

Long-term recovery from COVID-19

March 2021



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Long-term recovery from COVID-19

March 2021



About the Committee

The Committee was established on 28 June 2016. Its remit can be found at: www.senedd.wales/SeneddEIS

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Welsh Conservatives

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Hefin David MS
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Chair's foreword

The Coronavirus Pandemic has had a devastating effect across the world. Whilst we have seen heroic efforts from NHS staff and key workers as well as unparalleled intervention by the Welsh and UK Governments to keep the country safe and the economy moving, Wales still faces its biggest economic challenge in living memory.

Promising news around the vaccination programme is allowing us to optimistically look towards reductions in restrictions and the reopening of closed sectors like hospitality and tourism. However, as the health emergency recedes the nation must turn its attention to the economic emergency that has been left in the Pandemic's wake and how recovery should look.

Whilst we will not know the true impact of the pandemic on Wales' economy for some time, key indicators show we have suffered unprecedented damage. The UK's GDP dropped by almost 10% in 2020 and even with the Job Retention Scheme supporting almost a third of Welsh jobs through furlough at its peak, Wales has still seen a massive spike in the uptake of unemployment benefits.

Both the Welsh Government and UK Government have promised large investments for reconstruction. This is a very comprehensive report, setting out how those investments can be maximised to reinvigorate and refocus Wales' economy, skills provision and transport network. If these investments are used correctly we will be able to tackle ingrained problems which have dogged Wales for decades, and create a brighter tomorrow.

During reconstruction and recovery we also need to learn the lesson of previous recessions. The Government must ensure that people who were already disadvantaged do not fall further behind, and must act to avoid a monumental spike in youth unemployment.

Whilst some of this report does concentrate on the here and now, the majority of it is looking towards the future. Reconstruction is going to be a long process and for it to be a success the recommendations in this report will need to be heeded by the next, and possibly subsequent, Welsh Governments.

Russell George MS

Chair, Economy, Infrastructure and Skills Committee

Recommendations

Recommendation 1. The Welsh Government must take advantage of the upswing in entrepreneurial activity and encourage business start-ups as a way to drive the economic recovery. In order to do take maximum advantage of the positive momentum It should review the support available, and look at examples of best practice across the UK and internationally..... Page 15

Recommendation 2. The Welsh Government should examine how academia can best support small business leadership to contribute to Welsh economic recovery by developing their potential for future growth and supporting productivity, and what further measures can be taken to support this. One example of this that it should consider in developing its approach is the Small Business Leadership Programme. Page 15

Recommendation 3. As it is likely economic turbulence will lead to more regular economic shocks the Welsh Government must focus on building economically resilient communities. This should include a focus on adaptability to key foreseeable future shocks like climate change. Page 16

Recommendation 4. The Welsh Government should ensure Business Wales and the Development Bank of Wales are given sufficient resources to continue their key roles in the recovery and reconstruction efforts. Page 16

Recommendation 5. The Welsh Government must factor in monitoring and evaluation from the start of all recovery investment or new project. To do this they should build on the approach used in the Economic Intelligence Wales report on its Covid-19 interventions and undertake detailed monitoring and evaluation from the start of new projects and investments to support recovery. This should include published aims, objectives and targets of investments, and publication of data disaggregated by regions, sectors and equality characteristics where appropriate. Page 17

Recommendation 6. The Welsh Government should work with the Office for National Statistics and Welsh universities to build on the work undertaken during the pandemic to improve the timeliness and breadth of economic data collection for Wales. Page 17

Recommendation 7. The next Programme for Government must have skills at its heart, recognising its link to productivity and prosperity, in order to drive the recovery. Page 19

Recommendation 8. The Welsh Government must map out Wales' skills provision at a systems level to develop a truly integrated and joined up approach to skills in Wales. This joined up, system approach must also create a formal, easy to understand and transparent system for industry, awarding bodies and providers to approach one another and work together to develop and refresh skills qualifications. It should also address:

- How the different economic regions, and regional investments like city deals, link together for skills provision;
- How reconstruction funding will support skills development and vice versa. Page 19

Recommendation 9. Welsh Government should support Regional Skills Partnerships to revisit their skills plans in light of the pandemic and invest in a labour market intelligence tool to ensure the partnerships are better able to undertake their Welsh Government funded task. Welsh Government should also set out a clear role for Regional Skills Partnerships in the joined up approach outlined under Recommendation 8..... Page 19

Recommendation 10. The Welsh Government must support small businesses to invest in innovation in order to catch up to where they would have been if there had been no pandemic.....Page 20

Recommendation 11. Considering the fundamental importance of research and innovation to Welsh prosperity, the Welsh Government should provide the funding to fully implement the remaining recommendations of the Reid and Diamond Reviews, including creating the Future of Wales and St David's Funds, in full, as a matter of urgency.....Page 20

Recommendation 12. The Welsh Government must invest in an ambitious and transformational green recovery, prioritising investment in green infrastructure, natural infrastructure and decarbonising the Welsh economy. Given the Welsh Government's declaration of a climate emergency, it should set out cross-cutting plans of sufficient scale to meet this challenge..... Page 23

Recommendation 13. The Welsh Government should prioritise accelerating 'shovel-ready' green infrastructure projects to boost job creation at the start of the recovery. Page 23

- Recommendation 14.** The Welsh Government should prioritise using skills funding to support green jobs, and take robust action to analyse and address the disparities between current and future needs and existing skills provision. Page 24
- Recommendation 15.** As part of any investment in infrastructure the Welsh Government should consider if this infrastructure could be “green” – using an environmental solution to the issue the infrastructure is addressing. Page 24
- Recommendation 16.** The Welsh Government should support payment of the Real Living Wage though any recovery funding it issues, and should support a campaign to increase payment of the Real Living Wage. Page 26
- Recommendation 17.** Before the end of this Senedd, the Welsh Government should outline publicly what progress has been made in implementing the recommendations in the Fair Work Commission’s report. Page 26
- Recommendation 18.** The next Welsh Government should give an initial indication of how it will address fair work issues that have come to the fore during the course of the pandemic. Page 26
- Recommendation 19.** The Welsh Government should work with business representative organisations to promote fair work amongst businesses, as something that can work alongside growing their business. As part of this campaign, it should implement the Fair Work Commission’s recommendation to enlist employers to “increase the visibility and desirability of fair work” Page 26
- Recommendation 20.** The Welsh Government should provide the Committee with a copy of an example economic contract to aid scrutiny of it, this could either be a blank or redacted version to ensure that no business can be identified from the information provided. Page 27
- Recommendation 21.** The Welsh Government should ensure that the refresh of the economic contract is used to strengthen and expand its reach, including the introduction of equality considerations. Page 27
- Recommendation 22.** The Welsh Government should work with social partners and sectoral groups to develop a formal mechanism for monitoring compliance with the economic contract and the outcomes it delivers. Page 27
- Recommendation 23.** The Welsh Government must continue to learn lessons from uptake of previous rounds of business support and look again at people not helped by previous rounds, addressing the barriers to accessing support. Page 34

Recommendation 24. The Welsh Government must prioritise ongoing sector-specific support for hard hit sectors such as non-essential retail, hair and beauty, tourism and hospitality, arts and culture. It should set out its proposals for doing this in 2021-22, making clear where additional funding from the UK Government will be needed. Page 34

Recommendation 25. The Welsh Government should, as a matter of urgency, set out the financial support available for organisations and individuals working in the arts and creative industries after March 2021..... Page 34

Recommendation 26. Welsh Government should work with the tourism and hospitality sectors on a destination management strategy, including the development of campaigns to attract people to Wales for the 2021 season in a sustainable way for businesses and communities..... Page 34

Recommendation 27. Welsh Government should continue to focus effort on maximising the opportunities presented by research and development in the aerospace and steel sectors, communicating the detail of its approach in its recovery mission and plans. Page 34

Recommendation 28. Welsh Government should set out an update on its ongoing work to increase economic benefits to Wales from public procurement, both at a local level in the foundational economy, and winning a fair share for Welsh businesses in large UK infrastructure investments..... Page 34

Recommendation 29. The Committee welcomes the Welsh Government commitment to ensure no one is left behind by the Recovery. This commitment must be maintained by future Governments. Page 35

Recommendation 30. The Welsh Government should set out how it is mainstreaming equality into its recovery policies and investments from the start of the process, and make this information publicly available. Page 37

Recommendation 31. The Welsh Government must ensure representation and diversity on bodies making recovery- related decisions. Page 37

