

# Making the economy work for people on low incomes

May 2018



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# **Making the economy work for people on low incomes**

May 2018



# About the Committee

The Committee was established on 28 June 2016 to examine legislation and hold the Welsh Government to account by scrutinising expenditure, administration and policy matters encompassing (but not restricted to): local government; housing, community regeneration, cohesion and safety; tackling poverty; equality of opportunity and human rights.

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## Committee Chair:



**John Griffiths AM**

Welsh Labour  
Newport East

## Current Committee membership:



**Gareth Bennett AM**

UKIP Wales  
South Wales Central



**Janet Finch-Saunders AM**

Welsh Conservatives  
Aberconwy



**Siân Gwenllïan AM**

Plaid Cymru  
Arfon



**Rhianon Passmore AM**

Welsh Labour  
Islwyn



**Jenny Rathbone AM**

Welsh Labour  
Cardiff Central



**Jack Sargeant AM**

Welsh Labour  
Alyn and Deeside



**Bethan Sayed AM**

Plaid Cymru  
South Wales West

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The following Members were also members of the Committee during this inquiry:



**Joyce Watson AM**

Welsh Labour  
Mid and West Wales



**Mick Antoniw AM**

Welsh Labour  
Pontypridd

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## Chair's foreword

One of our key areas of focus throughout this Assembly is poverty in Wales. It is a priority of the work we undertake – policy, financial and legislative scrutiny. This wide-reaching inquiry looking at how we can ensure the economy works for those on the lowest incomes has taken the Committee outside its more common areas of scrutiny, giving it the opportunity to look at wider issues, such as procurement. This has helped us understand the changes that are needed to reduce poverty, and help increase household incomes.

We have also considered the Welsh Government's approach to economic development, welfare reform and procurement. During this inquiry, the Welsh Government has published a number of critical policies. We have considered these as part of our work. The Economic Action Plan, and the Employability Plan are good starting points, but we want to see more detail on how the ambitions in both these plans will be delivered. It is also essential that these plans set clear objectives. As these plans both stand, we are concerned that they are not detailed enough and too vague in how they will be delivered.

During the course of our inquiry, we heard some very compelling evidence about the impact of work on people's lives. The evidence we heard from the small business and construction sectors was particularly inspiring in showing how they can help drive forward improvements in local economies by providing good quality, meaningful work. It was also heartening to hear of how small changes can make a big difference to people's lives.

We all believe in the importance of work, not just as a means of supplying income, but the broader benefits of work for an individual, their family and their community. However, changes to employment practices and the types of work that are available are driving up levels of in-work poverty. This is unacceptable. As some of the policy levers that can help address this are outside of the Welsh Government's control, we call for them to use the powers they have creatively, to ensure that people living in Wales have access to good quality work which pays a decent wage.

As well as calling for the Welsh Government to do everything it can to minimise the use of zero-hours contracts and maximise the payment of the Voluntary Living Wage, our report also considers the way public procurement can help drive a more inclusive local economy. Procurement is one of the biggest direct policy levers that is available to the Welsh Government, and we believe more needs to be done to make sure it is delivering the best value, not just financially, but socially.

Now is the time to grasp this agenda, and to take forward the changes needed to ensure better jobs and to positively improve people's lives.

John Griffiths AM

Chair, Equality, Local Government and Communities Committee



## Recommendations

**Recommendation 1.** We strongly recommend that a clear tackling poverty strategy is published, which brings together the many strands of poverty reduction work to help provide clear direction and to help the Assembly scrutinise the Government’s approach. The strategy should include clear performance indicators to ensure effective performance management, as well as setting out a broader evidence base to help underpin effective evaluation of different approaches to tackling poverty. .... Page 27

**Recommendation 2.** We recommend that the Welsh Government develops a single, joined-up, implementation plan to deliver the actions set out in the Economic Action Plan and Employability Plan. This should include a set of indicators against which the Government’s progress in delivering its key objectives can be measured, and should be published by the end of 2018, with annual updates thereafter.....Page 28

**Recommendation 3.** We recommend that the Welsh Government:

- sets out clearly the outcomes it expects businesses awarded funding via the Economy Futures Fund to achieve;
- explains how outcomes will be measured; and
- develops robust monitoring procedures to ensure compliance with the Economic Contract.....Page 28

**Recommendation 4.** We recommend that the Welsh Government sets out clearly the potential consequences to businesses of not complying with the Economic Contract. In cases where businesses do not comply with the requirements of the Economic Contract, and do not accept support to meet these requirements, potential sanctions should include enhanced monitoring, publicising serious cases of non-compliance where there is a public interest in doing so, suspending funding, and ultimately clawback of funding.....Page 29

**Recommendation 5.** We recommend that the Welsh Government works with the Chief Regional Officers to ensure that the regional business plans take into account the differences within regions, identify the actions that will address inequalities and benefit those on the lowest incomes within regions..... Page 30

**Recommendation 6.** We recommend that the Welsh Government reviews its Location Strategy to ensure a better spread of public sector jobs across Wales, and

in particular deprived areas. This should include setting out how this approach will attract and relocate jobs to the strategic hubs within the South Wales Valleys, and to other parts of Wales, in particular those areas in West Wales and the Valleys set to lose EU Structural Funding. .... Page 31

**Recommendation 7.** We recommend that the Welsh Government’s enabling plans for the four foundational sectors contain a clear outline of the improvements to pay, security of work and training that it requires in return for the greater sectoral support it will provide. .... Page 32

**Recommendation 8.** We recommend that the Welsh Government clarifies why the construction, energy and health sectors are classed as foundational sectors prioritised for investment in the Valleys but not in other parts of Wales. .... Page 32

**Recommendation 9.** We recommend that the Welsh Government’s enabling plans set out how the support it is providing to foundational sectors will help to address inequalities facing the predominantly female workforce. .... Page 32

**Recommendation 10.** We recommend that the Welsh Government ensures that Working Wales continues to collect data on outcomes and experiences for at least a year after a person has successfully gained employment. .... Page 46

**Recommendation 11.** We recommend that the Welsh Government pilots in-work progression support for the four foundational sectors it has chosen to prioritise. This could include areas such as skill council support or careers advice; and support for increasing understanding of transferrable skills and “on the job learning” to assist people progressing through organisations. .... Page 47

**Recommendation 12.** We recommend that the Welsh Government works with employers in foundational sectors to pilot creating “job ladders” within firms to improve workforce progression. .... Page 47

**Recommendation 13.** We recommend the Welsh Government commits to undertaking a full review of the Code of Practice on Ethical Procurement in Supply Chains by 2020 and takes actions to address any issues identified. The review should consider whether the Code should be placed on a statutory basis. .... Page 61

**Recommendation 14.** We recommend the Welsh Government use the forthcoming procurement fitness checks to assess the extent to which public bodies ensure that businesses comply with ethical employment and community benefits initiatives. .... Page 61

**Recommendation 15.** We recommend the Welsh Government uses the procurement fitness checks to review the approach to monitoring ethical employment practices and community benefits policies. The findings of such a review should inform the development of guidance to the public sector on monitoring and reviewing compliance.....Page 61

**Recommendation 16.** We recommend that the Welsh Government carries on its work to explore the potential for using “equality benefit” clauses in procurement, and the potential for requiring contractors to develop action plans to advance women in their company and industry.....Page 62

**Recommendation 17.** We recommend the Welsh Government publish the composition, terms of reference, and details of meetings of the Fair Work Board on the Welsh Government website immediately. Going forward, the Welsh Government should commit to publish the findings of any work undertaken by the Board, along with its responses to the Board’s recommendations.....Page 68

**Recommendation 18.** We recommend that the Welsh Government place requirements on any company receiving Welsh Government support through funding covered by the Economic Contract or otherwise to minimise the use of zero hours contracts. As part of this, the Welsh Government should support organisations to overcome potential barriers to offering secure contracts. As a minimum, companies should have to offer employees the option to move onto secure contracts after a set period of employment, which we suggest should be 3 months.....Page 69

**Recommendation 19.** We recommend that the Welsh Government develop a broad and wide-reaching campaign to encourage payment of the voluntary living wage within both the private and public sector in Wales. Such a campaign should highlight the economic benefit to businesses and should celebrate those employers that already pay the voluntary living wage. ....Page 77

**Recommendation 20.** We recommend that the Welsh Government incentivises the payment of the voluntary living wage when considering applications for financial support covered by the Economic Contract. This should be seen as a core requirement for larger businesses who employ at least 250 staff.....Page 78

**Recommendation 21.** We recommend that the Welsh Government place a requirement on all companies, with between 50-249 employees, who receive support as part of the Economic Contract to publish data on their gender pay gaps. ....Page 79

**Recommendation 22.** We recommend that the Welsh Government publish an action plan setting out what it will do to reduce the gender pay gap once the Fair Work Board has published its recommendations. This action plan should contain clear milestones, targets and actions. ....Page 79

**Recommendation 23.** We recommend that, as part of any consideration of the devolution of powers on the administration of Universal Credit, the Welsh Government undertakes and publishes analysis of the benefits and risks.....Page 83

## 1. Introduction

This is the third strand<sup>1</sup> of the Committee's work looking at poverty in Wales. For this report, we took a wide range of oral and written evidence, which included hearing directly from people on low incomes. We have taken account of key policy developments, including the publication of the Welsh Government's Economic Action Plan.

**1.** This inquiry is most substantial in terms of the amount of evidence. It has built on our previous evidence and conclusions, in particular relating to employability arising from our Communities First work<sup>2</sup> and our budgetary scrutiny, and one off Ministerial scrutiny sessions on work such as the Valleys Task Force.

### TERMS OF REFERENCE FOR THE INQUIRY:

How the Welsh Government's economic strategy and employability plan can:

- create more inclusive economic growth that benefits people and places equally across Wales;

- interact with the UK Government's Work and Health Programme;

- reduce the proportion of people on low incomes in Wales; and

- address economic inequalities between different groups of people;

An exploration of low pay sectors, and measures to improve pay of low-paid workers such as the living wage;

Ways to increase the security of work in Wales; and

The role that welfare benefits play in supporting people on low incomes in Wales.

There are a number of ways in which "low incomes" can be defined including:

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<sup>1</sup> We have already undertaken work looking at Communities First and taking an asset based approach to poverty reduction.

<sup>2</sup> **Communities First: Lessons Learnt Full Report, October 2017**

When a household's income is less than 60 of the median income of similar types of households. The Department of Work and Pensions currently collects and publishes data on this indicator.

A household where the main wage earner earns less than the voluntary Living Wages hourly rate.

When an individual's resources are not sufficient to meet their minimum needs (including social participation).<sup>3</sup>

2. Our work has not considered the issues arising from automation and how this may impact on jobs. The Economy, Infrastructure and Skills Committee are currently looking at this issue<sup>4</sup> in detail, and we look forward to their views and analysis.
3. Along with written submissions, and our oral evidence sessions, we also held eight focus groups across Wales.<sup>5</sup> These were helpful in understanding the lived experience of people on low incomes. Listening to those with direct experiences is essential to informed scrutiny and effective policy development.
4. We would like to thank everyone who participated in our work.
5. During the course of our inquiry, there have been a number of policy announcements from the Welsh Government. Firstly, the Welsh Government published **Prosperity for All**, followed by the **Economic Action Plan** (the EAP). Our written and oral evidence with stakeholders were gathered after Prosperity for All was published, but before the EAP was published. To ensure our conclusions reflected new developments, people were invited to submit additional evidence on the EAP, that were relevant to, this inquiry. These informed our final evidence session with the Cabinet Secretary for Economy and Infrastructure, Ken Skates AM (the Cabinet Secretary) and the Minister for Welsh Language and Lifelong Learning, Eluned Morgan AM (the Minister).
6. Another significant policy document, The Employability Plan, was not published until after we had finished taking evidence. We considered the Employability Plan against the evidence we had taken, which has enabled us to make some recommendations around the Plan.

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<sup>3</sup> This definition has been adopted by the Joseph Rowntree Foundation [www.jrf.org.uk/report/definition-poverty](http://www.jrf.org.uk/report/definition-poverty) [accessed 10 May 2018]

<sup>4</sup> Economy, Infrastructure and Skills Committee, **Automation and the Welsh economy inquiry**

<sup>5</sup> Focus groups with people from Swansea, Caernarfon, Blaenau Ffestiniog, Conwy, Lampeter, Ton Pentre, Cardiff, Merthyr Tydfil, Ebbw Vale, Torfaen and Rhondda Cynon Taff.

## 2. Welsh Government's Strategic Approach to economic development

We note the Welsh Government's change in approach to economic development. However, we are concerned that there is not enough detail on how the Government will deliver its ambitious agenda, and we call for the Government to set out more clearly how it hopes to achieve this.

7. Before we started this inquiry, the Cabinet Secretary indicated there would be a significant shift in economic development policy. He said it would:

- Take a regional approach to ensure that growth and prosperity are spread across Wales;
- Prioritise a smaller number of foundational sectors nationally, including healthcare and energy but will encourage regions to develop their own sector specialisms and to align skills policies with local needs; and
- Empower communities with the tools they need to access work, for example stronger employability skills, better transport infrastructure and better jobs closer to home.<sup>6</sup>

8. **Prosperity for All** was published in September 2017. On the publication of this over-arching strategy, the First Minister said:

“...prosperity is about far more than material wealth and cannot be determined, or delivered, indeed, by economic growth alone. It is about every person in Wales enjoying a good quality of life, living in a strong, safe community and sharing in the prosperity of Wales...

...This strategy takes our commitments in Taking Wales Forward, places them in a long-term context, and sets out how they will be delivered in a smarter, more joined up way that cuts across traditional boundaries, both inside and outside government.”<sup>7</sup>

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<sup>6</sup> [Wales Online](#), 20 March 2017

<sup>7</sup> National Assembly for Wales, Plenary, 19 September 2017, RoP [14:44].

9. Giving oral evidence before the publication of the EAP, the Bevan Foundation said they wanted to see a shift to:

“...making the economy work for people so that it’s about job quality, it’s about access to work and it’s about improving the quality of services that those jobs deliver.”<sup>8</sup>

10. The Joseph Rowntree Foundation reminded us “that there is no guarantee that economic growth alone will lift people out of poverty”.<sup>9</sup>

11. Citizen’s Advice highlighted the importance of an economic strategy being “cross-cutting” joined up with other Welsh Government actions, policies and programmes, as well as those of other public bodies.<sup>10</sup>

12. Chwarae Teg said that the previous approach to economic development and the focus on priority sectors had not benefited women. They argued for a greater “foregrounding” of gender equality in the economic strategy and action on changing mind-sets and attitudes, including getting more women into the most productive sectors and in leadership roles.<sup>11</sup> Oxfam Cymru also called for greater focus on those groups disproportionality affected by poverty, and in particular, women.<sup>12</sup>

## 2. 1. Measuring economic success

13. A number of stakeholders<sup>13</sup> called for a move away from narrow measurements such as GDP (Gross Domestic Product) and GVA (Gross Value Added), to a broader set of measurements. Both Professor Caroline Lloyd and FSB Wales highlighted the importance of setting clear objectives before deciding on targets and indicators.<sup>14</sup>

14. FSB Wales said a basket of measurements should cover the “economic wellbeing and diversity in local economies”, including business size and

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<sup>8</sup> ELGC Committee, 5 July 2017, RoP [7]

<sup>9</sup> **MEW07 Joseph Rowntree Foundation**, paragraph 1

<sup>10</sup> **MEW04 Citizen’s Advice Cymru**, paragraph 2.12

<sup>11</sup> ELGC Committee, 19 July 2017, RoP [142, 153, 156]

<sup>12</sup> **MEW03 Oxfam Cymru**, section 1

<sup>13</sup> Oxfam Cymru, FSB Cymru, and Professor Karel Williams

<sup>14</sup> ELGC Committee, 5 July 2017, RoP [124] and 19 July 2017, RoP [265]



employment quality.<sup>15</sup> They said that there can be a disconnect between productivity gains and what that actually feels like for people.<sup>16</sup>

**15.** Professor Karel Williams called for a “dashboard of tangible welfare indicators, which would be local and relevant”. These could include indicators like “denser bus services to outlying estates”. He felt these would be more relevant than “an overall metric of a technocratic and remote, top-down kind”.<sup>17</sup> Wales TUC called for a “basket of measures that are more reflective of living standards”. They also wanted to see more indicators about working life, to provide a better understanding of household incomes than a simple GVA measurement.<sup>18</sup>

**16.** Oxfam Cymru suggested that the Well-Being of Future Generations indicators could be considered when looking at the impact of the economy on those on low incomes.<sup>19</sup>

## 2. 2. The Economic Action Plan

**17.** The EAP was published in December 2017. The Government described it as “wide-ranging” and setting out “ambitious proposals” which commit the Government to a “major shift in policy”.<sup>20</sup> At the heart of the EAP is the “economic contract” described as framing the “reciprocal relationship between Government and business to drive public investment with a social purpose”.<sup>21</sup>

**18.** The Cabinet Secretary told us that the new approach would look to improve well-being and wealth while also reducing inequalities. In order to deliver this, the Welsh Government is focusing on:

- the new economic contract, which according to the Government will help “drive inclusive growth and fair work”;
- the Calls to Action,<sup>22</sup> which according to the Government will help to “future-proof the economy”.

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<sup>15</sup> MEW17, FSB Wales

<sup>16</sup> ELGC Committee, 19 July 2017, RoP [264]

<sup>17</sup> ELGC Committee, 5 July 2017, RoP [121]

<sup>18</sup> ELGC Committee, 19 July 2017, RoP [13]

<sup>19</sup> MEW03 Oxfam Cymru, section 2

<sup>20</sup> ELGC(05)-03-18 Paper 2, Welsh Government written evidence, paragraph 8

<sup>21</sup> ELGC(05)-03-18 Paper 2, Welsh Government written evidence, paragraph 10

<sup>22</sup> Businesses that wish to receive Welsh Government support will be expected to contribute to one of the five calls for actions. The five calls are focused on: decarbonisation; innovation

- a regional place based approach, which according to the Government will help identify the strengths, challenges, capabilities of all regions and communities across Wales, and where further investment and intervention is needed.<sup>23</sup>

**19.** The Welsh Government has prioritised three thematic sectors and four foundational sectors in its EAP.<sup>24</sup> The three thematic sectors are:

- tradeable services between residents and non-residents of Wales such as Fintech<sup>25</sup> services and online insurance;
- high-value manufacturing that applies leading-edge technical knowledge to create products, production processes and associated services, such as compound semiconductors and new composites manufacturing; and
- enablers that drive competitiveness for successful business such as digital, energy efficiency and renewables.

