheme – to mainstream the Welsh Language across policy areas. The implementation of the Convergence programmes will reflect this commitment.

Mainstreaming of Community Initiatives

3.115 Wales has been very successful in securing funding under the Great Britain EQUAL programme 2000–2006. Four Development Partnerships operated during the first round, receiving ESF funding of £1.6 million. This increased to 15 Development Partnerships during the second round, with ESF funding of £15 million. Projects such as '*Healthy Minds at Work'*, have helped to increase understanding of the links between economic inactivity and mental health in the workplace. In addition to learning valuable policy lessons, the EQUAL approach to implementation through development partnerships has proved very successful in building understanding and partnership into all aspects of the projects, and facilitating mainstreaming of policy and operational lessons.

3.116 The experience of EQUAL will be taken forward under the new ESF Convergence programme in developing arrangements for supporting both innovative actions, and trans-national co-operation.

[130] Welsh Assembly Government's *Iaith Pawb*:
http://new.wales.gov.uk/about/departments/dlgc/publications/Welsh_language/Iaith_pawb?lang=en

Social Partner Actions

3.117 In accordance with EU Regulation [1081/2006] Article 5, the participation of the social partners (business and trade unions) will be actively encouraged in implementing the ESF Convergence programme. This will include support for actions which improve the effectiveness of social dialogue and activities jointly undertaken by or led by the social partners, in particular as regards the adaptability of workers and enterprises. An appropriate amount of resources will be specifically allocated for social partner led activities as indicated in Chapter 4. It is envisaged that approximately €5.6 million of ESF will be allocated through Priorities 1, 2 and 3. The following activities provide an indication of actions that could be taken forward in close collaboration with the social partners:

Priority 1

- Strengthening links between business and education aimed at ensuring that there is a closer integration between employer needs and the vocational and basic skills curricula. This might include industry placements for teachers or education placements for business. It might also include extended or `enhanced work experience placements for young people.

Priority 2

- Partnership initiatives aimed at promoting equality and diversity in employment;
- Initiatives which help disadvantaged groups overcome barriers to employment, including mentoring programmes;
- Improving disability awareness and management, including partnership arrangements addressing health related employment barriers; and
- Partnership initiatives responding to significant redundancies.

Priority 3

- Initiatives aimed at supporting the retention of older workers in employment.
- Fostering employer and employee engagement in learning, including through initiatives which promote, recognise and reward good practice;
- Promoting initiatives, including partnership arrangements in the workplace, aimed at anticipating and responding to job and organisational change and adapting to new technology;
- Improving environmental awareness and management.

Strategy for innovation and transnational activity

3.118 The Managing Authority will promote and support both innovative action and transnational activity through a range of Priorities within the Operational Programme, thereby ensuring that the principles that underpin them have a major influence on overall delivery. Because of this mainstreaming purpose, there will not be a separate

and distinct programme or priority axis within the Operational Programme for either innovation or transnational activity.

3.119 The scope for both innovation and transnational activity will be identified at the level of Priority Themes as part of the development of Strategic Frameworks. This will ensure the full involvement of Framework partnerships and the Programme Monitoring Committee in selecting the areas in which both innovative action and transnational activity should be actively promoted and encouraged.

Innovative Actions

3.120 The revised Lisbon agenda places a strong emphasis on activating knowledge and promoting innovation. This is reflected in the Community Strategic Guidelines which encourage the development of strategies with specific provision for experimentation to stimulate regional and local actors to innovate and the new regulatory requirements concerning the mainstreaming of innovative actions. Innovation in this context is broader than traditional 'technological innovation'. It is defined as the generation of new knowledge and its transformation into new products, processes or services that respond to a demand from citizens. It includes social innovations that support the modernisation of the economy, as well as the reform of employment and social inclusion policies and actions.

3.121 In accordance with EU Regulation [1081/2006], Articles 3(5) and 7, the ESF Convergence programme will encourage innovation through agreed Strategic Frameworks, and will actively support the dissemination of outcomes and the sharing of best practice. In so doing, the Managing Authority will encourage the application of lessons learned under the EQUAL programme.

3.122 Intensive evaluation will be a core feature of all projects promoting innovation and the results of this experimental work will be used to inform both policy and delivery, with the lessons learned feeding into mainstream programme implementation and project development. A clear strategy to promote this mainstreaming will be developed in consultation with the Programme Monitoring Committee (PMC) as part of the arrangements for implementing all ESF and ERDF programmes.

3.123 The scope for innovative actions will be identified in consultation with partners as part of the work on Strategic Frameworks and will subsequently be agreed with the Managing Authority (see Chapter 6 – Implementing Provisions). The sections within Strategic Frameworks that cover scope for Innovative Actions will also cover guidance on evaluation and the potential for mainstreaming action.

3.124 In advising sponsors on the development of projects promoting innovation the Managing Authority will draw on the lessons learned from the implementation of

EQUAL, including the need for involvement of policy makers and key stakeholders and the importance of rigorous and independent evaluation.

3.125 Innovative action projects will be subject to specific monitoring as part of the Managing Authority's new programme management system (PPIMS) and will operate under standard eligibility rules. All innovative action projects will be subject to external evaluation.

3.126 Possible areas for innovative actions might include:

- Developing alternative curricula to engage disaffected young people in learning (Priority 1)
- New ways of engaging with and integrating the most disadvantaged groups into sustainable employment (Priority 2);
- New ways of supporting employers and employees in dealing with health related issues (Priority 2);
- Promoting the integration of migrant workers within the workforce (Priority 2);
- Supporting the retention of older workers in employment (Priority 3);
- Innovative learning delivery approaches and methodologies for identifying and addressing skills needs (Priority 3);
- New ways of helping employers and employees adapt to job and organisational change (Priority 3);
- Innovative approaches to public service collaboration (Priority 4).

Trans-national and Inter-regional Co-operation

3.127 The new regulatory framework also provides for the mainstreaming of transnational and inter-regional co-operation. This provides an exciting opportunity to add value to the implementation of the ESF Convergence programme by facilitating collaboration in areas of mutual interest with other European regions.

3.128 While projects involving partners from across the European Union will be considered, particular emphasis will be given to activities with Member States and regions with which the Welsh Assembly Government has formal co-operation agreements. These include Latvia, Brittany, Catalonia, Upper Silesia and Baden-Württemburg. It will also be possible to build upon successful transnational cooperation arrangements established under the EQUAL initiative and with regions that are members of the European Association of Regional and Local Authorities for Lifelong Learning (EARLALL), which has already has significant experience of facilitating transnational working among its members.

3.129 Examples of transnational networks that could provide access to potential ESF partners for West Wales and the Valleys include the European Regions Research and Innovation Network (ERRIN) which has a particular focus on R&D; the informal e-Learning Group which aims to develop structured networking opportunities for e-learning practitioners on a range of pedagogic, technological and

policy issues; and the Brussels based information network for Education and Training (BBInet) which was recently created to bring together Chambers of Commerce and Industry with education associations and other social or business agencies, to consider topics such as mobility, and adult education.

3.130 In line with the provision in EU Regulation [1081/2006], Article 3(6) and 8, the ESF will support innovative and high quality transnational and inter-regional activities across all relevant programme priorities. The following indicative activities illustrate the expected scope for transnational and inter-regional action:

- increasing and improving adaptability, including for example action to support lifelong learning, and restructuring;
- supporting the integration of job-seekers and inactive persons, for example including action to promote age management, youth unemployment (in the context of the European Youth Pact) work-life balance and migrants;
- supporting integration of disadvantaged groups and combating discrimination, including for example action to support persons with disabilities, ex-offenders, ethnic minorities and people with caring responsibilities;
- enhancing human capital including for example action strengthening systems for the validation of skills;
- supporting the transfer of skills and best practice across the public sector through a network of partner public services; and
- identifying innovative technologies and successful leadership and management practices within a trans-national context.

3.131 The Managing Authority will establish a separate Transnational Co-operation Unit to support and co-ordinate action under the programmes. Arrangements will be put in place through that Unit to ensure that transnational activities supported through the ESF convergence programme do not overlap with those supported through other Community programmes, notably the vocational education and training (VET) and adult education strands within the EU Lifelong Learning Programme, namely the Leonardo and Grundtvig sub-programmes, together with the VET projects within the Erasmus sub-programme, and the policy development and information and dissemination strands of the transversal sub-programme. To take this forward, we will co-operate closely with the UK national agencies responsible for the Lifelong Learning programme (British Council and ECOTEC) to ensure that there is no double funding, and that projects are complementary. In addition, trans-national and inter-regional projects supported through ESF will take account of integrating the lessons learnt from the EQUAL Community Initiative.

3.132 Wales is a founder member of EARLALL. It has participated in a number of joint projects with other EARLALL members, including an initial project proposed by the Commission to test the concept of ‘valorisation’ and an on-going project

designed to test the ‘open method of co-ordination’ as a mechanism of dissemination.

3.133 It is currently working with EARLALL partners to put in place a series of bilateral ‘mobility agreements’ promoting the free flow of learners, researchers and workers between member regions, and anticipates that such agreements are likely to involve further joint development work in areas such as:

- e-learning,
- skillsets for entrepreneurship,
- the definition of other vocational competences,
- the recognition of credit towards vocational qualifications, and
- the encouragement of reciprocal work experience placements for students and practitioners between regions.

3.134 The emerging Regions for Economic Change initiative was introduced by the European Commission in November 2006. The EU-wide Inter-regional Co-operation Programme for 2007-2013 supported under the Territorial Co-operation Objective, will provide an important instrument for implementing this initiative. Regions for Economic Change offers significant opportunities for West Wales and the Valleys in the area of mainstreaming transnational and innovative actions and is aimed at exchanging best practice between Europe’s regions.

3.135 The initiative provides opportunities for organisations in Wales to engage with regions in other areas of Europe around themes connecting European Union policies to the Lisbon agenda. It introduces a new vehicle for regions to share and test best practice for economic modernisation and increased competitiveness and to disseminate results into mainstream Convergence programmes.

3.136 In the framework of the Regions for Economic Change initiative the Managing Authority commits itself to:

a) make the necessary arrangement to welcome into the mainstream programming process innovative operations related to the results of the networks in which the region is involved;

b) to allow in the Programme Monitoring Committee (or programming committee) the presence of a representative (as an observer) of the network(s) where the Region is involved, to report on the progress of the network's activities;

c) foresee a point in the agenda of the Programme Monitoring Committee (or programming committee) at least once a year to take note of the network's activities and to discuss relevant suggestions for the mainstream programme concerned;

d) inform in the Annual Report on the implementation of the regional actions included in the Regions for Economic Change initiative.

Consultation

3.137 The Wales chapter of the NSRF and the Convergence programme have been developed through an extensive process of engagement with partners. This has included an External Stakeholders Group, which brings together representatives of the main partner organisations and five workstreams[131] which contain experts from across the private, public and voluntary sectors. These workstreams have supported the development of the new Operational Programme and have advised on future programme management, evaluation and monitoring and audit and compliance arrangements.

3.138 The Convergence programmes consultation was launched on 28 July 2006 for a period of 10 weeks, closing on 06 October 2006. Independent analysis of the consultation responses has been undertaken by CRG Research Ltd and the full report will be placed on the WEFO web site[132] along with the formal consultation responses. Feedback was also received from the four WEFO consultation events and other stakeholder events organised by the local government, business, community and voluntary sectors, which were attended by WEFO officials. Since July, WEFO has consulted with over 1,000 stakeholders. A total of 129 formal responses were received from the public consultation. The initial findings of the analysis report were discussed with the Post 2006 External Stakeholder Group.

Table 27: Respondents to the consultation

Sector	Number of responses
Voluntary & Community Sector	17
Economic Development / Training Partnerships	35
Private Sector	10
HE / FE organisations	14
Trade / Professional Associations	8
Local Authorities	19
Government Agencies	8
National Assembly for Wales	6
Environment, Culture & Heritage	9
Other	1

3.139 The main points that emerged were:

- broad support for the strategy, priorities and themes;

[131] The Post 2006 workstreams are part funded by Objective 1 ERDF and Objective 1 ESF Technical Assistance.
[132] http://www.wefo.wales.gov.uk

- general agreement on key principles i.e. simplification, transparency, inclusive decision making and building on lessons from 2000 – 2006 programmes;

- mixed views on how to apportion resources between priorities;

- mixed views on the level of focus on the Lisbon agenda, strong support from some and concern about a reduced focus on some areas of activity from others;

- recognition of the importance of good monitoring and evaluation and clear processes for collecting management information;

- support (particularly from HEIs) for the role of higher education in economic development;

- a continuing need for engagement with partners at all levels;

- more information requested on the role of the Wales Spatial Plan and its interaction with the proposed Strategic Frameworks; and

- a perceived lack of emphasis on the tourism sector.

3.140 Details of the range of comments are given at Annex A – Public Consultation Responses.

Summary of ESF Convergence Ex Ante Evaluation

3.141 In accordance with EU Regulation [1083/2006], Article 47, Ex Ante Evaluations have been undertaken for the Convergence Programmes (ERDF and ESF) to ensure that resources are allocated optimally and to maximise the quality of plans for programme implementation. In April 2006, following a competitive tender process, DTZ Consulting and Research were contracted by WEFO to undertake these evaluations

3.142 The ESF Convergence Ex Ante Evaluation concluded that the socio-economic analysis is relevant and well-constructed. Data sources used were considered credible with sufficient sub-regional analysis undertaken where appropriate. The evaluators had recommended previously that further comparisons be made using EU (25) data. This was consequently implemented. The evaluators had also recommended that the analysis make use of forecast data although WEFO considered that forecast data was too unreliable to be included.

3.143 The evaluation concluded that, in general, the Programme is well developed. For the most part, there is a strong link between the key challenges facing West Wales and the Valleys, the strategic vision, and the key elements of the Programme in terms of Priorities and Themes. However, a number of recommendations were

made in order to strengthen the rationale and the majority of these were implemented by WEFO. Some recommendations relating to focussing on in-migration and the added value of Structural Funds were not implemented, the former because it was considered this was indirectly addressed and the latter because this would be implemented in Strategic Frameworks guidance.

3.144 The evaluators found a high degree of fit between the ERDF and ESF Convergence Programmes. It also concluded that, for the most part, the Programme is consistent with the policies and strategies at Welsh, UK and EU levels. However, the evaluators made some recommendations to further strengthen this consistency and these were in the large part implemented.

3.145 It was found that the Programme has a high degree of internal consistency, with few conflicts between the Priorities. In terms of implementation arrangements the evaluators recommended that a Monitoring and Evaluation Strategy (or Evaluation Plan) be developed to detail planned monitoring and evaluation activity. Further details on this can be found in Chapter 6 – Implementing Provisions.

3.146 In summary, the Ex Ante Evaluation has been characterised by a high degree of positive and productive interaction between the evaluators and WEFO. Consequently, the vast majority of recommendations and suggestions made by DTZ have been accepted by WEFO and have been incorporated in the draft of the Operational Programme. The final Ex Ante Evaluation report is attached at Annex C.

Strategic Environmental Assessment Statement

3.147 Given the nature of the European Social Fund, focussing on immaterial operations related to Human Resources Development, this Operational Programme does not set the framework for operations likely to have significant environmental effects, such as infrastructure projects, especially the one listed in Annexes I and II to Directive 85/337/EEC as amended.

3.148 Should infrastructure projects be envisaged subsequently, particularly using the flexibility clause of Article 34.2 (EC) No 1083/2006, the need for a Strategic Environmental Assessment would be revisited. Consequently the Managing Authority considers, and the national authorities have agreed, that there is no need for a Strategic Environmental Assessment of this Operational Programme under Directive 2001/42/EC at this time.

3.149 This is without prejudice to any screening determinations that are deemed necessary according to national laws or other measures to implement Directive 2001/42/EC.

Chapter 4: Priorities

Priority 1: Supplying Young People with Skills for Learning and Future Employment

Objective

4.1 To prepare young people for future employment by raising aspirations and increasing participation in learning.

Target Groups

4.2 This priority will not fund mainstream provision. It will add value and enhance such provision by focusing on young people aged 11 – 19 years who are at risk of underachieving in education or training, with particular focus on those young people designated as, or at risk of becoming, NEET (not in employment, education or training). This includes young people who need help and support to re-engage or remain in learning or training in order to raise their level of achievement, as well as raising the aspirations of young people to progress to further learning or training, and achieve higher level skills.

4.3 Within the designated 11-19 age group, the main focus of attention will be given to disadvantaged young people aged 14 to 19 years. Approximately 70% of the funding allocated to this Priority will be directed at providing interventions supporting this age group with the balance of funding, (approximately 30%) for activities and interventions for the younger age group between the ages of 11 and 13 years.

Rationale

4.4 Success in achieving a skilled and internationally competitive workforce in the future, will depend in large part on ensuring that as many young people as possible are engaged in appropriate education or training.

4.5 As career patterns become more flexible, each individual young person needs to be equipped with the appropriate life skills to be able to make the most of the variety of opportunities open to them. Research shows that improving social skills and levels of motivation lead to lower levels of demand for special education and school failure and higher levels of educational achievement. Often this educational success is followed by increased success in employment prospects and social integration.

4.6 Research also indicates that the earlier the intervention the greater the success in achieving higher levels of educational attainment and longer term employment outcomes. Thus, whilst the main focus of the Priority will be on the 14-19 age group, it will also aim to take earlier preventative action with the younger disadvantaged between the ages of 11 and 13 to stop them drifting into disaffection and disengagement and becoming NEET when they are older. Some activity under

this Priority will therefore be directed at addressing the barriers faced by this age group, to ensure they are able to make a successful transition through secondary school into further and higher education.

4.7 Levels of literacy and numeracy in young people in West Wales and the Valleys, though somewhat better than earlier generations, remain low. Literacy and numeracy are the foundation for all other skills and if levels are poor, there is strong evidence that individuals are far more likely to be economically inactive and suffer the wider social consequences of long-term unemployment in adult life, including poorer levels of health and higher levels of deprivation and social exclusion, for themselves and with an additional consequential impact on the communities in which they live.

4.8 Enabling young people to move through secondary education and make a successful transition into further or higher education necessitates access to a greater choice of vocational and academic learning pathways, with more flexible opportunities suited to ability and aptitude. At the same time, there is a need to ensure that disadvantaged groups of young people have access to a better range of support mechanisms to ensure their retention and participation in the education system, to facilitate their future participation in the workforce or in learning.

4.9 Other groups of young people are disadvantaged and facing particular barriers or have specific needs. These include young people with disabilities or from particular Black and minority ethnic (BME) groups. Young people who become NEET are likely to have left school or college with few or no qualifications and have high drop out rates from further education or work-based learning. Targeted interventions are required to ensure young people remain fully engaged with the learning and / or employment system.

4.10 There is clear evidence of social and educational inequality between the different ethnic groups in West Wales and the Valleys. Research shows some BME groups to be disadvantaged in accessing learning, skills and employment. Most BME groups, especially Bangladeshis and Pakistanis, begin from relatively low levels of academic attainment, and experience high unemployment. More significantly, those with relevant academic attainments often fail to reap the rewards their qualification or experience merit.

4.11 As well as facing barriers or possessing specific needs, some young people do not make appropriate career choices and can reduce their future earning potential. There are failures, too, in the provision of learning opportunities, for example in vocational learning with the result that some young people will attempt to join the labour market with insufficient skills for sustainable employment. Many young people also follow traditional gender choices in education and employment. Greater awareness raising and more specific support in learning skills and decision making among boys and girls, to support their entry into non-traditional paths is required. Young people need to be given the options, opportunities, information, experience and support to make informed decisions and choices about their future careers and learning plans. Higher level skills play a vital part in driving forward in Wales the Lisbon agenda for growth and jobs, and development of a knowledge economy, with

higher employability rates and a clear wage premium. Recent data shows that rates of higher skills levels, as measured by qualifications, are significantly lower in the West Wales and the Valleys than in East Wales and other parts of the UK, and more could be made of the opportunities presented by the changing global economy.

4.12 To support the knowledge economy and the needs of employers for higher level skills, there is also a need for more young people to study science. The Welsh Assembly Government's *A Science Policy for Wales,* published November 2006**,** acknowledges the need for more young people to study science, technology, engineering and maths (STEM) in Wales, at school or college, and higher levels. Offering a wider range of approaches especially in STEM subjects, the Strategy looks to enable more young people, of all abilities, to take the qualification that best suits their needs and abilities, and allows them to progress further in training and education pathways.

Policy Context

European

4.13 This priority will address the employment recommendation to the UK in 2004 under the European Employment Strategy by supporting action to:

- implement national and regional skills strategies to provide better incentives for lifelong learning and thereby increase productivity and quality in work; place particular emphasis on improving literacy and numeracy of the workforce; the participation and achievement of 16 – 19 year olds and low skills workers, especially those in poorly paid jobs.

4.14 This priority also reflects the following strategies and principles that influence policy design and delivery in Wales:

- the European Youth Pact[133] and the Youth in Action programme (2007-2013), by helping young people develop the competencies essential to their personal and professional development; and
- the 'Thematic Study on Policy Measures concerning disadvantaged youth[134]', which places emphasis on meeting the needs of disadvantaged youth.

[133] European Council Conclusions (22-23 March 2005) on European Youth Pact: http://ue.eu.int/ueDocs/cms_Data/docs/pressData/en/ec/84335.pdf
Commission Communication (2005) 693 Addressing the concerns of young people in Europe – implementing the European Youth Pact and promoting active citizenship: http://ec.europa.eu/youth/whitepaper/post-launch/com_206_en.pdf

UK

4.15 The key policy drivers at UK level for this priority are the Skills White Paper – *Skills: Getting on in business, getting on at work*[135] which builds upon the first White Paper – *21st Century Skills*, published in July 2003. Also of relevance for young people in the UK are the *Every Child Matters*[136] strategy published in 2003, and the *Youth Matters* Green Paper[137] which explored similar aspects for an older age group.

4.16 A major review of the UK's skills levels and future needs was published in December 2006. Lord Sandy Leitch published his final report on UK skills, *Prosperity for all in the global economy – World class skills*[138], which contains a number of recommendations on how the vision of developing the UK as a world leader on skills by 2020, can be progressed. UK Central government has welcomed the review and accepted the proposal for a new Commission for Employment and Skills. The formal UK Government response will be published in summer 2007, following the Comprehensive Spending Review.

4.17 In Wales, the Welsh Assembly Government has welcomed the report and several initiatives are cited within the report e.g. all age careers advice services that link advice to actual employment opportunities. Much of the activity recommended by Lord Leitch is being progressed using the *Skills and Employment Action Plan 2005*. The UK wide network of Sector Skills Councils will play a valuable role here in Wales, in delivering on this agenda, and utilising the National Vocational Qualifications system, which delivers competence based qualifications that are based on occupational standards designed by employers.

National

4.18 Wales*: A Better Country* sets out the Welsh Assembly Government's strategic vision for the promotion of a diverse, competitive, high value-added economy with high quality skills and education; and action to promote social justice by providing people and their communities with the means to help themselves, and break out of the poverty trap.

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[134] 2006 Community Action Programme on social inclusion – Thematic Study on Policy Measures concerning disadvantaged youth: http://ec.europa.eu/employment_social/publications/2006/kear06001_en.pdf

[135] UK Government Skills White Paper, Getting on in business, getting on at work, 2005, http://www.dfes.gov.uk/publications/skillsgettingon/

[136] UK Government Every Child Matters Strategy 2003, http://www.everychildmatters.gov.uk/publications/

[137] UK government Youth Matters Green Paper, 2005, http://www.dfes.gov.uk/publications/youth/

[138] The Leitch Review, http://www.hm-treasury.gov.uk/independent_reviews/leitch_review/review_leitch_index.cfm

4.19 *Wales: A Vibrant Economy* – the national economic strategy has a vision of a vibrant Welsh economy focused on delivering strong and sustainable economic growth, creating opportunities for all, and helping to raise earnings for those in work.

4.20 Education and skills play a critical part in delivery of this vision and are developed in more detail in specific policy strategies for education and skills. These aims are developed in more detail in specific policy strategies for education, skills and the economy: *The Learning Country 2: Vision into Action*, the *Skills and Employment Action Plan for Wales 2005* and *Words Talk, Numbers Count* which highlight action for adults and younger people with a new emphasis on broadening the 14-19 curriculum to help tackle potential economic inactivity, low skills and deprivation. Future action to support the development of skill levels within Wales will be considered as part of the Welsh Assembly Government's response to the Leitch Review 2006 on UK skill levels, and in the context of *SEAP 2005*.

4.21 *The Learning Country 2: Vision into Action* sets out the Welsh Assembly Government's aims for making the school curriculum more skills-focused; raising the wider points score at Level 2; improving GCSE pass rates at grades A*–C; enriching the vocational learning of children and young people; improving the attainment of BME pupils; improving standards in further education and work-based learning. It sets out a comprehensive agenda for tackling these and other challenges which link to the economic objectives within *Wales: A Vibrant Economy*.

4.22 The *14-19 Learning Pathways* agenda aims to lift the proportion of young people with Level 2 qualifications at 16, and Level 3 qualifications at 19, while reducing the number of young people leaving full time education without qualifications. Reducing levels of 16-18 year olds who are NEET is a key target, as is increasing the number of young people aged 16 progressing to further learning, full time or work based learning. Closely related to this is the 11-25 year olds *Extending Entitlement* policy which aims to provide young people with the advice support and confidence needed for them to make informed decisions and engage in society. The priority will also look to build on the work being undertaken in the Review of the National Curriculum in Wales and the stronger emphasis to be placed on skills for 7-14 year olds' education.