Recommendation 32. In evaluating its recovery support, the Welsh Government should continue to ensure that data on business support broken down by gender and ethnicity is published and evaluated, as with the Economic Intelligence Wales report on its Covid-19 interventions. It should also expand on this work by publishing data on support provided to businesses broken down by further groups with protected characteristics..... Page 37

Recommendation 33. The Welsh Government should work in partnership to develop specific communications campaigns to engage with people from Black, Asian and Minority Ethnic communities on COVID support and recovery programmes.....Page 38

Recommendation 34. A Black, Asian and Minority Ethnic advisory group, along the lines of the group established by the First Minister to respond to COVID-19, should work closely with the Welsh Government on long term economic, skills and transport recovery.....Page 38

Recommendation 35. The Black, Asian and Minority Ethnic advisory group's recommendation to establish a Race Disparity Unit within Welsh Government should be met as a priority.....Page 38

Recommendation 36. The Welsh Government should include commitments to accessibility (both in the built environment and through organisation's policy and procedures) as a criteria for receiving recovery funding, and monitoring businesses' compliance with these.....Page 40

Recommendation 37. The Welsh Government should respond publicly to the recommendations in Engage to Change's briefing "Jobs for people with a learning disability or autism - The role of the NHS" and should develop a learning disability and autism employment plan for the Welsh public sector in line with the plan for the NHS set out in the briefing.Page 40

Recommendation 38. Welsh Government needs to lock in gains for disabled people around home working. However they must ensure remote working to supports disabled people and does not further exclude them.....Page 40

Recommendation 39. The Welsh Government must carefully consider gender when creating recovery plans and allocating recovery funding in order to avoid any unconscious bias towards male-dominated sectors. As part of this the Welsh Government should use reconstruction funding to:

- encourage women to take up more roles in the construction sector, particularly those jobs created by investments in green infrastructure and
- create new jobs in sectors where the majority of the workforce is currently made up of women such as in care and childcare.Page 42

Recommendation 40. Given the record rates of women being made redundant across the UK during the pandemic, and that this rate is much higher than in the 2008 recession, the Welsh Government should review its redundancy support and careers advice programmes to ensure that they are fully resourced and equipped to deliver an increased level of tailored support to women. Page 42

Recommendation 41. The Welsh Government must set out publicly how it will encourage people to take up training opportunities which will lead them to jobs in sectors where people like them are under-represented..... Page 42

Recommendation 42. Preventing a scarred ‘Covid generation’ must be one of Welsh Government’s top priorities for recovery, with robust plans to guarantee high-quality training and work experience for young people..... Page 49

Recommendation 43. Welsh Government should urgently assess the introduction of a Youth Opportunity Guarantee for 16-24 year olds in Wales as part of its strategy and support programmes to tackle youth unemployment..... Page 50

Recommendation 44. Welsh Government should improve its strategic work with Welsh civic society and young people themselves when developing its policy approach and strategy for addressing youth unemployment..... Page 50

Recommendation 45. To meet the priority of preventing a scarred ‘covid generation’ the welsh government must create a strategy which:

- Includes targeted interventions aimed at supporting the employability of the cohorts of people leaving education during the pandemic and shortly after.
- Takes an approach that goes beyond employability measures to build young people’s confidence & resilience and address the underlying structural issues.
- Ensures new schemes designed to tackle youth unemployment stop the churn of young people simply moving in and out of various support schemes, including by ensuring courses and placements are of adequate length, and that they fully support progression.
- must be co-designed with young people aged 16-25, including those furthest from the labour market, and must include clearly measurable indicators and outcomes, with young people also involved in the accountability mechanisms.
- Draws on best practice from the UK and further afield. Page 50

Recommendation 46. Welsh Government must work closely with Department for Work and Pensions and Job Centre Plus to ensure the Kickstart scheme offers as many good quality opportunities as possible for young people in Wales.
..... Page 50

Recommendation 47. Welsh Government should take steps to ensure it has, and publishes, a clear picture of youth unemployment that also can directly compared to other UK and European nations..... Page 50

Recommendation 48. Welsh Government and Careers Wales should improve promotion of training courses to young people from ethnic minorities. To do this they must work with young people from those communities..... Page 50

Recommendation 49. The Welsh Government should work with colleagues and employers to support people with protected characteristics to make the transition between training and work in order to ensure they can fully use their qualifications. Page 51

Recommendation 50. Welsh Government should publish a recovery plan for bus and rail which includes:

- the work needed to understand and respond to passengers' travel needs post-pandemic;
- prioritised plans for new services, fares and ticketing structures; and
- supporting promotional and marketing activity. Page 60

Recommendation 51. Welsh Government should publish an evaluation of the effectiveness of short-term active travel interventions implemented in response to Covid-19. The evaluation should outline lessons learned, case studies and best practice to be shared across local authorities. Page 60

Recommendation 52. Welsh Government should consider the scope of options to give more long-term funding certainty to local authorities for transport investment, similar to that offered to Transport for Wales in the Wales Transport Strategy. The need for both revenue and capital funding must be taken into account. If this longer-term funding is not possible the Welsh Government must clearly set out why the approach for local government differs from that for Transport for Wales and the National Transport Delivery Plan..... Page 60

Recommendation 53. Welsh Government should identify the mechanisms it will use to achieve cross-party consensus on priorities for the 'big ticket' investments in transport infrastructure and operations that are necessary for recovery..... Page 61

1. Background

On 29 December 2019 Wuhan Municipal Health Commission reported a cluster of cases of pneumonia to the World Health Organisation. A novel coronavirus, COVID-19, was eventually identified. On 28 February 2020 the first case was confirmed in Wales and on 11 March the World Health Organisation characterised COVID-19 as a pandemic.

1. Over the last year the Welsh and UK Government have implemented a number of restrictions to control the spread of the virus including three “lockdowns” where all but essential businesses have been closed and non-essential travel has been banned. These restrictions whilst necessary to reduce the spread of virus have had a terrible impact on Wales economy.
2. As a result of the restrictions the Committee briefly stopped meeting. As soon as it resumed Members decided to refocus the work programme on the effects of the Pandemic on Wales’ economy, infrastructure and skills. Members issued a general call for evidence and the Committee released two reports on the immediate impacts of COVID-19, the Impact of COVID-19 Summary of Initial Findings and COVID-19 Skills early findings.
3. In autumn 2020, whilst continuing to take evidence and correspond with Welsh Ministers on the unfolding crisis, Members embarked on a very wide ranging inquiry. As recovery is such an unprecedented challenge, the terms of reference were exceptionally wide, ranging focusing on how recovery should look and how the Welsh Government could fulfil commitments made by the Minister for Economy, Transport and North Wales to Members that he would use reconstruction to improve Wales’ economy.

2. A brighter tomorrow - using recovery to improve the Welsh economy

Wales has faced certain economic issues which predate the pandemic. Historically Wales has lagged behind the UK average on productivity, skills level and research and development spending. The pandemic has had extreme negative humanitarian, health and socio-economic impacts. However recovery presents the opportunity to rebuild and re-tool the Welsh economy, and to address these historic challenges. This chapter sets out how the Welsh Government should seize this opportunity and use this reconstruction to create a more innovative, resilient and future-proofed economy for Wales, with a highly skilled workforce engaged in high productivity, resilient and environmentally-friendly jobs.

An entrepreneurial recovery

4. Historically Wales has seen a lower share of start-ups per-capita than the UK as a whole. Professor Dylan Jones-Evans explained to the Committee that the effect of the pandemic and lockdown had been quite interesting on the rate of start-ups. He ~~explained that~~ “what’s happened over the period of March to June is that we saw there was a decline in the number of start-ups, as you’d expect, in March, in April and in May, but, in June, when the economy opened again, there was this release of entrepreneurial intention across the UK.”

5. Although the number of start-ups was still lower than the UK average, as was the case across all of the devolved nations, this attitude and release of innovation, creativity and entrepreneurial spirit shows Wales’ potential. **This momentum should not be lost.** The Welsh Government needs to take this opportunity to foster that creativity, maintain that momentum in order to help Wales overcome previously ingrained economic challenges.

6. Professor Andrew Henley also ~~highlighted~~ the small business leadership programme that has recently been introduced by Small Business Charter

business schools in England, and suggested it was a “disappointment” that Wales is not participating in this. This **programme** receives financial assistance from the UK Government Department of Business, Energy and Industrial Strategy. It supports senior leaders to enhance their business’s resilience and recovery from the impact of COVID-19, and helps small and medium-sized businesses to develop their potential for future growth and productivity. These are key areas that the Welsh Government should be focussing on as part of its support for economic recovery, and it should consider how best it can support these.