**20.** The four foundational sectors prioritised are tourism, food, retail and care. These differ from the foundational sectors prioritised by the Valleys Taskforce. The Valleys Taskforce Delivery Plan prioritises eight foundational sectors – tourism, retail, food, energy, construction, social care, childcare and health.<sup>26</sup>

**21.** The following stakeholders provided their views on the EAP: to this inquiry:

- Oxfam Cymru;<sup>27</sup>
- Civil Engineering Contractors Association (CECA);<sup>28</sup>
- Citizens Advice Cymru;<sup>29</sup>
- The Bevan Foundation;<sup>30</sup>

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entrepreneurship and headquarters; exports and trade; high quality employment, skills development and fair work; and R&D, automation and digitalisation.

<sup>23</sup> ELGC Committee, 25 January 2018, RoP [15-16]

<sup>24</sup> Welsh Government, **Economic Action Plan**, December 2017, page 14

<sup>25</sup> Fintech companies are businesses that use technology to deliver banking and financial services.

<sup>26</sup> Welsh Government, **Valleys Taskforce Delivery Plan**, November 2017, page 21

<sup>27</sup> **MEW03a Oxfam Cymru**

<sup>28</sup> **MEW20a CECA**

<sup>29</sup> **MEW04a Citizen's Advice Cymru**

<sup>30</sup> **MEW11a Bevan Foundation**

- Professor Caroline Lloyd;<sup>31</sup>
- Chwarae Teg;<sup>32</sup>
- Dr Alison Parken;<sup>33</sup> and
- FSB Wales.<sup>34</sup>

**22.** Broadly speaking, they supported the shift of approach outlined in the EAP. All stakeholders provided useful evidence where further changes or improvements could be made. The key points are summarised below.

**23.** While welcoming the EAP, and its commitments to inclusive growth, fair work and greater regional balance, the Bevan Foundation said the EAP is:

“...short on practical actions to achieve these ambitions....not in our view sufficient to achieve a transformation in pay and hence a reduction in poverty.”<sup>35</sup>

**24.** In a similar vein, Chwarae Teg was critical of the EAP’s initial focus on retail and care: – to understand the challenges and opportunities these sectors face. It argued much of this is already known and that there should be a focus on action.<sup>36</sup>

**25.** FSB Wales wanted to see “stronger targets and measures” in the EAP.<sup>37</sup>

**26.** The Bevan Foundation wanted a range of actions, including:

- a commitment to increase the payment of the Voluntary Living Wage;
- more opportunities for low-paid employees to access training and development;
- more adult skills and training provision;
- increasing participation in essential skills learning; and

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<sup>31</sup> **MEW13a Professor Caroline Lloyd**

<sup>32</sup> **MEW15a Chwarae Teg**

<sup>33</sup> **MEW16a Dr Alison Parken**

<sup>34</sup> **MEW17a FSB**

<sup>35</sup> **MEW11a Bevan Foundation**, paragraphs 2-3

<sup>36</sup> **MEW15a Chwarae Teg**, paragraph 13.5

<sup>37</sup> **MEW17a FSB Wales**

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- a commitment to create jobs in places with few employment opportunities.

**27.** Additionally, they wanted the EAP to include clear objectives for specific groups of people, and specific places.<sup>38</sup> Professor Caroline Lloyd highlighted that the EAP did not address inequalities in employment, with apprenticeships, as often having “very rigid gender segregation”, and that there was nothing about “BME access”.<sup>39</sup>

**28.** Professor Caroline Lloyd raised a fundamental concern about the basis on which the EAP had been developed:

“There is a tension in the report [Plan] between a recognition that there is a lack of quality jobs available and an agenda based on employability and skills improvement to enable individuals to access ‘decent jobs’. The report states that ‘We know that improving the level of skills for people from all backgrounds and places in Wales and encouraging a better match between these skills and the needs of employers is the best way of creating better jobs, higher wages and improved health outcomes. These changes help to reduce the pay gap...’ pg 30. Unfortunately, there is no evidence that this is the ‘best’ way to create better jobs. Over many years, skill levels have been rising, yet the number of poor quality jobs has continued to increase. Women out-perform men in educational qualifications but the pay gap persists. Recognising that other forms of intervention are more likely to drive the creation of better jobs would provide a more realistic approach to the role of skills within such an agenda”<sup>40</sup>

**29.** When we raised this disconnect with the Minister, she said that the Government has been “listening to the employers” about their needs, and are discussing these with FE colleges, trying to ensure that apprenticeships are adapted to match jobs available.<sup>41</sup>

**30.** Chwarae Teg noted that the EAP does not “explicitly discuss poverty”. They wanted to see a clearer understanding of how the EAP will “tackle root causes of poverty”.<sup>42</sup>

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<sup>38</sup> [MEW11a Bevan Foundation](#), paragraph 4.7

<sup>39</sup> [MEW13a Professor Caroline Lloyd](#), paragraph 2

<sup>40</sup> [MEW13a Professor Caroline Lloyd](#), paragraph 2

<sup>41</sup> ELGC Committee, 25 January 2018, RoP [158-159]

<sup>42</sup> [MEW15a Chwarae Teg](#), paragraph 13.4

**31.** The Cabinet Secretary told us that the aim of the economic contract was:

“...to provide a bar that any business will have to overcome in order to gain support from the Welsh Government.”<sup>43</sup>

**32.** We explored with him how delivery of the calls to action will be monitored. He told us that the burden of proof would be in the economic contract. In terms of specifics, he said the Welsh Government intended to incorporate the well-being indicators within the action plan. However, he said that targets were not enough and that:

“We need a cultural change and a behavioural change, and that will be delivered through the stick-and-carrot approach of the economic contract and the calls to action and the regional work.”<sup>44</sup>

**33.** He acknowledged that while some economic levers were outside of the Welsh Government’s devolved competence, the Government can use both its financial power and “power of persuasion” to develop a cultural change.<sup>45</sup>

**34.** He also outlined that the definitions devised by the Fair Work Board would help inform the development of measures and indicators.<sup>46</sup> He said that within the economic contract he wanted to incorporate a definition of fair work that “offers security”.<sup>47</sup>

## 2.3. Regional economic development

**35.** The Welsh Government said that the focus on regional economic development would help “tailor our delivery to the specific challenges and opportunities of different parts of Wales”.<sup>48</sup>

**36.** The Cabinet Secretary pointed to the impact of the interventions made by the Welsh Government in Merthyr Tydfil and local government as “a blueprint” for regional development. He said this sort of approach has been “a departure from previous plans that have often sat in silos in isolation”.<sup>49</sup>

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<sup>43</sup> ELGC Committee, 25 January 2018, RoP [38]

<sup>44</sup> ELGC Committee, 25 January 2018, RoP [20]

<sup>45</sup> ELGC Committee, 25 January 2018, RoP [137]

<sup>46</sup> ELGC Committee, 25 January 2018, RoP [21-22]

<sup>47</sup> ELGC Committee, 25 January 2018, RoP [133]

<sup>48</sup> **ELGC(05)-03-18 Paper 2, Welsh Government written evidence**, paragraph 13

<sup>49</sup> ELGC Committee, 25 January 2018, RoP [58-60]

**37.** Stakeholders unanimously supported the focus on regional economic development. A regional approach was also supported by academic research:

“Local employment growth is more important than employment growth in specific sectors in influencing individuals’ wage growth.”<sup>50</sup>

**38.** Professor Caroline Lloyd highlighted the regional variance in pay across Wales.<sup>51</sup> In Blaenau Gwent, Pembrokeshire, Gwynedd, Anglesey and Conwy – more than 30% of workers are paid less than the Voluntary Living Wage. Even at the other end of the spectrum, around 20% of workers in Caerphilly, Cardiff and Neath Port Talbot are paid less than the Voluntary Living Wage.<sup>52</sup>

**39.** The Bevan Foundation said that the areas with the highest proportion of the workforce being paid below the Voluntary Living Wage are in rural areas.<sup>53</sup> The Trussell Trust reported “there are few job opportunities paying enough to cover all the extra expenses involved in living in a rural community”.<sup>54</sup>

**40.** In every area where we held the focus groups we heard about a lack of job opportunities. Participants told us that available work was low paid, and in some areas, like North West Wales, it is seasonal. People in rural areas also spoke about a reduction in jobs that has occurred over recent years.<sup>55</sup>

**41.** The Bevan Foundation said:

“The fundamental challenge in Wales is the lack of jobs.”<sup>56</sup>

**42.** This view was supported by the Trussell Trust who told us the biggest barrier to getting work faced by people accessing foodbanks was a lack of opportunities / jobs in their area.<sup>57</sup>

**43.** In addition to a lack of available jobs, poor transport links create an additional barrier to employment. People living in both rural and urban areas highlighted the importance of decent bus services because the costs of running a car can be too high for people on low incomes. The practical issues include:

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<sup>50</sup> **MEW12 Professor Anne Green, Dr Paul Sissons and Dr Neil Lee**, paragraph 8

<sup>51</sup> **MEW13 Professor Caroline Lloyd, Cardiff University**, paragraphs 12-13

<sup>52</sup> National Assembly for Wales, **In Brief Blog: Poverty in Wales: are we getting the full picture, March 2018** [accessed 12 April 2018]

<sup>53</sup> **MEW11 The Bevan Foundation**, paragraph 7

<sup>54</sup> **MEW06 The Trussell Trust**, paragraph 17

<sup>55</sup> **Notes from the Focus Group meetings**

<sup>56</sup> **MEW11 The Bevan Foundation**, paragraph 4

<sup>57</sup> **MEW06 The Trussell Trust**, paragraph 10

- a lack of basic information about timetables, prices and bus stop locations;
- the difficulties of shift working when relying on public transport at times when the service is less frequent; and
- a number of connections make the journey more unpredictable.<sup>58</sup>

**44.** The Bevan Foundation said that there was a need for “good connections between disadvantaged communities and centres of employment”.<sup>59</sup> Tinopolis Cymru (an independent media production company based in Llanelli) highlighted young people on low incomes who cannot access employment outside their immediate area because of transport issues.<sup>60</sup>

**45.** The Joseph Rowntree Foundation said that there was a number of actions the Welsh Government could take to create employment and reduce poverty:

- Link place-based regeneration with pro-active supply for businesses;
- Offer tax breaks for local job creation;
- Use local planning powers to support job creation; and
- Encourage business ownership models that retain local value (e.g. co-operatives and sustainable social enterprises).<sup>61</sup>

**46.** Tinopolis Cymru welcomed a regional approach. They felt it provided more opportunities for smaller companies and areas such as Llanelli.<sup>62</sup>

**47.** Citizen’s Advice told us that a regional approach to economic development:

“...not only helps us support the local economy and the infrastructure that supports those communities in terms of shops and other facilities, but it also helps address some of the barriers to work that people face in terms of travel, the cost of travel, the time it takes to travel.”<sup>63</sup>

**48.** We heard that certain areas within Wales face greater difficulties. Gwynedd Council said that there is “a growth gap” between North East and North West

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<sup>58</sup> **Notes from the Focus Group meetings**

<sup>59</sup> **MEW11 The Bevan Foundation**, paragraph 5

<sup>60</sup> ELGC Committee, 11 October 2017, RoP [91]

<sup>61</sup> **MEW07 Joseph Rowntree Foundation**, paragraph 4

<sup>62</sup> ELGC Committee, 11 October 2017, RoP [46]

<sup>63</sup> ELGC Committee, 5 July 2017, RoP [20]

Wales.<sup>64</sup> They highlighted the importance of ensuring that public infrastructure investment should be dispersed to ensure growth is supported across Wales.<sup>65</sup>

**49.** We heard a lot of evidence about the impact of spreading public sector jobs to deprived areas. Tinopolis Cymru told us:

“It’s one of the most important things that the Welsh Government can do to ensure that jobs do go to the most disadvantaged areas where there is a high percentage of people living in poverty.”<sup>66</sup>

**50.** They argued that placing jobs in disadvantaged areas enables people to travel to employment areas more easily, highlighting the difficulties of connectivity, in South West Wales where they are based.<sup>67</sup> They said that too many jobs are being centralised in Cardiff when there is no need for the jobs to be located there.<sup>68</sup>

**51.** Tinopolis Cymru said the broader positive impact of moving public sector jobs to disadvantaged areas ensured:

“...that smaller businesses can take advantage of the working population out there...if you move some of the larger departments into the centre of Cardiff, you have those large multinational companies selling sandwiches to the workforce at lunchtime rather than smaller businesses taking advantage of that. So, one thing breeds another. That’s why it’s crucially important that we do move organisations.”<sup>69</sup>

**52.** They also felt that it would help engender confidence, and persuade people of the value in establishing a business within a disadvantaged area.<sup>70</sup>

**53.** Mentrau Iaith supported this view. They cited Traveline Cymru, which is based in Penrhyndeudraeth. The company provides travel information across Wales bilingually, and has helped strengthen the local economy. They said that this model could be replicated in places like Blaenau Ffestiniog, Llanrwst, Bethesda, and Caernarfon. While they would not create hundreds of job, they said creating a small number of jobs would “do a great deal for the sustainability of the

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<sup>64</sup> **MEW08 Gwynedd Council**, paragraph 13

<sup>65</sup> **MEW08 Gwynedd Council**, paragraph 17

<sup>66</sup> ELGC Committee, 11 October 2017, RoP [23]

<sup>67</sup> ELGC Committee, 11 October 2017, RoP [24]

<sup>68</sup> ELGC Committee, 11 October 2017, RoP [34]

<sup>69</sup> ELGC Committee, 11 October 2017, RoP [64-65]

<sup>70</sup> ELGC Committee, 11 October 2017, RoP [82]



Welsh language, and the sustainability of those towns and villages”.<sup>71</sup> They said that the Welsh language is not seen as a skill that has an economic benefit.

**54.** We raised these issues with the Cabinet Secretary. He talked of his commitment to “decentralise and share wealth-creating opportunities across Wales”. He told us:

“...we’re looking at every opportunity to move public sector jobs to those areas where we need to see a greater degree of wealth-creating opportunities....I think right across the public sector there is a role....I do believe it’s incumbent upon us all to make sure that future developments are undertaken where they will have maximum beneficial impact.”<sup>72</sup>

**55.** He said that across the Welsh Government every opportunity was being looked at to add to the development of communities “outside of the intensely urban areas where there is already near full employment”.<sup>73</sup> When pressed on this, he told us that as well as creating public sector opportunities, it was important to get more “private capital” into communities, as well as ensuring better connectivity and a broader range of housing stock. He said it was important that young people did not feel like they had to move away from their communities.<sup>74</sup>

**56.** City and County of Swansea,<sup>75</sup> the Trussell Trust<sup>76</sup> and Oxfam Cymru<sup>77</sup> told us that a more regional approach could lead to more responsive skills development that better reflects the needs of a local labour market. At the core of this would be greater partnership working and building the right local intelligence base.

**57.** FSB Wales wanted to see more regional labour market statistics, which they believed would enable more responsive policy making.<sup>78</sup> They highlighted the variations within regions:

“...lots of these places, or the regions we’re talking about, are as diverse inside themselves as they are between each other.”<sup>79</sup>

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<sup>71</sup> ELGC Committee, 11 October 2017, RoP [38]

<sup>72</sup> ELGC Committee, 25 January 2018, RoP [68]

<sup>73</sup> ELGC Committee, 25 January 2018, RoP [72]

<sup>74</sup> ELGC Committee, 25 January 2018, RoP [75-77]

<sup>75</sup> **MEW02 City and County of Swansea**, paragraph 2.2

<sup>76</sup> **MEW06 The Trussell Trust**, paragraph 40

<sup>77</sup> **MEW3a Oxfam Cymru**, paragraph 2.5

<sup>78</sup> **MEW17 FSB Wales**

**58.** The FSB told us there is:

“...a relationship between the diversity of the local business base and sustainable and resilient labour markets.”<sup>80</sup>

**59.** Wales TUC highlighted the need for a “social partnership approach” to city deals. They said that full engagement with social partners, such as trade unions has not been happening.<sup>81</sup>

**60.** The Cabinet Secretary for Finance spoke about the importance of procurement in regional investment and development. He acknowledged that there were some “major opportunities” with the various city deals, and the South East Wales Metro. He assured us that he would raise issues around skills development with local authorities and other partners.<sup>82</sup>

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<sup>79</sup> ELGC Committee, 19 July 2017, RoP [234]

<sup>80</sup> **MEW17 FSB Wales**

<sup>81</sup> ELGC Committee, 19 July 2017, RoP [137]

<sup>82</sup> ELGC Committee, 21 September 2017, RoP [336]

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## 2. 4. Foundational economy

**61.** The Welsh Government said that the EAP “recognises the important economic and social role of foundation sectors such as care, tourism, food and retail”. The Government describe the foundation economy as:

“The foundation economy provides essential goods and services from the provision of care to the old and young, to the food we consume and the retailers in our high streets. It is the backbone of our local communities across Wales. In parts of Wales, such as some of our rural communities the foundation economy **is** the economy.”<sup>83</sup>

**62.** The EAP aims to targets support to these sectors<sup>84</sup> with cross-Government enabling plans to “maximise impact”.<sup>85</sup>

**63.** The Centre for Research on Socio-Cultural Change define the foundational economy as:

“...the sheltered sector of the economy that supplies mundane but essential goods and services such as: infrastructures; utilities; food processing, retailing and distribution; and health, education and welfare.”<sup>86</sup>

**64.** Most witnesses<sup>87</sup> broadly welcomed the EAP’s focus on the foundational economy within the EAP. Oxfam Cymru said, “recognising the social capital and value of the foundational economy is key to creating an inclusive economy”.<sup>88</sup> Chwarae Teg highlighted that the key to inclusive growth was recognising the value of the foundational economy.<sup>89</sup>

**65.** Professor Caroline Lloyd highlighted that creating jobs in the foundational sectors may not have an impact on pay or incomes, and it was important to have an integrated strategy that looks at “how do we create good-quality jobs and higher paid jobs”.<sup>90</sup>

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<sup>83</sup> [Welsh Government, Prosperity for All: Economic Action Plan](#), page 15

<sup>84</sup> [ELGC\(05\)-03-18 Paper 2, Welsh Government written evidence](#), paragraph 12

<sup>85</sup> [Welsh Government, Prosperity for All: Economic Action Plan](#), page 15

<sup>86</sup> [Centre for Research on Socio-Cultural Change website](#) [accessed 6 April 2018]

<sup>87</sup> This included Dr Alison Parken, Chwarae Teg, and FSB Cymru.