4.23 *Reaching Higher*[139], the Welsh Assembly Government's strategy for higher education and learning in Wales, also provides an important driver for creating the vision of Wales as a learning country.

4.24 Linking with the aims and objectives of *Reaching Higher*, the Welsh Assembly Government launched *"A Science Policy for Wales*[140]*"* in November 2006. This policy provides a framework for promoting scientific and technical research and the

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[139] Welsh Assembly Government's *Reaching Higher – A Strategy for the Higher Education Sector in Wales*: http://new.wales.gov.uk/docrepos/40382/4038232/4038211/40382121/reachinghigher-e.pdf?lang=en

[140] Welsh Assembly Government's "A Science Policy for Wales 2006", http://new.wales.gov.uk/about/departments/dein/publications/science-policy-2006?lang=en

application of such research to business problems, products and services. It focuses on three areas – aspects of Health and Life Sciences, technologies for a low carbon economy and activities which support sustained economic and social renewal. It acknowledges the need for more young people to study science, technology, engineering and maths (STEM) in Wales, at GCSE / Level 2, and higher academic or vocational levels.

4.25 The importance of improving the awareness and skills of sustainable development are identified in the Welsh Assembly Government's *Education for Sustainable Development and Global Citizenship Strategy*[141]**.** It aims to integrate sustainable development into education and learning programmes of children, young people, and adults. Also outcomes identified in the *Environment Strategy for Wales*[142] relate to individuals understanding and taking responsibility for their environmental impact. These outcomes and aims will be promoted by integrating the Convergence Environmental Sustainability objectives into supporting training and education programmes.

4.26 Alongside strategies which will steer the cross cutting theme of Environmental Sustainability, the application of the cross cutting theme for Equal Opportunities will be steered by the legal requirement of section 120 of the Govt of Wales Act 1998, to embed equality of opportunity, and the Welsh Assembly Government strategy - Mainstreaming Equality.

Priority Level Indicators

4.27 The following indicators, relevant to the Priority, will be used to track the progress of projects and the Programme. The output and result indicators are monitoring indicators, which projects will be required to report against during the life of the project. The impact indicators are evaluation indicators and should be considered during project- and Programme-level evaluation.

4.28 In addition to reporting against these indicators, projects will be required to provide further monitoring information that underpins the indicators in order to meet Commission requirements as set out in Annex XXIII of the Implementing Regulations and to allow WEFO to assess the effectiveness of the Programme. In line with article 66(2) of the general regulation, monitoring information collected will allow for the breakdown of statistics by gender and size of the recipient undertakings, where appropriate.

[141] Welsh Assembly Government, Education for Sustainable Development and Global Citizenship, http://new.wales.gov.uk/topics/educationandskills/policy_strategy_and_planning/458586/?lang=en
[142] Welsh Assembly Government Environment Strategy, 2006, http://new.wales.gov.uk/about/strategy/strategypubs/935833/?lang=en

4.29 Under the flexibility facility allowed for by Art 34(2) of Regulation (EC) 1083/2006, the ERDF indicator "Premises created or refurbished" will be available to capture ERDF activity funded through this Priority.

4.30 Targets are also presented in the table below. All targets are to be achieved by 2015. Impacts indicators which need to be assessed via evaluation will be reported upon annually from 2009 onwards. These are identified in Annex K – Indicators.

Table 28: Priority 1 Indicators and Targets

Indicator	Target (2015)
Outputs	
Total participants (11-19 year olds)	35,000
Female Participants	40%
Key intervention groups:	
11-13 year old participants	30%
14-19 year old participants	70%
NEET participants	25%
Female participants receiving training in Maths, Science, Engineering and Technology	3%
Employers collaborating with education/training providers	500
Systems developed	-
Projects using soft outcome measurement systems	50%
Projects integrating sustainable development into awareness raising, education and training programmes	75%
Results	
Participants gaining qualifications – 11-19 year olds	10,500
Key intervention groups:	
14-19 year old participants	-
NEET participants	-
Female participants	-
Female participants gaining qualifications in Maths, Science, Engineering and Technology	3%
Qualification levels to be gained:	
basic skills	60%
at Level 2	25%
at Level 3	15%

Indicator	Target (2015)
Participants entering further learning – 16-19 year olds	21,000
Key intervention groups:	
NEET participants	-
Female participants	-
Participants gaining other positive outcomes[143] – 11-19 year olds	31,500
Key intervention groups:	
11-13 year old participants	-
14-19 year old participants	-
NEET participants	-
Female participants	-
Participants entering employment – 16-19 year olds	-
Key intervention groups:	
NEET participants	-
Female participants	-
Impacts	
Participants in employment, education or training at 12 months	-
Participants gaining part qualifications	-

Operational Strategy

4.31 The priority will be delivered through two themes:

Theme 1: Tackling Under Achievement

4.32 This theme will focus on improving the educational outcomes of young people at risk of underachieving. It will achieve this by:

- combating disaffection and reducing the risk of early school leaving; and
- meeting the specific needs of disadvantaged groups, including those children classed NEET, young people with special educational needs, young offenders and young people from BME communities.

[143] Positive outcomes are intermediary outcomes, including: completing courses; entering voluntary work; and attending a job interview.

Indicative activities:

- Enhancing access to the alternative curriculum by providing broader vocational opportunities, and extending work placements and work experience opportunities;
- Enhancing Personal and Social Education (PSE) programmes to raise the confidence and skills of young people by extending access to the personal support available to disadvantaged young people, including support through mentoring programmes, advocacy advice and outreach support to young people in local communities;
- Providing initiatives to support independent and sustainable learning and increase participation skills and experiences e.g. using arts, sports, volunteering and community work;
- Piloting innovative approaches to young people from specific groups, including young offenders, young people from BME communities, young people with disabilities or classed with special educational needs, or care leavers, by delivering interventions which address and remove the barriers to learning, help create independence, and provide individual mentoring and advocacy advice;
- Undertaking research into ways of identifying young people at risk of disaffection, and identifying the barriers and factors contributing to disaffection and disengagement at the key stages of transition into and throughout secondary education, at ages 11 and 16;
- Supporting the development of practitioners including teachers, careers guidance professionals, youth workers and community youth leaders, in order to better engage disadvantaged young people;
- Activities jointly undertaken by social partners aimed at promoting equality of access to new methods of learning and new recognised qualifications; and
- Activities aimed at improving environmental awareness and management amongst young people through learning and training opportunities.

4.33 We expect that this theme will absorb around 70% of the resources for this priority.

Theme 2: Raising Skills and Aspirations

4.34 This theme will focus on supporting young people to make a successful transition into employment by:-

- providing enhanced information and guidance on employment, vocational training and higher education to disadvantaged young people;
- providing access to a broader and innovative range of learning options to extend and strengthen their learning experiences and skills; and
- promoting and supporting acquisition of higher level skills amongst disadvantaged young people.

Indicative activities:

- better support to help young people develop their learning skills and motivation to facilitate entry to more testing learning routes and higher level qualifications, and make more effective decisions in their learning careers;
- providing access to a wide range of work experience opportunities including volunteering trails, work placement trials and participation in a wide range of community based activities;
- providing access to enhanced careers advice and in-depth careers information and guidance;
- providing access to a wider choice of learning and future career related programmes, including the provision of community-based learning opportunities outside the formal and traditional curriculum;
- working with the business and voluntary sectors to deliver innovative activities and events encouraging young people, especially young women, to take Science, Technology, Engineering and Mathematics (STEM) subjects;
- measures to promote and support links between schools and businesses to promote different career paths and raise awareness of different economic sectors and skill sets;
- targeted measures in schools and communities to raise awareness of the benefits of higher education, including the use of mentors as positive role models and opportunities to participate in information events delivered by HE institutions;
- support for positive action, with businesses and employers in particular, which challenges traditional assumptions and stereotypes of an individual's limitations;
- initiatives which promote improved understanding of sustainable development, contributing to improved life skills; and
- action to support the restructuring of the learning network providing better more equal access to vocational, work-based and work-related education and academic provision for young people.

4.35 We expect that this theme will absorb around 30% of the resources for this priority.

Social Partners

4.36 EU Regulation [1081/2006] Article 5(3) provides for an appropriate amount of the ESF to be allocated to supporting activities jointly undertaken by the social partners.

4.37 Under this Priority, around 0.5% of the priority allocation will be set aside to support action with social partners. Activities to be funded will include those that support a closer integration between employer demands and vocational and basic skills curricula and will include:

- Industry placements for teachers or education placements for businesses,
- Extending supported work experience placements;
- Development of community participation, volunteering and other participation activities to develop wider learning and life skills.

Added Value

4.38 ESF resources will add value to domestic budgets, which provide for universal access to education for young people, by testing and supporting innovative approaches to tackling underachievement, increasing the co-ordination between interventions, and raising skills and aspirations. It will not fund any mainstream education provision.

4.39 The Priority will add value by funding interventions and activity which will include development of the "alternative" curriculum, especially supporting vocational and community learning, extending Personal & Social Education, assisting the development of participation and citizenship skills by providing opportunities for volunteering and community engagement etc, strengthening outreach support to disadvantaged young people in local communities, improving the range and quality of support for very vulnerable young people e.g. young offenders or specific groups such as disabled or BME, and developing a range of initiatives which help underpin continued engagement in learning and training.

Beneficiaries

4.40 These may include public and private sector bodies e.g. Welsh Assembly Government Departments, Local Authorities, the voluntary sector and community groups, training organisations, schools, Further and Higher Education Institutions and careers guidance organisations.

Flexibility Facility

4.41 EU Regulation [1083/2006], Article 34(2), provides for the ESF to fund interventions which fall within the scope of the ERDF (and vice versa), provided such interventions are necessary for the successful implementation of an operation and have a direct link to that operation. In order to promote coherent implementation of actions under this Priority, a maximum of 10% of the EU contribution to the Priority can be used to fund such complementary investments. Justification for using this flexibility will be provided at operation/project level and the resources used in this manner will be separately identified in project applications and expenditure declared.

4.42 Examples of where cross-financing under this Priority might promote coherent implementation include:

- Small scale capital costs relating to equipment to improve the delivery of ESF supported learning provision and equality of access to learning;
- The adaptation or the upgrading of existing facilities necessary to support the successful implementation of ESF funded actions;
- Small scale capital costs associated with the development of the vocational learning curriculum for young people.

Global Grants

4.43 We do not envisage the use of Global Grants as defined by EU Regulation [1083/2006], Article 42.

ESF Priority 2: Increasing Employment and Tackling Economic Inactivity

Objective

4.44 To raise levels of employment and economic activity, and secure higher participation in the labour market.

Target Groups

4.45 This priority will focus primarily on the economically inactive, with the aim of helping them into sustained employment[144]. Interventions will also be available to the unemployed who face particular disadvantage and need support beyond that available under mainstream provision, and those under formal notice of redundancy. It will also help people with work-limiting health conditions and disabilities to remain in work where they may be at risk of becoming unemployed or economically inactive. Key target groups of both economically inactive and unemployed will be people in receipt of incapacity benefits, young people who are NEET, people from BME communities, women returnees, older people wanting to re-enter employment, lone parents, and other a range of other smaller groups facing particular disadvantages in the labour market, and individuals under formal notice of redundancy.

Rationale

4.46 Analysis of the components that contribute to overall economic performance show that the key factor responsible for the overall gap in GVA per head in Wales, compared to the UK average, is adverse labour market conditions e.g. employment to working age. This means that fewer working age adults are in employment in West Wales and the Valleys than in the rest of Wales and the UK and the main reason for this is that West Wales and the Valleys has a large proportion of economically inactive individuals, rather than unemployment. Action is needed to help these individuals into sustainable employment and also prevent others drifting into long-term economic inactivity by increasing their ability to manage work-limiting health conditions. To underpin economic growth, more people must be attracted into employment and be given the support to achieve long-term integration in the labour market.

4.47 Increasing employment will not only impact positively on the economy of West Wales and the Valleys, it will also reduce poverty and ill-health, and combat social exclusion. The best way to help individuals, families and communities break out of the cycle of poverty and deprivation is through employment. Increasing employment can also reduce inter-generational cycles of inactivity and low achievement by raising educational horizons and attainment.

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[144] In this context sustained employment means remaining in employment for at least 12 months. Evidence suggests that people who stay in work for 12 months after a period of inactivity are significantly more likely to remain in work.

4.48 The nature of economic inactivity is considered carefully in the analysis and differences between groups will be taken into account when designing interventions. Certain groups, including the low skilled, lone parents, BME communities, people with work-limiting health conditions, disabled people and migrant workers will need tailored support to enter or re-enter the labour market. These may include assistance with management of work-limiting health conditions and disabilities, caring responsibilities (especially child-caring responsibilities for many women), transport problems, a lack of recent, relevant experience of the labour market. Evidence suggests that personal adviser-led interventions combined with appropriate mentoring and work experience and selective financial incentives works best.

4.49 Financial and cultural dependency on inactive benefits combined with a perceived loss of the financial safety created by the current benefits system can deter many individuals from seeking work. Peer pressure within local communities and within certain age groups leads to a reliance on a lifetime of benefit and has the potential to develop into a culture of worklessness across families, generations and communities. Mainstream interventions, for example UK Government's New Deals and *Pathways to Work'* pilots, have tended to target the flow of individuals into long-term unemployment and inactivity. Action to help those already claiming benefit, especially the stock of long-term economically inactive, has been more limited. Recent developments under the New Deals and Pathways to Work provision, has extended support to those individuals who have been on benefit for a couple of years but despite this, additional concerted action is needed to bring the long term inactive back into the labour market. Future activity would build on the success of projects such as *Want2Work*, developed in partnership between the Welsh Assembly Government and Jobcentre Plus Wales in the 2000-2006 programmes by extend the reach of mainstream programmes to the more disadvantaged client groups.

4.50 Ongoing support to achieve long-term employment will be crucial. Action is not only needed to help more people into work but also to support their retention and stop the flow back into economic inactivity. There is also a need to provide immediate support to workers under formal notice of redundancy so that they are given every opportunity to secure alternative employment, and avoid slipping into long term unemployment or inactivity. Initiatives such as REACT have made a positive contribution to assimilating individuals into employment.

4.51 Once an individual has been in work for 12 months, their likelihood of remaining in work long-term is very significantly increased. Providing sustained post recruitment support (including financial) during these first few weeks and months is an important part of a single integrated intervention. At the same time, there are often few incentives beyond the regulatory ones, for employers to properly manage work-limiting health conditions of their employees. The major causes of sickness absence are mental health problems, and musculo-skeletal disorders. Action aimed

at improving health at work, preventing people becoming ill at work, and providing early interventions to help retain people in employment are key to preventing the flow into long-term unemployment and economic inactivity. Early intervention and effective use of occupational health services for employees who are absent for long periods can benefit both the individual and the employer by getting employees back to health and back to work more quickly[145]. Effective use of rehabilitation services can also reduce the chances of employees becoming ill in future. Forward-thinking organisations recognise that a holistic approach to managing the health and well being of their employees is as important to the economic success of their businesses as good financial management.

4.52 The problems involved in combining work with family life and other responsibilities can lead to under-employment or under-utilisation of skills. This is a particular issue for women, who still tend to take on most of the caring responsibilities at home, especially in relation to childcare. While there have been rising levels of employment among women, these are mainly among older women who are less likely to have child-care responsibilities. Women often find it difficult to access training programmes and this too, limits their economic potential.

4.53 In addition to these economic benefits to families and the region as a whole, evaluations in the UK and elsewhere have shown the benefits of high quality early years care for disadvantaged children in terms of lifetime outcomes including education, health and employment. High quality childcare can therefore contribute directly to the creation of a higher level of skills in the economy, as well as greater social cohesion.

4.54 Social partners have a key role to play in helping to support sustainable integration into employment for those who are significantly distanced or disadvantaged in the labour market. The programme will support measures to build the capacity of social partners, through training and networking to allow for a stronger role at a local level and greater potential for more collaborative working with other key partners. The links between ill health, low skills and unemployment and economic inactivity are now well established. Programmes aimed at working with employers to develop their skills, improve health at work, preventing people becoming ill at work and providing early interventions that help to retain people in employment are key to preventing the flow into long-term unemployment and economic inactivity.

4.55 There are also important links to be made to environmental sustainability. The region has increasing employment opportunities in sectors dependent on a good natural environment and healthy lifestyles, such as tourism and sport. Increasing awareness of environmental issues and considerations, and the promotion of healthier lifestyles, can help to prepare inactive people for employment in these growing sectors, and inform their understanding of how they can support better environmental practices.

[145] CBI survey report, 'Absence Minded: Absence and labour turnover', 2006.

Policy Context

European

4.56 This priority will address the two employment recommendations to the UK in 2004 as part of the European Employment Strategy. These call for action to:

- ensure that active labour market policies and benefit systems prevent de-skilling and promote equality in work, by improving incentives to work and supporting sustainable integration and progress in the labour market of inactive and unemployed people;
- address the rising number of people claiming sickness or disability benefits, and give particular attention to lone parents and people living in deprived areas.

4.57 The priority also reflects the following strategies and principles that influence policy design and delivery in Wales:

- the Maastricht Communique on strengthening European co-operation in Vocational Education and Training, in which Education Ministers called for the Structural Funds to support actions that update the skills of an ageing population[146].
- activities in the field of occupational health and promoting healthier lifestyles respond to the aims set out in the *Health and Consumer Protection Strategy* 2005[147], which emphasises the contribution health makes to productivity, labour participation and economic growth, particularly in the context of an ageing labour force;
- where appropriate, projects supported via the second Community Action programme in the field of health (2007–2013)[148] should seek synergies with those undertaken within this priority, particularly as the health action programme has a strong focus on 'promoting health for prosperity and solidarity';
- the Green Paper 'Promoting healthy diets and physical activity: a European dimension for the prevention of overweight, obesity and chronic diseases'[149], which followed on from the strategy (2005) highlights the

[146] Maastricht Communiqué on the Future Priorities of Enhanced European Cooperation in Vocational Education and Training (VET) 14 December 2004: http://www.bologna-bergen2005.no/Docs/00-Main_doc/041214_Maastricht_com_en.pdf

[147] Health and Consumer Protection Strategy – Healthier, safer, more confident citizens: a Health and Consumer protection Strategy COM (2005) 115: http://eur-lex.europa.eu/LexUriServ/site/en/com/2005/com2005_0115en01.pdf

[148] Text of Amended Commission proposal establishing a second Programme of Community action in the field of Health and consumer protection (2007–2013) COM (2006) 234: http://ec.europa.eu/health/ph_overview/Documents/com_20060524_en.pdf

[149] Green Paper on 'Promoting healthy diets and physical activity: a European dimension for the prevention of overweight, obesity and chronic diseases' COM (2005) 637:

financial costs of poor health and notes that the workplace setting has a strong potential to promote healthier lifestyles; and

- the strong emphasis on promoting sustainable development in the Lisbon and Gothenburg agenda, and the need to improve awareness and skills that will be necessary to respond to environmental challenges now and in the future.

UK

4.58 This priority and its themes will seek to address the objectives and aims of the following UK level policies as well as those at EU and Welsh national level. The UK Government, through the Department for Work and Pensions (DWP) retains overall responsibility for the development of employment policy, and supports the delivery of a range of active labour market measures. Key programmes delivered by Job Centre Plus include the New Deal which, over the last five years has extended support beyond the registered unemployed to include those classed as economically inactive, and the '*Pathways to Work'* initiative that targets supports towards people claiming Incapacity Benefit. Job Centre Plus is also responsible for providing the Rapid Response Service, which aims to help people affected by significant redundancies to make successful transitions into quality jobs.

4.59 From 1 October 2006, the new laws to protect workers from age discrimination, the Employment Equality (Age) Regulations make it illegal for employers to discriminate against employees, trainees or job seekers because of their age and ensure that all workers, regardless of age, have the same rights in terms of training and promotion.

4.60 The programme will need to take account of future developments under DWP's Green Paper: "*A New Deal for Welfare: Empowering people to Work*"[150], which sets out the UK Government's plans for longer term benefit reform, and action to improve occupational health provision.

4.61 As well as welfare systems and their proposed changes impacting on this priority, the UK *Health, Work and Well-Being Strategy*[151] produced by the Department of Health, DWP and Health and Safety Executive, aims to bring together all those with a role to play in relation to the health of working age people. The strategy focuses on reducing the flow of people out of work and into unemployment due to health issues and will direct the focus of this priority in tackling work limiting health conditions and assisting work related health interventions.

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http://ec.europa.eu/health/ph_determinants/life_style/nutrition/documents/nutrition_gp_en.pdf

[150] DWP Green Paper: A New Deal for Welfare: Empowering people to Work: http://www.dwp.gov.uk/welfarereform/docs/A_new_deal_for_welfare-Empowering_people_to_work-Full_Document.pdf

[151] DWP, HSE & Dept of Health, "Health, Work and Well Being: Caring for our future" Strategy: http://www.dwp.gov.uk/publications/dwp/2005/health_and_wellbeing.pdf

National

4.62 The overarching Welsh policy agenda is set through the Welsh Assembly Government's strategic document *Wales: A Better Country* which identifies helping more people into jobs as one of its four key priorities. This recognises that people and their communities need to be provided with the economic tools, which include better access to better quality education and training, jobs and employment opportunities, to enable them to break out of the poverty trap and a lifetime of deprivation.

4.63 The approach is further developed by the Welsh strategic economic development agenda set out in *Wales: A Vibrant Economy*, which focuses attention on delivering strong and sustainable economic growth and opportunities for all. This strategy is complemented and supported by the *Skills and Employment Action Plan 2005,* which takes forward the Wales lifelong learning agenda and demonstrates Wales' commitment to achieving the objectives of the European Employment Strategy.

4.64 This priority's policy objectives are further developed in *The Learning Country 2: Vision into Action*, which sets out an ambitious agenda for education and training in Wales.

4.65 Given the cross-cutting nature of the range of barriers facing individuals in accessing and remaining in sustainable employment, there will also be strong links to a number of other key Welsh Assembly Government strategies, namely the *Wales Strategy for Older People*[152]*; Childcare is for Children*[153]*, Designed for Life: A World Class Health Service for Wales*[154]*, Health Challenge Wales*[155]*, Well Being in Wales,* and *Better Health, Better Wales*. Action will also be set in a spatial context through use of the *Wales Spatial Plan*.

4.66 The importance of improving awareness and skills of sustainable development issues are identified in the Welsh Assembly Government's *Education for Sustainable Development and Global Citizenship Strategy*[156]. It aims to integrate sustainable development into education and learning programmes for children, young people and adults. Also outcomes identified in the *Environment Strategy for Wales* relate to individuals understanding and taking responsibility for

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[152] Welsh Assembly Government's *Older Peoples Strategy*: http://new.wales.gov.uk/docrepos/40382/40382313/4038211/strategye?lang=en

[153] Welsh Assembly Government's *Childcare is for Children*: http://www.learning.wales.gov.uk/pdfs/childcare-strategy-e.pdf

[154] Designed for Life Health Strategy http://new.wales.gov.uk/topics/health/publications/designedforlife/?lang=en

[155] Welsh Assembly Government's Health Challenge Wales: http://new.wales.gov.uk/topics/health/improvement/hcw/?lang=en

[156] Welsh Assembly Government strategy for "Education for Sustainable Development and Global Citizenship in Wales", http://new.wales.gov.uk/topics/educationandskills/policy_strategy_and_planning/458586/?lang=en

their environmental impact and changes in behaviour that help reduce negative impacts. These aims and outcomes will be promoted by integrating the Convergence Environmental sustainability objectives into supported training and education programmes.

4.67 Alongside strategies which will steer the cross cutting theme of Environmental Sustainability, the application of the cross cutting theme for Equal Opportunities will be steered by the legal requirement of section 120 of the Govt of Wales Act 1998, to embed equality of opportunity, and the Welsh Assembly Government strategy - Mainstreaming Equality.

Priority Level Indicators

4.68 The following indicators, relevant to the Priority, will be used to track the progress of projects and the Programme. The output and result indicators are monitoring indicators, which projects will be required to report against during the life of the project. The impact indicators are evaluation indicators and should be considered during project- and Programme-level evaluation.

4.69 In addition to reporting against these indicators, projects will be required to provide further monitoring information that underpins the indicators in order to meet Commission requirements as set out in Annex XXIII of the Implementing Regulations and to allow WEFO to assess the effectiveness of the Programme. In line with article 66(2) of the general regulation, monitoring information collected will allow for the breakdown of statistics by gender and size of the recipient undertakings, where appropriate.

4.70 Under the flexibility facility allowed for by Art 34(2) of Regulation (EC) 1083/2006, the ERDF indicator “Premises created or refurbished” will be available to capture ERDF activity funded through this Priority.

4.71 Targets are also presented in the table below. All targets are to be achieved by 2015. Impacts indicators which need to be assessed via evaluation will be reported upon annually from 2009 onwards. These are identified in Annex K – Indicators.