7. The Minister for Economy, Transport and North Wales **highlighted** the role of the Development Bank of Wales in providing start-up loans, and the role of Business Wales’ enterprise hubs in supporting start-ups. He also raised the Barriers Fund, which the Welsh Government has introduced to support groups most affected by the pandemic to start their own business.

Recommendation 1. The Welsh Government must take advantage of the upswing in entrepreneurial activity and encourage business start-ups as a way to drive the economic recovery. In order to do take maximum advantage of the positive momentum It should review the support available, and look at examples of best practice across the UK and internationally.

Recommendation 2. The Welsh Government should examine how academia can best support small business leadership to contribute to Welsh economic recovery by developing their potential for future growth and supporting productivity, and what further measures can be taken to support this. One example of this that it should consider in developing its approach is the Small Business Leadership Programme.

A resilient recovery

8. One of the opportunities presented through recovery will be for the Government to be able to improve economic resilience, at all levels, through strategic use of recovery funding. Professor Gillian Bristow **told the Committee** that the pandemic has highlighted the “importance of economic resilience and how we build to resilience to shocks and change”, and that this was a “major challenge”. Professor Bristow went on to tell the Committee that the pandemic had “illustrated the global turbulence that we’re currently experiencing and will continue to experience.”

9. Professor Bristow was keen to emphasise “how important it is that we shape our economic responses in a manner that helps build our adaptability to key changes like climate change. So, tying economic responses to the challenge of

low carbon, of building greater sustainability and building better well-being for future generations is a critical feature” and that “should be an imperative for our thinking going forward.”

Recommendation 3. As it is likely economic turbulence will lead to more regular economic shocks the Welsh Government must focus on building economically resilient communities. This should include a focus on adaptability to key foreseeable future shocks like climate change.

Business Wales and the Development Bank of Wales in the recovery

10. One of the success stories of the pandemic has been the response of Business Wales and the Development Bank of Wales. They have proved capable of delivering huge packages of business support and distributing vast sums of money in short order and at pace.

11. The Development Bank played a key role by distributing funds under the COVID-19 Wales Business Loans Scheme (CWBLs). Gareth Bullock told the Committee the Bank had doubled their customer base due to COVID-19. The Minister for Economy, Transport and North Wales highlighted the “incredible work” of Business Wales when describing the “real team effort” that had been made in responding to the crisis. All of this against the background of the huge operational pressures created by the pandemic.

12. Members would like to put on record their thanks to all the staff who helped in this team effort to support Welsh businesses. It is clear both Business Wales and the Development Bank of Wales have proven their agility and should continue to play key roles in any recovery plans.

Recommendation 4. The Welsh Government should ensure Business Wales and the Development Bank of Wales are given sufficient resources to continue their key roles in the recovery and reconstruction efforts.

Understanding the impact of interventions

13. As recovery from the pandemic is likely to require substantial investment, ensuring the Welsh public get value for the money spent will be absolutely vital. To support this and overcome the economic challenges Wales currently faces, the Welsh Government will need to ensure that it has both the procedures and tools in place to correctly evaluate the impact of investment.

14. Professor Andrew Henley described monitoring and evaluation as one of his “bugbears” and told the committee “an appropriate monitoring and evaluation of

those policies has to be absolutely designed in from the start". This will allow the Government to see if investments and projects are working correctly and where it needs to change approach. Clear targets and a strong monitoring and evaluation regime also enable good scrutiny, which in turn enables the Government to perform at its best.

15. Professor Andrew Henley described how the lack of good quality and quickly reported economic data causes problems assessing the recovery. He told Members "I think the Office for National Statistics and a number of the universities and independent research organisations have moved very quickly to produce unusually rapid sets of data" however he still felt we "have quite a limited understanding as to how the economy is recovering, because even data that's a month or so out of date is out of date."

16. He went on to explain that problems with the data were exacerbated in Wales as whilst ONS survey data can be cut by region or by sector, it cannot be cut by both as the samples are too small and because GDP data has a "considerable lag". This means that you can't really predict how the economy is recovering so "it would be desirable to have a lot more timely data".

17. Throughout the inquiry Members heard volumes of evidence about the risks Wales faces if the Government chooses not to act decisively. **This report covers these risks in further detail, but key risks include a scarred generation of young people; the inability of Welsh business to bounce back to a competitive position; and people who are already disadvantaged being left behind as the economy recovers.**

18. Members feel that whilst looking at the cost of acting to mitigate these risks Welsh Government must seriously consider the cost in the long term, both economic and social, of inaction.

Recommendation 5. The Welsh Government must factor in monitoring and evaluation from the start of all recovery investment or new project. To do this they should build on the approach used in the Economic Intelligence Wales report on its Covid-19 interventions and undertake detailed monitoring and evaluation from the start of new projects and investments to support recovery. This should include published aims, objectives and targets of investments, and publication of data disaggregated by regions, sectors and equality characteristics where appropriate.

Recommendation 6. The Welsh Government should work with the Office for National Statistics and Welsh universities to build on the work undertaken

during the pandemic to improve the timeliness and breadth of economic data collection for Wales.

A skills-led recovery

19. Members are pleased that the Welsh Government has recognised the importance of “driving up skills and employability” in Wales’ recovery. **A skills led recovery will be vital to help reinvigorate the economy, support good quality job creation, tackle low skills traps and improve Wales’ productivity.**

20. Professor Andrew Henley and Professor Dylan Jones-Evans told the Committee about the risk of investing in infrastructure without investing in skills. Professor Jones-Evans likened it to “buying a Lamborghini for a 17-year-old without giving them driving lessons.” A skills-led recovery will ensure Wales’ economy is fit for the future and must be the driving thrust of Wales’ economic recovery plan and a priority for the next Welsh Government.

21. Wales has ingrained issues with productivity. Professor Dylan Jones-Evans explained to the Committee that “when we’ve looked at an economic strategy for Wales, productivity hasn’t been at the heart of that” despite there being a productivity gap between Wales and the rest of the UK. The Chief Economist’s 2020 report also highlighted Wales’ productivity challenge stating “Growth in productivity, pay and incomes has been very sluggish in Wales and the UK since the financial crisis of 2008.”

22. Members heard a lot of evidence around the need for a joined up approach to skills. Sian Lloyd Roberts told the Committee “Skills can’t work in a silo by themselves; it has to be cross-sectoral, so working across that economic development piece. So, we’re very much working with the chief regional officer and also with the economic ambition board on that skills economic recovery plan, which will hopefully direct us towards those high-value jobs”.

23. Rachel Clegg from the Regional Learning and Skills Partnership South West and Mid Wales told Members:

“In a lot of ways, the issue of low-skills traps is bigger than the RSPs [Regional Skills Partnerships]. It’s almost a wider economic development issue that would require, I think, targeted interventions across a range of different areas, for example, housing, connectivity, rurality.”

24. Rachel went on to outline that the role of the RSPs was to “to support employers and businesses in any way that we can, and ensuring that the right

people with the right skills are in the right place at the right time” which was “easier said than done”. She told Members that RSPs want to “strengthen our capability of being able to project and forecast, really, future skills needs”.

Recommendation 7. The next Programme for Government must have skills at its heart, recognising its link to productivity and prosperity, in order to drive the recovery.

Recommendation 8. The Welsh Government must map out Wales’ skills provision at a systems level to develop a truly integrated and joined up approach to skills in Wales. This joined up, system approach must also create a formal, easy to understand and transparent system for industry, awarding bodies and providers to approach one another and work together to develop and refresh skills qualifications. It should also address:

- How the different economic regions, and regional investments like city deals, link together for skills provision;
- How reconstruction funding will support skills development and vice versa.

Recommendation 9. Welsh Government should support Regional Skills Partnerships to revisit their skills plans in light of the pandemic and invest in a labour market intelligence tool to ensure the partnerships are better able to undertake their Welsh Government funded task. Welsh Government should also set out a clear role for Regional Skills Partnerships in the joined up approach outlined under Recommendation 8.

An innovative recovery - investing in Research and Innovation

25. As highlighted earlier productivity is a large issue that faces Wales’ economy. To improve productivity the Welsh Government must use reconstruction funding to invest in all facets of the productivity puzzle as part of its recovery plans. Skills is one part of this, the other part is research and innovation.