<sup>88</sup> [MEW3a Oxfam Cymru](#), paragraph 2.2

<sup>89</sup> [MEW15 Chwarae Teg](#), paragraph 11.5

<sup>90</sup> ELGC Committee, 5 July 2017, RoP [118]

**66.** Professor Karel Williams pointed out that the care sector does not deliver consistent high quality care or jobs. Both need to be addressed.<sup>91</sup> He said it is essential to ask “citizens-not consumers” what sorts of services they want, and what they define as quality.<sup>92</sup> He also believes there is a need to “rethink policy” more fundamentally, arguing that public sector organisations need to “up their game”. Essentially:

“...we need to stop doing policy to people and ask them what do they want and what do they value.”<sup>93</sup>

**67.** FSB Cymru said the focus needs to shift to working out what interventions ensure we are “getting the maximum social value” from the foundational sectors.<sup>94</sup>

**68.** The Cabinet Secretary said that the enabling plans would help drive up the quality of employment and pay levels in these sectors. He noted that this would help to narrow the gender pay gap,<sup>95</sup> where an “environment and culture” t has allowed women to be paid less.

**69.** The Cabinet Secretary told us childcare had been identified as one of the foundational sectors because of the impact it has on employment. He said that the enabling plan for this sector will recognise the challenges of changing working practices and patterns, and how these challenges can be overcome.<sup>96</sup>

## 2. 5. Our view

**70.** We recognise the Welsh Government’s shift in strategic approach to economic development. It is only through a cross-Governmental approach that we can make significant in-roads into the causes and impact of poverty in Wales. We stated the importance of this in our report on Communities First<sup>97</sup> recommending that “a clear tackling poverty strategy is published, which brings together the many strands of poverty reduction work to help provide clear direction....” We also called for the inclusion of clear performance indicators as well as the setting out of the evidence base to help underpin future evaluation. We were disappointed that this recommendation was rejected by the Welsh Government. While we welcome a holistic approach, we do not believe this

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<sup>91</sup> ELGC Committee, 5 July 2017, RoP [127]

<sup>92</sup> ELGC Committee, 5 July 2017, RoP [192]

<sup>93</sup> ELGC Committee, 5 July 2017, RoP [227]

<sup>94</sup> ELGC Committee, 19 July 2017, RoP [236]

<sup>95</sup> ELGC Committee, 25 January 2018, RoP [25]

<sup>96</sup> ELGC Committee, 25 January 2018, RoP [133]

<sup>97</sup> **Communities First: Lessons Learnt Full Report, October 2017**, paragraphs 176-181

prevents development of a clear anti-poverty strategy. We are therefore making this recommendation again.

**Recommendation 1.** We strongly recommend that a clear tackling poverty strategy is published, which brings together the many strands of poverty reduction work to help provide clear direction and to help the Assembly scrutinise the Government's approach. The strategy should include clear performance indicators to ensure effective performance management, as well as setting out a broader evidence base to help underpin effective evaluation of different approaches to tackling poverty.

**71.** Poverty has remained stubbornly high for too long. The ability of work to deliver a route out of poverty has faltered, as more than half of Welsh working-age adults and children in poverty have at least one person in their household in work. The impact this has on the daily lives of people across Wales is significant, and affects the sustainability of communities. From the evidence we have heard, that all partners appear ready and willing to play their part in trying to address this.

#### Welsh Government strategic approach

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**72.** We welcome the inclusion of the Economic Contract in the EAP and believe this could potentially help bring about the cultural and behavioural change as recommended by the Cabinet Secretary (see paragraph 33).

**73.** While supporting the broad approach the Welsh Government has set out, we are sympathetic to the calls by stakeholders like the Bevan Foundation for a more concrete set of actions with deadlines. It strikes us that the Welsh Government has effectively diagnosed the problem, and is halfway to finding solutions but is not quite there. There are many commitments to action in the EAP but only some of these have clear deadlines. The EAP does not include a set of indicators against which effectiveness can be evaluated.

**74.** We note the Cabinet Secretary's intention to incorporate the well-being indicators into the action plan. We also know that the Fair Work Board will help shape the indicators. But, considering that the importance of evaluation has been a recurring theme during the lifespan of Welsh devolution, we think it is a missed opportunity that the EAP did not bring all of this together in one document. Such a fundamental shift in approach needs careful and considered monitoring and evaluation. This is lacking in the EAP.

**75.** The lack of indicators and milestones is a significant omission. We believe it is important that this is rectified as soon as possible to ensure that it has the necessary bite. Otherwise, its many good intentions will not be fully implemented.

**76.** We note that delivery of the EAP is inextricably linked with the Employability Plan, and the work of the Fair Work Board. We acknowledge that there is an element of choreography needed between the development of each of the individual streams, but it is very difficult to understand how they will interlink and work together, when not all of this work has been completed and / or published.

**Recommendation 2.** We recommend that the Welsh Government develops a single, joined-up, implementation plan to deliver the actions set out in the Economic Action Plan and Employability Plan. This should include a set of indicators against which the Government's progress in delivering its key objectives can be measured, and should be published by the end of 2018, with annual updates thereafter.

**77.** It is essential that the requirements set out for businesses as part of the economic contract are met. It is not clear how this will be done within the EAP, and in oral evidence, the Cabinet Secretary did not clarify. We seek further information on how the policing of the Economic Contract will be undertaken, and believe this should be more clearly spelt out as part of the EAP.

**78.** We support the Bevan Foundation's view that the Economic Contract needs to be well policed, and conclude that the contract will need to have teeth to ensure compliance. The Welsh Government has a number of tools at its disposal to ensure that firms fulfil their part of the contract. We support the use of these tools provided that this is done in a proportionate manner: it is important that businesses can access support so they can meet the Welsh Government's requirements. We consider that the Welsh Government has a key role in ensuring that firms are aware of what they will be expected to achieve through the Economic Contract. This will need to include setting out and communicating clearly the potential consequences of failing to comply.

**Recommendation 3.** We recommend that the Welsh Government:

- sets out clearly the outcomes it expects businesses awarded funding via the Economy Futures Fund to achieve;
- explains how outcomes will be measured; and
- develops robust monitoring procedures to ensure compliance with the Economic Contract.

**Recommendation 4.** We recommend that the Welsh Government sets out clearly the potential consequences to businesses of not complying with the Economic Contract. In cases where businesses do not comply with the requirements of the Economic Contract, and do not accept support to meet these requirements, potential sanctions should include enhanced monitoring, publicising serious cases of non-compliance where there is a public interest in doing so, suspending funding, and ultimately clawback of funding.

**79.** As there is a welcome focus on issues around quality of work within the Economic Action Plan, we think the Fair Work Board should have been established earlier within this Assembly's term so that it could have influenced the Plan's development.

### Regional economic development

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**80.** The majority of the Committee<sup>98</sup> support the focus on regional economic development within the EAP.

**81.** The economic challenges faced in Milford Haven, are different to those in Caernarfon, which are different to those in Wrexham. If we are to make real changes to people's lives, the approach needs to be tailored to the strengths, and challenges, of every community across Wales.

**82.** We acknowledge FSB Wales' point that even within regional areas, there are differences. For regional growth to work effectively, it must include all the partners within an area: the public sector, the third sector, business and the local community.

**83.** The majority of the Committee<sup>99</sup> welcome the appointment of the Chief Regional Officers to provide clear leadership and focus. We note that in evidence to the Economy, Infrastructure and Skills Committee the Cabinet Secretary stated that further work was needed to identify if other economic development zones were needed.<sup>100</sup> We would like some clarity as to whether this will be done as part of the development of the regional business plans. These plans should be developed in conjunction with local communities and businesses to ensure they reflect their needs and priorities. We welcome the development of the Arfor project which is focused on developing joint working across the four West Wales

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<sup>98</sup> Two Committee Members, Sian Gwenllian AM and Bethan Sayed AM believe the stated regional approach is not sufficient needs based approach to economic development and the appointment of the Chief Regional Officers should not follow the UK Government's City and Growth Deal areas.

<sup>99</sup> See above.

<sup>100</sup> Economy, Infrastructure and Skills Committee, 14 February 2018, RoP [217-218]

councils. The Welsh Government announced that they would provide £2million for secretarial and investment support as part of the 2018/19 budget deal with Plaid Cymru. The Valleys Task Force may also provide a useful blueprint for such work and would like to see the specificity of the Valleys Task Force action plan, with clear actions and timelines for delivery, mirrored in other regional plans.

**Recommendation 5.** We recommend that the Welsh Government works with the Chief Regional Officers to ensure that the regional business plans take into account the differences within regions, identify the actions that will address inequalities and benefit those on the lowest incomes within regions.

**84.** While we welcome the regional approach the Government outlines in the EAP, we believe it should do more with regards to levers within its direct control. One of the tools available to the Welsh Government, is their ability to place good quality public sector jobs across Wales. We acknowledge that Welsh Government offices have opened since devolution in Merthyr Tydfil, Aberystwyth and Llandudno Junction, which employ substantial numbers of people.<sup>101</sup> The recent location of jobs in Pontypridd, Treforest and Wrexham has built on this approach.<sup>102</sup> But further initiatives are required.

**85.** We do not wish to see a replication of the problems across the UK, where the economy of Cardiff becomes significantly different and detached from the economies of other parts of Wales. The Welsh Government should be doing more to both place Welsh Government jobs, and encourage other public sector organisations to place jobs in those areas where the economic needs are highest across all parts of Wales. We note that the Welsh Government has committed to support the development of local economies in the South Wales Valleys, including at its seven strategic hub locations.<sup>103</sup> We believe the placing of public sector jobs will help bring confidence to these areas, which in turn will encourage the establishment of other businesses. We welcome the contribution this will make to developing local economies given the high levels of economic deprivation in some Valleys communities outlined by Wales TUC in proposing the

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<sup>101</sup> There are 584.3 posts in Merthyr Tydfil; 285.1 in Aberystwyth and 404.5 in Llandudno Junction, according to the Welsh Government's **2016/17 State of the Estate** report.

<sup>102</sup> The Welsh Government, have announced that Transport for Wales will be situated in Pontypridd, the Welsh Revenue Authority in Treforest, and the Wales Development Bank will be headquartered in Wrexham.

<sup>103</sup> The Welsh Government's **Valleys Taskforce Delivery Plan** identifies seven strategic hubs within the South Wales Valleys – Caerphilly/Ystrad Mynach; Cwmbran; Ebbw Vale; Merthyr Tydfil; Neath; Northern Bridgend; and Pontypridd/Treforest.



Better Jobs, Closer to Home initiative.<sup>104</sup> This approach should be adopted across other areas of Wales to achieve the Welsh Government's objective of developing community economies outside the urban M4 corridor areas.

**Recommendation 6.** We recommend that the Welsh Government reviews its Location Strategy to ensure a better spread of public sector jobs across Wales, and in particular deprived areas. This should include setting out how this approach will attract and relocate jobs to the strategic hubs within the South Wales Valleys, and to other parts of Wales, in particular those areas in West Wales and the Valleys set to lose EU Structural Funding.

## Foundational economy

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**86.** The foundational economy provides the grounding on which our economy and communities can develop and grow. We welcome a focus on four foundational sectors within the EAP. We know that tourism, food, retail and care; often offer low-wage, low-quality work. The Welsh Government needs to ensure that the jobs that are created are jobs of a high standard, providing people with a decent income and quality of life.

**87.** We note that the Welsh Government has committed to prioritise specific foundational sectors rather than proposing to work differently across the whole of the foundational economy. We therefore think that this approach should be a starting point to engaging with the more far-reaching changes that need to be made.

**88.** While we understand that a regional approach to economic development is likely to prioritise different sectors across different areas to some extent, we are not convinced by the evidence for prioritising different parts of the foundational economy in the Economic Action Plan and Valleys Taskforce Delivery Plan. In particular we are not clear why the construction and health sectors are included in the South Wales Valleys but not across other areas of Wales. We would also like clarity on why the construction, energy and health sectors have not been prioritised in the EAP, as they have been in the Valleys Taskforce Delivery Plan.

**89.** The Cabinet Secretary placed a lot of emphasis on the role of the enabling plans in delivering fair work outcomes within its four foundational sectors. We believe that these will need to play a significant role in addressing the relatively poor pay and working conditions that the predominantly female workforce face.

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<sup>104</sup> Wales Trades Union Congress, **Better Jobs Closer to Home**

**Recommendation 7.** We recommend that the Welsh Government's enabling plans for the four foundational sectors contain a clear outline of the improvements to pay, security of work and training that it requires in return for the greater sectoral support it will provide.

**Recommendation 8.** We recommend that the Welsh Government clarifies why the construction, energy and health sectors are classed as foundational sectors prioritised for investment in the Valleys but not in other parts of Wales.

**Recommendation 9.** We recommend that the Welsh Government's enabling plans set out how the support it is providing to foundational sectors will help to address inequalities facing the predominantly female workforce.

**90.** In the following chapters, we make a number of recommendations that if implemented would have a positive impact on those working in the foundational sectors, in particular on progression, pay and job quality.

### 3. Employability

We are disappointed at the delay in publication of the Employability Plan, as this is a critical document in shaping the interventions to help people both obtain and progress in employment. We highlight the importance of providing support for people to progress, this is of particular importance for those on low pay, or working part time hours.

**91.** The Welsh Government stated, “employability is one of the five priority areas” in Prosperity for All.<sup>105</sup> The Employability Plan was not published until after we had finished taking evidence for this inquiry so we were not able to test it with stakeholders. We did explore, however, what stakeholders wanted to see in the Employability Plan when it was published. This element of the inquiry linked closely with work we did on [Communities First – Lessons Learnt](#).

**92.** In that report, we highlighted the difficulties of assessing the impact of the winding down of Communities First, without sight of the Employability Plan. We were concerned that local authorities were having to make decisions about transitional arrangements for Communities First employability projects without the full picture.<sup>106</sup>

**93.** The Minister explained the delay in publishing the Employability Plan:

“The Government was very clear that there was some sequencing in terms of when all of these things would be introduced; because they’re all supposed to dovetail...it wasn’t possible for us to bring out an employability action plan before the economic action plan was published. It would have made no sense at all.”<sup>107</sup>

**94.** Professor Caroline Lloyd told us that:

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<sup>105</sup> [ELGC\(05\)-03-18 Paper 2, Welsh Government written evidence](#), paragraph 28

<sup>106</sup> ELGC Committee report, [Communities First – Lessons Learnt](#), October 2017 paragraph 28

<sup>107</sup> ELGC Committee, 25 January 2018, RoP [148]

“Skills policy is an important part of any strategy aimed at tackling low pay and job insecurity, but in isolation the evidence suggests it has little impact on job quality.”<sup>108</sup>

**95.** The Bevan Foundation,<sup>109</sup> Flintshire Council<sup>110</sup> and Chwarae Teg<sup>111</sup> all highlighted the importance of employability support in helping people get decent, quality jobs. The Bevan Foundation said that while employability really matters there also needs to be a focus on progression, and that will need “investment in skills and careers advice and support and guidance” and that this comes back to job quality.<sup>112</sup>

**96.** Flintshire County Council told us that a more regional approach to employability should go hand in hand with the wider inclusive growth agenda:

“...redesigning and devolving the strategic framework for pre-employment programmes to create an integrated approach to meeting the needs of individuals and the labour market...”<sup>113</sup>

**97.** Joseph Rowntree Foundation called for more specialist support for those furthest away from the labour market and high-quality support for those in work to reduce “income poverty”. They also said focusing on people with low skills is more effective than on the higher end of the skills spectrum.<sup>114</sup>

**98.** Learning and Work Institute Cymru raised the additional difficulties that those in insecure employment, and in particular those who are self-employed, face when trying to access training and progression support.<sup>115</sup>

**99.** Citizen’s Advice told us that employability support was not just about upskilling people, but can also be about dealing with challenges in a person’s life.<sup>116</sup> In our focus groups, we heard this echoed by real life experience:

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<sup>108</sup> **MEW13 Professor Caroline Lloyd, Cardiff University**, paragraph 2.3

<sup>109</sup> ELGC Committee, 5 July 2017, RoP [32]

<sup>110</sup> **MEW05 Flintshire County Council**, paragraph 10.7

<sup>111</sup> ELGC Committee, 19 July 2017, RoP [151]

<sup>112</sup> ELGC Committee, 5 July 2017, RoP [32]

<sup>113</sup> **MEW05 Flintshire Council**, paragraph 4.4

<sup>114</sup> **MEW07 Joseph Rowntree Foundation**, paragraphs 9-10

<sup>115</sup> **MEW09 Learning and Work Institute Cymru**, paragraph 3.7

<sup>116</sup> ELGC Committee, 5 July, RoP [21]

“How are you going to think about training and qualifications when you’re spending all of your energy thinking about feeding your family...you’re literally just surviving.”<sup>117</sup>

**100.** Citizen’s Advice praised the approach that has been previously taken with Communities for Work, which they described as “nuanced”. They also welcomed the prioritisation of disabled people and those with health conditions in the EAP.<sup>118</sup> The Bevan Foundation said that Wales has a good track record in addressing employment issues of individuals, but had a more mixed record in looking at how businesses made investment decisions. They felt that there was a “big hole” in the middle:

“...around the jobs, the labour market, progressions, what happens within work places.”<sup>119</sup>

**101.** The Bevan Foundation felt that the Better Jobs, Closer to Home project was opening up this agenda. While they felt this was “exciting” they said it “needs a lot more work”.<sup>120</sup> Wales TUC described the project as focusing on procurement and redirecting investment opportunities and economic activity across the piece.<sup>121</sup>

**102.** Professor Anne Green highlighted the importance of providing support to enable someone to sustain employment, in particular for people who have been out of work for some time. She also highlighted that insecure jobs made this more difficult. She linked the importance of sustaining employment with that of progression, and said there needed to be a “longer pathway, and then services being there to support people, advise people, once they’re in work”.<sup>122</sup>

**103.** The Bevan Foundation were one of a number of stakeholders who told us that job entry is not enough, and that there needs to be a focus on progression and retention. They told us that:

“There’s no point getting people into jobs that they lose after a fortnight.”<sup>123</sup>

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<sup>117</sup> **Notes from the Focus Group meetings**

<sup>118</sup> **MEW04 Citizen’s Advice Cymru**, paragraph 2.8

<sup>119</sup> ELGC Committee, 5 July, RoP [24]

<sup>120</sup> ELGC Committee, 5 July 2017, RoP [24]

<sup>121</sup> ELGC Committee, 19 July 2017, RoP [17]

<sup>122</sup> ELGC Committee, 5 July 2017, RoP [179]

<sup>123</sup> ELGC Committee, 5 July 2017, RoP [108]

**104.** The Minister confirmed that as part of Working Wales, support would be provided “for at least six months after they’ve entered the workplace”. She also said that the monitoring of people once they have gained employment would be “part of the contract”.<sup>124</sup> Welsh Government officials also said that as part of the development of Working Wales,<sup>125</sup> they have tried to consider best practice on data, and that part of this will be considering if people are still in work six months later.<sup>126</sup>

**105.** The Bevan Foundation called for a “simple shopfront” for people to easily access the range of different employment schemes. In particular, they wanted to see an effective interface between the UK Government and Welsh Government schemes.<sup>127</sup> They called for a comprehensive plan that brings together all strands of support (including the Work and Health programme<sup>128</sup>), includes employers in the design and delivery and reflects local labour market conditions.<sup>129</sup> Chwarae Teg<sup>130</sup> and the Joseph Rowntree Foundation<sup>131</sup> both supported calls for closer work between all agencies, at a national and devolved level.