Table 29: Priority 2 Indicators and Targets

Indicator	Target (2015)
Outputs	
Total participants	135,000
Female participants	51%
Participants – Economically inactive and unemployed	110,000
Key intervention groups:	
Economically inactive	50%
Unemployed[157]	50%
NEET participants	-
Female participants	52%
BME participants	-
Older participants	64%
Participants with work-limiting health condition or disability	55%
Lone parents	8%
Participants – Employed	25,000
Key intervention groups:	
Participants with work-limiting health condition or disability	100%
Participants receiving individualized assistance with work- limiting health conditions or disabilities	4%
Participants receiving general assistance with work- limiting health conditions or disabilities	96%
Female participants	47%
BME participants	-
Older participants	27%
Employers assisted or financially supported	5,000
Participants who receive support with caring responsibilities	-
Projects using soft outcome measurement systems	50%
Projects integrating sustainable development into awareness raising, education and training programmes	75%

[157] Unemployed intervention group includes individuals under formal notice of redundancy

Indicator	Target (2015)
Results	
Participants gaining qualifications – Economically inactive and unemployed	31,500
Key intervention groups:	
Economically inactive	-
Unemployed	-
NEET participants	-
Female participants	-
BME participants	-
Older participants	-
Participants with work-limiting health condition or disability	-
Lone parent	-
Qualification levels to be gained:	
Basic skills	55%
at Level 2	30%
at Level 3	10%
Level 4 and above	5%
Participants entering employment – Economically inactive and unemployed	27,500
Key intervention groups:	
Economically inactive	-
Unemployed	-
NEET participants	-
Female participants	-
BME participants	-
Older participants	-
Participants with work-limiting health condition or disability	-
Lone parents	-
Participants entering further learning – Economically inactive and unemployed	36,700
Key intervention groups:	
Economically inactive	-
Unemployed	-
NEET participants	-
Female participants	-
BME participants	-
Older participants	-
Participants with work-limiting health condition or disability	-
Lone parents	-

Indicator	Target (2015)
Participants gaining other positive outcomes[158] – Economically inactive and unemployed	36,700
Key intervention groups:	
Economically inactive	-
Unemployed	-
NEET participants	-
Female participants	-
BME participants	-
Older participants	-
Participants with work-limiting health condition or disability	-
Lone parents	-
Workplace health programmes	200
Employers adopting or improving equality and diversity strategies and monitoring systems	50%
Impacts	
Participants in employment at 12 months	-
Key intervention groups:	
Economically inactive	-
Unemployed	-
Employed[159]	-
Female participants	-
NEET participants	-
BME participants	-
Older participants	-
Participants with work-limiting health condition or disability	-
Lone parents	-
Participants gaining part qualifications	-

[158] Positive outcomes are intermediary outcomes, including: completing courses; entering voluntary work; and attending a job interview.
[159] This refers to employed participants accessing Theme 2 support to enable them to remain in employment.

Operational Strategy

Theme 1 – Helping People into Sustainable Employment

4.72 This theme aims to increase employment and tackle economic inactivity by bringing more people into employment. This will be achieved by:

- implementing active labour market policies and supporting people to overcome a wide range of barriers to sustainable employment;
- helping to address specific barriers faced by disadvantaged groups.

Indicative Activities

- active labour market measures, including individual adviser based Job-search support, careers advice, other advice and guidance, information on learning opportunities, financial incentives, work experience and work trial placements, including voluntary experience and placements;
- support for acquiring work-relevant skills necessary to take a step into employment or self–employment as a routeway out of unemployment or inactivity;
- programmes offering support back to work for those made redundant, including those under formal redundancy notification;
- provision of specialist outreach engagement and support for disadvantaged people, including BME people;
- enhancing access to affordable and appropriate support for people with caring responsibilities, especially childcare;
- development of innovative approaches to help overcome transport barriers, including support for home working as well as flexible transport solutions;
- development and delivery of employer engagement strategies, including interventions to encourage them to make work experience places available;
- motivation incentives and support for employers to employ older individuals;
- activities to support more collaborative work between employment and health sectors, including work with GPs and other primary care providers;
- provision of advice and guidance on managing work-limiting health conditions in employment;
- support to previously long term inactive entrants to employment, and their employers, with induction and retention initiatives, to prevent “revolving door” employment; and
- measures which challenge traditional employment roles for both men and women and assist both to take up employment in non-traditional areas, especially where there are skills shortages.

4.73 We expect that this theme will absorb around 92% of the resources for this priority.

Theme 2 – Helping People to Remain in Work

4.74 This theme will focus on increasing employment by developing co-ordinated action to reduce the risk of people moving out of work into unemployment and long-term economic inactivity as a result of having, or developing a work limiting health condition. This will be achieved by helping employers retain people in employment and working with those at immediate risk of unemployment.

Indicative Activities

- development and delivery of workplace health programmes supporting people to manage work-limiting health problems at work, especially when returning to work following an absence due to illness, to help avoid work-related ill-health, and improve the general state of their health; and
- provision of advice and guidance on managing health conditions for employers, and for individuals with work-limiting physical and mental health conditions and disabilities.

4.75 We expect that this theme will absorb around 8% of the resources for this priority.

Social Partners

4.76 EU Regulation 1081/2006 Article 5 (3), provides for an appropriate amount of the ESF to be allocated to supporting activities jointly undertaken by the social partners.

4.77 Under this Priority, around 0.5% of the priority allocation will be set aside to support action with social partners. Activities to be funded will include those that support engagement between employers and voluntary and community groups to ensure the unemployed and economically inactive are able to make progression to sustainable employment. Example activities will include:

- partnership arrangements with employers to provide work experience and or voluntary placements;
- support for employers in helping long-term unemployed and economically inactive remain in work;
- mentoring and support to individuals throughout the intervention and initial entry into work.

Added Value

4.78 This Priority will focus on adding value to UK Government employment programmes by extending the range of provision available through the New Deals and Pathways to Work to those furthest away from the labour market and least able

to access the activities and work-related interventions delivered under such programmes.

4.79 Interventions and support available through this programme will aim to bring the long-term inactive closer to the labour market and provide a mechanism for overcoming a more entrenched range of individual barriers to employment. It will do this by increasing the range of qualifications, interventions, and outcomes, and increasing beneficiary engagement with the mainstream programmes, and sustainability whilst participating on programmes.

4.80 The programme will build on rather than replicate action already undertaken through the UK Government programmes. It will extend outreach activity into local communities, eg - working through a range of local community and voluntary groups, to engage with more disadvantaged groups; extend the scale, depth and length of interventions for participants, eg including more enhanced interventions on managing work limiting health conditions; develop new innovative approaches to gaining and enhancing employability skills and, as part of a more planned routeway into employment, deliver more extensive opportunities for volunteering and participation on work placement trials and work experience.

4.81 Increased focus will also be given to addressing barriers around equal opportunities and addressing post recruitment issues faced by the long-term unemployed/ economically inactive entering employment. Some of these participants will be entering work for the first time and the cost benefit of getting them into work will be lost without the right support and aftercare, in the form of advice, guidance and mentoring, for both the employee and employer.

Beneficiaries

4.82 These may include Welsh Assembly Government Departments, Local Authorities, public employment services, voluntary sector and community organisations, training organisations, Higher and Further Education Institutions, private sector organisations, social enterprises and social partners, and primary healthcare sector organisations.

Flexibility

4.83 EU Regulation 1083/2006, Article 34 (2), provides for the ESF to fund interventions which fall within the scope of the ERDF (and vice versa), provided such interventions are necessary for the successful implementation of an operation and have a direct link to that operation. In order to promote coherent implementation of actions under this Priority, a maximum of 10% of the EU contribution to the Priority can be used to fund such complementary investments. Justification for using this

flexibility will be provided at operation/project level and the resources used in this manner will be separately identified in project applications and expenditure declared.

4.84 Examples of where cross-financing under this Priority might promote coherent implementation include:

- Small scale capital costs for upgrading facilities directly related to ESF interventions to assist people into work;
- Small scale capital costs for pilot or flagship interventions directly related to schemes to keep people in work.

Global Grants

4.85 We do not envisage the use of Global Grants as defined by EU Regulation [1083/2006], Article 42.

ESF Priority 3: Improving Skills Levels and the Adaptability of the Workforce

Objective

4.86 To support productivity and progression in employment by raising skill levels at the levels of basic skills, intermediate and higher level skills, to tackle skills gaps and shortages, and to promote gender equality in employment.

Target Group

4.87 This priority will focus on raising skill levels of employees and help employers and enterprises adapt to change and to raise productivity. Target groups will be employees of all ages. The main focus of the priority will be to raise skill levels of those with skill levels below level 2, especially employees without basic numeracy, literacy and ICT skills, to bring them to level 2 and above. A second focus will be to increase adaptability and to raise skills at the higher end (up to level 4) to support the knowledge economy by working with higher skilled employees in sectors with identified skilled gaps or shortages or sectors facing structural change. Employees facing specific barriers in accessing training, including women - especially part-time working women, older workers, people with disabilities, and people from BME backgrounds will be targeted with specifically designed interventions.

Rationale

4.88 Investment in learning is more critical than ever in the context of the modern knowledge-based economy. The rate of economic and social change is ever increasing. While many workers are in a position to change their jobs frequently, people with no qualifications, low levels of skills or out-dated skills are at risk of failing to progress in employment or losing their jobs. More detail is provided in the analysis but a key characteristic of the region is the pronounced long tail of low skills compared to other parts of the UK and EU. The Welsh Assembly Government's basic skills strategy *Words Talk, Numbers Count*[160] sets the target for 80% of working-age adults in Wales to have at least Basic / Level 1 literacy skills and 55% should have Basic / Level 1 numeracy skills by 2010 compared to 75% and 47% respectively. Proficiency in reading, writing, oral communication and use of numbers is vital to gaining and keeping employment, and a fundamental building block to intermediate and higher level skills.

4.89 The Programme will look to raise the basic skill levels of the workforce and assist individual progression in employment to Level 2 by supporting interventions that ensure work-based learning provision better meets the needs of employers and individual workers. In addition, targeted demand-led interventions to Levels 3 and 4, will be supported and specific attention will be given to supporting migrant workers to integrate more successfully into the local economy and society. Trades unions also

[160] Welsh Assembly Government's *Words Talk, Numbers Count*: http://new.wales.gov.uk/docrepos/40382/4038232/4038211/40382121/c1505-words-talk-e.pdf?lang=en

have a key role to play supporting learning for employees to meet their individual aspirations as well as specific employer needs.

4.90 Higher numbers of highly skilled people and graduates in a region enhances the attractiveness of that area for high skill employers. Over and above this, the transfer of ideas and technologies from higher education to firms has a significant impact on the level of research and development and innovation in a region. It is therefore critical to encourage progression to higher level skills for workers and promote graduate study and retention in the region. At a personal level the acquisition of qualifications and basic, intermediate and higher level / graduate skills over a lifetime, is one of the key factors for securing a route into, and maintaining sustained employment.

4.91 Change has become a constant feature of economic life. Globalisation, new technologies and demographic ageing will have increasing consequences for labour markets across Europe, and workers and enterprises need help in adapting to these changes. In addition, higher employment and productivity, competitiveness, better wages and working conditions directly depend on the ability of enterprises and workers to innovate and adapt to change. Restructuring is no longer just change in traditional industries; it covers all sectors. In the context of accelerating technological innovations and globalisation, enterprises and workers need to adapt to new ways of working and be able to respond to shifts in demand for goods and services. Demographic changes will require changes to workforce planning, with an ageing workforce and fewer young recruits.

4.92 Success will depend in large part on developing the skills of the existing workforce, 80% of whom will still be in employment in 10 years time. Skills are crucial to business success, but in some sectors, or for some firms, there is a lack of suitably qualified applicants. Research indicates the sectors experiencing the greatest problems in terms of skills supply are production, construction, wholesale/retail and hotels/catering. The skills most lacking are problem solving, customer handling and other technical and practical skills such as ICT. Employers which do not tackle their skills shortages limit their growth and ability to adapt. Emphasising the positive impact training certain groups of employees, particularly the low skilled, can have on productivity brings benefits both to individuals and the firms.

4.93 Supporting employers and their workforces to increase investment and participation in training, especially of older workers, will improve their adaptability and ability to react constructively to the knowledge economy, and in the case of older workers prolong their working life. Promotion of more flexible work patterns, including part-time work and an extension of home working will give better work-life balance, and provide a more meaningful level of support for a growing number of working adults, especially women, who shoulder most of the caring responsibilities. This Priority will therefore seek to support activities which aim to address Recommendation 3 of the EU's Employment Strategy response of 2004 to improve

access to, and affordability of childcare and care for other dependants, increase access to training for low paid women in part-time work, and take urgent action to tackle the causes of the gender pay gap.

4.94 Action is also needed to tackle barriers faced by individuals in taking up such opportunities, with particular attention needed for disabled people, older workers, BME people, and women. By improving career opportunities, and enhancing the potential for greater progression of individuals within the workforce, a more highly skilled, productive and better paid workforce will develop.

4.95 Despite progress over recent years, there remains significant gender inequality in employment in West Wales and the Valleys, in terms of economic activity, occupations and pay. There is a complex and often highly debated mix of reasons for the current gender pay gap in Wales and while career choice and human capital can be factors, some researchers believe that even once all explanatory factors are taken into account an unexplained gap of around 10% may exist. Women could be making a more significant contribution to tackling the skills shortages in industries such as construction and engineering, and in skilled trades, for example, electricians and plumbers. Combating gender stereotypes within the school setting may also help with the struggle many lesbian, gay and bisexual pupils face in mainstream education[161].

4.96 In addition, better general environmental awareness and environmental skills will become increasingly important in the face of increasing climate change and to exploit the opportunities presented by our natural environment. This can be achieved by the integration of sustainable development principles into education and training programmes. Skills that improve resource efficiency will help to reduce carbon emissions and also reduce costs thereby improving competitiveness. Specialist skills that are needed include the sustainable management of natural terrestrial and aquatic resources, high standards of environment performance for buildings, environmental management for business and developing the environmental goods and services sector.

Policy Context

European

4.97 This priority will address the employment recommendation to the UK in 2004 under the European Employment Strategy by supporting action to:

- implement national and regional skills strategies to provide better incentives for lifelong learning and thereby increase productivity and quality in work; place particular emphasis on improving literacy and

[161] The Bullying of Sexual Minorities at School: It's nature and long term correlates, Rivers I 2001: http://www.ukobservatory.com/personal/pers_ian.html

numeracy of the workforce, the participation and achievement of low skilled workers, especially those in poorly paid jobs.

- 'improve access to and affordability of childcare and care for other dependants, increase access to training for low paid women in part-time work and take urgent action to tackle the causes of the gender pay gap'[162];

4.98 This priority also reflects the following strategies and principles that influence policy design and delivery in Wales:

- improving skills levels is central to the Lisbon agenda, the European Employment Strategy (notably Guidelines 23 and 24), the Integrated Guidelines for Jobs and Growth, Education and Training 2010[163];
- the Lifelong Learning Programme 2007–2013, which aims to support the acquisition and development of knowledge, qualifications and skills to promote employability and participation in the European labour market[164];
- the emphasis on targeted actions for older workers is in line with the 2005 Green Paper on Demography[165];
- a recent study which suggests that while rates of return for investment in education and training are generally high, in excess of 7%, investment in technology skills, as well as in maths and science, has a particularly high rate of return[166];
- the Lifelong Learning Programme[167];
- the Bergen Communique[168], adopted by European Ministers responsible for HE, stresses the need to make quality higher education equally accessible to all;
- in line with European Employment Strategy Guidelines 18,19 and 21[169], action under this theme will encourage the retention of more people in

[162] Council Recommendation of 14 October 2004 on the implementation of Member States' employment policies: http://europa.eu/eur-lex/pri/en/oj/dat/2004/l_326/l_32620041029en00470063.pdf

[163] The latest Joint Implementation Report 2006 of the Council and EU Commission on progress under the Education and Training 2010 programme, emphasises that individuals acquiring and updating their skills throughout their working life, is central to ensuring that Europe becomes a more competitive and dynamic society.

[164] Actions that provide training to improve the skill levels of Welsh adults will help the EU meet its goal of 12% of adults participating in lifelong learning every year. According to the latest EU Commission Staff Working Document – progress towards the Lisbon objectives in education and training, 16/05/2006, to meet the target a further four million adults across the EU need to participate in lifelong learning.

[165] Communication from the Commission Green Paper 'Confronting demographic change, a new solidarity between the generations' COM(2005) 94 http://ec.europa.eu/comm/employment_social/news/2005/mar/comm2005-94_en.pdf

[166] Study on the 'Returns to various types of investment in education and training' December 2005 http://ec.europa.eu/education/policies/2010/studies/invest05_en.pdf

[167] Commission proposal for a new integrated lifelong learning programme COM (2006) 236 adaptation of earlier proposal COM (2004) 474 following 17 May 2006 agreement on Financial Perspective, text still being debated in Institutions and not yet adopted.

[168] The European Higher Education Area – Achieving the Goals Communiqué of the Conference of European Ministers Responsible for Higher Education, Bergen, 19–20 May 2005: http://www.bologna-bergen2005.no/Docs/00-Main_doc/050520_Bergen_Communique.pdf

employment, including by improving the adaptability of workers and enterprises;

- the theme of adaptability is also central to that of flexicurity, currently a key European policy priority as set out in the 2006 Annual Progress Report, 'Moving Up a Gear'[170].
- the European Gender Pact, adopted by Heads of State and Government at the 2006 Spring Council[171]; and
- the European Commission Roadmap for Equality between Women and Men 2006–2010[172], which builds on the experience of the Framework Strategy for Equality between Women and men for the period 2001–2005. It combines the launch of new actions and the reinforcement of successful existing activities. It reaffirms the dual approach of gender equality based on gender mainstreaming (the promotion of gender equality through mainstreaming and specific measures).
- the strong emphasis on promoting sustainable development in the Lisbon and Gothenburg agenda, and the need to improve awareness and skills that will be necessary to respond to environmental challenges now, and in the future.

UK

4.99 Learning supply must better match the needs of employers and labour market opportunities, with an emphasis on economically valuable skills and qualifications. A major review of the UK's skills levels and future needs was published in December 2006. Lord Sandy Leitch published his final report on UK skills, "*Prosperity for all in the global economy – World class skills*", which contains a number of recommendations on how the vision of developing the UK as a world leader on skills by 2020, can be progressed. UK central government has welcomed the review and accepts the proposal for a new Commission for Employment and Skills. The formal UK Government response will be published in Summer 2007, following the Comprehensive Spending Review.

4.100 The Welsh Assembly Government has welcomed the report and several initiatives are cited within the report e.g. the Employer Skills Pledge to raise workers' literacy and numeracy, and all age careers advice services that link advice to actual employment opportunities. Much of the activity recommended by Lord Leitch is being progressed using the *Skills and Employment Action Plan 2005*. The UK wide network of Sector Skills Councils will play a valuable role here in Wales, in delivering

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[169] COUNCIL DECISION of 12 July 2005 on Guidelines for the employment policies of the Member States (2005/600/EC): http://eur-lex.europa.eu/LexUriServ/site/en/oj/2005/l_205/l_20520050806en00210027.pdf

[170] 'Time to Move Up A Gear' The European Commission's 2006 Annual Progress Report on Growth and Jobs, 25 January 2006: http://ec.europa.eu/growthandjobs/annual-report_en.htm

[171] Spring Council Conclusions 2006 (Paragraph 40 and Annex II): http://ue.eu.int/ueDocs/cms_Data/docs/pressData/en/ec/89013.pdf

[172] A Roadmap for equality between men and women COM (2006) 92: http://ec.europa.eu/employment_social/publications/2006/ke7205596_en.pdf

on this agenda, and utilising the National Qualifications Framework system, which delivers competence based qualifications that are based on occupational standards designed by employers.

4.101 Changes announced by the UK Government in May 2006 to the state pension age in its White Paper – *Security in Retirement*[173], will also encourage people to work for longer, and will therefore affect the demand and requirement for re-skilling and new education or training opportunities for older workers.

National

4.102 *Wales: A Better Country* has as its primary aims: the promotion of a diverse, competitive, high value-added economy with high quality skills and education; and action to promote social justice by providing people and their communities with the means to help themselves and break out of the poverty trap. It recognises that Wales cannot and should not try to compete on cheaper labour costs; indeed, skills and innovation are critical if Wales is to compete on adding value and improve on relative GDP figures in a modern global economy.

4.103 *W:AVE's* vision of a vibrant Welsh economy is focused on delivering strong and sustainable economic growth, creating opportunities for all, and helping to raise earnings for those in work. This priority's policy objectives are further developed in *The Learning Country 2: Vision into Action* which sets out an ambitious agenda for education and training in Wales. The priority looks to build on a number of key components of this agenda with the stronger emphasis in raising educational achievement and supporting the development of skills to support the knowledge economy.

4.104 The *Skills and Employment Action Plan for Wales 2005* sets out a detailed agenda to increase the levels of skilled employment in Wales, with a section on working with employers and employees to improve skills. It also recognises that more women face barriers than men, particularly caring responsibilities, and that the development of policies to enable people to have a good work-life balance, also play a key role in raising economic activity rates.

4.105 Alongside this plan sits *Words Talk, Numbers Count*, which aims to improve basic literacy and numeracy skills in Wales, and the Work-based Learning Improvement Plan, which will deliver a programme of improvements to the quality of work-based and vocational learning. The Strategy for Older People will also be an influence.

4.106 The *Reaching Higher* agenda for higher level, graduate education, builds on the framework of *The Learning Country 2: Vision into Action* to inspire and enable

[173] DWP White Paper Security in Retirement, Towards a new pensions system, http://www.dwp.gov.uk/pensionsreform/whitepaper.asp

individuals to develop their capabilities to the highest levels throughout life, increase their knowledge and understanding, and foster their application to benefit society as a whole, and serve the needs of an adaptable, sustainable, knowledge based economy. It also influenced in several key areas by the newly published Science Strategy[174], *A Science Policy for Wales*, the Welsh Assembly Government's strategic vision for sciences, engineering and technology, issued in November 2006. A new policy strategy for e-learning and effective utilisation of ICT across the Welsh economy is also being developed by the Welsh Assembly Government. "*Towards e-Wales: A consultation on exploiting the power of ICT in Wales*"[175] was launched for public consultation in July 2006.

4.107 The *Wales Management Development Strategy* aims to inspire, motivate and drive change in the perception, delivery, take up and funding of management and leadership development in Wales. The strategy will seek to convince all managers of the benefits of developing their skills and abilities; identify through research the real development needs of managers in Wales; ensure that managers can obtain high quality and flexible training and development; share best UK and international management practice among all businesses in Wales; and measure progress against credible benchmarks[176].

4.108 The importance of improving awareness and skills sustainable development issues are identified in the Welsh Assembly Government's *Education for Sustainable Development and Global Citizenship Strategy*. It aims to integrate sustainable development into education and learning programmes for children, young people and adults. Also there needs to be sufficient capacity in the region for the speciality skills required to deliver the outcomes identified in the *Environment Strategy for Wales.* These aims and outcomes will be promoted by integrating Convergence sustainability objectives into supported training and education programmes.

4.109 Promoting a sustainable, innovative and high value economy for Wales also forms a key part of the implementation of the *Wales Spatial Plan*. It provides a framework for addressing a wide range of development issues, including skills, in the various regions of Wales and will guide the Welsh Assembly Government's work with partners.

4.110 Promoting equality of opportunity is a major cross-cutting theme of the Welsh Assembly Government and is reflected in its strategic agenda, *Wales: A Better Country*. The promotion of equality is also enshrined in the Government of Wales Act 1998 and the Welsh Assembly Government strategy - Mainstreaming Equality.

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[174] Welsh Assembly Government's Science Policy for Wales 2006, http://new.wales.gov.uk/docrepos/40382/4038231141/403821124158/science-policy-eng?lang=en
[175] Towards e-Wales, Welsh Assembly Government consultation document, http://new.wales.gov.uk/docrepos/40382/4038231141/403821124/517285/ewalesstrategy_e.pdf?lang=en
[176] Wales Management Council.

4.111 Other policies, for example the promotion of the UK *Investors in People* standard and careers advice through Careers Wales, aim to have an impact on training and career progression for women. These kinds of policy approaches are included in the Comparative Review, '*Reconciliation of work and family life'* published by the European Commission in 2005[177].

Priority Level Indicators

4.112 The following indicators, relevant to the Priority, will be used to track the progress of projects and the Programme. The output and result indicators are monitoring indicators, which projects will be required to report against during the life of the project. The impact indicators are evaluation indicators and should be considered during project- and Programme-level evaluation.

4.113 In addition to reporting against these indicators, projects will be required to provide further monitoring information that underpins the indicators in order to meet Commission requirements as set out in Annex XXIII of the Implementing Regulations and to allow WEFO to assess the effectiveness of the Programme. In line with article 66(2) of the general regulation, monitoring information collected will allow for the breakdown of statistics by gender and size of the recipient undertakings, where appropriate.

4.114 Under the flexibility facility allowed for by Art 34(2) of Regulation (EC) 1083/2006, the ERDF indicator "Premises created or refurbished" will be available to capture ERDF activity funded through this Priority.

4.115 Targets are also presented in the table below. All targets are to be achieved by 2015. Impacts indicators which need to be assessed via evaluation will be reported upon annually from 2009 onwards. These are identified in Annex K – Indicators.