26. Improving productivity is complex and multifaceted with several drivers. Professor Henley told the Committee “Engaged, effective, well-skilled employees will deliver productivity”, that “productivity growth, is typically stimulated by innovation activity” and that often a driver for productivity, especially in small businesses, will be a desire to export.

27. Amy Bainton told the Committee that during economic crisis businesses “hunker down and don’t prioritise growth” and that the Federation of Small

Businesses felt businesses “might need some help kick-starting innovation when they feel that they’re able to”.

28. As well as increasing productivity, investment in research and innovation will also support Welsh communities to be more resilient following future economic shocks. Professor Bristow told the Committee that research following the 2008 economic shock indicated that “regions and localities that had invested in innovation did better and were more resilient”.

29. Welsh universities appear to have the lion’s share of Welsh Government research and innovation funding. For example in the 2020/21 budget £85.4 million is allocated to HEFCW whereas the NHS has an allocation of £43.4 million for research and development and £8.8 million for innovation. It is important that there is **co-production between Government, universities and business to leverage this funding and produce the best possible outcomes for Wales**. This work has to be coordinated.

30. In Graeme Reid’s review of Government Funded Research and Innovation in Wales he outlined that Welsh Universities have relied on European Union funding to support their Research and innovation. In April 2019 the Committee published Research and Innovation in Wales, a report on this matter. The Committee’s report supported the recommendations in Professor Reid’s review. The recommendations in the Diamond and Reid Reviews and this Committee’s report are even more relevant now as European funding is even closer to ending.

Recommendation 10. The Welsh Government must support small businesses to invest in innovation in order to catch up to where they would have been if there had been no pandemic.

Recommendation 11. Considering the fundamental importance of research and innovation to Welsh prosperity, the Welsh Government should provide the funding to fully implement the remaining recommendations of the Reid and Diamond Reviews, including creating the Future of Wales and St David’s Funds, in full, as a matter of urgency.

A Green Recovery

31. In 2019 the Welsh Government declared a climate emergency and on 9 February 2021 laid regulations to commit Wales to “extraordinarily challenging” targets advised by the Climate Change Committee to deliver the goal of net-zero emissions. The Welsh Government must use the recovery the help create an

economy that reduces Wales' carbon footprint, to achieve these targets and protect and improve the Welsh environment.

32. As well as the environmental benefits a green recovery is also economically attractive, with wide-ranging support from business representatives, trade unions, think tanks, academics and environmental organisations. The Future Generations Commissioner for Wales, Sophie Howe, told the Committee "At a UK level, the green economy currently supports about 430,000 jobs a year, and is growing about 11 per cent per year" and in the light of "some estimates suggesting that there could be up to 12,000 job losses in Wales clearly, investing in those areas, which are going to be those jobs for the future and help us meet decarbonisation and nature emergency targets, seems to be the right approach and the obvious approach to take."

33. With these considerations, investments in green infrastructure, travel and transport are vital. The Welsh Government has already included green investments in its reconstruction priorities, such as retrofitting homes, the Innovative Housing Programme, the Circular Economy Fund and the National Forest for Wales. These investments provide a good opportunity to reshape the economy to support green ambitions.

34. The investment must be at a transformational scale, and judgement will be needed to prioritise investments within the limits of the Welsh Government's budget. Sophie Howe, told the Committee that **there is a need for a green economic stimulus that meets the scale of the challenge**, highlighting the investment in retrofitting housing, where Welsh Government investment is £35 million, whereas investment of £4.2 billion is required over a 10 year period.

35. There are two types of 'green infrastructure', conventional infrastructure that is made environmentally friendly (e.g. renewable power) and developing infrastructure which is natural in itself. Tabia Wilkes of RSPB Cymru described to the Committee green infrastructure that provided "genuine nature-based solutions that could provide jobs, provide flood defence, provide decarbonisation and nature restoration." Haf Elgar, from Friends of the Earth Cymru, referred to these as "**nature based solutions**". Investing in truly green nature-based solutions like using natural landscapes to reduce flooding would both support new jobs and help improve both the lived and ecological environment.

36. The call for green infrastructure investment has been made by both business and trade unions. CBI Wales has called for "shovel-ready" construction projects to be accelerated to boost demand and competitiveness in the economy. The Wales Trades Union Congress (TUC) has commissioned work which suggests that almost

60,000 jobs could be created if the Welsh Government invests in key projects, with investment in 'shovel-ready' projects being a key lesson from the 2008 recession.

37. This investment has the potential for rapid job creation in areas hit hardest by the pandemic, and for workers with fewer qualifications than the average. However, the risks around a skewed recovery set out in the Recovery for All section of this report must be addressed and mitigated when making infrastructure investments.

38. The Welsh Government must **maximise green investment**, particularly in green infrastructure investment, **by tying these aims into other objectives**. A key example could be tying it into social infrastructure investment. Helen Cunningham of the Bevan Foundation illustrated this with the example of investment to improve Wales' housing stock. She explained that projects to insulate homes could include a skills element, training people to install the insulation, and would also reduce fuel poverty.

39. The Committee heard a lot of evidence about the importance of green spaces, and how much lockdown had highlighted the need for green areas of towns and cities. All of the witnesses on the Committee's green recovery panel welcomed the Welsh Government's commitment to green spaces. Tabia Wilkes told the Committee "actions that are already being planned, where they're focused on decarbonisation, they should also focus on nature restoration in equal measure" and that urban green spaces must be "genuinely nature rich" and "biodiverse, because there's a huge economic benefit in providing a space for pollinators." She considered that this sort of nature restoration could also create green jobs.

40. Sophie Howe noted that while the Welsh Government had been making some promising transport investment decisions that "62 per cent of that investment is still going on roads". Haf Elgar explained there needs to be a "fundamental change" about how we assess projects "especially in terms of transport infrastructure". She went on to say we need to "shift away from major roads to active travel infrastructure, such as urban cycling paths and cycling highways, and to integrate that with public transport hubs". Sophie supported this by saying "at least 50 per cent of the capital budget should be spent on public transport, 10 per cent of the whole budget on active travel, and 20 per cent of the capital budget on active travel."

41. It is important that the skills system and the green recovery are developed in harmony. Currently there is a startling disparity between the green jobs that can

be created and the training courses available. If left un-checked this will create skills gaps and missed opportunities. Sophie Howe illustrated this by highlighting “predictions of about 4,200 or so jobs to be created annually” in retrofitting insulation, “but currently, in terms of heating and ventilation, the annual starts for apprenticeships are between 20 and 40. And then, reforestation and natural flood defence, the estimations from the TUC are that around 3,500 jobs could be created, but we’re currently taking in between 50 and 120 apprenticeships each year.”

42. Sophie Howe went on to say this meant the **long term challenge for the Welsh Government was setting up a long term skills pathway** for these jobs and also ensuring the jobs were targeted at people with protected characteristics and people furthest from the labour market.

43. Tabea Wilkes from RSPB Cymru suggested a “national nature service” could be established. This would be “a kind of green jobs work and training scheme” which would “meet the needs of current unemployment, but also to provide the potential for developing transferable skills” and could “develop conservation skills that would take forward jobs ... into the long term”. Members felt this sort of initiative could be part of the solution to the lack of current training opportunities described by Sophie Howe.

44. The Minister for Economy, Transport and North Wales noted that the Welsh Government is investing in green transport infrastructure, as outlined in its transport strategy, Llwybr Newydd. He also mentioned collaboration with the UK Government on areas such as industrial strategy and rail infrastructure. The Deputy Minister for Economy and Transport also highlighted that the Welsh Government has invested in green infrastructure during the pandemic, citing an investment of £15 million in reallocating road space for active travel.

Recommendation 12. The Welsh Government must invest in an ambitious and transformational green recovery, prioritising investment in green infrastructure, natural infrastructure and decarbonising the Welsh economy. Given the Welsh Government’s declaration of a climate emergency, it should set out cross-cutting plans of sufficient scale to meet this challenge.

Recommendation 13. The Welsh Government should prioritise accelerating ‘shovel-ready’ green infrastructure projects to boost job creation at the start of the recovery.

Recommendation 14. The Welsh Government should prioritise using skills funding to support green jobs, and take robust action to analyse and address the disparities between current and future needs and existing skills provision.

Recommendation 15. As part of any investment in infrastructure the Welsh Government should consider if this infrastructure could be “green” – using an environmental solution to the issue the infrastructure is addressing.