**106.** This view was supported by participants at our focus groups, where we were told by a Support Worker:

“I think there needs to be more of a structured way of working between the job centres and local organisations in the 3<sup>rd</sup> sector, providing CV, job search, upskilling support.”<sup>132</sup>

**107.** Unison Cymru wanted the Employability Plan to be “bespoke and tailored” to individual’s needs. They said that if people needed training or support it should come through the Working Wales programme, whether this was a numeracy course or payment for driving lessons.<sup>133</sup>

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<sup>124</sup> ELGC Committee, 25 January 2018, RoP [163]

<sup>125</sup> Working Wales is the new single employability programme which will replace the current suite of employability programmes, such as ReAct and Jobs Growth Wales in Wales. It will be live from April 2019.

<sup>126</sup> ELGC Committee, 25 January 2018, RoP [171]

<sup>127</sup> ELGC Committee, 5 July 2017, RoP [39]

<sup>128</sup> The Work and Health programme is a UK Government programme that provides support to targeted groups of people in securing employment.

<sup>129</sup> **MEW11 The Bevan Foundation**, paragraph 21

<sup>130</sup> ELGC Committee, 19 July 2017, RoP [178]

<sup>131</sup> **MEW07 Joseph Rowntree Foundation**, paragraphs 9-10

<sup>132</sup> **Notes from the Focus Group meetings**

<sup>133</sup> ELGC Committee, 19 July 2017, RoP [129]

**108.** The Minister repeatedly told us about the importance of providing more personalised provision, which takes account of individual circumstances and needs:<sup>134</sup>

“One of the things that we want to do is to ensure that we respond to individuals’ needs and that we develop policies around individuals.”<sup>135</sup>

**109.** Citizen’s Advice raised concerns about the phasing out of Communities First and the impact this may have on delivery of programmes such as Communities for Work.<sup>136</sup> They were particularly concerned on the reliance of Communities for Work on the Communities First structures and clusters.<sup>137</sup>

**110.** We heard from FSB Wales that SMEs have a critical role in employability, when 92% of movements from economic inactivity is into a job at a SME or self-employment (17% of which become self-employed). They felt this reality needed to be captured in economic policy.<sup>138</sup>

**111.** We heard about the positive impact of Jobs Growth Wales’ programmes on small businesses, which as well as providing employment has helped grow businesses. FSB Wales said they hoped that the new approach would take the best bits of Jobs Growth Wales and make it all-age.<sup>139</sup>

## Careers advice

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**112.** We heard that the quality of careers advice was vital, not just at school, but throughout working life. The Joseph Rowntree Foundation told us that the nature of the Welsh labour market meant that people need access to training and re-training throughout their working life.<sup>140</sup>

**113.** The Bevan Foundation said that:

“There’s a clear need for better advice for all young people, not just the ones prioritised in the Welsh Government’s remit letter to the careers service, but crucially for adults. So, for people who are changing careers,

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<sup>134</sup> ELGC Committee, 25 January 2018, RoP [135 and 167]

<sup>135</sup> ELGC Committee, 25 January 2018, RoP [150]

<sup>136</sup> Communities for Work is a Welsh Government targeted programme to help those furthest away from the labour market into employment.

<sup>137</sup> ELGC Committee, 5 July 2017, RoP [106]

<sup>138</sup> ELGC Committee, 19 July 2017, RoP [288-289]

<sup>139</sup> ELGC Committee, 19 July 2017, RoP [326, 328, 329 and 331]

<sup>140</sup> Stakeholders who raised this included Swansea Council (para 4.4) Joseph Rowntree para 11

returning to work, want out of their awful job in whatever—. We have a big gap, and, over and over again, the work that we're doing is pointing to careers advice at all ages in the labour market—of all ages of workers—is absolutely key.”<sup>141</sup>

**114.** Dr Alison Parken said that there were still “limitations” in careers advice, with women often channelled into low-pay sectors. Additionally, she felt that there needed to be a greater value placed on “so-called” women sectors.<sup>142</sup> She described the WAVE (Women Adding Value to the Economy) Equal Pay Barometer that was used in careers advice to show the density of men and women in over 300 occupations and the likely earnings in “so called ‘women’s work’”, She felt that it could be further developed to be used by careers advice services.<sup>143</sup> She also called for more online tools that show what skills and qualifications are needed for jobs, alongside information on average pay, and opportunities.<sup>144</sup>

**115.** City and County of Swansea<sup>145</sup> highlighted the importance of developing entrepreneurial skills in schools to help develop the next generation of entrepreneurs. Young people in our focus groups told us that they did not feel that they were taught the skills in school to help them find work, manage money and live an independent, healthy life.<sup>146</sup>

**116.** FSB Wales cited their research which found that “Careers Wales is under-resourced and not able to facilitate those links [between business and schools]”.<sup>147</sup> Helen Walbey provided personal examples of the difficulties of small business engaging with schools. Despite these difficulties, she felt it was important for careers advice services and schools to engage with small businesses.<sup>148</sup>

**117.** It was interesting to hear from Gwynedd Council that plans are “afoot” across a number of partners as part of the North Wales Growth Bid to establish an employment service with careers advice for the region.<sup>149</sup>

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<sup>141</sup> ELGC Committee, 5 July 2017, RoP [66]

<sup>142</sup> ELGC Committee, 19 July 2017, RoP [144]

<sup>143</sup> **MEW16 Dr Alison Parken**

<sup>144</sup> ELGC Committee, 19 July 2017, RoP [217]

<sup>145</sup> **MEW02 City and County of Swansea**, paragraph 4.3

<sup>146</sup> **Notes from the Focus Group meetings**

<sup>147</sup> ELGC Committee, 19 July 2017, RoP [348]

<sup>148</sup> ELGC Committee, 19 July 2017, RoP [350]

<sup>149</sup> **MEW08 Gwynedd Council**, paragraph 2.13



## Diversity and employability

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**118.** Dr Alison Parken talked about a need for greater emphasis on “creating greater diversity within high value sectors”.<sup>150</sup>

**119.** Chwarae Teg supported this, and highlighted their alternative careers programme “Not Just for Boys” which seeks to create more role models, and help girls and boys understand the range of careers and industries that are available to them.<sup>151</sup>

**120.** We heard from Helen Walbey about the “Big Ideas Role Model” project, which involves role models going into schools to talk about their work. She described how it helps breaks down gender barriers about what people can do in sectors.<sup>152</sup>

**121.** Dr Alison Parken told us that there was no “magic wand” to deal with the difficulties women face, and argued that it was about:

“...unpicking the cultural assumptions that mean we don’t look in the places where we can help women overcome the barriers that keep them lower down the ladders.”<sup>153</sup>

**122.** She highlighted two issues: women not progressing to the higher levels of organisations or sectors; and a welfare policy that restricts women’s earnings. She said that women are often working beneath their qualifications / skills in part time work, with low pay, and it is assumed that it is “fine”.<sup>154</sup> FSB Wales said that there was a need to identify who is responsible for pushing this cultural change.<sup>155</sup>

**123.** Chwarae Teg highlighted the importance of leadership to address inequalities. They said that while unconscious bias may be “flavour of the month” there are other tools or interventions that can challenge managers and leaders to consider what a role “looks like....what it requires”.<sup>156</sup>

**124.** At our focus group, parents in particular spoke of the challenges of finding flexible employment, with one parent telling us:

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<sup>150</sup> **MEW16 Dr Alison Parken**

<sup>151</sup> ELGC Committee, 19 July 2017, RoP [215]

<sup>152</sup> ELGC Committee, 19 July 2017, RoP [347]

<sup>153</sup> ELGC Committee, 19 July 2017, RoP [170]

<sup>154</sup> ELGC Committee, 19 July 2017, RoP [169-170]

<sup>155</sup> ELGC Committee, 19 July 2017, RoP [348]

<sup>156</sup> ELGC Committee, 19 July 2017, RoP [225]

“[It is] not really an issue to find a job, but it’s difficult to find an accessible, flexible job.”<sup>157</sup>

**125.** Helen Walbey felt there were lessons to be learnt from the small business centres in America, which are focused on supporting women into business. She described their flexibility, such as being open at evenings and weekends, so people can access them at a time that works for them. They are not based in Government buildings, but in community venues, making them easier to access. She thought a similar approach could work in Wales, and could help a range of different groups (not just women) who may not access traditional business support.<sup>158</sup>

**126.** When we put Helen Walbey’s suggestions to the Minister, she told us that the support that will be provided would be “even more individualistic than that”. She said that there would be more flexibility than currently available to respond to the needs of individuals.<sup>159</sup> She also told us that part of the function of Working Wales would be for them to “reach out to women in our communities”.<sup>160</sup>

**127.** Citizen’s Advice highlighted the importance of helping employers in supporting employees with health conditions and disabilities.<sup>161</sup> They called for better promotion of the Access to Work programme, saying that often the adjustments that need to be made are minor and not costly. They felt that this support would be particularly useful for new start-ups.<sup>162</sup>

**128.** These calls were also supported by academic research cited by Dr Alison Parken. She told us of work undertaken by Cardiff Business School on disability at work. One of the main findings was the need for greater help for SMEs to understand the reasonable adjustments rule.<sup>163</sup> Businesses do not know what they can do, or how this can be funded or supported.<sup>164</sup> FSB Wales supported this,

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<sup>157</sup> **Notes from the Focus Group meetings**

<sup>158</sup> ELGC Committee, 19 July 2017, RoP [342-345]

<sup>159</sup> ELGC Committee, 25 January 2018, RoP [167]

<sup>160</sup> ELGC Committee, 25 January 2018, RoP [169]

<sup>161</sup> **MEW04 Citizen’s Advice Cymru**, paragraph 2.9

<sup>162</sup> ELGC Committee, 5 July 2017, RoP [104]

<sup>163</sup> Employers must make reasonable adjustments to make sure workers with disabilities, or physical or mental health conditions, are not substantially disadvantaged when doing their jobs. This covers all workers, including trainees, contract workers and apprenticeships.

<sup>164</sup> ELGC Committee, 19 July 2017, RoP [224]

saying that awareness of such schemes are low. They said that unless there is greater awareness, the interventions would not happen.<sup>165</sup>

**129.** We heard from Helen Walbey of her experience of providing work placements for disabled people. She initially thought it would be difficult, but with support, was able to take on a placement, which ultimately led to paid employment. As a small business, she said, she was able to be flexible in a way that best supported these placements. She also highlighted that SMEs are rooted in their communities, which gives them a better understanding of the impact of such programmes and support.<sup>166</sup>

**130.** Citizen’s Advice told us that any employability plan should include actions to raise awareness of employment rights. They felt that this was an issue for both employers and employees.<sup>167</sup> They are calling for a statutory definition of self-employment, and told us that the “growing complexity” of the labour market does lead to greater risks. As a result, there needs to be more work done around employment rights, including ensuring they are “more effectively enforced and monitored”.<sup>168</sup> The Wales TUC also highlighted that in particular those in insecure and precarious employment often do not know their rights. They said that sometimes people do not even realise they are on zero hours contracts.<sup>169</sup>

### 3. 1. In-work progression

**131.** Stakeholders who emphasised the need for a focus on progression included Professor Anne Green, Dr Paul Sissons and Dr Neil Lee,<sup>170</sup> and Dr Alison Parken<sup>171</sup>.

**132.** Historically there has not been a focus on progression within employment support programmes; however, the introduction of Universal Credit is changing this.<sup>172</sup> This means that there has not been a great deal of work done to evaluate what works. However, we heard that the little evaluation that has been undertaken suggests that programmes which address both employer and employee needs in one single programme are the most effective.<sup>173</sup>

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<sup>165</sup> ELGC Committee, 19 July 2017, RoP [298]

<sup>166</sup> ELGC Committee, 19 July 2017, RoP [294]

<sup>167</sup> ELGC Committee, 5 July 2017, RoP [36]

<sup>168</sup> ELGC Committee, 5 July 2017, RoP [74]

<sup>169</sup> ELGC Committee, 19 July 2017, RoP [92]

<sup>170</sup> **MEW12 Professor Anne Green, Dr Paul Sissons and Dr Neil Lee**, paragraph 10

<sup>171</sup> **MEW16 Dr Alison Parken**

<sup>172</sup> **MEW12 Professor Anne Green, Dr Paul Sissons and Dr Neil Lee**, paragraph 11

<sup>173</sup> **MEW12 Professor Anne Green, Dr Paul Sissons and Dr Neil Lee**, paragraph 12

**133.** Learning and Work Institute Cymru said that three quarters of people in low paid work are still in low paid work 10 years later, and that the persistence of low pay and “a lack of focus on progression” are both key factors in levels of in-work poverty and reduced productivity.<sup>174</sup> They make three recommendations to help improve in-work progression:

- Targeted careers information, support and advice to low paid workers;
- An in-work progression service; and
- Business support services to help address the understandable lack of specialist and HR and management capacity within small firms.<sup>175</sup>

**134.** Support will also need to factor in progression across sectors as well as within a sector. Professor Caroline Lloyd highlighted that progression in some sectors such as retail and hospitality often mean “very little in terms of pay”. She also highlighted the incredibly limited opportunities for advancement for part time workers, as well as for those who work in small companies.<sup>176</sup>

**135.** Dr Alison Parken said that progression was key in foundational economy jobs, so that people do not have to move sideways to increase hours or higher pay. She called for:

“...a bit of infrastructure around them in terms of help from skills councils and careers advisers, and better understanding of transferrable skills and on-the-job learning that will help people progress up through organisations, and stop considering people at the bottom end as perfectly happy to be stuck there.”<sup>177</sup>

**136.** She told us that there was a gap in “how to create job ladders in flat-structure jobs”.<sup>178</sup>

**137.** We heard that in some sectors such as education, health and local authorities, more could be done to develop clear progression pathways,<sup>179</sup> Dr

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<sup>174</sup> **MEW09 Learning and Work Institute Cymru**, paragraph 2.1

<sup>175</sup> **MEW09 Learning and Work Institute Cymru**, paragraph 2.6

<sup>176</sup> ELGC Committee, 5 July 2017, RoP [180]

<sup>177</sup> ELGC Committee, 19 July 2017, RoP [141]

<sup>178</sup> ELGC Committee, 19 July 2017, RoP [180]

<sup>179</sup> ELGC Committee, 5 July 2017, RoP [181]

Alison Parken highlighted that there is not a clear route between teaching assistant to teaching; and that the pathway from healthcare assistant to nursing has been cut because nursing requires a degree qualification.<sup>180</sup> This was echoed by FSB Wales, who described a “disjointed” economy, where social care is not seen as leading into nursing. They said that more needed to be done to ensure people know that they could end up in a different place to where they started.<sup>181</sup>

**138.** Dr Alison Parken emphasised the importance of understanding people’s actual experiences of employment, and what this means. She said that giving employers data and information on this, helps them understand what changes they may need to make. She also highlighted evidence that employers will not act on sector or occupational information,<sup>182</sup> but they will act “if they can see what’s going on in their own organisation”. She said:

“...having that evidence has mobilised employers to make deep and long-lasting changes to workforce planning and workforce development.”<sup>183</sup>

**139.** She called for the Employability Strategy to place requirements on public sector organisations to undertake this analysis.<sup>184</sup> She said the Women Adding Value to the Economy (WAVE) programme shows the impact that dedicated, evidence-based support can have on both the employer and employee, but there needed to be resource available to support this work.<sup>185</sup>

**140.** She called very strongly for the Welsh Government to ensure that organisations are meeting their Equality Sector Duties, and for greater monitoring of compliance with these duties.<sup>186</sup>

**141.** We were interested in the positive impact the WAVE programme has had to improve progression and employment opportunities. Cardiff University worked with public sector employers to “assess employment and pay inequalities in the structure of employment”.<sup>187</sup> As a result of the programme, Dr Parken said:

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<sup>180</sup> ELGC Committee, 19 July 2017, RoP [146-147]

<sup>181</sup> ELGC Committee, 19 July 2017, RoP [336]

<sup>182</sup> ELGC Committee, 19 July 2017, RoP [229]

<sup>183</sup> ELGC Committee, 19 July 2017, RoP [174]

<sup>184</sup> ELGC Committee, 19 July 2017, RoP [175]

<sup>185</sup> ELGC Committee, 19 July 2017, RoP [184]

<sup>186</sup> ELGC Committee, 19 July 2017, RoP [230]