[177] Reconciliation of work and private life, A comparative review of thirty European countries: http://bookshop.europa.eu/eubookshop/FileCache/PUBPDF/KE6905828ENC/KE6905828ENC_002.pdf

Table 30: Priority 3 Indicators and Targets

Indicator	Target (2015)
Outputs	
Total participants (Employed)	90,000
Female participants	66%
Key intervention groups:	
Older participants	30%
BME participants	-
Participants with work-limiting health condition or disability	13%
Participants accessing basic skills qualifications	45%
Participants accessing Level 2 training	30%
Participants accessing Level 3 training	15%
Participants accessing Level 4 and above training	10%
Female participants who work part-time	29%
Employers assisted or financially supported	15,000
Research studies	-
Learning and development strategies	-
Projects delivering specialist training in sustainable development	10%
Results	

Indicator	Target (2015)
Participants gaining qualifications - Employed	37,530
Qualification levels to be gained:	
Basic Skills	54%
-Female	-
-Older participants	-
-BME participants	-
-Participants with work-limiting health condition or disability	-
- Female participants who work part-time	-
At Level 2	29%
-Female	-
-Older participants	-
-BME participants	-
-Participants with work-limiting health condition or disability	-
- Female participants who work part-time	-
At Level 3	11%
-Female	-
-Older participants	-
-BME participants	-
-Participants with work-limiting health condition or disability	-
- Female participants who work part-time	-
Level 4 and above	6%
-Female	-
-Older participants	-
-BME participants	-
-Participants with work-limiting health condition or disability	-
- Female participants who work part-time	-
Participants entering further learning	-
Key intervention group:	
Employed BME participants	-
Progression schemes for women	-
Employers adopting or improving equality and diversity strategies and monitoring systems	50%
Impacts	
Skills level of employment	-
Pay level of employment	-
Women in management	-
Participants gaining part qualifications	-

Operational Strategy

Theme 1: Raising the skills base of the workforce and supporting progression in employment through basic and intermediate level skills.

4.116 This theme aims to improve levels of basic literacy and numeracy skills, also ICT skills, other generic skills and occupational skills within the workforce and support progression to Level 2, with demand-led progression up to, and including Level 3. This will be achieved by:

- raising levels of basic literacy and numeracy in the workforce;
- supporting the acquisition of ICT, generic and occupational skills in the workforce;
- supporting progression in employment through flexible training and learning provision; and
- helping low skilled workers to gain the additional skills and qualifications needed to sustain their employment, improve productivity and increase earnings via career progression.

Indicative Activities

- targeted interventions to improve access to basic and functional skills provision (numeracy and literacy) for employees within and outside the workplace;
- providing low-skilled workers with academic qualifications and vocational skills up to Level 2, e.g. ICT skills, and generic work skills such as team working, problem-solving and customer-handling skills;
- supporting demand-led progression up to Level 3 through flexible learning provision for individuals, including apprenticeships;
- collaborative work with trade unions and social partners to support training for non-native speakers of English or Welsh, where employment opportunities in the local labour market would be enhanced;
- collaborative work to enable migrant workers to validate qualifications obtained in their home country to increase their access to higher level employment and to make better use of their skills; and
- targeted interventions to address equal opportunities barriers to meet the needs of BME people, disabled people and others facing disadvantage.

4.117 We expect that this theme will absorb around 60% of the resources for this priority.

Theme 2 - Skills for the Knowledge Economy: higher level skills and systems for workforce development

4.118 This theme aims to support the provision of higher level skills, including graduate and post graduate, to support the knowledge economy, to improve systems to identify skills needs, to help employers identify their skill needs, anticipate potential gaps or shortages, and to help people adapt to changing economic pressures impacting on businesses and organisations. This will be achieved by:

- supporting the knowledge economy, including the development of higher level and graduate and post-graduate skills;
- improving research into skills needs and systems for matching learning supply to demand from employers and individuals;
- support employers in identifying and addressing the skills needs of their sectors at all levels, including management, technical and craft skills;
- matching and improving learning provision so that it better meets labour market needs, thereby reducing skills gaps and shortages; and
- helping workers and enterprises adapt to new forms of work organisation and new technologies.

Indicative Activities

- targeted provision of higher level skills on a demand led basis, up to level 4;
- collaborative action between employers, learning providers and Sector Skills Councils to raise the supply of individuals with higher level skills needed in key sectors, e.g. knowledge transfer activities, support for access to relevant courses, development of foundation degrees and sector specific learning programmes, earning and learning schemes, Continuous Professional Development, or specific skills such as research;
- targeted measures to improve retention of graduates and others with higher level qualifications within the region, e.g. use of internships with businesses, and enhanced support for career planning and progression;
- improving the research and evidence base for present and future skills needs, working with employers and Sector Skills Councils to develop strategies to meet such challenges;
- support for workforce development by employers, particularly SMEs and those with the potential to increase their contribution to GDP;
- information, advice and guidance for employees, employers and learning providers on available learning opportunities and demand levels, where a gap has been demonstrated;
- support for leadership and management development to increase firms' adaptability, and delivery of programmes such as networking and mentoring;

- development of flexible, credit-based qualifications and informal learning programmes, including support for their recognition;
- development and use of innovative support packages using new technology to support diverse learning styles and enrich teaching practices;
- supporting those workers to develop new skillsets for sustained employment;
- positive action measures which support BME and disabled people to secure higher level skills;
- positive action measures which support women to secure higher level skills in non-traditional areas such as science and engineering, construction and ICT; and
- adaptation of existing training and skills programmes to integrate sustainable development, addressing current and future environmental challenges, particularly climate change.

4.119 We expect that this theme will absorb around 35% of the resources for this priority.

Theme 3 - Promoting gender equality in employment

4.120 This theme aims to promote gender equality in employment and career advancement, in particular tackling the causes of the gender pay-gap. This will be achieved by:

- raising awareness amongst employers and elsewhere of gender disadvantage in the workforce; and
- raising participation levels in occupations and sectors where men and women are currently under-represented.

Indicative Activities

- develop actions with partners to remove barriers to full participation in learning and employment opportunities;
- support employers, learning providers and others to promote diversity and challenge traditionally gender dominated cultures, environments and attitudes e.g. men in teaching and nursing, women in construction and scientific professions;
- develop actions with Sector Skills Councils and partners to tackle gender stereotyping in work-based learning, vocational training and apprenticeship programmes; and
- activities led by social partners aimed at promoting better work-life balance, and female employee engagement and retention as a consequence.

4.121 We expect that this theme will absorb around 5% of the resources for this priority.

Social Partners

4.122 EU Regulation [1081/2006] Article 5 (3), provides for an appropriate amount of the ESF to be allocated to supporting activities jointly undertaken by the social partners.

4.123 Under this Priority, around 1.0% of the priority allocation will be set aside to support action with social partners. Activities to be funded will include those that support employers to make identify and address future demands on their workforce. Example activities will include:

- Activity to help disadvantaged groups overcome barriers to gaining higher level skills;
- Helping employers identify and address the learning needs of their workforce;
- Advice and support for individuals to achieve higher level skills within the workforce, or to retrain to respond to changes in job requirements or adapt to new technology;
- Activities promoting and celebrating excellence in management development;
- Activities aimed at improving environmental awareness and management.

Added Value

4.124 ESF resources will add value to the domestic strategies and budgets to raise skill levels with the West Wales and the Valleys region, securing a highly skilled workforce, capable of responding to the changing needs of a knowledge driven economy. It will be used to enable greater participation in training and specifically on increasing participation on Modern Apprenticeships where the increase is expected to be approximately 50% over the lifetime of the programme. It will also allow a broader range of participants to access provision by supporting specific action in relation to equal opportunities, in respect of disadvantages groups, and addressing barriers associated with gender.

4.125 Adding to this, ESF funding will also allow accelerated improvements to be made to the quality of provision and the product as demonstrated by greater demand for skills development and training, and increased participation levels, achievement rates and progression. In turn this will raise the long run propensity to learn by individuals, and the value employers attach to workplace development, which will manifest itself in greater personal and employer commitment to training and skills.

Beneficiaries

4.126 These may include public employment services, Welsh Assembly Government Departments, training organisations, Institutes of Higher and Further Education, Sector Skills Councils, Local Government and Non-governmental organisations (NGOS), voluntary and community organisations, social enterprises and social partners.

Flexibility Facility

4.127 EU Regulation [1083/2006], Article 34 (2), provides for the ESF to fund interventions which fall within the scope of the ERDF (and vice versa), provided such interventions are necessary for the successful implementation of an operation and have a direct link to that operation. In order to promote coherent implementation of actions under this Priority, a maximum of 10% of the EU contribution to the Priority can be used to fund such complementary investments. Justification for using this flexibility will be provided at operation/project level and the resources used in this manner will be separately identified in project applications and expenditure declared.

4.128 Examples of where cross-financing under this Priority might promote coherent implementation include:

- Small scale capital costs relating to equipment to improve the delivery of ESF supported learning provision and equality of access to learning;
- The adaptation or upgrading of existing facilities necessary to support the successful implementation of ESF funded actions;
- Small scale capital costs associated with the development of vocational learning systems;
- Small scale capital costs to create and integrate learning technologies in the design and delivery of programmes;

Global Grants

4.129 We do not envisage the use of Global Grants as defined by EU Regulation [1083/2006], Article 42.

Priority 4: Modernising And Improving The Quality Of Our Public Services (Making The Connections)

Objective

4.130 To improve the effectiveness and efficiency of public services in the region.

Target group

4.131 Central and local government, public agencies, specialist agencies, health service providers, education and training providers, other local services and social partners.

Rationale

4.132 The delivery of public services in an effective and efficient manner plays an important role in the economic and social development of any region. Achieving the very highest standards in public services is particularly critical in West Wales and the Valleys where tackling the levels of social deprivation, peripherality and the lack of agglomeration, a legacy of declining industries, and the level of competition faced by the economy of the region require a high degree of public sector intervention – as evidenced by the qualification of the region for funding through this Convergence Programme.

4.133 The preceding Priorities in this Programme are aimed at addressing the needs of particular groups of individuals to enable them to contribute to the economy of the region while the parallel ERDF Programme addresses the structural barriers faced by the region. The purpose of this Priority is to build the capacity of public administration and services in the region to ensure that they are properly equipped to play their role and better able to meet the needs of their all their users, individuals, businesses and communities.

4.134 Whilst this Priority will absorb a small proportion of the European funding available through the Programme, it will make an important contribution to improving the efficiency and effectiveness of public service delivery by the development of the capacity of public service managers and workforce. It will ensure public services, by being more efficient, effective and customer focused, are better placed to support the broader goals of the programme. Joint action to reduce economic inactivity, leading and managing regeneration on a multi disciplinary basis, and raising skills levels will underpin the wider economic agenda for growth and jobs.

4.135 Public services in the West Wales and the Valleys are provided through a mixed economy. Responsibility lies with central and local government and delivery through a range of public, private, voluntary and third sector bodies. It is, therefore, necessary to focus on all elements and also the interactions between them in order to achieve the improved standards of performance in public service.

4.136 Not only are the demands on public services different for different communities but within the public services themselves, there are capacity issues compounded by skills gaps in some areas due to the mismatch between the region's skills' profile and the requirements of the public sector. These need to be addressed, especially as modern and dynamic public service delivery draws increasingly on more sophisticated and technically advanced applications. At the same time, levels of customer expectation are rising as citizens and businesses expect speedy solutions that are sensitive to their particular circumstances. Overall, services are expected to be provided on an equitable basis with issues such as access or location no longer regarded as valid reasons for restrictions on choice, or quality of provision. One possible means of tackling such skills deficits could be through the creation of a centre of excellence in administrative best practice, which would align with the types of activities proposed under ERDF Priority 3 – Developing strategic infrastructure for a modern economy.

Policy context

European

4.137 The European Social Fund Regulation [1081/2006], for the programming period 2007-2013 introduces a new priority which offers support to strengthening institutional and administrative capacity in Convergence regions as a key element for promoting structural adjustments, growth and jobs, as well as economic development. The Community Strategic Guidelines also identify administrative and institutional capacity and good governance as priorities for 2007 - 2013. The rationale for introducing this priority is to generate efficiencies in public services; the creation of well-functioning institutions and public administrations; and to contribute to growth and employment. Effective institutional and administrative capacity is key to good governance - an essential element of the Lisbon agenda. The implementation of the new priority is characterised by a more strategic approach which should lead to a comprehensive reform or modernisation of the relevant public administrations and public services.

4.138 The emphasis on making public services better, more cost effective and accessible through maximising the use of ICT is one of the principal aims set out in the i2010 strategy '*A European Information Society for growth and employment*'. The e-government action plan, which flows from this strategy, estimates that hundreds of billions of Euros could be saved for European taxpayers every year through initiatives like electronic public procurement and reducing administrative burdens to citizens and businesses. The actions outlined in this priority will help the Welsh Assembly Government contribute the e-government element of i2010 and play its part in ensuring that the maturity of online public services in the EU keeps improving as has been the case over the last year to April 2006[178].

[178] Online availability of public services: how is Europe progressing?, June 2006: http://europa.eu.int/information_society/eeurope/i2010/docs/benchmarking/online_availability_2006.pdf

4.139 More generally, making public services more efficient and responsive is also a part of the EU Better Regulation agenda which stresses the importance of reducing the administrative burden for companies to make them more competitive, estimating that a 25% reduction in administrative burden in the Member States would lead to an increase of real GDP by 1% to 1.4%.

UK

4.140 This theme also reflects the following strategies and principles that influence policy design and delivery in Wales:

- specific proposals to deliver efficiencies as set out in the UK Gershon Report[179]; and
- plans for transforming service delivery to citizens and businesses as set out in the Varney report[180].

National

4.141 *Making the Connections* is the Welsh Assembly Government's public services reform programme to drive the changes needed across public services in Wales, to address the wide range of challenges they face now and for the future. It reflects a distinctive approach designed to meet the circumstances of Wales in the wake of devolution. It addresses statutory services providers, the voluntary and private sectors. It sets efficiency targets and identifies priorities for workforce planning and development, as well as emphasising its commitment to social justice and equality in taking this agenda forward.

4.142 The aim of the policy is to make public services more responsive to citizens, integrated, effective and efficient, including the target that all public bodies should become around 1% more efficient year-on-year during the five-year programme leading to the achievement of £600 million of value for money improvements by 2010. The Welsh Assembly Government has since been following through this policy under its *Delivering the Connections* action plan (2005–2010), with a budget of £14 a year, for each of the next three years, (2007 – 2010), the current budget horizon.

[179] Releasing Resources to the Front line - an independent report by Sir Peter Gershon, July 2004 http://www.hm-treasury.gov.uk/media/B2C/11/efficiency_review120704.pdf

[180] Service transformation: A better service for citizens and businesses, a better deal for the taxpayer – Sir David Varney, December 2006

4.143 *Delivering the Connections* sets out a detailed implementation programme with four workstreams:

- Improving customer service and citizen engagement in service design and delivery;
- collaboration to improve service delivery;
- efficiency; and
- workforce development;

4.144 Key areas of action are summarised as:-

- Customer Service and Engagement – better customer service, public engagement and transforming access to services (including ICT);

- Integration and Collaboration – better integrated central government functions, stronger regional and local collaboration and simpler governance;

- Efficiency - £600m efficiency gains, secondary and sharing functions, smarter sustainable procurement and capital management;

- Workforce Development – workforce planning and HR, developing leaders at all levels, and change management.

4.145 In support of these actions the Welsh Assembly Government is funding *Value Wales* to provide leadership and expertise to public service bodies on efficiency and business process improvement, and *Public Service Management Wales* to support public service management and workforce development. In addition, the Making the Connections programme provides financial support to act as a catalyst for the development of innovative projects in collaborative working and service delivery across the public service. Any ESF funding contributing to this form of activity will be subject to the normal eligibility rules.

4.146 The Making the Connections programme was revisited in autumn 2006 following an independent review commissioned by the Welsh Assembly Government into what further issues needed to be addressed to improve local service delivery in Wales. The report *Beyond Boundaries: The Review of Local Service Delivery in Wales (April 2006)* endorsed the *Making the Connections* programme as the right approach to public service reform for Wales but says it has to be pushed further and faster.

4.147 Flowing from this the Assembly Government published in November 2006, called *Making the Connections: Delivering Beyond Boundaries*, which broadens the existing action plan. A key new commitment is the creation of Local Service Boards, bringing together leaders from local government, economic development, education, health, policy and third and other sectors to improve public service delivery and

performance at local level, and work more effectively as a team in addressing the needs of local citizens. Once established, these Boards will develop Local Service Agreements with the Welsh Assembly Government.

4.148 The importance of improving awareness and skills sustainable development issues are identified in the Welsh Assembly Government's *Education for Sustainable Development and Global Citizenship Strategy*. It aims to integrate sustainable development into education and learning programmes for children, young people and adults. Also there needs to be sufficient capacity in the region for the speciality skills required to deliver the outcomes identified in the *Environment Strategy for Wales.* These aims and outcomes will be promoted by integrating Convergence sustainability objectives into supported training and education programmes.

4.149 Alongside strategies which will steer the cross cutting theme of Environmental Sustainability, the application of the cross cutting theme for Equal Opportunities will be steered by the legal requirement of section 120 of the Govt of Wales Act 1998, to embed equality of opportunity, and the Welsh Assembly Government strategy - Mainstreaming Equality.

Priority Level Indicators

4.150 The following indicators, relevant to the Priority, will be used to track the progress of projects and the Programme. The output and result indicators are monitoring indicators, which projects will be required to report against during the life of the project. The impact indicators are evaluation indicators and should be considered during project- and Programme-level evaluation.

4.151 In addition to reporting against these indicators, projects will be required to provide further monitoring information that underpins the indicators in order to meet Commission requirements as set out in Annex XXIII of the Implementing Regulations and to allow WEFO to assess the effectiveness of the Programme. In line with article 66(2) of the general regulation, monitoring information collected will allow for the breakdown of statistics by gender and size of the recipient undertakings, where appropriate.

4.152 Under the flexibility facility allowed for by Art 34(2) of Regulation (EC) 1083/2006, the ERDF indicator "Premises created or refurbished" will be available to capture ERDF activity funded through this Priority.

4.153 Targets are also presented in the table below. All targets are to be achieved by 2015. As this is a new area of activity evaluation of this Priority will follow a two stage approach. This priority will therefore be subject to evaluation in 2010 and 2012. See Annex K – Indicators.

Table 31: Priority 4 Indicators and Targets

Indicator	Target (2015)
Outputs	
Total participants (employed)	7,500
Female participants	52%
Key intervention groups:	
Public service managers	60%
Public service workforce	40%
Dissemination initiatives	70
Employers assisted or financially supported	60
Initiatives to support Local Service Board development	15
Projects delivering specialist training in sustainable development	10%
Results	
Collaborative agreements between public service bodies	20
Sub-regional workforce planning & development strategies	3
Organisational learning and development strategies	25
Participants completing courses - Employed	6,750
Key intervention groups:	
Public service managers	-
Public service workforce	-
Female participants	-
Secondment placements	700
Employers adopting or improving equality and diversity strategies and monitoring systems	50%
Employers adopting or improving Environmental Management Systems	75%
Impacts	
Public service quality improvement	-
Increase in public service efficiency (including reduced costs of service delivery)	-
Citizen satisfaction with public services	-

Operational strategy.

4.154 This Priority will be delivered through two interconnecting themes. Under Theme I, interventions will be targeted on projects to enable public service bodies (NGOs, public sector and others) to transform their business processes, systems and operations through more effective joint working and resource sharing. This will typically require some initial pump-priming funding to develop the capacity and expertise within the public service sector workforce. Theme 2 will concentrate on building capacity, developing leadership and management skills more generally within public service bodies to sustain the change in service delivery in the longer term.

4.155 Interventions will be focused on activity by regional and sub-regional partnerships and Local Service Boards with coordination and support through the *Making the Connections* programme, including *Public Services Management Wales, Value Wales* and national umbrella bodies. Interventions will include the development of NGO and third sector capacity supporting their contribution as part of a mixed economy and enhancing their ability to deliver innovative approached to service delivery, enabling public service sector bodies to engage more effectively with the diverse communities they serve.

Theme 1: Transforming public services through more effective collaborative working.

4.156 This theme will focus on implementing changes in service design and delivery through the collaborative re-design and re-engineering of services, systems and processes on a collaborative basis to make public services more efficient, integrated and responsive to the communities they serve. It will build on current and planned pilots, feasibility studies and other foundation work enabled through the *Making the Connections* Programme as well as initiating innovation. As well as reflecting the Welsh Assembly Government's commitments to equality and sustainable development, the activity will be underpinned by a commitment to engaging the public and partners in service design and delivery. This will be achieved by:

- improving local service delivery through joint-working across sectors and organisations led by Local Service Boards to deliver better outcomes (e.g. reducing economic inactivity, enabling regeneration and improving standards of health);
- establishing shared service delivery arrangements at the regional or sub-regional levels for services which can be improved by sharing expertise, achieving economies of scale or cannot be sustained economically or effectively by a single body;
- improving the accessibility of services to the public through the use of web-based channels, joint customer service contact systems and other communication channels, and

- supporting the implementation of collaborative procurement and shared service arrangements in order to achieve greater efficiency, development of strategic electronic procurement processes, promotion of equality of opportunity, and the implementation of sustainable procurement practice.

4.157 We expect this theme to absorb around 40% of this objective.

Indicative Activities

4.158 These will include:

- initiatives to support the development of Local Service Boards as a basis for encouraging joint-working across sectors;
- supporting the implementation by Local Service Boards of projects to integrate local service delivery across all public service sectors, including local service bodies social partners and NGOs based on collaborative agreements;
- expanding and deepening the capacity of public service bodies to facilitate and deliver business process change, including through dissemination and organisational development initiatives;
- supporting projects by regional and sub-regional partnerships to implement and improve joint delivery arrangements, including shared approaches to improve the delivery and/or efficiency of procurement, corporate functions, environmental management and customer service;
- expanding and extending public access to public services through the use of shared contact centres, single number telephone contacts points, shared information systems and targeted outreach support for those groups facing particular difficulties over accessibility; and
- increasing the knowledge and skills relating to improving resource efficiency including the use of environmental management systems to improve the environmental performance of public services.

Theme 2: Building the Capacity of Public Service Sectors to Deliver Higher Quality Services.

4.159 This theme aims to develop the skills and capacity of the public service workforce and organisations to engage in, deliver and sustain the reform agenda. This includes helping leaders and managers build their capacity to lead the workforce through change, securing a more strategic approach to the management of human resources and addressing specific skills gaps in the workforce, and strengthening the capacity of social partners. This theme will promote equal opportunities and environmental sustainability throughout the types of activity supported, as part of the requirement to address the cross cutting themes. This will be achieved by:

- developing a range of learning interventions and networks to enable managers and leaders to build core skills and knowledge (for example project management, customer service, partnership management) to meet the challenge of improving services, planning more effectively for the development of the workforce and ensure succession strategies;
- building capacity among social partners and NGOs to contribute effectively to service delivery, development and redesign, particularly to ensure focus on the perspective of the service user; and
- identifying innovative approaches and successful leadership and management practices within a trans-national context.

4.160 We expect that this theme will absorb around 60% of the resources for this priority.

Indicative Activities

4.161 These will include:

- establishing and implementing sub-regional public service workforce planning and development strategies (probably the South Wales Valleys, South West and North West Wales) across the full range of public service organisations aimed at strengthening the skills-base of the public service workforce in key areas, including collaborative leadership, change management, sustainable development, regeneration, equality and diversity, customer service and public engagement;
- interventions, working with public service organisations and social partners, to ensure that the workforce is trained and engaged in the process of service transformation, taking account of the introduction of new technologies, the collaborative agenda, the citizen and customer service model, the emphasis on delivery skills including project management and the diversity of the Welsh labour market;
- a programme to strengthen the capacity of NGOs and social partners to contribute to the planning, modernising and delivery of public services; delivering a learning and development portal, based around individualised plans of action, to enhance the skills of displaced staff and transfer their expertise to other aspects of public service delivery;
- secondment programmes, building on the *People Exchange Wales* programme, to promote skills transfer across public services in the region and to develop opportunities for trans-national networking with partner public services providers elsewhere in the European Union, with a view to promoting and disseminating best practice; and
- support for managers to develop and deliver enhanced management development activities, which include strategies for equal opportunities.

Added Value

4.162 The anticipated match funding for the Priority will come from the Welsh Assembly Government's *Making the Connections* public service reform budget, currently £14 million a year over the 3 years 2007-10, with the balance coming from other sources including local authorities, health and other public service delivery bodies, voluntary and community bodies.

4.163 The Priority will enable much faster and deeper progress with the public service reform agenda set out by the Welsh Assembly Government under *Making the Connections*, increasing by at least 50% the funding and scale of change activity targeted on the Convergence region which the core *Making the Connections* reform programme can deliver. This added value will be tracked through the indicators identified for the Priority and the evaluation identified in paragraph 4.153.

Social Partners

4.164 EU Regulation [1081/2006], Article 5 (3), provides for an appropriate amount of the ESF to be allocated to supporting activities to be led by the social partners. It is not proposed to allocate funding to social partners within this priority.

Beneficiaries

4.165 These may include public sector bodies including Local Authorities, the voluntary and community sector, and social partners.

Flexibility facility

4.166 EU Regulation [1083/2006], Article 34(2), provides for the ESF to fund interventions that fall within the scope of the ERDF (and vice versa) provided that such interventions are necessary for the successful implementation of an operation and have a direct link to that operation. It is possible that this facility will be utilised in respect of this Priority for some small scale capital expenditure required to address the training and development needs of the leaders and employees in the public services.

Global Grants

4.167 We do not envisage the use of Global Grants as defined by EU Regulation [1083/2006], Article 42.

Priority 5: Technical Assistance

Objective

4.168 To ensure the efficient and effective management of the Programme.

Rationale

4.169 Technical Assistance (TA) is an essential resource for supporting the effective delivery of the Programme. Well-supported and robust administration systems which build on those utilised for previous Programmes will be needed to ensure that the new Programmes operate smoothly and effectively. TA will be used alongside the resources of the Welsh Assembly Government and its partners and will focus on supporting key parts of the implementation process.