Fair Work

45. There is a real risk that as a result of the economic emergency caused by the pandemic, Wales loses higher quality, secure jobs and sees increased casualisation of the labour market. There must be a concentrated effort to avoid casualisation and to ensure where higher skill, high paying jobs are lost they are not replaced by lower skilled, low-paying jobs.

46. The principle of addressing increasing precarious employment with fair work policies, such as extending the Real Living Wage, was raised by several witnesses.

47. David Hagendyk told the Committee that one of the adjustments we might see to the labour market would be “poorer terms and conditions, poorer wage levels” as people took roles with worse salaries and worse terms and conditions “in order to offset the risk of being unemployed.” Professor Henley also warned that one of the risks around increased home working was that it “becomes an excuse for greater casualisation of the labour force”.

48. Professor Keep raised his concerns of further casualisation of the workforce, particularly for younger people, saying “I have significant fears that, actually, a lot of the jobs that will be created in the next two or three years will be even worse than some of the jobs that have vanished, in terms of they’ll be very precarious—they’ll be labour by the hour.” He went on to explain that while job creation was the key to crack the recovery, the question for Welsh Government is the trade-off between volume and quality, and how to boost that quality.

49. Prior to the pandemic, the Fair Work Commission published Fair Work Wales in May 2019. This report made 48 recommendations to the Welsh Government, including 6 for immediate implementation. The Welsh Government accepted the 6 recommendations for immediate implementation, and accepted the other recommendations in principle.

50. In August 2020, the Senedd’s Equality, Local Government and Communities Committee recommended that “The Welsh Government should accelerate the implementation of the Fair Work Commission’s recommendations that do not

require legislation, including improving knowledge of employment rights and ensuring public money is only provided to organisations meeting the fair work standard.”

51. The Welsh Government accepted this recommendation, stating that:

“The Welsh Government is committed to the priorities and ambitions for a fair work nation set out in Fair Work Wales. Whilst Covid-19 has fundamentally altered the context for this work, we continue to progress the agenda and are prioritising interventions to increase workers and employers knowledge of workplace rights and avenues of support; enhance the relationship between public funding and the delivery of fair work outcomes; and improve outcomes in specific areas given prominence by the pandemic, including social care and health and safety.”

52. FSB Wales’ manifesto for the 2021 Senedd election calls for the Welsh Government to start a business-led campaign to deliver fair work. It says that “not enough has been done to practically engage small firms on the issue on their own terms and help them understand how they can grow their businesses whilst addressing issues around fair work. The next Welsh Government should put businesses at the centre of this discussion and embark on a campaign to help them improve the nature of work whilst being successful businesses.”

53. The pandemic’s effects have not been equal, the report discusses this in more detail in the section on Recovery for All. However, one group of people that is at risk and needs support, tied in to the fair work agenda, is those with low or no qualifications. Helen Cunningham warned the Committee that people with lower level skills and qualifications were “at the sharp end of being most at risk of losing their jobs”. She told Members that the response to this should be “an upskilling programme that is really tailored to them” and “flexible enough to meet the kind of needs that different workers in different places have.”

54. Both the Bevan Foundation and Wales TUC have called for the Welsh Government’s economic contract with businesses that it provides with financial support to be strengthened and expanded. The Bevan Foundation has suggested that “extending the ‘fair work’ provisions in it to cover all public sector assistance to businesses, and robust monitoring of compliance by liaising with trades unions on access to workplaces could all help drive up fair work”. Similarly, Wales TUC has called for “financial support from Welsh Government is only offered on a ‘something for something’ basis with organisations being expected to

demonstrate that they fully align their practices with Fair Work Wales Standard(s) and the decarbonisation agenda.”

55. The Equality and Human Rights Commission Wales’ written evidence to the Committee states that the economic contract offers an opportunity to drive inclusive growth and to increase the availability of fair work, but also to promote equality and human rights considerations in the workplace.

56. The Minister for Economy, Transport and North Wales highlighted the Welsh Government’s intention to “refresh” the economic contract. He noted that the refresh of the economic contract will address concerns around the impacts of the pandemic on Black, Asian and Minority Ethnic groups.

57. The Minister also told the Committee that the Welsh Government has a number of forums that assist it in monitoring compliance with the economic contract. These include social partners and sectoral groups. Sioned Evans of Welsh Government told the Committee that monitoring businesses has always proved “quite difficult”, and that working with partners who have on-the-ground insight is the best approach. She stated that “We’re really keen to make sure that we are not necessarily penalising businesses, but helping to raise them all to the same bar so that we have confidence that businesses in Wales are operating at a standard and in a way in which the Welsh Government can have confidence in using them and supporting them as partners.”

Recommendation 16. The Welsh Government should support payment of the Real Living Wage though any recovery funding it issues, and should support a campaign to increase payment of the Real Living Wage.

Recommendation 17. Before the end of this Senedd, the Welsh Government should outline publicly what progress has been made in implementing the recommendations in the Fair Work Commission’s report.

Recommendation 18. The next Welsh Government should give an initial indication of how it will address fair work issues that have come to the fore during the course of the pandemic.

Recommendation 19. The Welsh Government should work with business representative organisations to promote fair work amongst businesses, as something that can work alongside growing their business. As part of this campaign, it should implement the Fair Work Commission’s recommendation to enlist employers to “increase the visibility and desirability of fair work”.

Recommendation 20. The Welsh Government should provide the Committee with a copy of an example economic contract to aid scrutiny of it, this could either be a blank or redacted version to ensure that no business can be identified from the information provided.

Recommendation 21. The Welsh Government should ensure that the refresh of the economic contract is used to strengthen and expand its reach, including the introduction of equality considerations.

Recommendation 22. The Welsh Government should work with social partners and sectoral groups to develop a formal mechanism for monitoring compliance with the economic contract and the outcomes it delivers.

3. Continued Support for hard hit sectors

Whilst almost every business in Wales has felt negative impact from the pandemic businesses business which couldn't easily provide services online like hospitality, tourism and hair and beauty salons have been hit harder than most. The effects on the worst-affected sectors of the economy will be felt for many years to come. Long term support will be needed to return to their pre-pandemic strength, or in the case of sectors that were already struggling, to help them flourish in the 'new normal'.

58. Professor Gillian Bristow warned of the dangers of withdrawing support sensitively and not too quickly, to avoid exacerbating inequalities. Members agree with Professor Bristow's concerns and support this call. Businesses which have felt the worst effects of the pandemic need a stronger and longer pandemic exit strategy than the rest of the economy.

59. Some types of business were missed in the immediate rounds of support, and it was clear that types of support that work for bigger businesses won't work for smaller ones. Small businesses are also more at risk because they have no global market to fall back on. Some schemes also required money to help get the support, so small businesses with fewer resources lost out. Amy Bainton from the Federation of Small Businesses explained to Members that there is still considerable uncertainty facing business, so support needs to be flexible to adapt to changing circumstances. The Committee has called on Welsh Government to ensure that discretionary and bespoke funding - designed to catch those who fall through the gaps in eligibility for the bigger schemes - is not overly restrictive.

Business Rate Relief

60. There were calls for an extension to business rate relief as an important element of support to businesses in hard-hit sectors such as leisure, retail and tourism. Given the considerable costs of this, it was the Committee's view that the **Welsh Government should prioritise holding discussions with the UK Government around extending business rate relief for the tourism, retail and hospitality sectors for 2021-22**, to see what Barnett formula consequential funding may be available,

with the intention of giving Welsh businesses peace of mind by being able to make an early announcement on this.

61. The Committee notes that the Scottish Government has announced the extension of business rate relief for the tourism, retail and hospitality sectors for the first three months of 2021-22. This will give businesses certainty on available support until the end of June 2021 while the devolved administrations wait to hear whether Barnett consequential funding is available. While it would clearly be preferable for tourism, retail and hospitality businesses to be able to receive support for the whole of the financial year, this is a measure that the Welsh Government could consider if additional funding is not provided through the Barnett formula.

Sector-specific support

62. The need for sector-specific support has been a strong theme in the Committee's work on the impact of the pandemic.

63. Support for recovery needs to be tailored to address specific issues, such as that proposed for tourism through what FSB Wales described as a "Hibernation Fund" to help that sector manage through the equivalent of three winters.