<sup>187</sup> **MEWI6 Dr Alison Parken**

“...employers have, or are in the process of, updating recruitment practice, redesigning personal development reviews, undertaking gender bias training, developing line managers to spot progression opportunities, and bolstering skills, including literacy skills where necessary, in order to help employees progress – often into areas where recruitment has been challenging.”<sup>188</sup>

**142.** Some of the positive impacts of this project have included:

- 80 nursing bank workers moved into permanent nursing and healthcare roles;
- changes to a recruitment system in a higher education institution resulted in a higher number of women appointed to a supervisory role; and
- employers working closely with Citizen’s Advice and Jobcentre Plus so that they and the employee could understand how much more they could earn per week without losing a “huge amount of welfare transfer” which could significantly affect household incomes.<sup>189</sup>

**143.** Professor Ann Green emphasised the importance of effective evaluation of programmes, and felt that it required “tracking and longitudinal work” and that resource needed to be put into this work.<sup>190</sup>

**144.** FSB Wales told us that SMEs could play a “key role” in progression.<sup>191</sup> Helen Walbey said that this sector engages effectively with work based learning and career development. She said staff development helps grow a business, and that small businesses tend to be better at staff retention.<sup>192</sup>

**145.** FSB Wales also called for more high-level apprenticeships, which would improve progression. They said further work was needed to help create level 4 and 5 apprenticeships in sectors dominated by SMEs.<sup>193</sup>

**146.** Dr Alison Parken said:

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<sup>188</sup> **MEWI6 Dr Alison Parken**

<sup>189</sup> ELGC Committee, 19 July 2017, RoP [183] and **MEWI6 Dr Alison Parken**

<sup>190</sup> ELGC Committee, 5 July 2017, RoP [185]

<sup>191</sup> ELGC Committee, 19 July 2017, RoP [287]

<sup>192</sup> ELGC Committee, 19 July 2017, RoP [290]

<sup>193</sup> ELGC Committee, 19 July 2017, RoP [314]

“Only the employer can progress employees through their grade hierarchy. To realise the Economic Plan goals, there must be a concerted effort to establish collaborative networks between employers, job and career advisors, training providers and trades unions to examine and recommend how to create horizontal and vertical job ladders in different occupational areas.”<sup>194</sup>

**147.** Welsh Government officials told us that progression is being considered as part of the Valleys Task Force. In particular there is a piece of work looking at the health and social care sectors. It will cover whether people can be accredited for informal caring, as well as looking at career progression once someone is in the sector.<sup>195</sup>

**148.** We heard that supporting in-work progression is not just the responsibility of the Welsh Government, but also of employers. The Minister said this was part of the Economic Contract outlined by the Cabinet Secretary. However, she said that the Welsh Government could help with issues such as investing in further education equipment that companies may not be able to invest in, but can then access. She said, “that’s an example of where I think we can and should be stepping in”.<sup>196</sup>

### 3. 2. Our view

**149.** During our work on Communities First in 2017, we heard of the importance of the Employability Plan in informing decisions about which projects would continue after the ending of Communities First. It is very disappointing that the Employability Plan was only published in March 2018, as it will not have been able to influence local decision making in relation to the programme.

**150.** We acknowledge the Minister’s comments about the need for a certain amount of choreography between the development of the Economic Action Plan and the Employability Plan, but we are concerned about the impact the delay will have had on the delivery of employability support to people.

**151.** While we have not had the opportunity to test the Employability Plan with stakeholders, as we were able to do with the EAP, we believe that some of our general comments about the latter also apply to the former. The actions are quite vague in places and lack clear timeframes for delivery or indicators by which

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<sup>194</sup> **MEW16a Dr. Alison Parken**

<sup>195</sup> ELGC Committee, 25 January 2018, RoP [53]

<sup>196</sup> ELGC Committee, 25 January 2018, RoP [181]

success can be measured. This is why we have made recommendation 1. We will be revisiting the Employability Plan following the Welsh Government response to this report.

**152.** We welcome the move to more bespoke support based on individual needs. We believe this approach will help those furthest away from the labour market to develop the skills and experiences needed to secure decent, sustainable employment. During our work on Communities First, we also saw the importance of co-location of services, and the impact of providing services and support in community buildings. We therefore welcome the Welsh Government's prioritisation of co-locating local services to simplify access to employability support.

**153.** Tracking and monitoring the effectiveness of support interventions will be vital. We think it is important that Working Wales should collect data for longer than six months. The focus needs to be on getting people into sustainable employment, which they can progress and develop in. It is also not just about collecting the data but undertaking analysis and using this to shape and direct policy to best deliver effective support.

**Recommendation 10.** We recommend that the Welsh Government ensures that Working Wales continues to collect data on outcomes and experiences for at least a year after a person has successfully gained employment.

**154.** We note that the Employability Plan states that the Welsh Government will work with the FSB to identify where support can be given to small and micro-business. We welcome this, as we heard lots of positive ideas from the FSB of how businesses can be better supported, and the important role they play in providing decent employment, often in some of our most deprived communities.

### In-work progression

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**155.** It was clear from the evidence we heard, that there needs to be a renewed focus on progression pathways. This is particularly important for those sectors where entry-level jobs are often low-paid, or for people who wish to work part-time.

**156.** An integral part of in-work progression will be effective careers advice, both when people are deciding on training or potential jobs / careers and when considering job or career changes. We note that Careers Wales will be given an enhanced role to operate the Employment Advice Gateway that is being established. We did not take any substantial evidence on the effectiveness of



Careers Wales, however we are aware that they have had a significant reduction in funding over recent years, and that this has had an impact on the services they deliver.<sup>197</sup> Effective and timely careers advice is essential to supporting people in making choices about training and careers. Any increase in responsibilities for Careers Wales must be met by necessary funds to ensure they can effectively deliver the services.

**157.** We heard very compelling evidence on the impact of a co-ordinated package of support to help employers develop progression routes, while also supporting employees to develop skills, increase hours and navigate the often-labyrinthine benefits system to ensure that they are not negatively impacted from increasing hours or responsibility. We believe that the Welsh Government needs to adopt this approach, learning the lessons from WAVE.

**158.** We believe that the Welsh Government should prioritise in-work progression support within the four foundational sectors that it has chosen to prioritise. We also believe the Welsh Government needs to show clear leadership on the importance of developing clear job ladders in these sectors, to help both employers and employees understand how they might best develop their skills.

**Recommendation 11.** We recommend that the Welsh Government pilots in-work progression support for the four foundational sectors it has chosen to prioritise. This could include areas such as skill council support or careers advice; and support for increasing understanding of transferrable skills and “on the job learning” to assist people progressing through organisations.

**Recommendation 12.** We recommend that the Welsh Government works with employers in foundational sectors to pilot creating “job ladders” within firms to improve workforce progression.

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<sup>197</sup> Economy, Infrastructure and Skills Committee, **Apprenticeships in Wales**, paragraphs 80-83, February 2018

## 4. Procurement

Procurement is one of the most important tools available to the Welsh Government to improve opportunities for those on low incomes. We heard evidence that suggests that some of the good intentions in the ethical procurement agenda are not being fully implemented. It is essential that we maximise the social value of public expenditure.

**159.** The importance of procurement was a clear theme throughout our inquiry.<sup>198</sup>

**160.** The Cabinet Secretary for Finance told us at the outset that the Welsh Government’s ambition was to ensure that the “considerable” money spent by the Welsh public sector was “used to maximum impact in terms of jobs created, economic activity and so on”.<sup>199</sup>

### 4. 1. Quality of procurement

**161.** Professor Karel Williams described procurement as being a case “where reach exceeds grasp”.<sup>200</sup> He argued that there has been too much focus on “postcode localism” and that it was time procurement was done “seriously”.<sup>201</sup>

**162.** Unison Cymru told us that in the social care sector, contracts are awarded on cost only. This impacts on employees’ pay, terms and conditions.<sup>202</sup> We heard a lot of evidence about the poor levels of pay and quality of work within the social care sector.<sup>203</sup>

**163.** Wales TUC argued strongly for “less fragmentation across commissioning” and for services to be delivered directly by the public sector “as far as possible”. They said that such an approach would be cost-saving, because:

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<sup>198</sup> Witnesses who highlighted this included Oxfam Cymru, Citizen’s Advice Cymru, and Chwarae Teg.

<sup>199</sup> ELGC Committee, 21 September 2017, RoP [277]

<sup>200</sup> ELGC Committee, 5 July 2017, RoP [157]

<sup>201</sup> ELGC Committee, 5 July 2017, RoP [157]

<sup>202</sup> ELGC Committee, 19 July 2017, RoP [20]

<sup>203</sup> **MEW09 Learning and Work Institute**, paragraphs 3.2-3.4

“There is a cost-saving argument to say, in the long term, on the principle of invest to save, that if more of those workers were directly employed it makes more sense to invest in each of their career development plans, and it means that we have fewer people in in-work poverty...”<sup>204</sup>

**164.** Unison Cymru called for changes in procurement legislation:

“...to ensure that if people are out of the house and available for work and responsible to their employer, then they should be paid, ideally, the living wage for every hour, but at least the legal wage, and it’s unfortunate that employers just seek to try and sneak out of that by various means. I think that should be part of any domiciliary care procurement.”<sup>205</sup>

**165.** Unison Cymru felt that the procurement process can often work against those companies who would offer the best packages of care. They were concerned that contracts are time limited and focused on cost and so do not reward those running contracts effectively and providing a good level of service.<sup>206</sup>

**166.** Wales Construction Federation Alliance(WCFA) raised similar concerns within the construction sector and how the lack of compulsion distorts the market:

“...if you have a contractor who really gets this and goes for it, they do price-they have to price-some kind of resource in there to do it, so there is a cost with it, but the benefits should outweigh the costs. You’ve then got somebody who maybe understands that that client isn’t that bothered about this. ‘We’ll put the tender in. We won’t price that in because we’ll never be held to account for it’. You’ve got an imbalance then straight away in that tendering process, and the better contractors don’t like that, because it’s not fair.”<sup>207</sup>

**167.** When we raised the concerns highlighted by the FSB Wales about the cost impact of tendering ethically, the Cabinet Secretary for Finance said:

“We’re interested in greatest value, not lowest cost.”<sup>208</sup>

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<sup>204</sup> ELGC Committee, 19 July 2017, RoP [108-109]

<sup>205</sup> ELGC Committee, 19 July 2017, RoP [112]

<sup>206</sup> ELGC Committee, 19 July 2017, RoP [45-46]

<sup>207</sup> ELGC Committee, 21 September 2017, RoP [229]

<sup>208</sup> ELGC Committee, 21 September 2017, RoP [367]

**168.** He did not feel that the contracting in Wales was based on lowest cost. While he acknowledged that cost was a factor, he said it was “one element in what will always be a more complex set of factors”.<sup>209</sup>

**169.** The WCFA were clear that:

“...we’re not going to get the benefits out to the people in Wales that we want without some robust changes to procurement and making sure that this is driven top-down.”<sup>210</sup>

**170.** We heard that effective public sector procurement is not just the responsibility of the Welsh Government, but that all public sector organisations have a role to play. Professor Karel Williams said that intermediary institutions such as hospitals, universities and local authorities need to be “enlisted” to help deliver on this agenda.<sup>211</sup> Civil Engineering Contractors Association (CECA) called for the Welsh Government to do more “policing and enforcing” with contracting organisations, citing a lack of follow-through and enforcement.<sup>212</sup>

**171.** A number of witnesses emphasised the importance of developing procurement capacity to shift the focus of procurement away from a “cost efficiency model to one built around quality of provision and enhancing the economy through higher wages” as described by Professor Caroline Lloyd.<sup>213</sup>

**172.** Professor Karel Williams said for this to happen requires “a commitment of resource, manpower and seriousness”.<sup>214</sup>

**173.** Professor Caroline Lloyd stated that as procurement is one of the biggest policy levers available in Wales it needs to be prioritised accordingly.<sup>215</sup> Wales TUC said that it is:

“...worth recognising that that’s a long-term approach, and you need to invest in the people who are going to be bringing the public policy statement on procurement to life, really. The challenge to the public

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<sup>209</sup> ELGC Committee, 21 September 2017, RoP [366]

<sup>210</sup> ELGC Committee, 21 September 2017, RoP [235]

<sup>211</sup> ELGC Committee, 5 July 2017, RoP [166]

<sup>212</sup> ELGC Committee, 21 September 2017, RoP [178]

<sup>213</sup> **MEW13 Professor Caroline Lloyd, Cardiff University**, paragraph 5.3

<sup>214</sup> ELGC Committee, 5 July 2017, RoP [161]

<sup>215</sup> ELGC Committee, 5 July 2017, RoP [163-165]

sector is to treat procurement as a strategic operation across the whole public sector.”<sup>216</sup>

**174.** Professor Karel Williams described how he had been told by a public sector Head of Procurement that the biggest challenge was getting senior management support for procuring with a focus on community benefits.<sup>217</sup> He also said that you need to assess the value of contracts that each procurement officer is responsible for because if it is a large sum “you cannot be discriminating for obvious reasons”.<sup>218</sup> He said a “completely different mentality” was required for procurement, which was more pro-active in identifying potential contractors.<sup>219</sup>

**175.** FSB Wales also highlighted concerns about a lack of capacity in the public sector to let contracts “in certain ways”. They cited a patchiness across the public sector, saying that some local authorities are really good at maximising the wider benefit of procurement, because they have the capacity to do so.<sup>220</sup>

**176.** CECA also talked about the variability across Wales of the quality of procurement. They felt that there might be a critical mass issue, with some public authorities being too small to undertake such work. They felt the regionalisation agenda was an “opportunity” to address this. However, they wanted to see a more fundamental shift in how procurement is undertaken moving from a transactional to a collaborative approach.<sup>221</sup>

**177.** CECA also called for more consolidation of procurement services, because various approaches across Wales, make it more difficult for supply chains to engage.<sup>222</sup> WCFA echoed this, saying that a smaller number of people representing a wider range of clients would be helpful.<sup>223</sup>

**178.** CECA described some of the procurement changes they would like to see, which tied in with the approach suggested by Professor Karel Williams. CECA said:

“...the approach I am proposing here is that we link into the whole collaborative and regional agenda, which is developing, and we look at this as a client-led issue, with client organisations and collaboratively,

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<sup>216</sup> ELGC Committee, 19 July 2017, RoP [51]

<sup>217</sup> ELGC Committee, 5 July 2017, RoP [167]

<sup>218</sup> ELGC Committee, 5 July 2017, RoP [175]

<sup>219</sup> ELGC Committee, 5 July 2017, RoP [175]

<sup>220</sup> ELGC Committee, 19 July 2017, RoP [256]

<sup>221</sup> ELGC Committee, 21 September 2017, RoP [198]

<sup>222</sup> ELGC Committee, 21 September 2017, RoP [265]

<sup>223</sup> ELGC Committee, 21 September 2017, RoP [266]

local authorities et cetera coming together and putting the support structures in place for contractors to just effectively pick off that. So, if they win a particular project, there is a support structure there already...with a shared apprenticeship scheme, they go back into that and are fed through to another employer, another supplier, who gives them continuity of experience. You then start to build up that pool.”<sup>224</sup>

**179.** CECA described how this is working in West Wales with the Cyfle shared apprenticeship scheme. He saw the benefits of this approach:

“If the client organisations-the local authorities, the local education authorities-are in charge of that process, you’ve got continuity; you’ve got resources that are consistently delivered by whichever contractor comes into this...it is about that shift from contractor to client led, and to a strategic view as opposed to individual transactional contracts.”<sup>225</sup>

**180.** CECA believed that in order to do procurement “properly” you need a lot of resources on one side of the procurement relationship, either on the client or contractor side. Willmott Dixon was cited as a good example. As smaller SMEs do not have the size to operate in a similar manner, a number of small contractors need bringing together to generate the critical mass. The practical benefits of this approach can be seen with the Cyfle project.<sup>226</sup>

**181.** FSB Wales said that while regionalisation can increase capacity, which can lead to “better procurement”, it can also result in bigger contracts. They said the evidence shows that bigger contracts tend to shut out the smaller firms. While regionalisation can have advantages:

“...we need to be laser focused on saying, ‘Okay, but you still need to deliver this in a way that is ensuring that social value is captured.’”<sup>227</sup>

**182.** The Cabinet Secretary for Finance agreed with the stakeholders about the importance of effective procurement officers, telling us that for community benefits to be delivered relies on the “ability and determination” of the client to ensure that the spirit as well as the letter of the Code is being delivered.<sup>228</sup> He accepted that the Welsh Government has a role to ensure that effective monitoring arrangements are in place, and said that the Workforce Partnership

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<sup>224</sup> ELGC Committee, 21 September 2017, RoP [145]

<sup>225</sup> ELGC Committee, 21 September 2017, RoP [146]

<sup>226</sup> ELGC Committee, 21 September 2017, RoP [159]

<sup>227</sup> ELGC Committee, 19 July 2017, RoP [258]

<sup>228</sup> ELGC Committee, 21 September 2017, RoP [315]

Council was an important forum for the Government to understand what is happening on the ground.

**183.** When we expressed concerns that there has been a reduction in the procurement staffing and capacity, the Cabinet Secretary agreed that these concerns were “genuine”. He acknowledged that this was an area where improvements were needed, and that public bodies should not regard procurement as “simply back-office, mechanical-type functions”.<sup>229</sup>

**184.** He outlined the steps that the Welsh Government was taking to address these issues:

- developing a new procurement programme;
- developing a procurement apprenticeship scheme;
- procurement Fitness Checks;<sup>230</sup>
- a new emphasis on professional development within procurement; and
- ensuring senior procurement staff are involved in procurement networks across the UK.

**185.** These steps he said would help “make sure...we have people properly equipped, properly trained and properly valued to do these very important jobs”.<sup>231</sup>

## 4. 2. Code of Practice on Ethical employment in supply chains

**186.** Citizen’s Advice said that the Welsh Government should actively encourage businesses and organisations in Wales to sign up to the Code of Practice on Ethical employment in supply chains (the Code), and that there is a need to ensure regular monitoring of adherence once the Code was more established.<sup>232</sup>

**187.** Bevan Foundation called for “rigorous enforcement and support for employers” to maximise the impact of the Code.<sup>233</sup> They felt the framework was “excellent” and that the Code was “fantastic” but:

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<sup>229</sup> ELGC Committee, 21 September 2017, RoP [338]

<sup>230</sup> The Cabinet Secretary described these checks as measuring almost every aspect of procurement, including whether they can undertake electronic tendering, how they train and develop staff and an organisation’s internal policies and processes.