4.170 Technical assistance will be utilised to support the development of capacity at the Spatial Plan Area level to engage with a range of local partners and stakeholders to develop and support the implementation of relevant Strategic Frameworks.

4.171 EU Regulation 1083/2006, Article 46, allows the use of technical assistance to finance the preparatory, management, monitoring, evaluation, information and control activities of operational programmes together with activities to reinforce the administrative capacity for implementing the funds.

4.172 Building on experience in 2000 - 2006 the Managing Authority proposes to use TA both to improve the implementation of the programme (strengthening governance and compliance) and enhance its effectiveness in creating jobs and growth (developing our delivery capacity to increase impact). To take this forward, the Managing Authority aims to use TA to support a range of eligible activities undertaken by partner organisations and the Managing Authority itself, as set out in Article 46.

Management

4.173 The following indicative activities will help improve strategic implementation and strengthen programme support and development:

Indicative Activities

- encourage and facilitate collaborative projects and approaches and enhance capacity, including support for the development and implementation of Strategic Frameworks;

- strengthen co-ordination and liaison mechanisms with partnerships and promote partnership working;

- advise and support for projects incorporating activity relating to innovation, trans-national co-operation, sharing of good practice and mainstreaming;

- improve external expertise and technical advice;

- develop and enhance bespoke IT systems;

- advise and support projects on cross-cutting themes integration; and

- training for project managers and support for networks.

Monitoring

4.174 A single Programme Monitoring Committee (PMC) will be established to oversee the effectiveness and quality of the programmes. Its work will be enhanced by the improvement in monitoring and management information flowing from the investment in IT identified above. Technical assistance will be used to support the duties of the PMC, as defined in EU Regulation 1083/2006, Articles 65 and 66, and its sub-committees and, in most cases, the costs will be divided between the two Convergence and the two Regional Competitiveness and Employment programmes on a proportionate basis (i.e. a pro-rata basis).

4.175 Experts appointed to the PMC based on merit will be remunerated in line with the Welsh Assembly Government's normal practice, with payment from domestic sources of funding and not from Technical Assistance or the Structural Funds.

Indicative Activities

- expenditure on monitoring and sub-committee meetings, including expenses; and

- strengthening significantly aspects of WEFO's Programme Management function. This will include a number of technical and expert functions as well as providing better internal programme management, enhanced management support to the PMC and improved reporting to the European Commission.

Research and Evaluation

4.176 During the 2000-2006 programming period, research and evaluation has played a central role in helping WEFO to manage programmes effectively. WEFO set up a specialist Research, Monitoring and Evaluation (RME) team to design, carry out or manage programme-level evaluations.

4.177 Technical Assistance will be used to meet the requirements for evaluation as set out in EU Regulation [1083/2006], Articles 47 and 48.

Indicative Activities

- programme level research and evaluation, including research into the Cross Cutting Themes;
- research and evaluation related to Strategic Frameworks;
- provision of evaluation advice and guidance to sponsor organisations;
- research and evaluation dissemination and workshop events; and
- management of research and evaluation exercises, for example through the Evaluation Advisory Group; and

4.178 Further detail on these planned activities is available in Chapter 6 – Implementing Provisions.

Information and Publicity

4.179 The success of the programme depends to a large degree on a wide understanding among the sponsors and partners of its contents, governing regulations, and aims and objectives. Actions must be taken to ensure that potential sponsors and administrators of the programme are aware of how the programme works and of the funding opportunities available. It is also essential that the benefits and achievements of the programmes are widely publicised to highlight the value added by the EU working in partnership with the Welsh Assembly Government and its partners.

Indicative Activities

- dissemination of information, publicity and communication including guidance for partners and sponsors; seminars/workshops;
- WEFO website development and maintenance;
- diversity and accessibility initiatives; and
- The operation of a Helpline.

Control Activities and Reinforcing Administrative Capacity

4.180 The Managing Authority has developed and improved its control systems throughout the period of the 2000-06 programmes. It wishes to build on this to become a structural funds exemplar across the range of its functions.

Indicative activities

- enhanced audit arrangements to ensure that these arrangements, including those described under Article 17 of the Implementing Regulations[181], work effectively, improving quality and timelines;

- improve irregularity monitoring and reporting; and

- establishment of a guidance unit within the MA developing and providing continuing and consistent advice to sponsors and partners.

Beneficiaries

4.181 These will include the public sector, private sector and the voluntary sector.

[181] Commission Regulation (EC) no. 1828/2006 of 8 December 2006 setting out rules for the implementation of the Structural Funds.

Chapter 5: Cross Cutting Themes

5.1 In accordance with Articles 16 and 17 of regulation (EC) No 1083/2006 and Article 6 of regulation (EC) No1081/2006, the cross-cutting themes of equal opportunities and environmental sustainability will be built into the ESF Convergence programme. The aim is to build on the substantial progress made in integrating these cross cutting themes into the delivery of the European Structural Funds programmes 2000 -2006.

5.2 This chapter sets out the rationale, outlines the current policy context and defines the operational strategy for both themes. The ways in which the themes will be implemented, monitored and evaluated are covered in Chapter 6, along with the lessons learned from the current programme 2000-2006 in Annex L.

Equal Opportunities and Gender Equality for Women and Men

Rationale

5.3 The principles of equal opportunity for all citizens and ensuring that no groups are excluded from society are central to Welsh Assembly Government and UK Government Policy, not least in relation to the labour market. The integration of equal opportunities in the Structural Funds is important not only for legal reasons, but also because overcoming inequalities between men and women contributes to the overall effectiveness of the Structural Fund programmes. A commitment to treating equal opportunities as one of the two cross-cutting themes within Structural Fund programmes in the UK is made in the National Strategic Reference Framework (NSRF) 2006.

5.4 The aim is to promote equal opportunities for all within the context of the opportunities offered by the Convergence programme and to prevent any discrimination on the grounds of gender, disability, ethnic origin, religion or belief, age, sexual orientation and with regard to the bilingual nature of many of the region's communities.

5.5 Promoting equal opportunities for all will contribute to the objectives of the programme by:

- reducing injustice and thus promoting social cohesion with a wide range of benefits including an improved environment for economic development;

- seeking to ensure that all people living in West Wales and the Valleys have the opportunity to use their skills and abilities to best effect; and

- raising the levels of GDP per head and addressing the imbalance in earnings of women and men.

5.6 These are key challenges, and the analyses contained in Chapter 2 and Annexes D and L provide supporting evidence of the relatively disadvantaged positions of women, disabled people, older people and Black and minority ethnic people, clearly evidenced in measures of economic inactivity.

Policy Context

5.7 The European Community has a long-standing commitment towards equal opportunities, and equal treatment between men and women, aiming to eliminate all forms of discrimination through a variety of instruments; joint declarations, resolutions, directives and action programmes. The integration of equal opportunities in the Structural Funds is helping to overcome inequalities between men and women in the labour market.

5.8 The Integrated Guidelines for Growth and Jobs emphasise the importance of equal opportunities and combating discrimination. The European Commission's Communication on *"Working Together for Growth and Jobs*" [182] indicates that it will be difficult to achieve the ambitious Lisbon strategic objectives if large groups of the EU's population are excluded from jobs, training and other opportunities.

5.9 In line with the equality principles enshrined within the Amsterdam Treaty, the National Assembly for Wales has a duty to promote equality of opportunity, as stipulated under Section 120 of the Government of Wales Act 1998:*'The Assembly shall make appropriate arrangements with a view to securing that its functions are exercised with due regard to the principle that there should be equality of opportunity for all people.*

5.10 The commitment to equality of opportunity has also been re-enforced in several Welsh Assembly Government key strategy documents, including *Wales: A Vibrant Economy*. One of its four key priorities is to increase employment supporting job creation and helping individuals to tackle barriers to labour market participation and the world of work.

5.11 *The Wales Spatial Plan* takes forward the Welsh Assembly Government's commitment to tailor its policies to the differing needs of the different parts of Wales, in which equality will be an integral part to delivering a sustainable future.

5.12 The Welsh Assembly Government's Sustainable Development Action Plan 2004–2007, Skills and Employment Action Plan 2005, Making the Connections and strategies such as Extending Entitlement and 14–19 Pathways all highlight the importance of equality in its approach to policy delivery.

5.13 The Welsh Assembly Government is committed to mainstreaming the Welsh language. The second Annual Report on Iaith Pawb (National Action Plan for a

[182] COM (2005)24 Working Together for Growth and Jobs

Bilingual Wales) and the Welsh Language Scheme[183] highlighted the good progress made during 2004–2005, but recognised that more needs to be done to ensure that mainstreaming the Welsh language occurs among all new projects and initiatives.

Current and Future Legislative Framework

5.14 There is a range of legislation[184] that underpins the equality agenda. There are also several new pieces of legislation in development. The Equality Bill and related legislation will help to place all aspects of equality on a more common footing, and make it easier to mainstream equality as a whole in the business of Government. The Bill sets out plans to establish a new body, in October 2007, called the Commission for Equality and Human Rights (CEHR). The body will have wide-ranging powers to tackle discrimination and prejudice, and to promote equality.

5.15 The CEHR will bring together, in a single body, the work of the Commission for Racial Equality (CRE), the Disability Rights Commission (DRC) and the Equal Opportunities Commission (EOC). It is planned that the CEHR will be established in October 2007. The CEHR will also have responsibility for the new equality areas of age, religion and belief, and sexual orientation, and will work to promote Human Rights.

5.16 The Equality Bill also includes new powers to outlaw discrimination on the grounds of religion and belief in relation to goods and services and creates a duty on public authorities to promote equality of opportunity between men and women and prohibit sex discrimination in the exercise of public functions. The Bill will also facilitate the introduction of rules to prohibit discrimination in relation to goods and services for lesbian, gay and bisexual people.

5.17 An Equalities Review and the Discrimination Law Review are taking place, with a view to bringing forward a Single Equality Bill at the earliest possible opportunity.

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[183] The Welsh Language Scheme:
http://www.wales.gov.uk/subiculture/content/standards/language-scheme-e.pdf

[184] Equality Acts – Race Relations Act 1976/Race Relations (Amendment Act) 2000
http//www.opsi.gov.uk/actsen2000/2000en34.htm#muscat_highlter_first_match
Welsh Language Act 1993: http://www.opsi.gov.uk/acts/acts1993/Ukpga_19930038_en_1.htm#tcon
Sex Discrimination(Gender Reassignment) Act 1999: http://www.opsi.gov.uk/si/si1999/19991102.htm
Gender Recognition Act 2004: http://wwwopsi.gov.uk/acts2004/20040007.htm
Civil Partnership Act 2005: http://www.opsi.gov.uk/si/si2005/20052114.htm
Employment Equality (Sexual Orientation) Regulations 2003:
http://wwwopsi.gov.uk/si/si2003draft/20036454.htm~muscat_highlter_first_match
Equal Pay Act 1970: http://wwweoc.org.uk?PDF/epa.pdf
Disability Discrimination Act 1985: http://www.opsi.gov.uk.act/acts2005/20050013.htm
Employment Equality (Religion and Belief) regulations 2003:
http://www.ospi.gov.uk/si/si2003/20031660.htm#muscat highlter first match
The Human Rights Act: http://www.opsi.gov.uk/acts1998/19980042.htm

Objectives

5.18 The four cross-cutting equal opportunities objectives for the Convergence programme are set out below. These have been developed using evidence from the Analysis in Chapter 2, and Annexes D and L. A summary of the lessons learned from implementing the cross-cutting themes in the 2000-2006 Programmes is at Annex L. An analysis has also been carried out of the potential impact of supported activities on the Programme's equal opportunities objectives. This is represented in the form of an Analysis and Matrix and is available at Annex D.

5.19 The following four equal opportunities objectives will guide the implementation of each of the Priorities in Chapter 4 within the context of the activities to be funded.

Objective 1: *Increase the number of individuals who have multiple disadvantages accessing employment and self employment.*

5.20 The creation of the right opportunities and support for individuals is crucial if they are to play an active role in the labour market. Positive action measures, in many cases a mixture of measures, need to be taken to ensure particular groups are able to take advantage of employment and training opportunities involving a multi agency approach. Where ever possible, those targeted for positive action measure should have the opportunity to influence the design of proposed activities. Access to the labour market, vocational training and education should also be made available for the re-integration of victims following the EU Action Plan on Trafficking in Human Beings[185].

Objective 2: *Increase the numbers of women, BME people and disabled people, securing training and employment in higher paid and higher skilled sectors and self-employment*

5.21 Sustained economic advances can only be achieved if previously excluded groups secure access to higher level training and ultimately higher level jobs. This can partly be achieved by ensuring equal access to business support measures, access to funds and advice, home reconciliation strategies by employers, equality training for providers and a supportive physical environment that offers ease of access, safety and childcare. For members of excluded groups to take full opportunity of the increased access offered by the programme it will be important for both business and training organisations to take account of their needs, and in turn allow them to make the fullest possible contribution to the region's economy.

[185] EU Action Plan on Trafficking in Human Beings: http://europa.eu.int/comm/justice_home/fsi/crime/trafficking/fsi-crime-human-trafficking-en.htm

Objective 3*: Challenging occupational segregation by increasing the numbers of women and men training or retraining in_non-traditional areas, focusing on those areas where there are skills shortages.*

5.22 Women still face both horizontal and vertical segregation. The focus will be on combating gender stereotypes from an early age, providing awareness training to teachers and students, and encouraging young women and men to explore non-traditional educational paths. It is as important to facilitate women's entry into non-traditional sectors, as it is to promote men's presence in sectors traditionally occupied by women. Particular attention should be given to facilitating women's entry into science, engineering, construction, ICT and Management.

Objective 4: *Increase the numbers of employers and training organisations to develop equality and diversity strategies, including monitoring systems and methods for feeding in improvements.*

5.23 Evidence from across Europe shows that groups of people who are most frequently the victims of discrimination are likely to experience the greatest difficulties in accessing the labour market[186]. The development of good equality structures and practices will increase the ability to harness and develop the skills and talents of all those able to enhance the economic wealth of the region. For example, employers, training and education providers, and business advisors should develop their own diversity strategies and training that recognise the need to develop flexible work and training delivery methods, child and elder care support, and accessible environments. It will also be important to drive forward the recognition that work-home reconciliation applies equally to men as it does to women. Monitoring of equal opportunities and diversity strategies are crucial, as is a formal mechanism to build in improvements. Combating prejudice and discrimination will promote wider social participation, particularly employability.

Operational Strategy

5.24 The Managing Authority is committed to ensuring that gender equality and equal opportunities are promoted in the preparation, implementation, monitoring and evaluation of the Operational Programme. Equally, the Managing Authority will strive for a balanced participation of women and men in the management and implementation of the operational programme at local, regional and national level. Gender and equality mainstreaming i.e. ensuring the integration of the gender perspective at all stages will be promoted alongside specific actions for women and other groups. Accessibility for disabled persons shall be considered in defining the operations to be supported by the Funds and in the various stages of implementation.

[186] Commission of the European Communities 1999/564

5.25 Each project supported under the programme will be expected to contribute to the relevant equal opportunities objectives and to adopt the relevant indicators of equality of opportunity set out in the indicator tables for Chapter 4 in respect of each Priority. Specific activities to support the implementation of the Equal Opportunities theme will include:

- specialist advice, including equal opportunities assessments, will be available at an early stage to ensure the integration of equal opportunities objectives into project plans;

- specialist advice to projects on equal opportunities mainstreaming issues, provided at early and ongoing stages in the process;

- activity level guidance together with best practice case study examples that will provide specific information on how sponsors can address equal opportunities within their project plans;

- equal opportunities targets integrated into priorities acting as a lever to encourage projects to contribute. See Chapter 4 for specific priority targets;

- regular monitoring of progress, allowing for early intervention if necessary (see Chapter 6);

- update reports to PMC and other stakeholders;

- continued involvement of the external Cross Cutting Themes Group; and

- WEFO encouraging key equality organisations to be involved in supporting an effective network of specialist support.

Environmental Sustainability

Rationale

5.26 Inclusion of environmental sustainability as a cross-cutting theme will help to ensure that economic development will not adversely impact on the environment. It will also promote the potential of the environment as an economic driver. This is identified in the Integrated Guidelines for Growth and Jobs, particularly in relation to the sustainable use of resources.

5.27 A healthy environment is essential for the quality of life of the people of Wales and for a healthy economy. A high quality, attractive environment will play a key role in attracting and retaining people to live and work in Wales. It underpins Wales' tourist industry with its turnover of £2.3 billion, and the 117,000 full time equivalent jobs in Wales associated with the use, management and appreciation of the natural

environment[187]. The direct and indirect effect of this employment and other spin-off jobs generates goods and services worth £8.8 billion to Wales each year and 9% of Welsh GDP[188]. The environment is inextricably linked to the economic health of Wales.

5.28 The key environmental issues affecting the region are:

- climate change caused largely by the burning of fossil fuels which will increase sea levels and cause an increase in extreme weather events;
- a relatively poor transport infrastructure with a corresponding reliance on private vehicles;
- a high dependency on fossil fuels as an energy source and low level of renewable energy;
- low rates of reuse and recycling of waste and an inadequate waste management infrastructure;
- potential deficits in some water supply zones;
- diffuse pollution from agriculture, acid precipitation and other sources;
- threats to fisheries from pollution and unsustainable fishing practices;
- a high quality landscape although some areas are blighted by historic industry;
- extensive areas designated for nature conservation although biodiversity and habitats are under threat from a variety of causes; and
- a rich historic environment.

Policy Context

5.29 The *National Assembly for Wales' Sustainable Development Scheme* sets out its proposals for promotion of sustainable development through all its functions.

5.30 The Environment Strategy for Wales forms a key element of delivery of the Assembly's sustainable development duty. It sets out how the specific challenges in relation to the environmental 'leg' of sustainable development (the other 'legs' being social and economic) will be met.

5.31 A key part of *Wales: A Vibrant Economy* is to ensure that programmes and policies support sustainable development. The more efficient use of resources is emphasised, together with encouragement of innovation and technological development that is crucial in shaping a sustainable future. More efficient resource use, reducing environmental risks and promotion of sustainable procurement are key elements of *Making the Connections*, which aims to deliver better public services in Wales.

[187] Valuing our environment: http://www.rspb.org.uk/Images/Wales%20valuing%20full_tcm5-31051.pdf
[188] Ibid.

5.32 The importance of improving awareness and skills relating to sustainable development are identified in the *Welsh Assembly Government's Education for Sustainable Development and Global Citizenship Strategy*. It aims to integrate sustainable development into education of children young people and adults. Environmental Sustainability is one of the three pillars of sustainable development. It is therefore appropriate for the environmental sustainability cross cutting theme to be promoted within the wider concept of sustainable development in the education, training and skills projects supported by the ESF Convergence programme. Developing awareness and skills are essential if people are to properly understand what has to be done to reduce environmental impacts and sustain the environment for future generations.

5.33 The 6th EU Environment Action Programme 2002–2012 sets out the environmental objectives and priorities that are an integral part of the European Community's strategy for sustainable development. Objectives are defined in the programme for tackling climate change, protecting biodiversity, promoting environment and health, the sustainable use of natural resources, and the management of waste. The EU action programme is under-pinned by Community legislation and directives aimed at improving the environment.

Environmental Sustainability objectives for the Convergence Programmes

5.34 There is a clear opportunity for the Convergence Programmes to make a significant contribution to the outcomes identified in Wales and Europe's environmental strategies. This can be achieved within the overall framework of the Lisbon and Gothenburg agenda because of the clear link between a healthy environment, social welfare and a thriving economy.

5.35 The overall environmental sustainability aim and objectives of the Convergence Programmes are set out below. These are in line with the environmental themes and outcomes identified in the *Environment Strategy for Wales.* They are also consistent with the:

- lessons learned from current Structural Funds programmes 2000–2006;
- interventions which will be supported by the programme;
- objectives defined in the European Community's 6th Environmental Action programme.

5.36 The overall aim is to enhance the environmental assets within West Wales and the Valleys, while promoting the sustainable use of the environment for social and economic benefit. The objectives defined below will be promoted in two ways by ESF supported projects. Firstly, by the project focussing on, or integrating, the environmental sustainability objectives into education and training packages, and secondly, by taking direct action in the way the project is implemented to reduce direct effects on the environment such as by improving resource efficiency and encouraging sustainable transport.

(1) Reducing emissions of greenhouse gases to help limit the extent of climate change and help to adapt to its effects

5.37 Training and education programmes should raise awareness of the causes and effects of climate change, how greenhouse gas emissions can be reduced and how to adapt to the consequences of climate change. Specialist skills training could be directed at specific climate change issues.

(2) Promoting sustainable transport

5.38 Direct action should be taken to promote sustainable transport through project delivery mechanisms which reduce the need for travel or promote sustainable forms of transport. The effects of transport on the environment and human health and the principles of sustainable transport should be promoted through education and training programmes. Specialist training could be designed to address specific transport issues that aim to reduce its impact such as emissions to air and transport congestion.

(3) Promoting the efficient use of natural resources

5.39 The sustainable management of the natural resources in the region for social and economic benefit will be promoted. Education and training programmes should promote sustainable waste management within the principles of waste minimisation, reuse, recycling and safe disposal. Specialist skills should be developed to address specific resource efficiency issues.

(4) Promoting the sustainable management of the land, sea and inland waters

5.40 A high level of protection will be provided for designated conservation areas and a formal undertaking is given that no sites protected under Natura 2000 will be harmed by projects funded under the Convergence Programmes. Specialist training should be supported to improve skills of sustainable management of the natural environment. Integration of this objective into broader training and education programmes to help people understand the natural environment and the how it should be managed sustainably.

(5) Improving the quality of the local built environment and opportunities to access green space

5.41 High standards of environmental performance of sites and premises will be supported through specialist skills training related to the design and management of buildings. Education and training can also help individuals understand how their actions can contribute to energy efficiency and reducing the use of material resources. The health and recreational benefits of access to green space and biodiversity should be promoted.

(6) Minimising the risk of pollution and other environmental hazards thereby safeguarding the health of communities and the environment.

5.42 Minimising the risk of pollution and other environmental hazards should be supported through specialist training and by making individuals aware of the action that they can take to reduce risks and safeguard the health of the community.

Operational Strategy

5.43 Each project that will be supported by the programme will have to contribute to the relevant environmental sustainability objectives. The environmental sustainability targets that have been integrated into the Priorities (Chapter 4) will be a strong lever to encourage projects to contribute to the environmental sustainability objectives. Specific activities to support the implementation of the environmental sustainability theme will include:

- specialist advice available at an early stage to ensure that opportunities to contribute to the environmental sustainability objectives are integrated into project plans;

- guidance available to show project sponsors how they can integrate the appropriate activities into project plans. These activities would include the integration of environmental sustainability into mainstream skills programmes and the delivery of specialist skills training aimed at promoting economic growth in the environmental sector;

- support will be provided to project sponsors by the environmental sustainability advisers within WEFO and the competent environmental authorities (Environment Agency and Countryside Council for Wales) will participate within partnerships;

- monitoring of environmental sustainability indicators and targets and the provision of annual reports to the PMC on progress in achieving the environmental sustainability objectives;

5.44 An analysis has been carried on the intended impact of supported activities on the Programme's environmental sustainability objectives. This is represented in the form of a matrix available at Annex E.

5.45 The indicators for the Environmental Sustainability cross cutting theme are included within the main Indicators and Targets tables, in each of the Priorities in Chapter 4.

Chapter 6: Implementing Provisions

Introduction

6.1 This chapter sets out the implementation provisions for the West Wales and the Valleys Convergence ESF Operational Programme. Information is provided in accordance with Council Regulation (EC) No 1083/2006 of 11 July 2006, which lays out the general provisions on the European Regional Development Fund (ERDF), the European Social Fund (ESF) and the Cohesion Fund. Further information is provided in accordance with Regulation (EC) No 1081/2006 on the ESF, Regulation (EC) No 1080/2006 on the ERDF, and Regulation (EC) No 1828/2006 setting out the implementation rules.

6.2 The following text does not substitute for the Council Regulations 1083/2006, 1080/2006, 1081/2006 or Commission Regulation 1828/2006 and in instances of uncertainty or conflict, these Council Regulations prevail over the Implementing provisions. The provisions will be supplemented by any decisions, rule and guidance adopted pursuant to Council Regulation (EC) No 1083/2006[189].

Designation Of Authorities

6.3 The programme will be managed in accordance with the principle of sound financial management. Responsibilities for management of the programme by the Welsh Assembly Government give full recognition to this principle and the need for appropriate separation of functions. In particular:

- appropriate separation between the functions of the Managing Authority, Certifying Authority and Audit Authority in accordance with Article 58 of Council Regulation 1083/2006; and
- appropriate separation between the verification functions identified in Article 13 of Commission Regulation 1828/2006 and the Welsh Assembly Government as a beneficiary under the Programme.

6.4 The Welsh European Funding Office (WEFO) is part of the Welsh Assembly Government (WAG) and, as Managing Authority, has overall co-ordination responsibility for management and control issues for the 2007-2013 EU funded programmes. The WEFO Director reports through the Director of Economy and Transport (DE&T) to the Permanent Secretary of WAG. The WEFO Director is responsible for the Managing Authority and Certifying Authority. The Audit Authority reports through an independent line through the Internal Audit Services to the Finance Director of WAG. In order to address any conflict of interest arising from the fact that the WEFO Director reports to the Director of a WAG Department which is also a Structural Funds beneficiary (i.e. DE&T), it has been agreed that the WEFO

[189] All Articles referred to relate to Council Regulation (EC) No. 1083/2006 of 11 July 2006 – General Provisions on the European Regional Development Fund, the European Social Fund and the Cohesion Fund, except where otherwise stated. In terms of legal basis, this text does not substitute the above regulation.