64. Helen Cunningham from the Bevan Foundation warned that "careful consideration" of support must be given considering natural churn of business. She told Members we must avoid propping up sectors that "in the long term, may struggle to survive." She also highlighted when supporting sectors that support for their supply chain must be factored in, using the example of an IT company whose "business model is focused on supply to non-food retail or arts and entertainment" which could have "really taken a hit on its business."

65. Hospitality needs help with finance but also with building confidence. David Chapman of UK Hospitality described the current situation as the most "anxious and dangerous" he had seen. It was anticipated at that time (in October 2020) that of 130,000 jobs there could be as many as 40,000 redundancies, approaching a third of the total. He said the industry had been taken for granted in terms of its role in job creation and contributing to local economies, and that joint working between tourism and hospitality in a skills board would help with a coherent approach to recovery.

66. There was a big call for a "**we're open**" campaign and the idea of a "**head out to help out**" scheme to support tourism. When the Committee took oral evidence, in late September, the strong feeling was that a marketing scheme was needed

to support recovery. Andrew Campbell, Chair of Wales Tourism Alliance, suggested the Welsh Government should look at destination management which has been used to support and promote destination tourism to benefit business and community across the board in England. The key point of this is protecting and supporting the destination as a whole. Who will go and see a castle or coastline if there is no hotel to stay at, or somewhere to get lunch?

67. At the time the inquiry took evidence from the Wales Retail Consortium, local lockdowns had taken effect, but the further impact of Wales-wide lockdowns was still on the horizon. Sara Jones at that time outlined the key **challenge for retail of boosting consumer confidence** in the face of those local lockdowns. The interventions aimed at encouraging footfall in town centres were welcomed for their positive impact on retail, and a phased approach to changes in business rate bills, followed by more radical reform of the system, were critical to the sector.

68. The Committee received strong evidence from the hair and beauty sector about how hard it has been hit despite being a buoyant industry pre-Covid. There has been a **disproportionate gender impact as the sector is a large employer of women** - most hair and beauty businesses are micro-businesses owned by female entrepreneurs and supporting working mothers. There is also the hugely important 'ripple effect' on high streets from losing these businesses and their associated footfall.

69. The Committee wrote to the Minister seeking assurances that there was no unconscious gender bias in its support for the sector, and following up on calls from the Senedd Equality, Local Government and Communities Committee, in its report 'Into Sharp Relief: inequality and the pandemic', for impact assessments of Covid-19 regulations and guidance to be published. Welsh Government rejected the idea of any unconscious bias in its support, but did not respond to the Committee's point about equality impact assessments.

70. Some recommendations made by Victoria Brownlie of the National Hair and Beauty Federation (NHBF) have already come forward, including extending business support, hardship funding and apprenticeship incentives. In addition to calling for an extension to business rate relief and for Welsh Government to "join the call for the VAT threshold to be significantly increased for labour-intensive service industries."

71. A continuation of a partnership approach was called for in relation to any further lockdowns or any other regulations. Having early sight of plans was also supported by representatives of other sectors. While there was no criticism of the

engagement of Welsh Government officials, capacity was an issue. Sara Jones also wanted to see Welsh Government follow through on the retail strategy promised in its Economic Action Plan. Future skills planning will also need to support employees to adapt to the retail world of the future.

72. David Hagendyk from the Learning and Work Institute argued for “wage subsidies in targeted sectors” such as hospitality, tourism and parts of retail, which have a long-term market but are particularly affected by social distancing restrictions. He also pointed out that the level of debt, including personal debt, for businesses in those sectors means they will not have the headroom for job creation until there is market certainty again. Leighton Jenkins of CBI Wales spoke about ensuring support was “sectorally and regionally balanced to ensure an equitable reopening of the economy.”

73. A large amount of **art and culture has been more or less suspended since March 2020 as live events have either been impossible or extremely difficult to organise**. Businesses and individuals working in that space have been extremely impacted by the pandemic and it is likely to be one of the last sectors able to re-open fully. **Many creative arts practitioners and those in the supply chain have not qualified for support offered to the self-employed**. The introduction of a bespoke Freelancer Fund in October 2020 and the announcement of further support in February 2021 are both welcome. However, this Committee notes concerns raised by the Senedd Culture, Welsh Language and Communications Committee in December 2020 about Welsh Government’s lack of data on the true level of need, and that there are still urgent issues to address around public confidence, liability insurance and the needs of smaller community organisations. This Committee calls on the Welsh Government to continue its efforts to protect a sector which, whilst it is innovative and resilient, is currently extremely vulnerable.

Manufacturing Industries

74. Aerospace, a vitaly important sector for Wales, could take three to four years to recover to 2019 levels, and it was estimated that a quarter of people may be made redundant. Peter Hughes of Unite warned of a “tidal wave of redundancies”.

75. There is concern about the loss of smaller and weaker companies in the supply chain. However there is a bright future for the aviation industry as a whole if opportunities around new technology are grabbed, such as developing hydrogen planes, and incentivising moves to new technologies, including in flight and space technology where Wales could have a share of a pan-UK approach. John Whalley of the Aerospace Wales Forum said the pandemic had accelerated progress towards those new technologies. Peter Hughes of Unite pointed out that

nine out of ten of the biggest aerospace companies had a base in Wales and that presents an opportunity:

“We’re market leaders with really good people and really committed people and we’ve got to make sure that that’s the message that’s driven worldwide so that companies want to come and invest in Wales.”

76. Likewise the **impact on the Steel sector has been severe and it needs long term support**. Issues caused by the pandemic won’t go away overnight, and there is a long term picture of reduced demand over the next two years, alongside rising concerns about the impact of post-Brexit tariffs. Richard Warren of UK Steel did not think the long term outlook had fundamentally changed though, and if government is serious about decarbonisation then producing and consuming steel from the UK is the way to tackle emissions. What is required is a “proactive approach” to procuring UK steel for the big infrastructure projects in the recovery phase, not just a continuation of “business as usual”. Modest support had been provided in Wales, but a UK government commitment to strong intervention, similar that seen by France, Germany and the US, and investing in modernising, was called for by UK Steel:

“To fundamentally decarbonise a steel site like Port Talbot will require some serious intervention from Government of the order of magnitude that we’ve seen in the power sector or that we’ve seen in the automotive sector. And I think that, if we get that right, that is a real opportunity to create a long-term sustainable steel industry in the UK and in Wales. If we get it wrong, it is a fundamental challenge for the sector that, certainly, we couldn’t deal with on our own.”

77. The Minister for Economy, Transport and North Wales told the Committee:

“The interventions that are required to support the transition of steel to a green economy require significant sums from the industrial energy transformation fund. That fund is something that the Welsh Government alone would not be able to afford, and that’s why I caveat our ambitions with the need to address the challenges that certain sectors face by tapping into UK Government funding sources.”

78. John Whalley said “We’ve got a lot of exciting industries coming in to Wales, but if they’re all from overseas suppliers or elsewhere in the UK and we’re not getting our share—. So I think we’re going to have to work very hard collectively to make sure we get our fair share.” The view was that while the issues for

manufacturing were too big for Welsh Government to tackle alone, it could play an important influencing role by showing what is possible, for example with its public procurement decisions for devolved projects (this is covered in more detail below).

79. Richard Warren of UK Steel also pointed to the German kurzarbeit scheme as offering the kind of Treasury-level long-term support the industry needed to deal with its structural issues. **Loan schemes have not worked for the steel sector** and at the time the Committee took oral evidence only **Celsa Steel UK had been successful in accessing the bespoke support then offered by Project Birch**, along with support from the Welsh Government.

80. Following the signing of the Trade and Cooperation Agreement (TCA) between the EU and UK in December, UK Government is currently out for consultation on a new UK subsidy control regime until 31 March 2021. Alongside extending furlough to September 2021, Make UK is calling for a “Marshall Plan” long-term strategic approach to economic recovery by UK Government, with a focus on research and innovation, as the manufacturing sector digs in for a long haul recovery. The CBI also argues for “a national economic vision and strategy” to map the path to 2030, and address a failure to unite around a long-term plan for shared growth.

81. Richard Warren said: “the decisions the Government makes in the next six to 12 months will be fundamental to the future of the steel industry in Wales and in the UK.”

Role of procurement for recovery

82. As large investments are made into infrastructure, procurement needs to be **correctly used to maximise benefit to the supply chain** and the wider community. Steel producers used the example of HS2, stating they thought the only real economic benefit for Wales would be if they used Welsh steel. UK Steel was asking the UK Government to set non-legally-binding targets on the UK steel content of projects, and said Welsh Government could influence and lead by example. The Committee notes Welsh Government was the first signatory to the UK Steel Charter to promote the use of high-quality British steel.