<sup>231</sup> ELGC Committee, 21 September 2017, RoP [339]

<sup>232</sup> **MEW04 Citizen’s Advice Cymru**, paragraph 3.8

<sup>233</sup> **MEW11 The Bevan Foundation**, paragraph 15

“...if you go to the front line.....they’ll tell you a different story, and they will tell you about real difficulties that they have in getting the recognition for the social-value element in contracts. We came across people who were talking recently about social care being procured like wheelie bins. There seems to be a gap in the translation. I think the way that you get the good intent in the procurement policies actually down to the contracting process is through the policies having teeth. So, unless it’s monitored and enforced, and there are consequences for non-compliance, it ain’t going to happen.”<sup>234</sup>

**188.** USDAW told us they are pushing the Fair Work Board to make it clear that any contractor that wants work from the public sector understands that ethical employment practices are “absolute”.<sup>235</sup>

**189.** Wales TUC said that while the Code was a positive step forward, they wanted to see preparatory work undertaken on the possibility of putting the Code on a statutory basis.<sup>236</sup>

“It is a collective position, in that we would want to see legislation. Ideally, that is how you shift things; that’s how you switch a dial. So, there’s no excuse to wait. The code of practice is there and agreed. But, on legislation for procurement, we think the work that needs to be done now is exploring what the options are going to be with the EU exit in mind as well. Could we be more radical? We’ve said that that could be a silver lining in the dark clouds of Brexit—that there could be more flexibilities within what we can achieve on procurement, if the Ministers are able to exercise their competence.”<sup>237</sup>

**190.** We raised stakeholders’ concerns about the implementation of the Code with the Cabinet Secretary for Finance and Local Government. He said the Code was at an early stage of operation:

“Signing up to the code is a commitment to take action, rather than an indication that everything is already in place, and therefore we are bound to think of a 12 to 18-month horizon in which the impact of a code on the ground can be traced and the extent to which is successfully making a difference can be properly evaluated.....I feel very

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<sup>234</sup> ELGC Committee, 5 July 2017, RoP [27]

<sup>235</sup> ELGC Committee, 19 July 2017, RoP [27]

<sup>236</sup> ELGC Committee, 19 July 2017, RoP [31]

<sup>237</sup> ELGC Committee, 19 July 2017, RoP[33]



positive about the code because it has had such a strong endorsement from the organisations that we will rely on to deliver it.”<sup>238</sup>

**191.** He outlined the organisations that were signed up to the Code (which at the time of oral evidence) included:

- the Welsh Government
- the National Procurement Service;
- Cardiff Council;
- Cartrefi Cymunedol; and
- over 20 organisations in the private and third sector.<sup>239</sup>

**192.** He said that the WLGA was working with local authorities to get all 22 authorities signed up to the Code, that all police forces had indicated they would sign up, and that work was ongoing within the NHS.<sup>240</sup>

**193.** The Cabinet Secretary was not convinced that the Code needed to be enshrined in legislation at this stage, and believed that it was important to capitalise on “goodwill” to make it work. However, he said that he would not rule out legislation “as a backstop” if the enthusiasm and commitment that was currently being shown did not translate into the Code being effectively implemented.<sup>241</sup>

**194.** He also said that there was a risk that such legislation would produce:

“...a tick-box response, because now you’re not relying on people’s commitment to things, their wish to do things in the way that we’ve agreed. All they will do is look to see what the minimum requirements they have to meet in the law are, and so long as they can tick the box to tell you they’ve done it, that’s as far as it will go.”<sup>242</sup>

**195.** Helen Walbey described to us both the benefits and disadvantages of the Code to small businesses. As an ethical, small business, she said signing up to the Code enables her to promote this. On the flipside, there is a “big burden of

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<sup>238</sup> ELGC Committee, 21 September 2017, RoP [282]

<sup>239</sup> ELGC Committee, 21 September 2017, RoP [284]

<sup>240</sup> ELGC Committee, 21 September 2017, RoP [285]

<sup>241</sup> ELGC Committee, 21 September 2017, RoP [295]

<sup>242</sup> ELGC Committee, 21 September 2017, RoP [313]

bureaucracy” because she has to evidence all the things she is already doing. She felt that the Government had a role in dealing with this, especially, when larger organisations are not complying with the Code in the way they should be doing.<sup>243</sup> She told us that awareness amongst the SME sector of the Code was “very, very low”.<sup>244</sup>

### 4. 3. Monitoring and enforcement

**196.** Both CECA and WCFA raised concerns about the levels of rigour and compulsion within the current procurement processes. In particular, they were concerned about how community benefits are maintained as sub-contracting occurs. WCFA said:

“There must be evidence proving that what is in the contract is being delivered by whom it is supposed to be delivered, not abrogated to someone else.”<sup>245</sup>

**197.** CECA highlighted that larger companies are often at an advantage as they are able to “give robust responses to whatever procurement processes are out there”. They wanted more support given to smaller contractors to achieve the “same level of sophistication”. They wanted support structures put in place by clients to help develop smaller companies, highlighting that “they are the ones who do employ these young people”.<sup>246</sup>

**198.** CECA also described a lot of SME construction companies as being “embedded in their communities”.<sup>247</sup>

**199.** Helen Walbey told us of the advantages of getting SMEs involved in procurement:

“I think there’s an opportunity within that, not just to look at the high-level compliance, but actually to look at whether we’re doing business ethically, and I think there’s an opportunity then, with small businesses, because a lot of small businesses may not have the necessary written policies, processes and procedures, but, actually, they can be infinitely better at complying with the spirit of the law. They’re much more embedded in their communities, they have much more understanding

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<sup>243</sup> ELGC Committee, 19 July 2017, RoP [244]

<sup>244</sup> ELGC Committee, 19 July 2017, RoP [272]

<sup>245</sup> ELGC Committee, 21 September 2017, RoP [166]

<sup>246</sup> ELGC Committee, 21 September 2017, RoP [167, 170]

<sup>247</sup> ELGC Committee, 21 September 2017, RoP [148]

of the impact that their jobs create, and also they tend to spend their profits within their communities, rather than it being dispersed.”<sup>248</sup>

**200.** Helen Walbey said that lots of small business are put off public procurement, because the process is seen as “very onerous”. She felt more could be done to raise awareness, and engage with, this sector to help them engage with public procurement. In particular, to simplify the process for the lower value contracts. She told us that SME businesses “actually add more value to a contract than a larger business would”.<sup>249</sup>

**201.** FSB Wales said that to move community benefits beyond a tick-box exercise, there needed to be more auditing and monitoring of these clauses. They called for the Welsh Government to “follow-through” on this.<sup>250</sup> They accepted that this would be expensive to do, but added:

“It just brings us into a territory of how we absorb that cost and whether we see the value of that procurement as being something, perhaps, wider than just ensuring that it’s the lowest cost possible. I don’t have a direct answer, ... but we need to look at how it’s done.”<sup>251</sup>

**202.** The WCFA also raised the cost of ensuring a robust procurement model that generates a wider social benefit. They asked “how do we do that if the supply chain is not making any money?”<sup>252</sup> The WCFA felt that the development of a robust procurement model needed to be backed up with the establishment of an Ombudsman who could highlight best practice and address malpractice.<sup>253</sup>

**203.** When we asked WCFA and CECA how the community benefits programme works, WCFA said the programme is not “actually working”.<sup>254</sup> CECA described the community benefits programme as well-intentioned, but:

“...it’s plateaued for quite some time. I think it’s in danger of getting into a little bit of disrepute now because I think that many people on

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<sup>248</sup> ELGC Committee, 19 July 2017, RoP [241]

<sup>249</sup> ELGC Committee, 19 July 2017, RoP [274]

<sup>250</sup> ELGC Committee, 19 July 2017, RoP [245]

<sup>251</sup> ELGC Committee, 19 July 2017, RoP [247]

<sup>252</sup> ELGC Committee, 21 September 2017, RoP [153]

<sup>253</sup> ELGC Committee, 21 September 2017, RoP [153]

<sup>254</sup> ELGC Committee, 21 September 2017, RoP [139]

different sides of the, if you like, client-supplier relationship are almost playing a game now.”<sup>255</sup>

**204.** They told us the way policies are implemented is “fairly transactional”.<sup>256</sup>

**205.** When we raised concerns about how community benefits can be retained when contracts are sub-contracted, the Director of the National Procurement Service said that this was reliant on “effective contract management and programme management”, with clear accountability on both the client and contractor sides. She also highlighted the need for proportionate sanctions for non-delivery. She said work was currently underway in the Welsh Government to revise the community benefits policy, which would make reporting easier and more accessible.<sup>257</sup>

**206.** WCFA raised concerns about the large number of pre-qualification bodies, citing a Value Wales report that suggested that £20 million a year is wasted on pre-qualification. They said there are about 20 pre-qualification bodies, yet the Supplier qualification information database (SQuID) does all of these things. However, tier 1 contractors are not insisting on SQuID; they will ask for other accreditation.<sup>258</sup>

#### 4. 4. Equality and procurement

**207.** Dr Alison Parken argued that more can be done through effective procurement to improve gender equality, including giving weighting to equality, pay and progression outcomes. She cited good examples such as High-Speed 2 and the Tideway projects:

“...if they’re properly weighted and we give them their due influence, then I think we can influence the way that tenders are given.”<sup>259</sup>

**208.** Helen Walbey told us that in America, legislation has placed a range of requirements on the procurement process, to ensure that a certain percentage of contracts go to majority women-owned businesses, economically disadvantaged businesses, veteran-led businesses and businesses based in enterprise hubs. This has led to £400 billion of contracts going to such businesses. She said there is an opportunity:

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<sup>255</sup> ELGC Committee, 21 September 2017, RoP [142]

<sup>256</sup> ELGC Committee, 21 September 2017, RoP [144]

<sup>257</sup> ELGC Committee, 21 September 2017, RoP [306, 308]

<sup>258</sup> ELGC Committee, 21 September 2017, RoP [195]

<sup>259</sup> ELGC Committee, 19 July 2017, RoP [162-163]

“...to ensure that we build that diversity within our supply chain process and I think, then, it’s also about looking at how we reinforce the legislation that is already there to ensure that those largest businesses within the supply chain are actually complying with current legislation, not just to the letter of the law but to the spirit of the law as well.”<sup>260</sup>

**209.** Chwarae Teg argued that a “range” of “positive nudge behaviours” could be used by the Welsh Government to ensure better take-up of the Code.<sup>261</sup> It cited the good practice in Berlin, where contractors must submit a declaration or action plan about how they will promote women “within that job, that contract, that sector or industry”. It suggested introducing an “equality benefit clause” in a similar vein to the community benefit clauses.<sup>262</sup>

**210.** We asked the Cabinet Secretary for Finance what the Government was doing to use procurement to address inequalities. He told us, that as an example, the Government was keen to take action to use procurement to increase the number of women in the construction industry. The Director of the National Procurement Service described how policies that comply with the Equality Act are embedded into the strategic risk assessment of all procurements above £25,000. We heard that there is Welsh Government guidance, and that there have been community benefit clauses aimed at increasing the number in women in construction. But they admitted:

“...it’s very difficult to mandate because, once you get into the regime of mandation, there’s actually evidence that it can actually distort the outcomes and have a negative effect rather than a positive effect.”<sup>263</sup>

**211.** The Cabinet Secretary gave a commitment for his officials to explore further some of the ideas proposed by witnesses to this inquiry, including the Chwarae Teg’s suggestions of the approach taken in Berlin.<sup>264</sup>

**212.** A number of witnesses, including Wales TUC<sup>265</sup> and FSB Cymru,<sup>266</sup> highlighted the opportunities that may be presented by Brexit to be more radical on procurement.

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<sup>260</sup> ELGC Committee, 19 July 2017, RoP [239]

<sup>261</sup> ELGC Committee, 19 July 2017, RoP [159]

<sup>262</sup> ELGC Committee, 19 July 2017, RoP [165]

<sup>263</sup> ELGC Committee, 21 September 2017, RoP [356]

<sup>264</sup> ELGC Committee, 21 September 2017, RoP [358]

<sup>265</sup> ELGC Committee, 19 July 2017, RoP [33]

<sup>266</sup> ELGC Committee, 19 July 2017, RoP [252]

**213.** The Cabinet Secretary for Finance acknowledged that the UK’s withdrawal from the European Union might “give us some new flexibilities in the procurement field and weigh ability to learn some things from other places that, at the moment, the way the rulebook that we have bought into doesn’t allow us to do”.<sup>267</sup>

#### 4. 5. Our view

**214.** The Auditor General for Wales recently published two reports looking at procurement in Wales.<sup>268</sup> It is disappointing that these confirm that Wales is not maximising best value out of every pound that is spent in the public sector. The Public Accounts Committee followed up these reports with oral evidence. The Welsh Government is now undertaking a review of procurement, which is due to report in September 2018.

**215.** Procurement is a vital tool to help drive inclusive growth. The Government has already made important steps in trying to maximise the social benefits of public investment with the introduction of the Code of Practice on Ethical Employment in supply chains. We heard strong evidence from many stakeholders on the lack of effective monitoring of compliance with guidance on ethical employment practices and community benefits. When construction organisations and organisations representing small businesses are expressing considerable concern about non-compliance and a “tick-box” culture, it is clear that there is a problem.

**216.** We think it is too early to decide whether the Code needs to be placed on a statutory basis. We are sympathetic to the Cabinet Secretary for Finance’s view that voluntary participation is more likely to engender the cultural and behavioural changes that are needed. But we should not take the possibility of legislation off the table. We believe the Welsh Government should give a clear timeframe for a wide-ranging evaluation of take up and implementation of the Code, with a view to legislating if it is still not having the desired effect. Clearly any review will need to take account of any differences in procurement regulations once the UK leaves the EU, including the UK Government’s desire to develop a common procurement framework at a UK level.<sup>269</sup>

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<sup>267</sup> ELGC Committee, 21 September 2017, RoP [362]

<sup>268</sup> **Auditor General for Wales, Public Procurement in Wales, October 2017** and **The National Procurement Service, November 2017**

<sup>269</sup> UK Government Cabinet Office, **Frameworks Analysis**

**217.** We heard that the social benefits and ethical elements of a contract could be lost during the sub-contracting process. As sub-contracting is a large part of the procurement process, this potentially impacts on maximising the social value. This is a complex issue with a range of factors, but a key one is the ability of the client to review and monitor the delivery of the contract.

**218.** We heard from the small business sector that there are low levels of awareness about the Code. Additionally, small businesses who either are ethical businesses or aspire to be more ethical could be put off from engaging with procurement. There are additional costs that can arise from ethical business practices. We think these issues need addressing, and both the Welsh Government and public sector bodies undertaking procurement should engage more with small businesses.

**219.** It was clear to us, from the evidence received, that the capacity and ability of procurement staff in the public sector is key to delivery of this agenda. We heard that it was variable across Wales. We are aware that there is a broader discussion underway around the regionalisation and collaboration agenda in local government which may address these capacity issues.

**220.** We welcome the commitment by the Cabinet Secretary for Finance to explore the potential for the use of procurement as a lever to reduce inequalities in the workplace. We hope that he will seriously consider how “equality benefit” clauses might be used to achieve this, as well as fully exploring work done in Berlin to ensure that contractors submit action plans to advance the position of women.

**Recommendation 13.** We recommend the Welsh Government commits to undertaking a full review of the Code of Practice on Ethical Procurement in Supply Chains by 2020 and takes actions to address any issues identified. The review should consider whether the Code should be placed on a statutory basis.

**Recommendation 14.** We recommend the Welsh Government use the forthcoming procurement fitness checks to assess the extent to which public bodies ensure that businesses comply with ethical employment and community benefits initiatives.

**Recommendation 15.** We recommend the Welsh Government uses the procurement fitness checks to review the approach to monitoring ethical employment practices and community benefits policies. The findings of such a review should inform the development of guidance to the public sector on monitoring and reviewing compliance.

**Recommendation 16.** We recommend that the Welsh Government carries on its work to explore the potential for using “equality benefit” clauses in procurement, and the potential for requiring contractors to develop action plans to advance women in their company and industry.



## 5. Quality of work

The quality of work, and in particular the number of hours and the notice given for working hours are as important as the levels of pay. There has been a change a casualisation over recent years, which has had a significant impact on people on low incomes. We call for the Welsh Government to prioritise the importance of ethical employment when making decisions about providing business support.

**221.** Stakeholders emphasised the importance of improving the quality of work.<sup>270</sup> Oxfam Cymru called for the Welsh Government to look beyond job creation, and to focus on quality. They highlighted the impact work can have on people’s mental health and family life.<sup>271</sup> Citizen’s Advice said that a recent survey showed that security of income is as important as the level of income.<sup>272</sup>

**222.** We heard from a number of witnesses that the flexibility of the labour market in the UK has had a marked impact on the quality of work available. Professor Caroline Lloyd described:

“In France, there’s almost 100 per cent collective bargaining coverage, and they have a high minimum wage. There is a lot of regulation of the labour market in terms of things like employment contracts. .... Our sector is almost completely—. There are no unions; there is no collective bargaining coverage; the minimum wage is very low; regulations are very weak. We have—as we know—the most flexible labour market in Europe.<sup>273</sup>

**223.** She said it was down to a “lack of regulation” rather than a “failure of regulation”.<sup>274</sup>

**224.** The Bevan Foundation told us:

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<sup>270</sup> **MEW12 Professor Anne Green, Dr Paul Sissons and Dr Neil Lee**, paragraph 17

<sup>271</sup> **MEW03 Oxfam Cymru**, section 2

<sup>272</sup> **MEW04 Citizen’s Advice Cymru**, paragraph 3.2

<sup>273</sup> ELGC Committee, 5 July 2017, RoP [211]

<sup>274</sup> ELGC Committee, 5 July 2017, RoP [217]

“Looking at job quality is actually a very new policy area....The downside of that is that there aren’t many pointers as to what could be done, and the upside is the scope for innovation....I think the scope for Welsh Government is around working very closely with employers to support them in shifting from business models based on low pay and poor conditions towards business models that are based on investment in the workforce and progression....There’s not a clear route-map there, but we do know that looking at pay, looking at hours and looking at the skills package that is needed can work.”<sup>275</sup>

**225.** They highlighted the impact job quality can have on people’s well-being.<sup>276</sup> Helen Walbey gave us an impressive example of the impact employment can have, on the employee, their family and the wider community.