Director will have an independent reporting line to the Permanent Secretary of WAG on issues where arbitration is necessary. The organogram at Annex F provides an overall picture of the key responsibilities and reporting lines within the Welsh Assembly Government.

Managing Authority

6.5 The Managing Authority for the West Wales and the Valleys ESF Convergence programme will be the Welsh Ministers. It is anticipated that the management functions of the Managing Authority will be exercised by staff of WEFO under the authority of the relevant Welsh Minister.

6.6 There is a clear separation of functions within WEFO and organisational charts can be found on the WEFO website[190]. Within twelve months of the approval of the Operational Programme a description of the systems, organisation and procedures of the Managing Authority will be produced in accordance with Article 71.

6.7 In accordance with Article 60, and the principles of sound financial management, the Managing Authority will be responsible for:

- ensuring that operations are selected for funding in accordance with the criteria applicable to the operational programme and that they comply with applicable Community and national rules for the whole of their implementation period;
- ensuring that, for the purposes of the selection and approval of operations under Article 60 (a), beneficiaries are informed of the specific conditions concerning the products or services to be delivered under the operation, the financing plan, the time-limit for execution, and the financial and other information to be kept and communicated. It shall satisfy itself that the beneficiary has the capacity to fulfil these conditions before the approval decision is taken;
- carrying out verifications under Article 60(b), to cover administrative, financial, technical and physical aspects of operations, as appropriate. Verifications shall ensure that the expenditure declared is real, that the products or services have been delivered in accordance with the approval decision, that the applications for reimbursement by the beneficiary are correct and that the operations and expenditure comply with Community and national rules. They shall include procedures to avoid double-financing of expenditure with other Community or national schemes and with other programming periods. Verifications shall include the following procedures:
    - administrative verifications in respect of each application for reimbursement by beneficiaries;

[190] Link to organisational charts: http://www.wefo.wales.gov.uk/default.asp?action=page&ID=84

- on-the-spot verifications of individual operations.

- ensuring that on-the-spot verifications are carried out on a sample basis for an Operational Programme. The Managing Authority shall keep records describing and justifying the sampling method and identifying the operations or transactions selected for verification. The Managing Authority shall determine the size of the sample in order to achieve reasonable assurance as to the legality and regularity of the underlying transactions, having regard to the level of risk identified by the Managing Authority for the type of beneficiaries and operations concerned. It shall review the sampling method each year;
- establishing written standards and procedures for the verifications carried out and keeping records for each verification, stating the work performed, the date and the results of the verification, and the measures taken in respect of irregularities detected;
- ensuring adequate separation of functions in accordance with Article 58 (b) for arrangements for the verifications, where the body designated as the Managing Authority is also a beneficiary under the Operational Programme;
- ensuring that there is a system for recording and storing in computerised form accounting records for each operation under the Operational Programme and that the data on implementation necessary for financial management, monitoring, verifications, audits and evaluation are collected;
- ensuring that beneficiaries and other bodies involved in the implementation of operations maintain either a separate accounting system or an adequate accounting code for all transactions relating to the operation without prejudice to national accounting rules;
- ensuring that evaluations of the Operational Programme are carried out according to Article 47;
- setting up procedures to ensure that all documents regarding expenditure and audits required to ensure an adequate audit trail are held in accordance with the requirements of Article 90;
- ensuring audit trails are adequate in line with the Implementing Regulation. For the purposes of Article 60 (f), an audit trail shall be considered adequate where, for the Operational Programme concerned, it complies with the following criteria:

    - it permits the aggregate amounts certified to the Commission to be reconciled with the detailed accounting records and supporting documents held by the Certifying Authority, Managing Authority and beneficiaries as regards operations co-financed under the Operational Programme;

- it permits verification of payment of the public contribution to the beneficiary;
- it permits verification of application of the selection criteria established by the Programme Monitoring Committee for the Operational Programme;
- it contains in respect of each operation, as appropriate, the technical specifications and financing plan, documents concerning the grant approval, documents relating to public procurement procedures, progress reports and reports on verifications and audits carried out.

- ensuring that the Certifying Authority receives all necessary information on the procedures and verifications carried out in relation to expenditure for the purpose of certification;
- the reporting and monitoring procedure for irregularities and for the recovery of amounts unduly paid in accordance with Article 58 of Regulation (EC) 1083/2006. This will ensure the protection of the European Communities financial interests (Regulations (EC) No.'s 2988/95 and 2185/96).
- guiding the work of the Programme Monitoring Committee and providing it with the documents required to permit the quality of the implementation of the operational programme to be monitored in the light of its specific goals;
- drawing up and, after approval by the Monitoring Committee, submitting to the Commission the annual and final implementation reports;
- ensuring compliance with information and publicity requirements laid down in Article 69; and
- providing the Commission with information to allow it to appraise major projects.

Certifying Authority

6.8 The Certifying Authority for the West Wales and the Valleys ESF Convergence programme will be the Welsh Ministers. It is anticipated that the the management functions of the Certifying Authority will be exercised by staff of the Welsh European Funding Office (WEFO) under the authority of the relevant Welsh Minister.

6.9 There is a clear separation of functions within WEFO. Within WEFO, the functions of the Managing Authority and Certifying Authority will be functionally separate, with a clear division of responsibilities and management arrangements. An organisational chart is available on the WEFO website[191]. Within twelve months of the approval of the Operational Programme a description of the systems,

[191] Link to organisational charts: http://www.wefo.wales.gov.uk/default.asp?action=page&ID=84

organisation and procedures of the Certifying Authority will be produced in accordance with Article 71.

6.10 In accordance with Article 61 the Certifying Authority will be responsible for:

- drawing up and submitting to the Commission certified statements of expenditure and applications for payment;
- certifying that:
    - the statement of expenditure is accurate, results from reliable accounting systems and is based on verifiable supporting documents;
    - the expenditure declared complies with applicable Community and national rules and has been incurred in respect of operations selected for funding in accordance with the criteria applicable to the programme and complying with Community and national rules;
- ensuring for the purposes of certification that it has received adequate information from the Managing Authority on the procedures and verifications carried out in relation to expenditure included in statements of expenditure;
- taking account for the purposes of certification of the results of all audits carried out by or under the responsibility of the Audit Authority;
- maintaining accounting records in computerised form of expenditure declared to the Commission;
- keeping an account of amounts recoverable and of amounts withdrawn following cancellation of all or part of the contribution for an operation. Amounts recovered shall be repaid to the general budget of the European Union, prior to the closure of the Operational Programme by deducting them from the next statement of expenditure; and

- sending to the Commission a statement by 31 March each year as from 2008, in the format in Annex XI of the Implementing Regulation, identifying for each priority axis of the Operational Programme:
    - the amounts withdrawn from statements of expenditure submitted during the preceding year following cancellation of all or part of the public contribution for an operation;
    - the amounts recovered which have been deducted from these statements of expenditure; and
    - a statement of amounts to be recovered as at 31 December of the preceding year, classified by the year in which recovery orders were issued.

Audit Authority

6.11 The Audit Authority for the West Wales and the Valleys ESF Convergence programme will be the Welsh Ministers. It is anticipated that the management functions of the Audit Authority will be exercised by staff of the Internal Audit Service (IAS) under the authority of the relevant Welsh Minister.

6.12 IAS is functionally independent of WEFO and will be responsible for verifying the effective functioning of the management and control system. The IAS will offer an opinion on the systems of management and control. IAS staff work to internationally accepted audit standards and consist mainly of qualified or part qualified auditors or accountants. Within twelve months of the approval of the Operational Programme a description of the systems, organisation and procedures of the Audit Authority will be produced in accordance with Article 71.

6.13 In accordance with Article 62, the Audit Authority will be responsible for:

- ensuring that audits are carried out to verify the effective functioning of the management and control systems of the Operational Programme;
- ensuring audits are carried out on operations on the basis of an appropriate sample to verify expenditure declared;
- presenting to the Commission within nine months of the approval of the Programme an audit strategy covering: the bodies which will perform the audits referred to in the two bullets above; the methods to be used; the sampling method for audits on operations; and the indicative planning of audits to ensure that the main bodies are audited and that audits are spread evenly throughout the programming period;
- by 31 December each year from 2008 to 2015:
    - submitting to the Commission an annual control report setting out the findings of the audits carried out during the previous 12 month period ending on 30 June of the year concerned in accordance with the audit strategy of the operational programme and reporting any shortcomings found in the systems for the management and control of the programme. The first report to be submitted by 31 December 2008 shall cover the period from 1 January 2007 to 30 June 2008. The information concerning the audits carried out after 1 July 2015 shall be included in the final control report supporting the closure declaration;
    - issuing an opinion, on the basis of the controls and audits that have been carried out under the responsibility of the Audit Authority, as to whether the management and control system functions effectively, so as to provide a reasonable assurance that statements of expenditure presented to the Commission are correct and as a consequence reasonable assurance that the underlying transactions are legal and regular;

- submitting, where applicable, a declaration for partial closure assessing the legality and regularity of the expenditure concerned;

- submitting to the Commission at the latest by 31 March 2017 a closure declaration assessing the validity of the application for payment of the final balance and the legality and regularity of the underlying transactions covered by the final statement of expenditure, which shall be supported by a final control report; and
- ensuring that audit work takes account of internationally accepted standards

Intermediary Bodies

6.14 The Managing and Certifying Authorities will carry out all tasks as outlined in the above sections and no Intermediary Bodies will be employed as described in Article 59(2).

Partnership

6.15 Sustainable and effective solutions to the challenges facing Wales are increasingly reliant on the direct and active participation of all stakeholders at national, regional and local levels. The Managing Authority is committed to working through good-quality partnerships and networks to rally key stakeholders behind the Lisbon reform agenda so that resources are genuinely focused on growth and jobs.

6.16 In accordance with Article 11, the Managing Authority will work in close co-operation with both the Commission and representative partners at national, regional and local level, including representatives in the economic, social and environmental spheres. This partnership engagement will cover the preparation, implementation, monitoring and evaluation of the Operational Programme.

(a) Preparation of Operational Programme

6.17 The Wales chapter of the National Strategic Reference Framework (NSRF) and this Operational Programme have been developed in partnership with key stakeholders across all relevant sectors including social partners, equality bodies, higher and further education sector, environment agencies, local authorities, the voluntary and community sector, public and private sectors. The main representative partnership input has been provided through the Post-2006 External Stakeholders Group. This is a broad-based partnership forum which brings together representatives of all the key stakeholders.

6.18 Expert input has also been provided through five workstream groups comprising partners from a wide range of organisations in the public, private and voluntary sectors. In particular the Operational Programme Group advised on the preparation of the programme and contributed to the drafting; the Monitoring and Evaluation workstream advised on the development of the monitoring and evaluation systems, including programme and priority level indicators, and provided oversight of

the ex-ante evaluation process; and the Programme Management Workstream supported the development of the implementation strategy, including the arrangements for Strategic Frameworks. In line with the principle of transparency, notes of the meetings of the Post 2006 External Stakeholders Group and the various workstream groups have been published on the WEFO web site[192].

6.19 A public consultation on the Convergence programme took place over the period July to October 2006, supported by regional events. A full list of consultees is given at Annex A. A short summary of the consultation responses is provided as part of the Strategy Chapter (Chapter 3) and a more detailed analysis prepared by CRG Research Ltd has been published, alongside individual consultation responses, on the WEFO web site.

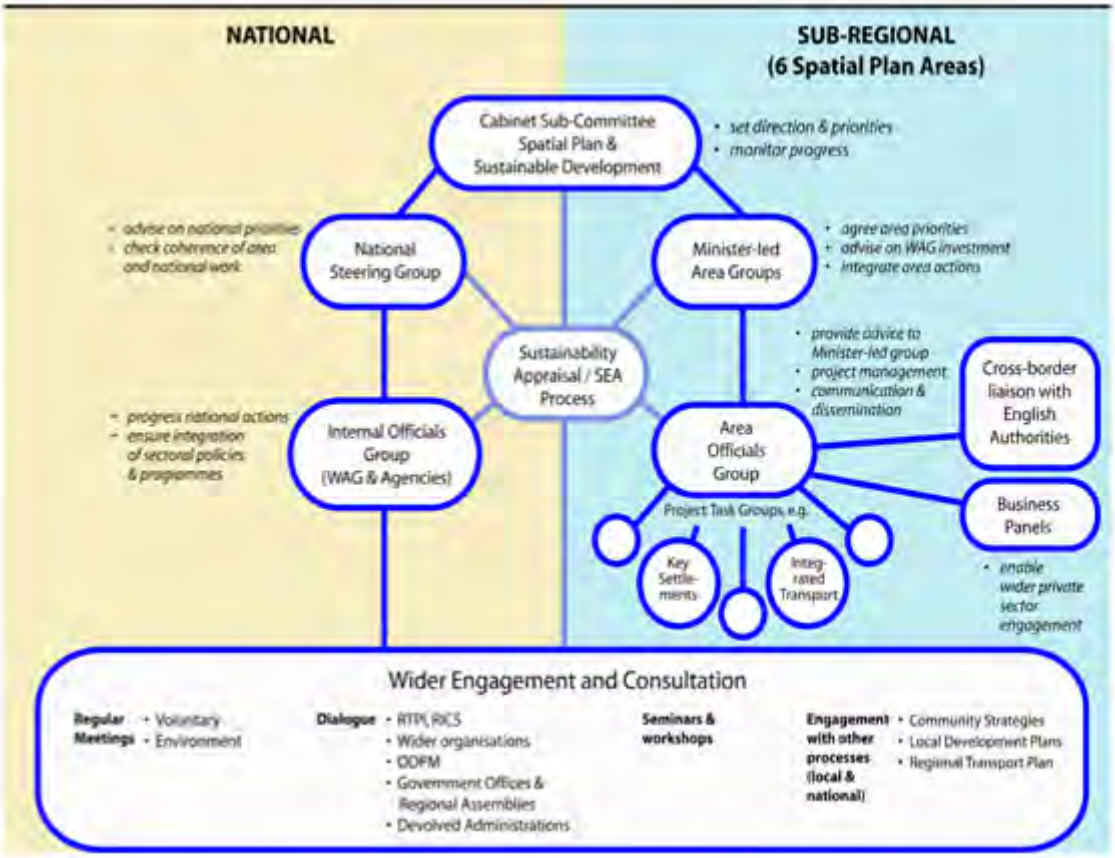
(b) Implementation of Operational Programme

6.20 The active involvement of partners in the implementation of the Operational Programme is a cornerstone of the overall implementation strategy. The Programme Monitoring Committee (see paragraphs 6.26 – 6.31 and 6.34 – 6.38) will work with the Managing Authority to ensure the effectiveness and quality of the implementation of the Operational Programme. In accordance with Article 11, the Programme Monitoring Committee will be appointed by the Managing Authority and will include representative and expert partners at national, regional and local level in the economic, social, environmental and other spheres.

6.21 The detailed planning of operations for this Programme will be focused by means of a number of "Strategic Frameworks" (see paragraphs 6.39 – 6.48). These frameworks are operational strategies for delivering on the various themes within the Operational Programme. They will be used, along with any other selection and prioritisation criteria established by the Programme Monitoring Committee in line with Article 65(a), to guide the Managing Authority in the selection of projects. All of the frameworks will cover the spatial aspects of delivery, and a number of them will be spatially driven, linked to the Wales Spatial Plan areas and developed through partnership at a local and sub-regional level. These groups are chaired by a Minister of the Welsh Assembly Government and include leaders of local authorities, representatives of business, trades unions, equality organisations, the voluntary sector, environmental organisations, Higher Education and Jobcentre Plus.

[192] At www.wefo.wales.gov.uk

Figure 26. Wales Spatial Plan Collaboration and Implementation Structures



6.22 The thematically driven Strategic Frameworks will be developed and implemented through active engagement with partnerships relevant to the themes that they cover. Many of these will be existing, well-established partnerships (e.g. the Wales Employment Advisory Panel, Future Skills Wales Steering Group, Skills for Business Network etc). For some frameworks there will be a need to establish new bespoke arrangements. The arrangements for partnership engagement will provide an open, efficient and effective means of gathering stakeholder views on and input into the development and future refinement of Strategic Frameworks. These arrangements will also facilitate genuine constructive challenge.

6.23 Strategic Frameworks will be posted in draft form on the WEFO website for comment prior to their agreement, allowing for the widest possible engagement of individuals and organisations at all levels. The website will also provide a space for prospective project sponsors to publicise brief details of their project ideas with a view to encouraging partnership and collaboration at a project level.

6.24 The Managing Authority will ensure that each Strategic Framework is developed and kept under review in partnership with relevant stakeholders. The partnership arrangements for each framework will require the agreement of the Managing Authority and will be described clearly within the framework documents for the information of all stakeholders.

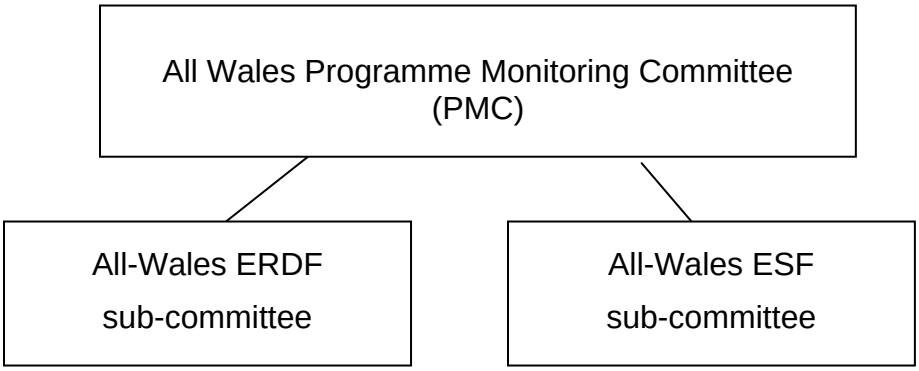
6.25 In accordance with Article 5 of the ESF Regulation [1081/2006], the Managing Authority will promote good governance and partnership, including by encouraging the participation of social partners in programme activities. This includes allocating an appropriate amount of ESF resources to capacity building actions as defined in Article 5(3). The Managing Authority will also encourage participation and access by voluntary and community organisations, particularly in projects that promote social inclusion, gender equality and equal opportunities.

(c) Monitoring of the Operational Programme

6.26 In accordance with the provisions of Article 63, a single Programme Monitoring Committee (PMC) will be established for the two Convergence (ERDF and ESF) and the two Regional Competitiveness (ERDF and ESF) programmes in Wales. This will help to maximise the synergies between the respective programmes and promote complementary action across programme boundaries. The single PMC will support the effective transfer of best practice and lessons learned and facilitate a coherent all-Wales approach to issues such as information and publicity, research and evaluation, cross-cutting themes, territorial co-operation and the promotion of innovation. In looking for such integration the Managing Authority recognises that there will be a need for robust arrangements to be in place to ensure that each of the four Programmes is effectively monitored. It is planned to establish two standing sub-committees responsible for monitoring and advising the main PMC on the performance of each of the ERDF and the ESF programmes respectively. The detailed tasks these sub-committees will perform, along with the membership, will be for the full PMC itself to determine and elaborate within the rules of procedure.

6.27 The PMC, at its first meeting, will be invited to discuss and agree the membership and functions of the two standing committees and decide the level at which its responsibilities will be discharged by them in accordance with the European Regulations. During the programming period 2007–2013, the PMC may decide to establish other sub-groups, either of a task and finish variety or on a more permanent basis. Where necessary the Committee may propose to the Managing Authority that other experts or stakeholder groups may be appointed to advise such sub-committees. The proposed model is given at Figure 27:

Figure 27. Proposed Committee Structure



6.28 The PMC shall comprise 24 Members plus a Chair. The Chairs of the PMC and its standing committees will be representatives of the Managing Authority. The European Commission, staff of WEFO and, where appropriate, the EIB and EIF shall participate in an advisory capacity in the PMC and its committees.

6.29 In line with the provisions of Article 11, the majority of members will be drawn from principal regional partners and statutory bodies as follows:

Table 32 - Representative Membership of PMC by Sector Organisation

Sector Organisation	Members
Local Government (1 West Wales & the Valleys; 1 East Wales)	2
Welsh Assembly Government: Enterprise, Innovation and Networks	1
Welsh Assembly Government: Education and Lifelong Learning	1
Welsh Assembly Government: Environment, Planning and Countryside	1
Higher Education	1
Further Education	1
Jobcentre Plus	1
Trade Unions	1
Private Sector – Business	1
Voluntary Sector	1
Social Economy	1
Environment Agency/Countryside Council for Wales	1
Commission for Human Rights and Equality	1
Total	**14**

6.30 The balance of the PMC will be made up of 10 experts selected by the Assembly Government following an open competition subject to independent scrutiny. These experts will bring a range of abilities, experiences and qualifications to the functions of the PMC which will complement the qualities of the partnership representatives. These experts will be remunerated in line with the Welsh Assembly Government's normal practice, with payment from domestic sources of funding and not from the Structural Funds.

6.31 We are proposing a minimum target of 40% representation of men and 40% women on the All-Wales PMC, with flexibility over the remaining 20%. We are looking to partner organisations to support this target. Appropriate procedures will also be put in place to ensure complementarity between the ESF and ERDF programmes and the RDP and EFF.

(d) Evaluation of the Operational Programme

6.32 The Managing Authority will build upon the good practice of the 2000-06 Programme by setting up an Evaluation Advisory Group (EAG). The EAG will be chaired by a senior Managing Authority official. Membership will consist of experts drawn from partner organisations including the European Commission and other stakeholders. The group will also include technical specialists from the Office of the Chief Social Researcher, Economic Advice Division and the Statistical Directorate within the Welsh Assembly Government.

6.33 EAG will advise and assist in designing the Monitoring and Evaluation Plan; agreeing research designs; quality controlling final reports; and ensuring that findings are disseminated widely. EAG will have responsibility for engaging technical specialists when required to assist with their work.

Duties of the Programme Monitoring Committee

6.34 The Managing Authority will provide the secretariat function for the PMC and its meetings. The PMC will draw up its own rules of procedure and agree them with the Managing Authority. The PMC's duties are defined in Articles 65 and 66 of Regulation (EC) 1083/2006.

6.35 In accordance with EU Regulation [1083/2006] Article 63 (2), at its first meeting, the PMC shall draw up and approve detailed provisions for the proper and efficient discharge of the duties assigned to it, including the frequency of its meetings (with a minimum requirement of two meetings per year) and the membership and functions of the proposed two standing sub-committees.

6.36 In accordance with EU Regulation [1083/2006] article 65, the PMC and its sub-committees as appropriate shall satisfy itself as to the effectiveness and quality of the implementation of the Operational Programme. The tasks it will undertake shall include:

- the criteria for selecting the operations to be financed and any revision of those criteria in accordance with programming needs; and
- arrangements for reviewing progress towards achieving the specific objectives and targets of the Operational Programme on the basis of documents submitted by the Managing Authority.

6.37 To this end, and in addition to the above functions it shall:

- monitor progress towards achieving the physical and financial indicators and targets set for the Operational Programme and each Priority axis and examine the evaluations referred to in Article 48(3).

- consider and approve the annual and final implementation reports on implementation referred to in Article 67 before these reports are submitted to the European Commission;

- be informed of the annual control reports and of any comments the Commission may make after examining these reports or relating to these reports;

- propose to the Managing Authority any revision or examination of the Operational Programmes aimed at improving their management, including financial management;

- consider and approve any proposals to amend the contents of the approved Operational Programmes.

6.38 To assist the PMC and subcommittees where appropriate in discharging its statutory responsibilities as identified above the Managing Authority will also ensure that the Committee:

- receives information on commitments, expenditure and outputs (planned and realised) for each theme and individual Priorities, at least on an annual basis.

- agrees the use of Strategic Frameworks by the Managing Authority as part of the criteria for the selection of operations. Advises on the alignment of Strategic Frameworks with the objectives and targets in the Operational Programme, including any subsequent modifications, prior to their approval by the Managing Authority;

- considers the Monitoring and Evaluation Plan of the Managing Authority, and any amendments to the Monitoring and Evaluation Plan, as referred to in Article 48(1);

- is consulted on the Innovative Actions Strategy; and
- receives annual reports on the progress of the Cross Cutting Themes.

Implementation and Delivery Arrangements

Planning

6.39 Programme evaluations have identified that overall impact can be improved by ensuring more 'joined up' approaches to project activity and stronger alignment with headline programme objectives. They have also suggested the need for a stronger emphasis on sub-regional collaboration and a simplification of programme structures and implementation arrangements. Furthermore, in the consultation on the Post 2006 programme, there was widespread agreement on the need to adopt a more strategic approach in future to the use of Structural funds.

6.40 The Managing Authority will promote more strategic approaches to implementation, including through the introduction of **Strategic Frameworks**. These frameworks will be Operational Strategies that take as their starting point the Priorities and themes within the Operational Programme. They will help to ensure the focus and concentration of effort needed to optimise use of the structural funds; they will encourage partnership and collaboration and will help establish operational links and co-ordination between projects.

6.41 A Strategic Framework is defined as:

> ***A plan to achieve a particular strategic purpose by means of project interventions that are strategically linked***.

6.42 The Frameworks will be planning documents and not financial instruments. Projects will be the "currency" within the Operational Programme and responsibility for project selection, prioritisation and approval will rest with the Managing Authority. Frameworks will be drawn up in accordance with guidance issued by the Managing Authority and will be used by them in the process of selecting and prioritising projects.