83. The Committee has separately reported on the role of procurement in the foundational economy and supports the work being done by Welsh Government in this area to drive social value in procurement and support small and medium-sized businesses accessing the supply chain.

84. Given the timing of this report in advance of Senedd elections, as part of its legacy this Committee also recommends that its successor keeps a watching brief on how recovery spend is used to support different sectors, monitoring the outcomes of that.

Recommendation 23. The Welsh Government must continue to learn lessons from uptake of previous rounds of business support and look again at people not helped by previous rounds, addressing the barriers to accessing support.

Recommendation 24. The Welsh Government must prioritise ongoing sector-specific support for hard hit sectors such as non-essential retail, hair and beauty, tourism and hospitality, arts and culture. It should set out its proposals for doing this in 2021-22, making clear where additional funding from the UK Government will be needed.

Recommendation 25. The Welsh Government should, as a matter of urgency, set out the financial support available for organisations and individuals working in the arts and creative industries after March 2021.

Recommendation 26. Welsh Government should work with the tourism and hospitality sectors on a destination management strategy, including the development of campaigns to attract people to Wales for the 2021 season in a sustainable way for businesses and communities.

Recommendation 27. Welsh Government should continue to focus effort on maximising the opportunities presented by research and development in the aerospace and steel sectors, communicating the detail of its approach in its recovery mission and plans.

Recommendation 28. Welsh Government should set out an update on its ongoing work to increase economic benefits to Wales from public procurement, both at a local level in the foundational economy, and winning a fair share for Welsh businesses in large UK infrastructure investments.

4. Recovery for All

The effects of the Pandemic have not been felt equally. Dr Alison Parken told the Committee that “COVID has hit those people who already have very low incomes and little resilience the hardest. So, particularly women, people from ethnic minority communities, disabled people and the young” as these people are disproportionately represented in shutdown sectors.” She went on to warn that “furlough and the plan for jobs may not be enough to keep them out of poverty, food insecurity and housing issues.”

85. As discussed earlier, there are big risks and big opportunities in the recovery from COVID-19. One of the risks is that the issues Dr Parken outlined are not addressed, or worse even they are further exacerbated throughout recovery. This means people who were disadvantaged before the start of the pandemic become even more so as a result of COVID-19, with people and communities being left behind. Conversely the opportunity is that well-planned and executed recovery investments can be used to reduce inequality in Wales.

86. In both a scrutiny session for this inquiry and a scrutiny session on the 2021/22 Welsh Government draft budget, the Minister for Economy, Transport and North Wales recognised that in previous recessions those furthest from the labour market had been the worst affected and stated a commitment to ensure the Welsh Government “do everything we possibly can to ensure that, when we recover from this recession, it won’t be those who were furthest from the labour market who are left furthest behind.”

87. The Committee welcomes this commitment from the Minister. This section report outlines specific work the Welsh Government will need to undertake in order to support women, people from ethnic minority communities and backgrounds, and disabled people, and help keep the Minister’s promise that “this time it will be different.” The specific challenges facing young people are discussed in the “avoiding a scarred generation” section.

Recommendation 29. The Committee welcomes the Welsh Government commitment to ensure no one is left behind by the Recovery. This commitment must be maintained by future Governments.

Making investments work for everyone

88. Dr Alison Parken and Chwarae Teg told the Committee on 14 October that there has historically been difficulty in mainstreaming equality within economic development. Dr Parken stated that:

“The conversation we’re having is still about adding in women, adding in disabled people, adding in people from BAME [Black, Asian and Minority Ethnic] backgrounds, if you like, to what is already on the table. I do think we’ve got an opportunity at the moment to make a step change. So, we should be saying, ‘Okay, what we want in Wales, because we’ve got the Well-being of Future Generations (Wales) Act 2015, is this green recovery. Is it digital? Is it AI? Is it care?’, setting out exactly what we want to look at and then making that a fully inclusive set of training and jobs and business infrastructure, rather than doing what we usually do and then try and add people in who would otherwise lose out.”

89. Shavanah Taj of Wales TUC told the Committee that Equality Impact Assessments for business support schemes were seen as an afterthought, whereas they should be an integral part of developing measures.

90. To support mainstreaming, representation and consideration of people from diverse backgrounds and with diverse abilities in decision-making will be crucial. Ruth Coombs of the Equality and Human Rights Commission highlighted this saying “that people with protected characteristics and the socioeconomically disadvantaged people need to be at the heart of decision making” and that there needed to be “more diverse people in the room” when decisions were made.

91. This report has already highlighted the importance of monitoring and evaluation of recovery projects and funding. Alongside representation and consideration within decision-making processes it is vital that monitoring and evaluation regimes collect and evaluate data on the effectiveness of investments in supporting people with protected characteristics. The Economic Intelligence Wales report Covid-19 Welsh Government financial interventions: An analysis of Welsh beneficiaries makes a good start as it analyses funding by gender and race, however this should be expanded to include other groups with protected characteristics.

92. Cerys Furlong of Chwarae Teg underlined the risk of not properly collecting this data when she told the Committee “we know from evaluations of previous schemes around economic recovery that, often, the unintended consequence is

that we reinforce the same structural inequalities that we've always had. And if we don't collect and publish the data, then we can't learn from that quickly."

Recommendation 30. The Welsh Government should set out how it is mainstreaming equality into its recovery policies and investments from the start of the process, and make this information publicly available.

Recommendation 31. The Welsh Government must ensure representation and diversity on bodies making recovery- related decisions.

Recommendation 32. In evaluating its recovery support, the Welsh Government should continue to ensure that data on business support broken down by gender and ethnicity is published and evaluated, as with the Economic Intelligence Wales report on its Covid-19 interventions. It should also expand on this work by publishing data on support provided to businesses broken down by further groups with protected characteristics.

Supporting people from ethnic minorities through recovery

93. The pandemic has exacerbated existing economic inequalities, and created new ones. Shavanah Taj took the Committee through research undertaken by the TUC that highlighted that "one in eight BAME women working in the UK are in insecure roles in comparison to one in 16 women and one in 18 white men. BAME women, we know, have been overly exposed, are at higher risk of being exposed to coronavirus or losing their jobs during the public health crisis". Shavanah also highlighted the higher death rate among BAME people, pointing to research from Manchester University "that found that black people are almost twice at risk of dying from coronavirus than white people."

94. Ginger Wiegand of Ethnic Minority and Youth Support Team Wales (EYST) highlighted UK-wide research from the Runnymede Trust that "showed that ethnic minority groups have been less likely to hear about relief and benefits that are COVID-related than white workers". She told Members this showed "there is still work to be done about making sure that rights and entitlements are communicated to people properly, and that all people that are entitled to them are accessing them, particularly ethnic minority workers." The Committee is deeply worried by this research and supports Ginger's call for action to raise awareness of relief schemes and benefits among Wales's Black, Asian and Minority Ethnic population.

95. Shavanah Taj was keen to "welcome the fact that the Welsh Government took a decision to do something slightly differently to the UK Government" by

pulling “together a group of people to at least start looking at the real issues as far as the socioeconomic factors that were impacting black and Asian BME communities here in Wales.” This led to the formation of the **Black, Asian and Minority Ethnic (BAME) advisory group**, chaired by Professor Emmanuel Ogbonna, who went on to **publish a report in June 2020**. Members consider that this or a similar advisory group should be asked to feed into the long term economic, skills and transport recovery programmes.

96. One of the Advisory Group’s recommendations was for the Welsh Government to establish a Race Disparity Unit. Shavanah Taj **highlighted** this recommendation in her evidence and told Members establishing the unit would “send out a very clear, loud message.” In its **response to the report** Welsh Government said it was “scoping a Race Disparity Unit for Wales to press forward race equality”. Members support the Advisory Group’s call for a Race Disparity Unit at the heart of Welsh Government and feel Ministers need to fast track this scoping process and enact that recommendation as a priority.

Recommendation 33. The Welsh Government should work in partnership to develop specific communications campaigns to engage with people from Black, Asian and Minority Ethnic communities on COVID support and recovery programmes.

Recommendation 34. A Black, Asian and Minority Ethnic advisory group, along the lines of the group established by the First Minister to respond to COVID-19, should work closely with the Welsh Government on long term economic, skills and transport recovery.