**226.** Chwarae Teg said:

“The gig economy is not really anything new. It’s just that the industries that we’re talking about as characterised by the gig economy now are the ones that men are working in. Women have been experiencing a lot of the things that workers in the gig economy experience for decades and decades, and it’s interesting that it’s now become a fascination of policy makers, when, actually, these are things we could have addressed generations ago.”<sup>277</sup>

**227.** The Cabinet Secretary for Economy and Transport acknowledged the importance of job quality on people’s well-being:

“...it’s absolutely vital that people, during their working age, have a sense of control over their working life, and that means control over the amount of time that they spend in the workplace, that they have the security of knowing that they have the skills to remain in work, and that they have a job that is going to be secure as well...”<sup>278</sup>

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<sup>275</sup> ELGC Committee, 5 July 2017RoP [12],

<sup>276</sup> ELGC Committee, 5 July 2017RoP [85],

<sup>277</sup> ELGC Committee, 19 July 2017, RoP [192]

<sup>278</sup> ELGC Committee, 25 January 2018, RoP [9]

## 5. 1. Fair Work Board

**228.** Professor Caroline Lloyd said that the Fair Work Board has “considerable potential” and highlighted that addressing a number of gaps within the Economic Action Plan is dependent on the work of the Board. However:

“...there appears to be no details on the Welsh government website (or elsewhere) as to its composition or terms of reference. Why is there not more transparency in relation to this body?”<sup>279</sup>

**229.** Chwarae Teg, who are represented on the Board, told us:

“The first thing that we’re looking at is what do we mean by fair work, what do we mean by decent work, and how can we measure that and how will we know if we’ve succeeded if we make changes. I have to say that we’ve only met once, so it’s early days.”<sup>280</sup>

**230.** The Bevan Foundation called for the Board to “identify the levers that could be used within Wales when employment terms and conditions for the most part are devolved, and it could make sure that those levers are then resourced”.<sup>281</sup>

**231.** Oxfam Cymru called for the Board to “listen to people” both those working in the third sector and those living in poverty. They said that these groups know what the issues are and how to solve them, but they were unclear (as was the Bevan Foundation<sup>282</sup>) whether this sort of engagement would be taking place.<sup>283</sup>

**232.** The Wales TUC told us that they want to see a Fair Work Nation; that would mean:

“...a principle that all Welsh Government and devolved public sector activity should be organised around the idea of promoting and maximising fair work outcomes across our public services and economy.”<sup>284</sup>

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<sup>279</sup> **MEW13a Professor Caroline Lloyd**, paragraph 4

<sup>280</sup> ELGC Committee, 19 July 2017, RoP [199]

<sup>281</sup> ELGC Committee, 5 July, RoP [76]

<sup>282</sup> ELGC Committee, 5 July 2017, RoP [76]

<sup>283</sup> ELGC Committee, 5 July 2017, RoP [78]

<sup>284</sup> ELGC Committee, 19 July 2017, RoP [9]

**233.** The Wales TUC called for the Board to “go to the edges of the devolution settlement”.<sup>285</sup> It should:

“...go as far as what we can do on regulation all the way along to what the soft influencing power is and the power to direct of the Welsh Government as a major organisation in the Welsh economy.”<sup>286</sup>

**234.** The Cabinet Secretary said that it was important the Board feels comfortable to “challenge Government and to work as a partner with Government”.<sup>287</sup>

**235.** Linking to the Economic Contract, the Cabinet Secretary told us that any company that wanted to secure Welsh Government support would have to “comply” with the conditions and criteria set out by the Fair Work Board.<sup>288</sup>

**236.** The Cabinet Secretary emphasised the importance of fair work in bringing down the productivity gap between the UK and other western economies.<sup>289</sup>

**237.** Since we completed our oral evidence, the First Minister the Fair Work Commission, which will be led by an independent Chair, gender balanced and will report by March 2019.

## 5. 2. Zero hours contracts

**238.** Professor Caroline Lloyd highlighted that variable hour contracts are rare in other countries, citing regulations in countries like France and Norway which require contracts to reflect working hours, and with notice periods for changes to shifts.<sup>290</sup>

**239.** Dr Rod Hick called for a “national conversation” about zero hours contracts. Echoing Professor Caroline Lloyd, he said that such contracts are either invalid or illegal in many European countries, and where they are allowed they are heavily regulated. He also said there was a lack of data on zero hours contracts, which makes it difficult to analyse and understand their impact.<sup>291</sup> He saw dealing with zero hours contracts as “an important way forward” and highlighted the moves in

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<sup>285</sup> ELGC Committee, 19 July 2017, RoP [91]

<sup>286</sup> ELGC Committee, 19 July 2017, RoP [91]

<sup>287</sup> ELGC Committee, 25 January 2018, RoP [27]

<sup>288</sup> ELGC Committee, 25 January 2018, RoP [38]

<sup>289</sup> ELGC Committee, 25 January 2018, RoP [115]

<sup>290</sup> **MEW13 Professor Caroline Lloyd, Cardiff University**, paragraph 3.2

<sup>291</sup> ELGC Committee, 5 July 2017, RoP [241]

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Ireland to eliminate zero hours contracts.<sup>292</sup> Both Unison Cymru<sup>293</sup> and Wales TUC<sup>294</sup> supported calls to ban zero hours contracts.

**240.** USDAW said that flexible hours contracts were a particular challenge in the retail sector:

“All the employers have introduced flexible contracts, where it’s a flexible contract for the employer, not the employee. So, typically, you can be on a contract of seven and a half hours a week, but that can flex up to 36 hours.”<sup>295</sup>

**241.** Chwarae Teg told us that 55% of those with zero hours contracts are women.<sup>296</sup>

**242.** A participant in one of our focus groups’ comment on zero hours contracts was:

“They need to be stopped. Awful things – cause people stress and anxiety.”<sup>297</sup>

**243.** The Cabinet Secretary told us he was:

“...willing to undertake whatever research is required to understand the consequences of zero-hours contracts, the gig economy and so forth, and to make informed decisions on how we can ensure that there is sustainable growth, that there is inclusive growth, but that people are able to retain a sense of control over their lives.”<sup>298</sup>

### 5. 3. Our view

**244.** Quality of work is as important as the ability to secure a job in the first place. It is important that employment provides sufficient hours and pay to enable people to support themselves and their families. The wider impact work has, on the individual, their family and the broader community, was reinforced by the powerful evidence from Helen Walbey. Work should pay and the current levels of in-work poverty are simply too high.

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<sup>292</sup> ELGC Committee, 5 July 2017, RoP [290]

<sup>293</sup> ELGC Committee, 19 July 2017, RoP [97]

<sup>294</sup> ELGC Committee, 19 July 2017, RoP [101-102]

<sup>295</sup> ELGC Committee, 19 July 2017, RoP [87]

<sup>296</sup> ELGC Committee, 19 July 2017, RoP [159]

<sup>297</sup> **Notes from the Focus Group meetings**

<sup>298</sup> ELGC Committee, 25 January 2018, RoP [11]

**245.** We acknowledge that some of the levers that can help turn the tide are beyond the control of the Welsh Government. This means that it must think creatively and innovatively about using the tools that it does have to drive up job quality.

### Fair Work Board

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**246.** The Welsh Government has put “fair work” at the heart of the EAP. We strongly support this. However, it is disappointing that there is very little information available publicly, if any, on the Fair Work Board. As the Welsh Government is placing emphasis on the work of this Board, we believe that more information should be publically available about its work, membership, objectives, timescales and outputs.

**Recommendation 17.** We recommend the Welsh Government publish the composition, terms of reference, and details of meetings of the Fair Work Board on the Welsh Government website immediately. Going forward, the Welsh Government should commit to publish the findings of any work undertaken by the Board, along with its responses to the Board’s recommendations.

### Zero hours Contracts

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**247.** We do not support the general use of zero hours contracts. The evidence we heard showed that, combined with low wages, they driven the rise of in-work poverty. We want to see them only used where there is an overwhelming case that a level of flexibility is wanted for the employee. We welcome the Welsh Government’s approach to try to reduce the use of zero hours contracts in the social care sector and their commitment to use their financial power to develop the cultural change that will drive down their use.

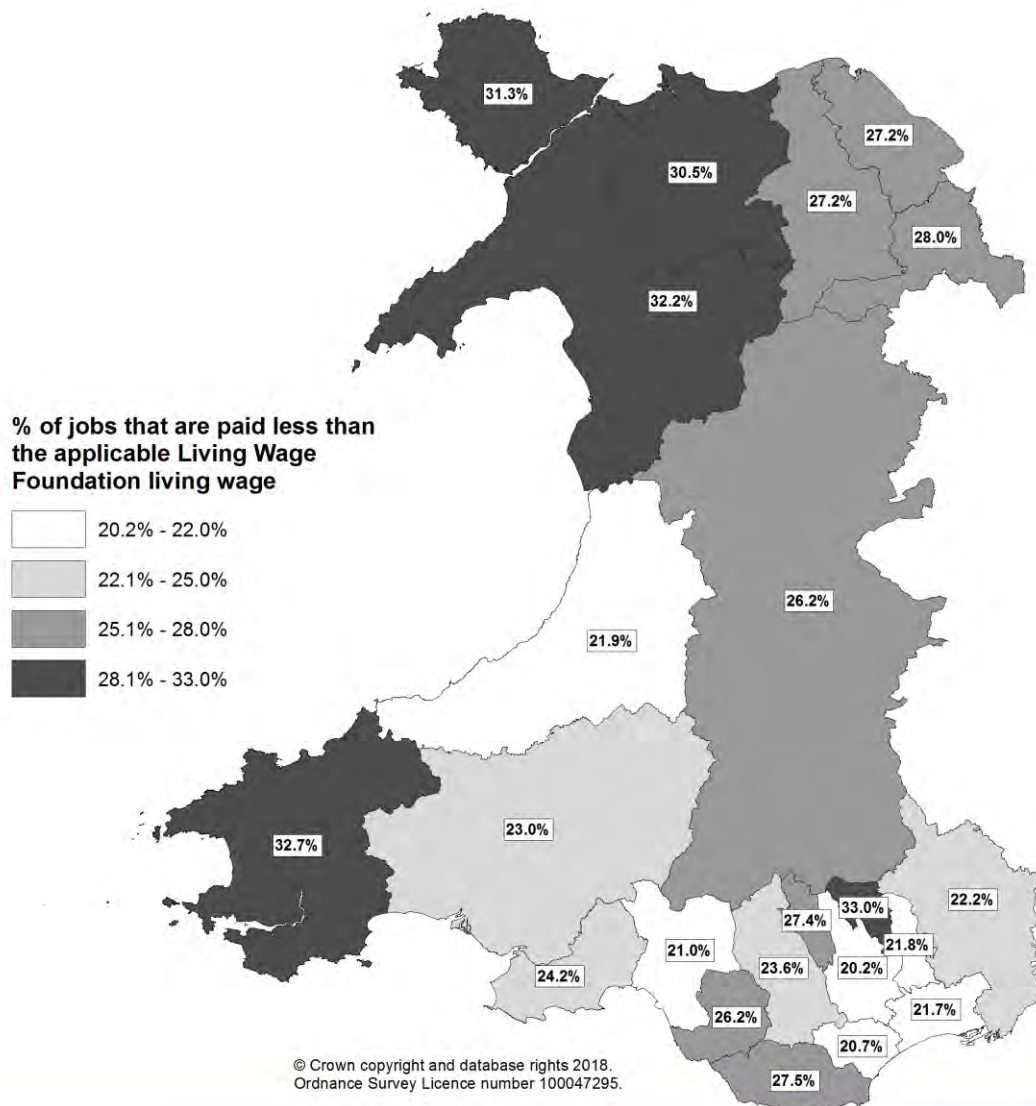
**248.** We want to see the Welsh Government use the Economic Contract in such a way that would mean a company will only be in receipt of Welsh Government support if they take action to appropriately reduce the use of such contracts. In particular, we want to see staff provided with more secure contracts after three months. We do not believe that public money should be used to support companies that routinely use zero hours contracts as standard employment practice. But, we do recognise that companies may face difficulties and it may take some time in making the transition to secure contracts and the Welsh Government should provide advice and encouragement to companies to make the change.

**Recommendation 18.** We recommend that the Welsh Government place requirements on any company receiving Welsh Government support through funding covered by the Economic Contract or otherwise to minimise the use of zero hours contracts. As part of this, the Welsh Government should support organisations to overcome potential barriers to offering secure contracts. As a minimum, companies should have to offer employees the option to move onto secure contracts after a set period of employment, which we suggest should be 3 months.

## 6. Pay

We are concerned at the levels of low pay, and increasing levels of in-work poverty. We believe that the Voluntary Living Wage should be paid across Wales. There is an opportunity now for the Welsh Government to take further action to encourage the payment of the Voluntary Living Wage across both public and private sectors.

**249.** The map below shows the % of jobs that are paid less than the Voluntary Living Wage in Wales.





**250.** The Trussell Trust reported that over a third of people accessing foodbanks because of low incomes had some form of employment. One foodbank reported that about half of the people accessing their services had an income mix of both paid work and benefits.<sup>299</sup>

**251.** Flintshire Council highlighted initiatives that could increase household income, by reducing living costs and increasing non-pay benefits for the low paid.<sup>300</sup> The range of different actions that they felt should be taken included:

- affordable housing;
- improved access to savings and low-cost credit;
- public transport;
- fuel poverty; and
- apprenticeships.

**252.** Professor Caroline Lloyd pointed to a major international research project which compared low wage jobs across six countries. This research concluded that the most important determinant of low pay incidence was:

“...the inclusiveness of wage setting institutions. Inclusiveness refers to the extent to which wages, benefits and working conditions negotiated by those workers with strong bargaining power are able to be extended to those with less bargaining power.”<sup>301</sup>

**253.** Professor Rod Hicks emphasised the difference between low pay and in-work poverty. “Most low paid workers are not poor...the reason why [they] are not poor is because most are second earners within their families.”<sup>302</sup> He also argued that while there are good reasons to tackle low pay, those who will benefit from such actions are not likely to be poor because “most people who experience low pay aren’t in poverty”.<sup>303</sup>

**254.** The Bevan Foundation told us about their extensive research which demonstrates:

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<sup>299</sup> **MEW06 The Trussell Trust**, paragraphs 13-15

<sup>300</sup> **MEW05 Flintshire County Council**, paragraph 10

<sup>301</sup> **MEW13 Professor Caroline Lloyd, Cardiff University**, paragraph 2.1

<sup>302</sup> **MEW14 Dr Rod Hick, Cardiff University**, paragraphs 21-22

<sup>303</sup> ELGC Committee, 5 July 2017, RoP [279]

“...focusing only on sectors is unlikely to achieve wage growth, whereas, if you focus on increasing all jobs of any type in any sector, and you don’t distinguish between a job in social care and a job in a high-tech company, that ‘any job’ increase has more effect on wage rates. And you can understand why, because it means there are fewer people chasing jobs, there’s less competition, so employers have to raise their wage rates in order to attract and retain workers. And the evidence for that’s quite powerful, and I think it does raise some big challenges for the way in which we’ve done economic policy so far in Wales.”<sup>304</sup>

**255.** Professor Caroline Lloyd highlighted a geographical element to low pay with rural areas having higher levels of low paid work. She thought this might be down to the lack of larger employers.<sup>305</sup>

**256.** Tinopolis Cymru also emphasised the importance of increasing the number of jobs as a tool to drive up wages:

“The more jobs there are, the more competitive it is, then the more salaries go up.”<sup>306</sup>

## 6. 1. Voluntary Living Wage

# Explaining UK Wage Rates

	<b>THE MINIMUM WAGE</b> <small>Government minimum for under 25s</small>	<b>NATIONAL LIVING WAGE</b> <small>Government minimum for over 25s</small>	<b>REAL LIVING WAGE</b> <small>The only wage rate based on what people need to live</small>
WHAT IS IT?	<b>£7.38</b>	<b>£7.83</b>	<b>£8.75</b> across the UK and <b>£10.20</b> in London
IS IT THE LAW?	Statutory	Statutory	Voluntary
WHAT AGE GROUP IS COVERED?	21 and older	25 and older	18 and older
HOW IS IT SET?	Negotiated settlement based on recommendations from businesses and trade unions	A % of medium earnings, currently at 55%, it aims to reach 60% of median earnings by 2020.	Calculation made according to the cost of living, based on a basket of household goods and services
IS THERE A LONDON WEIGHTING?	No London Weighting	No London Weighting	Yes - Separate higher rate for London

<sup>304</sup> ELGC Committee, 5 July 2017, RoP [46]

<sup>305</sup> ELGC Committee, 5 July 2017, RoP [217 -219]

<sup>306</sup> ELGC Committee, 11 October 2017, RoP [58]

**257.** Figure above has been provided by the Living Wage Foundation, rates correct as of April 2018. We use the term “Voluntary Living Wage” throughout our report to describe the “Real Living Wage”.