6.43 The Frameworks will provide a clear strategic overview and guidance on the fields of Intervention and the kinds of projects and delivery arrangements that will best deliver on the relevant Theme and Priority. They will identify important strategic connections with other Frameworks and, where there is potential for perceived "overlap", they will explain clearly, for the benefit of prospective sponsors, which kinds of project should be covered by which Framework. They will also identify the scope within their field for Innovative Actions and for Transnational Co-operation (see paragraph 6.53). An indicative list of Strategic Frameworks for the Convergence Programmes is provided at Annex G.

6.44 The development of Strategic Frameworks will be co-ordinated by Welsh Assembly Government Departments and the Wales Spatial Plan (WSP) Area Groups. They will ensure a good alignment between the EU policies for Growth and Jobs and relevant National policies and strategies including the Wales Spatial Plan.

6.45 Dedicated Spatial European Teams (SETs) will be established to support the work of the Spatial Plan Area Groups in co-ordinating the spatially driven Strategic Frameworks. They will also assist thematic Strategic Framework co-ordinators with partnership engagement at a local and sub-regional level. Strategic Framework co-ordinators will also have a role to play, alongside Spatial European Teams and others involved in supporting prospective sponsors, in discussing early ideas with potential project applicants and giving them "without prejudice" views on their likely fit within a framework. The views of Framework Co-ordinators, along with other experts, will be sought by the Managing Authority whenever needed during the course of considering project submissions; but the Managing Authority will make decisions on projects independently on the basis of published Framework content and other PMC-approved selection and prioritisation criteria.

6.46 In agreeing the Strategic Frameworks, the Managing Authority will ensure that the partnership arrangements set out within them provide for a substantial level of "challenge" from the partners and stakeholders engaging in the framework development. As the programme progresses, the results of monitoring and evaluation may highlight the need for adjustment to the framework strategies; therefore it will be necessary to periodically review, adjust and refine their content in consultation with the relevant partnerships. Framework Co-ordinators will remain responsible for co-ordinating this ongoing maintenance of the Frameworks throughout the life of the programme period, which they will continue to do with the active engagement of their partnerships. The responsibilities of Framework Co-ordinators are set out at Annex H.

6.47 Once a Framework is deemed by the Co-ordinator and by the Managing Authority as fit for use, it will be presented to the PMC. Subject to the PMC's advice on its alignment with the Operational Programme and their agreement that it is fit for use as one of the project selection and prioritisation criteria, the Framework will then be agreed by the Managing Authority. Project fit with the Framework will be one of the project selection and prioritisation criteria; other criteria will be approved by the PMC along with the general eligibility criteria to apply to all projects. Figures 28 & 29 illustrate the role of the PMC in this respect and the way in which all criteria will be applied in the selection and prioritisation of projects for approval of grant.

Figure 28. Setting selection and prioritisation criteria

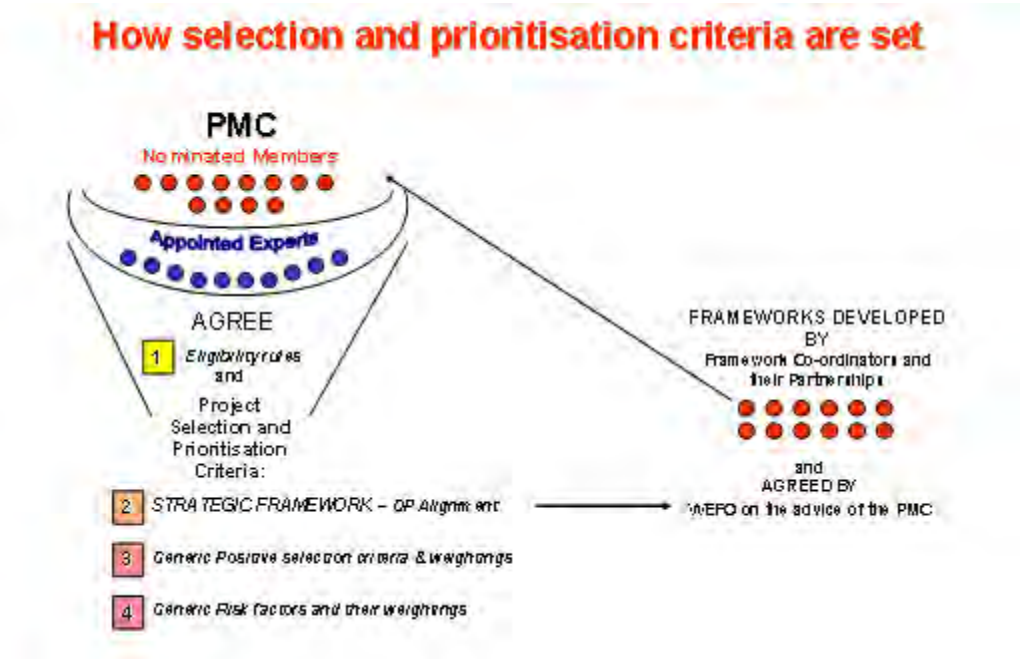
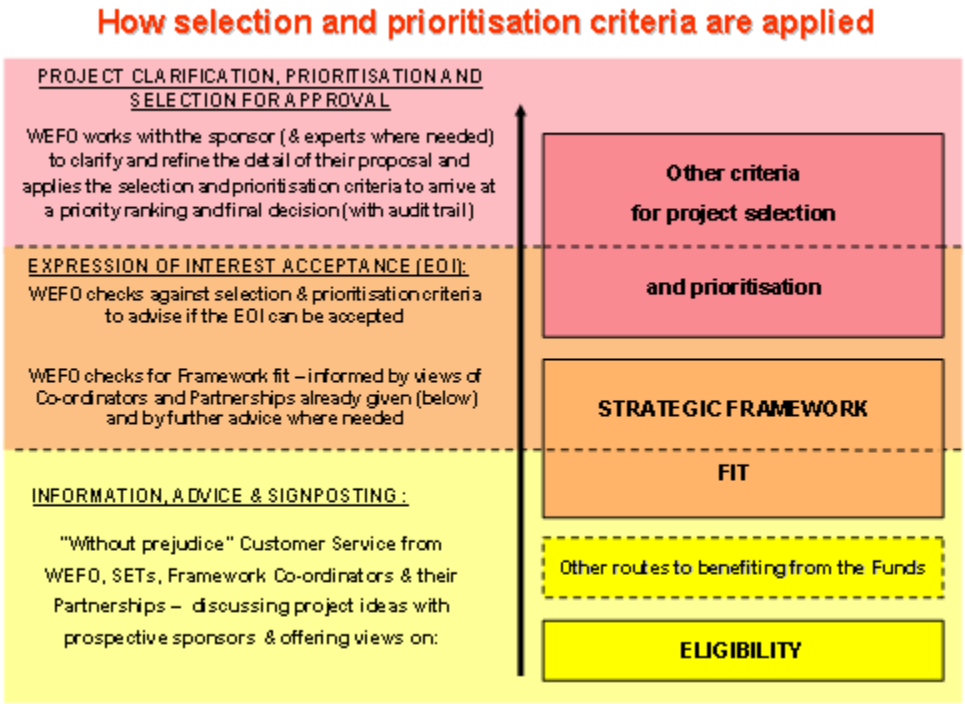


Figure 29. Applying selection and prioritisation criteria



6.48 Once agreed by the Managing Authority, a Framework will be posted on the website, as “AGREED”, for the information and guidance of prospective sponsors and other stakeholders. It will also be used by the Managing Authority Project Development Officers and Priority Controllers in their consideration of Expression of Interest (EOI) requests and in the subsequent selection and prioritisation of projects.

Project handling, selection and prioritisation arrangements

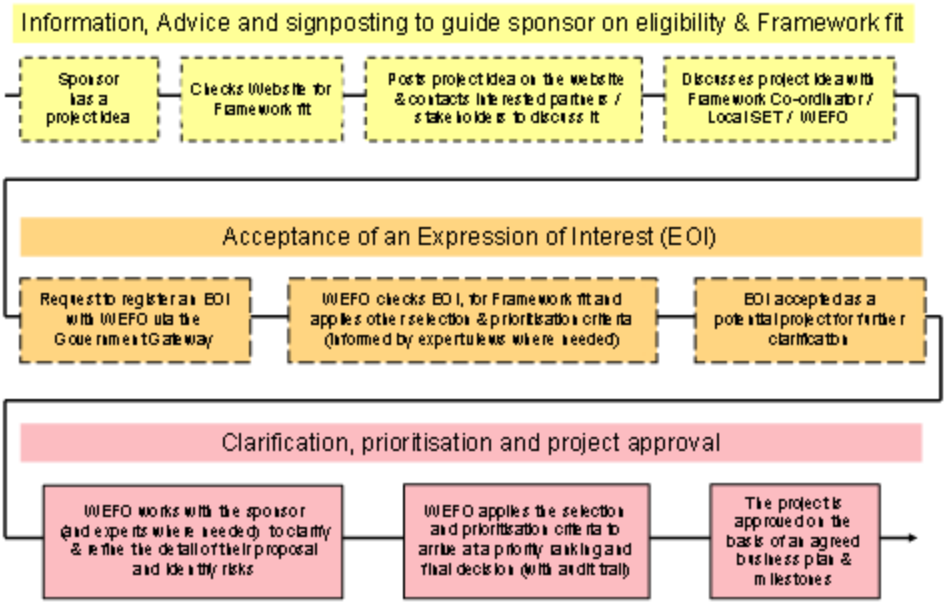
6.49 The Managing Authority will ensure that organisations interested in benefiting from funding through the Operational Programme understand the nature of the programme and the route they need to follow in order to secure a grant. The Managing Authority will provide interactive website facilities to enhance the engagement with stakeholders and prospective sponsors and to enable sponsors to submit their project proposals and their claims electronically.

6.50 The Managing Authority will maintain a Helpline to handle enquiries from prospective sponsors and other stakeholders and to provide initial information, advice and signposting. This will be an important enhancement to previous arrangements and will ensure a good quality of customer service for prospective sponsors and other stakeholders.

6.51 The arrangements for the delivery of the Operational Programme will be straightforward. Strategic Frameworks will provide Operational Strategies to guide the nature of interventions, which will be delivered through projects. The Managing Authority will approve those projects directly and does not envisage the use of Global Grants as defined by Article 42 of Regulation (EC) [1083/2006].

6.52 In addition to the fundamental criteria of eligibility under the rules and the criterion of Framework fit, criteria for the selection and prioritisation of projects, covering important aspects of both benefit and risk, will be approved by the PMC. Figure 30 illustrates the route that a prospective project sponsor will take to secure a Structural Fund grant:

Figure 30. Signposting on eligibility and Framework fit



6.53 Innovative action projects and projects proposing transnational or inter-regional action will be specifically identified by the Managing Authority at the stage of submission of an Expression of Interest and sponsors will be given specific advice and guidance in relation to their implementation, evaluation and dissemination. The Managing Authority will separately monitor these projects and will report on them to the Programme Monitoring Committee. National eligibility rules will apply to all such projects. In the case of all approved projects, the sponsor will be responsible for delivering and spending against profile to achieve the projected outputs and results.

6.54 If a project of any kind is found at any time to be in breach of any of the following conditions, listed below, then that project sponsor will be liable to claw back of funds by the Managing Authority, and projects which sub-contract all or part of their delivery activity will be liable should any of their sub-contractors be found to be in breach of contract, or responsible for irregularities. Welsh Assembly Government procurement requirements in respect of sub-contracted activity will apply to all projects:

- EU Regulations;
- the National rules set to govern the delivery of the Operational Programme;
- State Aid rules; or
- the specific terms and conditions applied to the project by the Managing Authority in their offer of grant letter.

6.55 The Welsh Assembly Government *Value Wales* Department has established two important websites - *Buy4Wales* http://www.buy4wales.co.uk and *Sell2Wales* http://www.sell2wales.co.uk - to ensure a wide, open and transparent approach to procurement for public sector contracts. In addition to advertising tendering opportunities, the *Sell2Wales* site offers information, advice and support for organisations seeking to tender for contracts. In discussion with *Value Wales* the Managing Authority have arranged for all EU–funded projects (regardless of the sector to which the sponsor organisation belongs) to advertise their procurement activities through these sites. This will ensure wide, open and assisted access to opportunities for delivering projects approved under the ESF Convergence and all other 2007-13 programmes.

Implementation of the Cross-Cutting Themes

6.56 The Cross-Cutting Themes form an integral part of management of the Programme and projects. Each Priority within the programme will use the CCT objectives within the context of the activities to be funded. Activity level guidance will be prepared together with best practice case study examples that will provide specific information on how project sponsors can address environmental sustainability and equal opportunities within their project plans. Specialist advisers in Environmental Sustainability and Equal Opportunities work within WEFO and will provide support to framework coordinators, project sponsors and partnerships. Specialist advice will also be available through the involvement of key organisations in the region including the Environment Agency, the Countryside Council for Wales and the Commission for Equality and Human Rights. A key objective will be to provide the specialist input at an early stage in the process to maximise take up of opportunities to promote the themes.

6.57 Cross cutting theme targets set at the level of the activities to be supported by the Convergence Programme provide an important driver for encouraging projects to address the Programme's environmental sustainability and equal opportunities objectives. The horizontal integration of both themes will be viewed as an eligible activity for funding support so that it can offset any potential negative impacts (for example negative environmental externalities) or to maximise the opportunities for integration (for example in a more diverse workforce). Matrices have been prepared that show the detailed activities that will be supported under the Priorities and Themes, to achieve horizontal integration – see Annexes D and E.

Gender Equality and Equal Opportunities

6.58 In accordance with EU Regulation [1083/2006] Article 16, and EU Regulation [1081/2006], Article 6, gender equality and equal opportunities and the protection of all persons against discrimination will be promoted in the preparation, implementation, monitoring and evaluation of the ESF Convergence Operational Programme.

6.59 The programme has been developed in partnership with a wide variety of stakeholders and interested parties, including the statutory and representative equality bodies, through an External Stakeholders Group and five expert, partnership – based workstream groups. The WEFO Equality Adviser has been a standing representative at all five workstream groups, [Operational Programme Workstream, Programme Management and Implementation Workstream, Evaluation and Monitoring Workstream, Territorial Co-Operational and Governance and Compliance Workstream]. This has helped to ensure that equality issues have been firmly on the agenda from the start rather than bolted on at a later stage. The Equality Adviser has also provided expert input to discussions on the equality indicators proposed for the new programme.

6.60 In addition to events organised by partners, WEFO has also held four consultation events across West Wales and the Valleys and each of these has included a workshop on the integration of gender equality and equal opportunities. The feedback from these events and the responses to the formal public consultation indicate broad support for the retention of a specific focus on gender equality in employment in the new ESF programme [included as part of ESF Priority 3] and the integration of equal opportunities into all aspects of the programme through its application as a cross-cutting theme.

6.61 All operations co-financed by the Structural Funds must comply with and where appropriate contribute to Community policy and legislation on gender equality and equal opportunities. The Managing Authority is committed to ensuring that gender equality and equal opportunities are promoted in the preparation, implementation, monitoring and evaluation of the Operational Programme. Equally, the Managing Authority will strive for a balanced participation of women and men in the management and implementation of the operational programme at local, regional and national level. Gender and equality mainstreaming i.e. ensuring the integration of the gender perspective at all stages will be promoted alongside specific actions for women and other groups. Accessibility for disabled persons shall be considered in defining the operations to be supported by the Funds and in the various stages of implementation.

6.62 Each project supported under the programme will be expected to contribute to the relevant equal opportunities objectives, and to adopt the relevant indicators of equality of opportunity set out in Chapter 4 in respect of each priority. Specific activities to support the implementation of the Equal Opportunities theme will include:

- Specialist advice including equal opportunities assessments, will be available at an early stage to ensure the integration of equal opportunities into project plans;

- Specialist advice to projects on equal opportunities mainstreaming issues, provided at early and ongoing stages in the process;

- Activity level guidance together with best practice case study examples that will provide specific information on how sponsors can address gender equality and equal opportunities within their project plans;

- Equal opportunities targets integrated into priorities acting as a lever to encourage projects to contribute. See Chapter 4 for specific priority targets;

- Regular monitoring of progress, allowing for early intervention if necessary;

- update reports to the PMC and other stakeholders;

- Continued involvement of the external Cross Cutting Themes Group;and

- WEFO encouraging key equality organisations to be involved in supporting an effective network of specialist support.

Payment Bodies

Payments from the Commission

6.63 The National Assembly for Wales will receive Structural Funds payments from the European Commission. Payments will be made to the nominated bank account which will be controlled by Finance Division, Welsh Assembly Government. WEFO will liaise with Finance Division to ensure Structural Funds payments from the European Commission are correctly accounted for and are separately identifiable.

6.64 Shortly after the elections for the National Assembly for Wales in May 2007 the functions of the National Assembly for Wales will be transferred to the Welsh Ministers of the National Assembly for Wales (collectively known as the Welsh Assembly Government). At this point the Finance Division of the Welsh Assembly Government, acting on behalf of the Welsh Ministers will receive payments from the Commission.

Payments to Beneficiaries

6.65 The Managing Authority will pay the beneficiaries (projects) on receipt of valid claims in accordance with Article 80. WEFO will be responsible for making payments to beneficiaries. The WEFO Payments Branch will work in partnership with Project Development Officers in the Programme Management Division on project monitoring issues but will be wholly responsible for authorising payments, thereby ensuring a separation of duties between those that approve and those that pay. The branch will

also be separate from the Certifying Authority which will be responsible for making expenditure declarations to the EC. A structure chart for WEFO is available on the WEFO website[193].

6.66 Beneficiaries will be expected to submit claims at regular intervals to report actual expenditure and project activity. Claim intervals will be either monthly or quarterly, to enable close monitoring of projects against approved activity. The claims process will allow sponsors to report progress on the project and to provide revised spending plans which will be essential for monitoring at both project and programme level for N+2 purposes.

6.67 Applicants will generally claim on-line through WEFO's Programme and Project Information Management System (PPIMS) database which it is planned will be introduced through 2007 to 2008. This will provide automatic claim invitation and validation prior to submission. This will ensure all fields in the claim form are fully completed and undertake arithmetic calculations. It will also identify and seek explanations behind any breaches of tolerance where the project is not delivering as approved. This will not only improve the quality of claims submitted, resulting in less having to be returned, but will ensure close project monitoring alerting both WEFO and beneficiaries to issues as soon as they arise. Pre-printed paper claim forms will be available for those sponsors who do not have access to on-line functionality. These will undergo the same validation checks at the point of input into PPIMS by WEFO staff.

6.68 Most beneficiaries will be paid in arrears (they will claim expenditure actually paid out in the previous month/quarter), against a standard grant intervention rate approved for the project. However, to overcome cash flow problems often encountered by voluntary or private, non-profit organisations, WEFO will provide the option of paying these organisations in advance. Beneficiaries will also have the option (where WEFO considers this appropriate) to claim on the basis of need (i.e. the difference between expenditure and income over any given period).

6.69 All projects will be subject to grant retention (normally 10%) subject to satisfactory submission of a final claim and external audit certificate.

Eligibility of Expenditure

6.70 The Managing Authority for the Operational Programme will draw up rules on the eligibility of expenditure in accordance with Article 56(4). These rules will take account of the provisions and exceptions as set out in the ESF Regulation (EC) 1081/2006, the General Regulation (EC) 1083/2006, the Implementing Regulation (EC) 1828/2006, the ERDF Regulation (EC) 1083/2006, existing (and updated) guidance and operational manuals issued by the Managing Authority.

[193] www.wefo.wales.gov.uk

6.71 The Managing Authority will provide the Commission with information on the national rules for eligibility established and applicable to the Operational Programme at the latest by the date of the submission of the description of the management and control systems and the report on the compliance of the systems in accordance with Article 71 of Regulation (EC) [1083/2006].

Interest Generated

6.72 Any interest generated by payments from this Operational Programme to funds as defined in Article 44 shall be used in accordance with the provisions of Article 78(7). For example, interest generated from payments to financial engineering instruments will be reinvested for the benefit of small and medium sized enterprises.

6.73 In accordance with Article 83, any interest generated by the pre-financing shall be posted to the Operational Programme concerned, being regarded as a resource for the Member State in the form of a national public contribution, and shall be declared to the Commission at the time of the final closure of the Operational Programme.

Audit Arrangements

6.74 Project sponsors are required to provide independently verified audit certificates as part of their own project management and in support of payment requests to WEFO. These certificates will need to be provided every 12 months during the life of a project and also at the end of the project. These audits will be undertaken by a suitably qualified auditor external to the organisation claiming the grant.

6.75 Each audit certificate will cover the period from the last audit (or from the start of the project), to the date of the last claim.

6.76 All audit issues will be followed up and decisions fully documented. The presumption will be that any amounts subjected to audit qualification will not be paid until the issue is resolved. If audit issues are raised WEFO will seek assurances from sponsors and auditors for future claims that any amounts disallowed have also been excluded from future claims. All audit issues will be recorded on PPIMS to allow common issues to be identified and followed up.

6.77 WEFO is looking to directly commission an external firm(s) of auditors to undertake project audits for the 2007–2013 Programme. This will ensure greater control and assurance and will provide for a consistent approach across all projects and funds.

Use of the Euro

6.78 In accordance with Article 81, certified statements of expenditure, applications for payment and expenditure in the annual and final reports will be denominated in

euro. The sterling amounts will be converted to euro using the monthly accounting exchange rate of the Commission in the month during which the expenditure was registered in the accounts of the Certifying Authority.

State Aids

6.79 Any public support under this programme must comply with the procedural and material EC State Aid rules applicable at the point of time when the public support is granted. It is the Member State, and in particular the Managing and Certifying Authority who are responsible for the compliance with State Aid rules of all Structural Funds operations within the programme.

6.80 In planning for the new programmes, early consideration will be given to ensuring that any aid awarded has the necessary Commission approval, either by ensuring that it complies fully with an existing approved scheme or a block exemption or by notifying the aid separately. In developing Strategic Frameworks, lead organisations will be required to identify the relevant State Aid cover for activities planned, ensuring that there is a thorough assessment of State Aid issues at an early stage of development, reducing the risk of problems during implementation.

6.81 WEFO, as the Managing and Certifying Authority, will work closely with the Welsh Assembly Government's State Aid Unit and with lead organisations to address State Aid issues identified in relation to the Strategic Frameworks, ensuring that the appropriate level of cover is in place for the various activities proposed under the Strategic Framework. This, in turn, will provide WEFO with robust assurance of State Aid compliance. Building on the experience gained during the existing programme, WEFO will ensure that appropriate systems and procedures are established for dealing with State Aid matters. These will include:

- provision of clear guidance to partners, applicants and staff;
- specific support and guidance during the development stages of projects under a Strategic Framework;
- robust methodology for assessing State Aid in relation to single projects and commissioned proposals; and
- procedures for ensuring State Aid compliance at reporting and monitoring stages.

6.82 In recognition of the ongoing reform of the State Aid rules, WEFO will liaise closely with the Welsh Assembly Government's State Aid Unit to ensure that any changes are built into the practical delivery of the Structural Funds Operational Programme, while ensuring that the full scope of the rules are applied in support of the key priorities identified.

Procedure for Financial Flows

6.83 The Certifying Authority will make all payment claims to the European Commission. Interim and final claims will be derived from declarations of expenditure submitted by beneficiaries. A diagram illustrating these financial flows and the associated financial controls is at Annex I.

6.84 The Managing Authority will maintain systems to identify all receipts from the Commission and individual payments to beneficiaries. Procedures will be in place to ensure that EU regulations on prompt payments are complied with. The Managing Authority will be responsible for ensuring that the payments systems used have robust financial controls. Standards of probity and propriety consistent with those used for UK Government expenditure will be applied to the management of Community funds. As required in Article 37(1)(g)(iv), transparency in the mobilisation and circulation of financial flows will be maintained though defining the procedures used. An outline of how Community funds will flow is as follows:

- The Managing Authority input to WEFO's grants administration system, Programme and Projects Information System (PPIMS), the interim claim expenditure declared by the beneficiaries;

- The Certifying Authority submits requests for payments to the Commission at programme level;

- The Commission makes payments to the Managing Authority's account;

- The Managing Authority certifies and authorises payments to beneficiaries and carries out any recovery action necessary;

- The Managing Authority makes payments to beneficiaries through its BACS account; and

- Where the European Commission requests a refund, the Managing Authority will make the necessary payments.

6.85 The Managing Authority will bear the responsibility for investigating irregularities and making financial corrections as required. Within 2 months following the end of each quarter, the Managing Authority will inform the Commission of any irregularities which have been subject of a primary administrative or judicial finding and with references to irregularities previously reported any significant changes.

Programme and Project Information Management System (PPIMS)

6.86 The WEFO Grants project is developing new ways of working via a web-enabled integrated system to fully comply with Commission compliance requirements, and to better enable beneficiaries to conduct their business with WEFO.

6.87 The web-enabled system being delivered is called PPIMS (Programme and Project Information Management System). The online functionality is being delivered via the Government Gateway, used across government to provide online services.

6.88 The system offers simple secure access to key documents and enables information to be shared across all WEFO offices in an efficient cost-effective way. Within PPIMS all data will be held in one place so access to information on each project will be more readily available than via current systems.

6.89 Sponsors themselves will be able to interact with WEFO online at a number of stages during the project lifecycle. Each sponsor will need to register with the Government Gateway and be given a unique user ID and password which will be used when they need online access. Sponsors will then be able to interact with WEFO online to carry out a number of actions, for example:

- completing Expression of Interest forms;
- completing pre-populated claim forms;
- accessing the latest Business Plan for their project;
- submitting supporting documents; and
- viewing any Article[194] 13 or 17 reports.

6.90 Benefits to project sponsors include:

- the use of standard forms/documents for all Programmes;
- an online claim form which will be pre-populated with data;
- being alerted via email when there is information on the website for their attention and action;

[194] In reference to the Implementing Regulation (EC) 1828/2006

- having all information on the project being held in one place; and

- use of the Government Gateway, which provides a high level of security; all sponsors will be verified against 'known facts' held by WEFO.

6.91 Monitoring data will be collected at the point of submission of the pre-populated claim forms. This data constitutes a mandatory field in the claim. Therefore, monitoring data will need to be provided as part of the claim in order for it to be accepted by PPIMS as a valid claim. The Managing Authority also has the ability to withhold payment for those beneficiaries not providing monitoring data.

6.92 Additionally, WEFO will be able to access management information for reporting to the PMC and Commission more readily, with a clear audit trail being held in one place. The processes that are being designed will be compliant with EU requirements and will be supported by an IT system that will also conform to these same requirements.

Computerised Exchange of Data

6.93 The Commission will establish a computer system to permit the secure exchange of data between the Commission and WEFO. WEFO will be involved in the development, and any major redevelopment, of that computer system. The computer system will be used to exchange information about the Operational Programme as set out in the Commission's Implementing Regulation and noted in Article 37(1)(g)(vi).

6.94 The Commission and WEFO will ensure that the Community and national provisions on the protection of personal data are complied with. Information exchanged shall be covered by professional confidentiality and be protected in the same way as similar information is protected by the national legislation of the United Kingdom.

6.95 In addition, information may not be used for any purpose other than that agreed between the WEFO and the Commission, unless WEFO has given their express consent, and provided that the provisions in force in Wales do not prohibit such use.

6.96 The computer system shall contain information of common interest to the Commission and WEFO. The content of the computer system for data exchange is detailed in Article 40 of the Implementing Regulation (EC) 1828/2006 and will be transmitted in the format given in the annexes of the Implementing Regulation. This will facilitate financial transactions and enable monitoring to be carried out.

6.97 Exchange of data and transactions shall be signed electronically in accordance with Article 37(1)(g)(vi) and the Implementation Regulation. The Commission shall specify the arrangements for use of electronic signatures.

6.98 A document shall be regarded as having been sent to the Commission once it has been signed by WEFO in the computer system. The Commission acknowledges that the date of receipt by the Commission shall be the date on which WEFO sends the documents.

6.99 In cases of *force majeure*, particularly the malfunction of the computer system or the failure of a lasting connection, WEFO may forward information and documents to the Commission in hard copy.

6.100 The Commission will provide the technical specifications for the exchange of data and WEFO will develop its computer systems to meet those specifications.

6.101 WEFO will develop its computer systems to retain the data required for an audit of its accounts. WEFO will set up reliable accounting, monitoring and financial reporting computerised systems in accordance with the general principles of the management and control systems in Article 58.

6.102 WEFO has developed a new computer system PPIMS (Programme and Project Information Management System) and this will contain all the data relating to the financial transactions and monitoring information.

6.103 Extracting data from the PPIMS system will enable WEFO to exchange data with the Commission satisfying Article 66(3) and Article 37(1)(g)vi. WEFO will utilise the standard Web-Application provided by the Commission's newly developed SFC2007 system. Accessing the Commission's web site will be via the Internet (https) using Internet Explorer and entering the data via the menu driven options and screens.

Monitoring and Evaluation

Monitoring and Evaluation Plan

6.104 Detailed plans for monitoring and evaluation will be set out in a Monitoring and Evaluation Plan, as detailed in Article 48(1). The plan will be published on the WEFO website and will be updated regularly. A summary of the Monitoring and Evaluation Plan is set out in paragraphs 6.105 – 6.129, and Annex J – Summary of monitoring and evaluation plan.

Monitoring

6.105 Article 66 states the Managing Authority and the Monitoring Committee will carry out the monitoring by reference to the financial indicators and the indicators referred to in Article 37(1)(c), and specified in the OP under the Priorities (Chapter 4).

6.106 The Operational Programme contains both high-level tracking indicators (also referred to as context indicators) and programme indicators (at Priority level and aggregated to programme level).

6.107 The high-level tracking indicators are derived from the short-listed Lisbon Structural Indicators and the Welsh Assembly Government's economic development strategy, Wales: A Vibrant Economy (see Strategy – Chapter 3). They are used to monitor changes in the socio-economic context of the programme and will be updated where appropriate in the Annual Implementation Report.

6.108 Programme indicators relate to the effects of the intervention. They fall into three categories: output (activity); result; and impact, and are linked together in a logical chain. These indicators are set at Priority level and they have been selected carefully to reflect the breadth of individual priorities, while focusing on the key priority objectives and the cross cutting themes. Monitoring against these indicators will allow Programme progress to be assessed, thereby assisting the management of the Programme. Targets have been set against the Priority level indicators where meaningful targets can be set. Should any UK wide ESF indicators be developed prior to, or during the implementation of the Operational Programme, WEFO undertakes to incorporate these indicators into the ESF Convergence Operational Programme. WEFO propose to assess the suitability of the targets for outputs and results at a mid point in the delivery of the Programme and may propose revisions where they are judged to be no longer reasonable.

6.109 Projects will be required to report against all of the relevant indicators and, where relevant, provide participant level information required under Article 66(2) of the General Regulation [1083/2006] and Annex XXIII of the Implementing Regulation [1082/2006]. Projects will agree with the Managing Authority the timescales for reporting the monitoring data when the project is being developed.

Reporting

6.110 Output and result data will be regularly collected from project managers by the Managing Authority using its grants administration system, PPIMS, to give an up-to-date picture of forecast and actual achievements. These data will be analysed regularly by the Managing Authority and will be reported, as appropriate, to the PMC. These analyses will underpin the need, should it occur, to undertake evaluation under Article 48(3) – see paragraph 6.120. Progress for the impact indicators will be assessed through evaluation and be informed by the output and result data.

6.111 Article 9(3) sets targets for expenditure for specified priorities. Annex IV, of the General Regulation (EC) [1083/2006], contains categories of expenditure to help ensure spend towards those targets. These categories will be used to report on how the programme is targeting assistance at the EU priorities of creating jobs, including

meeting the objectives of the *Integrated Guidelines for Growth and Jobs (2005 to 2008).*

6.112 The Managing Authority will make reports available to the PMC for it to be able to satisfy itself as to the effectiveness and quality of the implementation of all the Operational Programme.

Annual Implementation Reports

6.113 In accordance with Article 67, the Managing Authority will submit electronically an Annual Implementation Report to the Commission within six months of the end of each full calendar year of implementation. The Report will be considered and approved by the PMC and its sub-committees where appropriate; in accordance with Article 65(d). The first report will be due by 30 June 2008.

6.114 The Annual Implementation Report is essential for reviewing Programme progress. In accordance with Article 67 it will contain details of:

- progress in implementing the Operational Programme and its Priorities together with a quantification of the indicators referred to in Article 37(1)(c) at Priority level;

- the financial implementation of the Operational Programme, detailing for each Priority:

    - the expenditure paid out by the beneficiaries included in applications for payment sent to the Managing Authority and the corresponding public contribution;
    - the total payments received from the Commission and quantification of the financial indicators referred to in Article 66(2); and
    - the expenditure paid out by the body responsible for making payments to the beneficiaries;

- for information purposes only, the indicative breakdown of the allocation of Funds by categories, in accordance with the implementation rules adopted by the Commission referred to in Article 103(3);

- the steps taken by the Managing Authority and the PMC to ensure the quality and effectiveness of implementation. This includes monitoring and evaluation, and arrangements to collect data, details of any major problems encountered in implementing the Operational Programme and the action taken in response and the use made of Technical Assistance;

- the measures taken to provide information on and publicise the Operational Programme;

- details of any problems relating to compliance with Community law which have been encountered in the implementation of the Operational Programme and the measures taken to deal with them;

- information on the contribution to the Regions of Economic Change Initiative

- the use made of Technical Assistance;

- the use made of assistance released following financial corrections required in connection with individual or systemic irregularities in the implementation of the Programme, in accordance with Article 98(2); and

- cases where a substantial modification has been detected under Article 57.

Annual Review

6.115 On receiving an Annual Implementation Report as noted above, the Commission and the Managing Authority will examine the progress made in implementing the Operational Programme including the main results achieved over the previous year, financial implementation, and any other issues.

6.116 The Commission may wish to comment on the implementation of the Programme to the Managing Authority, which will report the comments to the PMC and its sub-committees where appropriate, and provide a response to include action taken in response.

Final Implementation Report

6.117 A Final Implementation Report, as required under Article 67(1), will be submitted to the Commission by 31 March 2017. The same content and procedure (submission to the Commission by the Managing Authority after examination and approval by the Programme Monitoring Committee) as for Annual Implementation Reports apply to this final report. However, for the Final Implementation Report on an Operational Programme, the time limit shall be a maximum of five months from the date of receipt of an admissible report. If the Commission does not respond within the time limit, the report shall be deemed to be accepted.

Evaluation

6.118 There are three main areas for evaluation of the Operational Programme. These are Programme level; strategic framework; and project level.

Programme level Evaluation

6.119 The Managing Authority will ensure (Article 47 and 48) that evaluations of the Operational Programme are carried out through a series of ‘on-going evaluations’,

responding to policy and programming needs. These evaluations will be linked to programme monitoring, in particular where programme monitoring reveals a significant departure from the initial goals. Evaluation will also be undertaken where it is intended to substantially alter the design of the programme or where there are any notable changes in the external environment.

6.120 Programme level evaluations will consider the following issues: Relevance; Effectiveness; Efficiency; Utility; Sustainability; and Synergy. In accordance with Article 48(3) the results of these evaluations will be sent to the PMC and the Commission. Annex J contains a summary of the indicative Programme level evaluations.

6.121 The Ex-Ante Evaluations (Article 48) for the Convergence Programmes (ERDF and ESF) were undertaken to ensure that resources are allocated optimally and to maximise the quality of plans for programme implementation. It was an interactive process, with the consultants (appointed in accordance with the public sector procurement requirements) commenting on early drafts of programme documents and revisions being made in light of these comments.

6.122 The Ex-Post Evaluation, Article 49(3), will be undertaken by the European Commission in close co-operation with the Managing Authority.

Strategic Framework and Project Level Evaluation

6.123 The programme level evaluation activity will be complemented by Strategic Framework and project level evaluation. Reporting against the monitoring indicators provides part of the assessment of project progress and impact. For this reason, all project sponsors will be required to undertake or commission evaluations of their projects. The intensity of the evaluation activity will be proportionate to the size or risk of the project and will be agreed with the project at the development stage. Costs associated with undertaking evaluation will be deemed an eligible cost. All project sponsors that are awarded £2 million grant or more (ESF or ERDF) for a single project and all projects involved in implementing innovative actions, as defined in Article 6 of Regulation (EC) 1081/2006, will be required to have the project externally evaluated by independent contractors.

6.124 Evaluation of the effectiveness of Strategic Framework strategies will be essential to inform any framework reviews undertaken during the life of the programme.

6.125 As a result of these enhanced requirements guidance will be developed to assist with the development of evaluation plans and the selection of appropriate evaluation methods at the project development stage. Throughout the programming period the Managing Authority will ensure that the quality of a sample of project level evaluations are assessed to ensure that evaluations are of a suitably robust quality.

Managing Monitoring and Evaluation

6.126 External evaluations will be carried out by experts or bodies, internal (for example the Office of the Chief Social Research Officer, Economic Advice Division or Statistical Directorate) or external, functionally independent of the Managing, Certifying and Audit Authorities.

6.127 The Managing Authority will have overall responsibility for programme-level monitoring and evaluation and for ensuring that advice and guidance on monitoring and evaluation of Strategic Frameworks and projects is provided.

6.128 Evaluation will be undertaken in the spirit of partnership so the work will be overseen by an Evaluation Advisory Group (see 6.32 – 6.33) - Evaluation of the Operational Programme).

6.129 The Monitoring and Evaluation Plan will be presented to the Programme Monitoring Committee for their consideration. Final reports of all research undertaken and commissioned to fulfil the requirements of the plan will be presented to the PMC and its sub-committees where appropriate, and to the Commission.

Publicity and Information

6.130 Information and publicity measures to be carried out by the Member States and Managing Authorities concerning assistance from the Structural Funds shall conform to the provisions of Article 69 and any rules adopted under it, and Chapter II of the Implementing Regulations.

6.131 The Implementation Regulations put forward a common methodology and approach for persons responsible for carrying out information and publicity measures, which takes account of the specific situation of each Member State. The Managing Authority responsible for implementing the programme will be responsible for publicity on the spot. Publicity will be undertaken in co-operation with the European Commission, which will be informed of measures taken for this purpose.

6.132 The information and publicity measures put in place will be presented in a structured form (‘Communication Plan’), clearly setting out the overall aims and target groups; a programme of information and publicity activity; indicative budget and methods of delivery; the responsibility for delivering the activity and ways in which the activity will be monitored and evaluated. The Communication Plan will be published on the Managing Authority (WEFO) website following the European Commission’s assessment of the Plan. The Communication Plan will be submitted to the Commission for examination with four months of the Operational Programme being adopted.

6.133 Communication activity will explain the funding opportunities offered by the Operational Programme, together with raising awareness of how they will benefit and provide added value for West Wales and the Valleys, and the role of the EU in regional development in Wales. The Managing Authority will ensure transparency in the assistance provided by the funds in its communication activity.

6.134 The Managing Authority will ensure that adequate publicity guidelines are available for project sponsors and that project sponsors meet the requirements to publicise the funding received from the Structural Funds programmes placed on them by the Commission Rules (Article 69(1) and the Implementation Regulations).

6.135 The amounts set aside to support the Managing Authority's work on the dissemination of information, publicity and communications for information and publicity are specified in the Technical Assistance Priority.

6.136 The Managing Authority will designate one or more persons to be responsible for the implementation of information and publicity measures, and will inform the Commission of those so designated.

Chapter 7: Financial Allocations

Introduction

7.1 This section explains how resources will be allocated to implement the strategy and the Priorities identified in Chapter 4. In addition to providing the rationale for priority-level financial allocations and proposed intervention rates, it also includes the detailed financial tables required under Article 37(e) of EU General Regulation [1083/2006]. These tables provide a breakdown of the total financial appropriation by year and a breakdown of the Community and national contribution by Priority.

Programme Funding

7.2 West Wales & the Valleys will receive total Community funding of €2.08 billion to support Convergence programmes worth over €4.19 billion. The ESF Convergence programme will receive Community funding of €833 million (40% of the total). When this is combined with national public and private funding, the programme will provide €1.50 billion to boost growth and jobs over the period 2007-2013.

7.3 The analysis underpinning the Convergence programmes points to two key challenges facing West Wales and the Valleys; raising the number of people in employment and increasing average output or added value per job. Meeting these challenges calls for a significant investment in the skills and employment of the people of the region to support the development of a strong, knowledge-based economy and to build sustainable economic growth. It is against this background that the Welsh Assembly Government signalled its intention to build on the progress made to date through Objective 1 by increasing the proportion of overall Structural Fund resources directed towards ESF funded people-related interventions from 35% to 40%. This proposal received widespread support from partners across all sectors during the public consultation on the new programmes.

7.4 The Commission's annual progress report to the Spring 2007 European Council on the *Implementation of the Lisbon Strategy for Growth and Jobs* further underlines the importance of investing in skills and delivering employment opportunities for all. The report concludes that considerable progress is being made in the UK but highlights the need for further action to integrate vulnerable groups into the labour market, including incapacity benefit claimants, disabled people, lone parents, some ethnic minority groups, older people and those from areas of high deprivation. It also emphasises the link between improving the skills of the workforce and improving productivity growth. In response to this report, the European Council adopting a recommendation to the UK in March 2007 as part of its review of progress in implementing the *National Reform Programme* for growth and jobs. The Council recommended that the UK should "*increase basic and intermediate skills, in order to raise productivity, and further improve employment prospects for the most disadvantaged".*

Priority Funding

7.5 The *Integrated Guidelines for Growth and Jobs* emphasise the importance of focussing spend on areas that will drive forward a competitive, knowledge driven economy. Against this background, the *Community Strategic Guidelines* emphasise the importance of concentrating resources both thematically and geographically on the investments that are fundamental for increasing long-term competitiveness, job creation and sustainable development. In deciding how best to allocate resources to support the ESF Convergence Priorities, a range of issues have been considered. Amongst these are:

- how the Structural Funds can best contribute to addressing the priorities in ways which add value to current strategies and actions;
- the requirement to 'earmark' resources against priorities which support the Lisbon strategy. The Welsh Assembly Government's policies for economic development as set out in *Wales: A Vibrant Economy* are very much in line with the Lisbon agenda. These calls for an increase in resources in areas such as skills and employment. 94% of ESF resources under this Programme will contribute to the Lisbon earmarking targets;
- lessons learnt from the experience of the effectiveness of the Objective 1 Programme 2000 – 2006, including the need for simpler programme structures and implementation arrangements to facilitate more "joined up" delivery;
- the responses from the public consultation on the draft programme;
- the ability to absorb available resources within the N+2 timeframe required under the regulations;
- the availability of match funding;
- state aid requirements, and
- the interface with other European programmes such as the European Agricultural Fund for Development (EAFRD) and the European Fisheries Fund (EFF).

Priority 1

7.6 This Priority seeks to ensure that young people have the skills needed, including higher level skills, to make a successful transition into employment. The analysis in the Programme shows that achievement levels are improving but West Wales & the Valleys still lags behind the average for East Wales and Wales as a whole. The region has a lower proportion of young people achieving GCSEs grades A*-G or vocational equivalent coupled with lower A/AS level attainment levels. The proportion of 19-21 year olds without any formal qualifications is higher and the proportion of 19-21 year olds with higher level skills is lower than the UK average. The estimate of the percentage of 16-18 year olds classed as not in education, training or employment (NEET) in 2003-2004 was 13% and the aim is to reduce this to 7% by 2010. Against this background, the Programme introduces a separate Priority which focuses specifically on the needs of young people. The target group is young people aged 11 to 19 who are at risk of underachieving. This is the first time

such a Priority has been introduced, although aspects of this agenda have been taken forward through a variety of actions under the Objective 1 programme. The Programme proposes to allocate around 20% of available resources to tackling issues of underachievement and raising aspirations by adding value to Welsh Assembly Government policies, including 14-19 Learning Pathways and Reaching Higher.

Priority 2

7.7 This Priority aims to raise levels of employment, particularly by reducing levels of economic inactivity. Although West Wales & the Valleys has seen considerable improvements in labour market conditions, with rising employment and falling unemployment, the region still has higher levels of unemployment and economic inactivity than the UK average. As unemployment has steadily declined there has been a stronger focus on those who face particular disadvantages in the labour market. Higher incidence of poor health and an adverse skills profile are features of the economically inactive population. The Programme will allocate around 34% of available resources to helping people into sustainable employment and reducing the risk of certain groups (e.g. people with health related problems, or individuals under formal notice of redundancy) moving from work into unemployment and long-term inactivity. The emphasis will be on supporting harder to help groups within the economically inactive population. While this represents a reduction in funding for active labour market measures when compared with to broadly equivalent actions under the current Objective 1, this is largely offset by the introduction of the new priority for young people (Priority 1).

Priority 3

7.8 This Priority aims to improve skills at all levels, but with a particular emphasis on raising the skills base. Although the position is steadily improving, West Wales & the Valleys still has an adverse skills profile, with a relatively high proportion of individuals without any formal qualifications. There is also evidence of skills gaps at foundation and intermediate levels. This Priority is critical to the success of the overall Convergence strategy and will be the largest in financial terms, absorbing around 40% of the available funding. Around 60% of this funding will be directed towards improving skill levels up to an including Level 3. The Priority will also support the provision of the higher level skills needed to support the knowledge economy and help businesses and workers to adapt to changing economic circumstances. Finally the Priority will have a focus on promoting gender equality in employment. Although the level of funding for gender related interventions will be slightly reduced when compared with the current Objective 1 programme, the focus will be on more targeted interventions aimed at tackling segregation in the labour market. Again, this will be offset by raising skill levels of the lowest performing school leavers under Priority 1.

Priority 4

7.9 This Priority will help to modernise and improve the quality of our public services through targeted investments aimed at making them more customer focused, flexible, integrated, efficient and ambitious. Current service performance is rather patchy and too fragmented. This Priority recognises that public services are an important economic actor, with a procurement budget representing 11% of Wales's GDP. Improving public service performance and efficiency must go hand in hand with efforts to transform the West Wales & the Valleys economy. Responsibility for mainstream service improvement programmes should be, and are, funded through mainstream government programmes. This Priority will absorb just under 4% of the total ESF funding and will be used to support targeted investments aimed at providing the basis for transformational change in service delivery through more effective collaborative working across the public service and raising skill levels in critical areas. It will make a small but important contribution to the overall reform programme set out in *Making the Connections*.

Intervention Rates

7.10 The average intervention rate proposed for the Programme is 64.36%, with the intervention rates for individual Priorities ranging between 55.24% and 65.80%. These rates are based primarily on our historical experience of the current Objective 1 programme and take into account factors such as state aid limits and the availability of match funding. Any modulations to these rates would only be made as per the conditions stated within EU Regulation [1083/2006] Article 52.

Reimbursement Rate

7.11 In accordance with Article 53(1) of EU Regulation [1083/2006], the contribution from the ESF shall be calculated with reference to the total eligible expenditure including public and private expenditure.

Table 33 - West Wales and the Valleys ESF Convergence Programme 2007-2013
Operation Programme Reference (CCI Number): 2007UK051PO002
Priority axes by source of funding (in euros)

								For information	
		Community Funding	National Counterpart	Indicative breakdown of the national counterpart		Total Funding	Co-Financing rate	EIB contributions	Other Funding
		(a)	(b) = (c) + (d)	National Public Funding (c)	National Private Funding (d)	(e) = (a) + (d)	(f) = (a) / (e)		
P1	**Priority 1 - Supplying young people with the skills needed for learning and future employment**	**€123,929,806**	**€65,491,185**	**€59,521,998**	**€5,969,187**	**€189,420,991**	**65.43%**	**0**	**0**
P2	**Priority 2 Increasing employment and tackling economic inactivity**	**€327,810,932**	**€187,024,438**	**€151,890,972**	**€35,133,466**	**€514,835,370**	**63.67%**	**0**	**0**
P3	**Priority 3 Improving skill levels and adaptability of the workforce**	**€331,858,760**	**€172,473,892**	**€131,221,844**	**€41,252,048**	**€504,332,652**	**65.80%**	**0**	**0**
P4	**Priority 4 – Improving public services - Making the Connections**	**€32,985,962**	**€22,740,417**	**€22,680,319**	**€60,098**	**€55,726,379**	**59.19%**	**0**	**0**
P5	**Technical assistance**	**€17,000,000**	**€13,776,151**	**€13,776,151**	**€0**	**€30,776,151**	**55.24%**		
	TOTAL	**€833,585,460**	**€461,506,083**	**€379,091,284**	**€82,414,799**	**€1,295,091,543**	**64.36%**	**€ 0.000**	**€ 0.000**

Table 34 - West Wales and the Valleys ESF Convergence Programme 2007-2013

Operation Programme Reference (CCI Number): 2007UK051PO002

Year by source for the programme (in euros millions)

	Community Funding
	(a)
2007	112,127,211
2008	114,369,755
2009	116,657,150
2010	118,990,293
2011	121,370,099
2012	123,797,501
2013	126,273,451
Grand Total 2007-2013	833,585,460

Table 35 – Indicative allocations by category of intervention[195]

Table 1 CODES FOR THE PRIORITY THEME DIMENSION		
Code	Description	Community Amount
62	Development of life-long learning systems and strategies in firms; training and services for employees ...	149,136,527
64	Development of special services for employment, training and support in connection with restructuring of sectors ...	26,548,701
66	Implementing active and preventive measures on the labour market	215,238,994
67	Measures encouraging active ageing and prolonging working lives	14,340,546
69	Measures to improve access to employment and increase sustainable participation and progress of women ...	16,592,938
70	Specific action to increase migrants' participation in employment ...	6,637,175
71	Pathways to integration and re-entry into employment for disadvantaged people ...	114,724,373
72	Design, introduction and implementing of reforms in education and training systems ...	115,950,651
73	Measures to increase participation in education and training throughout the life-cycle ...	107,436,825
74	Developing human potential in the field of research and innovation, in particular through post-graduate studies ...	16,992,768
81	Mechanisms for improving good policy and programme design, monitoring and evaluation ...	32,985,962
85	Preparation, implementation, monitoring and inspection	8,500,000
86	Evaluation and studies; information and communication	8,500,000
Total		**833,585,460**
Table 2 CODES FOR THE FORM OF FINANCE DIMENSION		
01	Non-repayable aid	833,585,460
Total		**833,585,460**
Table 3 CODES FOR THE TERRITORIAL DIMENSION		
00	Not applicable	833,585,460
Total		**833,585,460**
Table 4 CODES FOR THE ECONOMIC ACTIVITY DIMENSION		
00	Not applicable	833,585,460
Total		**833,585,460**
Table 5 CODES FOR THE LOCATION DIMENSION		
UKL1	WEST WALES AND THE VALLEYS	

[195] These categories of expenditure are indicative and intended for information only.