**258.** The Bevan Foundation stated:

“The voluntary Living Wage offers a potential solution for Wales’ low pay problem. The benefits for employers include increased productivity, improved staff recruitment, attendance and retention, and reputational enhancement, with the impact on wage bills and profits being very modest although they vary with the size and sector of the organisation.”<sup>307</sup>

**259.** They highlighted the wider benefit for the economy, stating that while the impact on the headline poverty rate is “likely to be modest....the benefits over people’s life course can be considerable”.<sup>308</sup>

**260.** Dr Alison Parken told us that when the minimum wage was introduced it became a ceiling, rather than a floor. She said it needed to be higher, but that it is also increasing hours of work.<sup>309</sup>

**261.** Professor Caroline Lloyd told us that “a lot more” could be done in the public sector and with large employers in Wales to encourage payment of the Voluntary Living Wage. She also said there might be ways to help support smaller companies who want to pay it, but cannot afford it. This could come in the form of tax rebates or marketing support.<sup>310</sup>

**262.** The Bevan Foundation felt more work could be done to increase take up of the Voluntary Living Wage, and they believed that a high-profile nationwide campaign like in Scotland would help, as did FSB Wales.<sup>311</sup> The Bevan Foundation said there had not yet been any innovative incentives.<sup>312</sup> They made a number of recommendations:

- a robust strategy, including sectoral approaches for sectors with endemic low-pay;

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<sup>307</sup> **MEWI The Bevan Foundation**, paragraph 8

<sup>308</sup> **MEWI The Bevan Foundation**, paragraph 10

<sup>309</sup> ELGC Committee, 19 July 2017, RoP [202]

<sup>310</sup> ELGC Committee, 5 July 2017, RoP [204]

<sup>311</sup> ELGC Committee, 19 July 2017, RoP [365]

<sup>312</sup> **MEWI The Bevan Foundation**, paragraphs 11-12

- developing a Living Wage movement, including employer-to-employer messaging;
- localised and national policy and legislation; and
- dedicated resources to champion the living wage bringing together all the main players.<sup>313</sup>

**263.** Professor Anne Green argued that employer-to-employer messaging has more impact on small businesses, and she felt that publicising a narrative of how paying the Voluntary Living Wage has helped with retention would be effective.<sup>314</sup> This was supported by Professor Caroline Lloyd and Dr Rod Hick.<sup>315</sup> FSB Wales also supported a similar approach to the one in Scotland.

**264.** Professor Karel Williams said there were different factors at play between the private and public sector on willingness to pay the Voluntary Living Wage. In the public sector, it is about motivation and resourcing, while in the private sector, it is down to business ecology, and this can be addressed through procurement. He argued that more light needs to be shone on supply chain conditions.<sup>316</sup>

**265.** Wales TUC highlighted that there is an opportunity with the regionalisation agenda in local government<sup>317</sup> and the economies of scale that may result from this, to make the Voluntary Living Wage more viable.<sup>318</sup>

**266.** Chwarae Teg supported calls for greater awareness raising around the benefits of paying the voluntary living wage. They also pointed to the need for support for smaller organisations to understand and model the costs.<sup>319</sup>

**267.** We explored with FSB Wales the impact of pay increases in the SME sector. They highlighted some recent research, where they asked businesses how they have responded to increases in labour costs:

“The first response was, ‘Absorb the cost or take lower profits’, the second one was, ‘Raise prices’, and the third one was, ‘Cancel

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<sup>313</sup> **MEW11 The Bevan Foundation**, paragraph 13

<sup>314</sup> ELGC Committee 5 July 2017, RoP [208]

<sup>315</sup> **MEW13 Professor Caroline Lloyd, Cardiff University**, paragraph 5.2 and **MEW14 Dr Rod Hick, Cardiff University**, paragraph 35

<sup>316</sup> ELGC Committee, 5 July 2017, RoP [207]

<sup>317</sup> The evidence we took from the Wales TUC was before the Cabinet Secretary for Local Government and Public Services published the Local Government reform green paper.

<sup>318</sup> ELGC Committee, 19 July 2017, RoP [57]

<sup>319</sup> ELGC Committee, 19 July 2017, RoP [203]

investment plans'. So, you can see that there's a mix of things going on here in responding to these kinds of increases in regulation."<sup>320</sup>

**268.** They said these differed to the responses they received to hypothetical questions about how businesses are likely to respond to higher costs.<sup>321</sup>

**269.** They told us that 60% of SMEs pay all their staff above the National Living Wage, with 33% paying it to some of their staff.

**270.** Helen Walbey called for greater support for businesses through the procurement process; either subsidising the accreditation process or providing blanket relief to any company paying the Voluntary Living Wage. The FSB were a more hesitant about the latter option, saying that it was important that limited funds were targeted effectively.<sup>322</sup>

**271.** The Cabinet Secretary said "great strides" have been made on the payment of the Voluntary Living Wage. He told us:

"We're doing it within the public sector in Wales. We're going to be doing it more within the private sector in Wales through the economic contract."<sup>323</sup>

**272.** While acknowledging that there can be cost implications for the public sector, he said that the costs could be offset by improved productivity. He also said that there was a moral argument as well as an economic one, and:

"...that's why we're considering further extending the economic contract to include procurement and the public sector as a whole."<sup>324</sup>

## 6. 2. Gender and pay

**273.** We heard that individual characteristics such as gender and age have an impact on levels of pay.<sup>325</sup> Chwarae Teg described the gender pay gap in Wales as "stubbornly high".<sup>326</sup> They said that one factor that plays a role in gender inequalities in the labour market has been the lack of flexible working options. They believed that changes in modern working practices could provide an

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<sup>320</sup> ELGC Committee, 19 July 2017, RoP [321]

<sup>321</sup> ELGC Committee, 19 July 2017, RoP [321]

<sup>322</sup> ELGC Committee, 19 July 2017, RoP [370]

<sup>323</sup> ELGC Committee, 25 January 2018, RoP [122]

<sup>324</sup> ELGC Committee, 25 January 2018, RoP [124]

<sup>325</sup> **MEW12 Professor Anne Green, Dr Paul Sissons and Dr Neil Lee**, paragraph 6

<sup>326</sup> **MEW15 Chwarae Teg**, paragraph 14.1

opportunity for businesses to rethink how they structure their workforces. Work carried out by Chwarae Teg suggests businesses are receptive to looking at different ways of working, but that they need continued support to implement them.<sup>327</sup>

**274.** The Bevan Foundation told us that low pay has a “very sticky floor”, and that a number of factors contribute to people’s ability to move out of low paid work. They highlighted that “men are more likely to leave low pay than woman”.<sup>328</sup> Dr Rod Hick told us low pay was “a highly gendered phenomenon”. He felt that greater transparency in pay generally, but also in relation to the gap between men and women, would be helpful.<sup>329</sup>

**275.** There is greater awareness of the gender pay gap because of the publication of the gender pay audits for companies with 250 or more employees.

**276.** Oxfam Cymru highlighted that women “face a triple burden”:

- low incomes
- care commitments; and
- reliance on “ever-contracting public services”.<sup>330</sup>

**277.** They also stated that the Social Mobility Commission’s recent analysis shows that women in their early twenties find it particularly difficult to escape low pay. The main barriers are a lack of flexible, good quality work that fits around caring responsibilities.<sup>331</sup>

**278.** The Cabinet Secretary told us that he was sympathetic to calls for greater use of gender pay audits.<sup>332</sup>

### 6. 3. Our view

**279.** Increasing levels of pay is critical to reducing levels of poverty, as well as helping to spread economic prosperity across Wales. We know that the Welsh Government has limited legislative competence to put things like the voluntary living wage on a statutory basis. We also appreciate that pay levels are complex

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<sup>327</sup> **MEW15 Chwarae Teg**, paragraph 1.4.4–1.4.6

<sup>328</sup> ELGC Committee, 5 July 2017, RoP [64]

<sup>329</sup> ELGC Committee, 5 July 2017, RoP [260]

<sup>330</sup> ELGC Committee, 5 July 2017, RoP [68]

<sup>331</sup> **MEW3a Oxfam Cymru**, paragraph 1.9

<sup>332</sup> ELGC Committee, 25 January 2018, RoP [30]

and that often employers wish to pay higher wages but for a range of reasons are not always in a position to do so.

### Voluntary Living Wage

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**280.** We believe that both the economic and moral arguments have been clearly made for payment of the Voluntary Living Wage.

**281.** A number of public sector employers are moving to paying the Voluntary Living Wage, which we strongly support. These include NHS Wales, Welsh local authorities, the Welsh Government, many Welsh Government Sponsored Bodies, and the Assembly Commission (which employs staff working at the National Assembly for Wales). It is important that any public sector employer who commits to paying the voluntary living wage works towards ensuring that any jobs that have been outsourced are also covered by such a commitment. But we know that for many public sector bodies, in particular local authorities, this can be challenging within a sustained period of austerity..

**282.** We welcome the recent announcement of a two year pay deal between the trade unions and local government. The deal will see an increase to the lowest pay scale to £8.50 per hour in 2018/19 and to £9.00 per hour in 2019/20.

**283.** We believe that the Welsh Government should work with organisations to ensure that the Voluntary Living Wage is paid across the devolved public sector. We appreciate that organisations may incur additional costs, and may need to be given sufficient time to adjust and prepare for paying the Voluntary Living Wage.

**284.** In terms of increasing the payment of the voluntary living wage within the private sector, we think there are clear lessons to be learnt from the Scottish approach. The Welsh Government should look at which elements of the Scottish Government campaign could be used in Wales. In particular, we acknowledge the power of peer-to-peer messaging, and believe that the businesses already paying the Voluntary Living Wage should be at the heart of a broader campaign to help increase participation.

**Recommendation 19.** We recommend that the Welsh Government develop a broad and wide-reaching campaign to encourage payment of the voluntary living wage within both the private and public sector in Wales. Such a campaign should highlight the economic benefit to businesses and should celebrate those employers that already pay the voluntary living wage.

**285.** In conjunction with such a campaign, we believe that the Welsh Government should maximise the impact of the Economic Contract to put the payment of the

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voluntary living wage at the heart of the conditions of business support. If this is done in combination with action on zero hours contracts, we think it will have a significant impact on the quality of lives of people on low incomes. It will also have a much broader positive economic and social benefit. Now is the time for this action to be taken.

**Recommendation 20.** We recommend that the Welsh Government incentivises the payment of the voluntary living wage when considering applications for financial support covered by the Economic Contract. This should be seen as a core requirement for larger businesses who employ at least 250 staff.

## Gender and Pay

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**286.** The gender pay gap has been laid bare over the past few months, regarding audits for companies with 250 employees or more. We took our evidence before the publication of these, but it was clear that the impact of the disparity remains significant for households across Wales.

**287.** We acknowledge the evidence shows variation between different sectors. We also know that the reasons are complex, and the Welsh Government cannot tackle this issue on their own. The Welsh Government should identify the actions that could and should be taken in a Welsh context.

**288.** We welcome the commitment in the Employability Plan for the Welsh Government to work with companies who have a poor record.

**289.** We are aware that Welsh public sector organisations listed in the Equality Act 2010 are subject to specific Public Sector Equality Duties around gender pay differences, and consequently have not been required to publish these on the UK Government's portal. We have received evidence on gender pay gaps as part of our inquiry into Pregnancy, Maternity and Work and we will be looking further into this issue.

**290.** We note that there is an issue a lack of data available from medium-sized companies. We believe that as part of the Economic Contract the Welsh Government should place a requirement on companies with 50 to 249 employees receiving support and to provide gender pay gap data. The combination of the UK-wide data and Welsh data will help clarify the level of the problem in Wales, and make it easier for effective policy decisions to be made.



**Recommendation 21.** We recommend that the Welsh Government place a requirement on all companies, with between 50-249 employees, who receive support as part of the Economic Contract to publish data on their gender pay gaps.

**291.** We would like to see a clear action plan from the Welsh Government on how they will tackle the gender pay gap. While the Employability Plan states that it will work with partners on this, it does not provide any timeframes for this work, or any detailed actions. We know that the Cabinet Secretary is expecting the Fair Work Board to consider gender pay gap as part of its work.

**Recommendation 22.** We recommend that the Welsh Government publish an action plan setting out what it will do to reduce the gender pay gap once the Fair Work Board has published its recommendations. This action plan should contain clear milestones, targets and actions.

## 7. Welfare

Following our evidence session on welfare reform, we have significant concerns about the impact of Universal Credit.<sup>333</sup>

**292.** Following the evidence session with Dr Sharon Wright and Dr Lisa Scullion from the Welfare Conditionality project, we wrote to the UK Government and the Welsh Government highlighting our concerns arising from the session.

**293.** The issues highlighted in this correspondence were

- Delays in payments being received after the initial application for Universal Credit is made. We heard that people could be waiting up to 10 weeks before payment is received. While advance payments may be made, these are in the form of loans, so people who are already living on the margins of affordability are immediately in debt, before they receive Universal Credit.
- Housing benefit payments being included in the personal income payment. This is particularly problematic when there are delays of up to 10 weeks before payments are received. We also heard that increases in sanctioning could lead to increases in rent arrears, and ultimately eviction. While the housing payment is not subject to sanction, if an individual's living allowance is sanctioned, they are placed in an impossible position of having to choose between paying their rent or covering other essential costs, such as food. As a result, eviction and homelessness are "new risks brought in within universal credit".<sup>334</sup>
- The joint claiming process means whole households can now be sanctioned. Joint claims particularly disadvantage people in abusive relationships. The witnesses suggested to us that payment should go to the main carer rather than the main earner, which would mean that the financial needs of children and their main carer are prioritised.

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<sup>333</sup> One Member of the Committee, Janet Finch-Saunders AM does not agree with views set out in this Chapter.

<sup>334</sup> ELGC Committee, RoP 21 September 2017, RoP [8]

- The extension of sanctioning to people who are in work. We heard that people, who are in work, are still expected to go to the Job Centre. In some cases, people have been sanctioned when they have been unable to rearrange appointments, which they cannot attend because they are working. We heard that the intensification of conditionality, combined with the requirement to be looking for a job 35 hours a week is incredibly difficult and stressful.
- Administrative issues around sanctions. We heard that they are often imposed unexpectedly, and people only discover that they are subject to a sanction weeks or months after the relevant event. This can then make it difficult for people to challenge the decision. We are also concerned that sanctions will apply to some of the most vulnerable groups. While we are aware that some groups of people who cannot be sanctioned, we are concerned that there will be people within the three groups that can be sanctioned who may be considered vulnerable.
- Problems inherent in the delivery of the programme, for example the digital by default claims process. While we heard that there is some provision for people who may not be able to claim digitally, we know this is of limited availability. Additionally, the phone line number is charged at a premium rate.

The witnesses told us that a simple, but very helpful, action would be for the number to be made free number to call. We strongly supported this suggestion, and are pleased that this change has been made.

- Moving easements<sup>335</sup> out of formal provision into guidance, which means they have become more discretionary. This introduces more variability into the system, and places the most vulnerable at risk.
- The very tight financial margins people are operating in while moving in and out of work. We heard that in some cases, as

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<sup>335</sup> Under the easements system, in some circumstances a claimant's work-related requirements may need to be put to one side for a period of time. Originally, in some circumstances (such as domestic violence, bereavement, drug or alcohol dependency) such easements were a legal requirement, while in other circumstances (such as homelessness or a domestic emergency) they were discretionary.

earnings increase, up to 63% of the increase is deducted from their Universal Credit.

## 7. 1. Devolving powers on welfare reform to the National Assembly

**294.** Some stakeholders called for the devolution of some welfare powers to the National Assembly. City and County of Swansea called for the devolution of the Work and Health programme to Wales, which they believed would enable closer working links with all the relevant partners.<sup>336</sup>

**295.** The Bevan Foundation highlighted that while the bulk of welfare is not devolved there are key elements of the system that the Welsh Government has control over including; Council Tax support; Discretionary Housing Payments and Discretionary Assistance Fund, along with control over other areas that affect households such as prescription charges; social rents and childcare.<sup>337</sup>

**296.** The Bevan Foundation called for the “immediate devolution of Housing Benefit and help with childcare costs” along with ensuring that the devolved elements of welfare provide “a coherent package of support”.<sup>338</sup>

**297.** When we explored the issue of the potential for devolving some responsibility on welfare to the Welsh Government, the Cabinet Secretary was very clear in his opposition to such a move:

“... it’s a matter of principle, of social solidarity, that we should all be entitled to an equal claim to our welfare state. The needs of citizens right across the UK, wherever they live, should be equally met, in my view.....I’d be very concerned about devolving this particular responsibility given that the risk would then transfer to the Welsh taxpayer.....I do not believe it’s in the interests of the Welsh people.”<sup>339</sup>

**298.** He added that there were practical implications to such devolution, including the fact that “the border in many parts of Wales is incredibly porous” and that it would not be of benefit to either community to have different welfare systems operating across the border.<sup>340</sup>

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<sup>336</sup> **MEW02 City and County of Swansea**, paragraph 3.2

<sup>337</sup> **MEW11 The Bevan Foundation**, paragraphs 27-28

<sup>338</sup> **MEW11 The Bevan Foundation**, paragraph 29

<sup>339</sup> ELGC Committee, 25 January 2018, RoP [184]

<sup>340</sup> ELGC Committee, 25 January 2018, RoP [188]

## 7.2. Our view

**299.** We set out our views on issues relating to the rollout of Universal Credit in our correspondence to the UK Government. We made it clear that we had significant concerns. While some issues, such as the removal of charges for the helpline have been addressed, the substance of our points have not. We continue to have concerns about the impact of the welfare changes on people in Wales which is widely shared. We acknowledge that this is outside of the Welsh Government's control.

**300.** In our recent report on rough sleeping in Wales, ***Life on the Streets: preventing and tackling rough sleeping in Wales***, April 2018, we highlighted welfare reforms as a structural cause of rough sleeping and a causal factor in the recent increase in rough sleeping. Our biggest concern is that the full repercussions of Universal Credit have yet to be felt in Wales.

**301.** In the current financial climate, and in the face of welfare reforms, managing finances is becoming increasingly challenging, for the poorest and most vulnerable in our communities. We believe that having the flexibility to change the way in which Universal Credit is administered would enable the Welsh Government to adopt an approach that is better suited to meet the needs of claimants in Wales. For example, providing payments to claimants twice monthly and enabling them to be made directly to landlords to help minimise the risk of rent arrears. We recommended that the Welsh Government considers seeking powers over the administration of Universal Credit akin to those available to the Scottish Government.<sup>341</sup>

**302.** After further consideration of the evidence we received for this inquiry, we are developing further that recommendation. As part of any consideration of the devolution of the administration of Universal Credit, we believe the Welsh Government should undertake and publish detailed analysis of the benefits, and risks of such devolution.

**Recommendation 23.** We recommend that, as part of any consideration of the devolution of powers on the administration of Universal Credit, the Welsh Government undertakes and publishes analysis of the benefits and risks.

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<sup>341</sup> ELGC Committee, ***Life on the Streets: preventing and tackling rough sleeping in Wales***, April 2018

**303.** Building on this recommendation, and following on from the Welsh Government's response, and the recommendation in the rough sleeping inquiry, we intend to undertake a further piece of work, on how the devolution of some powers over welfare reform have worked in Scotland.