Recommendation 35. The Black, Asian and Minority Ethnic advisory group’s recommendation to establish a Race Disparity Unit within Welsh Government should be met as a priority.

Supporting disabled people through recovery

97. Disabled people were also already at an economic disadvantage prior to the pandemic and have suffered more through it. Rhian Davies from Disability Wales **told the Committee** “the disability employment gap in Wales is 32 per cent”, “the disability pay gap is nearly 10 per cent” and that 69% of people who have died of COVID-19 in Wales were disabled.

98. One of the ongoing concerns throughout this report is that an increase in unemployment will make it even harder for people who were already disadvantaged in the labour market to get jobs. Members are concerned that in a

saturated labour market employers may opt to recruit non-disabled people over employing disabled people and making reasonable adjustments.

99. Engage to Change highlighted the potential impact of this on people with learning disabilities and autism in their briefing Jobs for people with a learning disability or autism - The role of the NHS. The briefing also highlights three specific and related challenges, “maintain the jobs that have already been found for people through initiatives such as Engage to Change, initiatives to raise awareness of people’s abilities, and employability options to develop new job opportunities in a very tight labour market.”

100. The briefing states that “at this time of maximum pressure on the labour market it is important that public sector employers are encouraged to play their role as anchors within their local communities and regions, not least in relation to the employment of people with a learning disability or autism.” It goes on to recommend that “Welsh Government develops a learning disability and autism employment plan for the NHS”. Members support Engage to Change’s recommendations and feel the Welsh Government should examine them and investigate if the recommended employment plan could be extended across the Welsh public sector.

101. Rhian Davies highlighted the amount of money being paid to businesses though furlough and what will be paid though recovery programmes. She suggested one return on that investment could be employers “making commitments to creating inclusive working environments”. This could include organisations in receipt of funding “systemically going through their policies on things like recruitment selection, progression, and training for disabled people.” However Rhian warned that there had been similar policy approaches in the past but with no follow up - that must not be the case this time. The Welsh and UK Governments need to ensure targets or requirements included as part of any package of support are met.

102. That said, there have been some benefits from the pandemic for disabled people. Working from home is a key example of this. Rhian Davies told the Committee home working was a reasonable adjustment that had been long called for by disabled people, and that the pandemic has shown that “shown that you can be an effective and productive worker working from home”.

103. However Rhian Davies highlighted that even when working from home many disabled people may need further reasonable adjustments, for example BSL translation. She also explained working from home came with a risk that disabled people would be forgotten unless “the connections are set up for people to be

fully part of the workplace, aware of what's going on and able to contribute to the strategic planning or take part in training" and other key parts of work life. It is also important to reflect that working from home is not available for every job, and that even in the height of lockdown the majority of people did not work from home.

104. Members are keen to see the gains for disabled people around working from home cemented into the future. However they are concerned about the potential issues of disabled people being expected to continue working from home rather than having the option to return to the workplace, and/or becoming disconnected from their colleagues and work places once offices start to reopen. Members strongly feel that employers must continue to make reasonable adjustments to support disabled people working at home, but also to support them coming into the workplace, and that the decision of where to work should be down to the individual not something forced upon them.

Recommendation 36. The Welsh Government should include commitments to accessibility (both in the built environment and through organisation's policy and procedures) as a criteria for receiving recovery funding, and monitoring businesses' compliance with these.

Recommendation 37. The Welsh Government should respond publicly to the recommendations in Engage to Change's briefing "Jobs for people with a learning disability or autism - The role of the NHS" and should develop a learning disability and autism employment plan for the Welsh public sector in line with the plan for the NHS set out in the briefing.

Recommendation 38. Welsh Government needs to lock in gains for disabled people around home working. However they must ensure remote working to supports disabled people and does not further exclude them.

Gender equality in recovery

105. Women across the UK have been much more likely to lose their jobs since the start of the pandemic than at any other point since figures started to be collected in 1995.

106. The latest UK data highlights that 178,000 women were made redundant in September-November 2020, 12.8 per 1,000 women (redundancy data for Wales is not broken down by gender). Women comprised 45% of those made redundant in this quarter, which is considerably higher than in the last recession, when between 30-35% of those made redundant were women.

107. As with people from Black, Asian and Minority Ethnic groups and disabled people, the pandemic exacerbated pre-existing inequalities faced by women. Dr Alison Parken told the Committee that “women were more likely than men to be furloughed when they were working in the same kind of jobs”, that pregnant women have been “forced to take unpaid leave or use their holiday leave, or being forced on to statutory sick pay” and some pregnant women were only paid 80% of their maternity pay as this was in line with furlough. Cerys Furlong told the Committee that the “crisis has really revealed the dependence on unpaid care that women often provide, particularly for children but also for elderly relatives and neighbours.”

108. Members were warned that there is a risk that government reconstruction support is disproportionately directed towards male-dominated industries. Dr Parken illustrated this risk by saying she feared that when the Government was deciding what was a viable sector they would chose energy, traditional infrastructure, manufacturing and aerospace which “are, essentially, sectors dominated by men” so “women are going to miss out on this investment.” Cerys Furlong drew Members’ attention to a report by the Women’s Budget Group. She told the Committee that it calls “for a care-led recovery, recognising the value of unpaid care and investing in social infrastructure such as social care and childcare.”

109. The skills-led recovery that this report calls for can also help to address some of the imbalances in the current workforce if the programmes are managed correctly. Alison told the Committee that in the last two quarters, 99% of construction apprentices were boys and 86% of health and social care apprentices were girls. She told Members this disparity meant:

“whatever we do, we’re going to have to be really cognisant of making sure that we include atypical workers in retraining, reskilling, or we are going to be part of exacerbating those sets of existing inequalities.”

110. The Committee is concerned by the risk that the effect of male-dominated sectors being prioritised for reconstruction funds will have on the prospects of women and girls. Whilst investment in traditional infrastructure can be a lever in economic recovery, and the Committee does not discourage spending on infrastructure projects, it is vital that **the Welsh Government should look at other innovative investments that can be made and ensure it takes gender into account through its recovery investment**. As part of this, investment in training should include incentives to encourage people into roles where people like them are under-represented.

Recommendation 39. The Welsh Government must carefully consider gender when creating recovery plans and allocating recovery funding in order to avoid any unconscious bias towards male-dominated sectors. As part of this the Welsh Government should use reconstruction funding to:

- encourage women to take up more roles in the construction sector, particularly those jobs created by investments in green infrastructure and
- create new jobs in sectors where the majority of the workforce is currently made up of women such as in care and childcare.

Recommendation 40. Given the record rates of women being made redundant across the UK during the pandemic, and that this rate is much higher than in the 2008 recession, the Welsh Government should review its redundancy support and careers advice programmes to ensure that they are fully resourced and equipped to deliver an increased level of tailored support to women.

Recommendation 41. The Welsh Government must set out publicly how it will encourage people to take up training opportunities which will lead them to jobs in sectors where people like them are under-represented.

5. Preventing a youth unemployment spike and scarred generation

Already we have seen the devastating impact of Covid-19 on the hopes and aspirations of young people in Wales. Wales already has two graduating cohorts of young people affected by Covid-19 and there is little doubt that the pandemic and economic emergency it has created will effect students leaving education for some time yet. An increase in unemployment and a decrease in GDP make it hard for young people to enter the labour market and progress their careers. Without action there is a real risk of a generation scared by COVID.

111. Laura-Jane Rawlings of Youth Employment UK summed up the risk and challenge of preventing a scarred generation ~~saying~~:

“we can’t afford to let anyone go—we have to just tighten our hold on our young people, we have to take more accountability ourselves as the system around them to make sure that everybody can progress and fulfil their potential. The reason why it’s so complex is because you focus on one group at the distraction of another and we have to be really careful that we don’t do that because so many young people need that support.”

112. Professor Ewart Keep first ~~warned the Committee~~ that lessons must be learnt from the financial crisis of 2008 about the critical importance of offering young people work experience:

“because otherwise youth unemployment is going to become a really big problem, and we know that young people who remain unemployed for any length of time—their future career prospects, and any prospects, are scarred by it. So, it’s something to try and avoid or minimise as best we can as much as possible.”

- 113.** David Hagendyk of the Learning and Work institute also talked about the “long-term scarring potential from young people having prolonged periods out of work that is storing up big social and economic problems for us in the future.”
- 114.** Without the right support for skills, training and work experience, there is a very real risk of a scarred ‘Covid generation’. There is a danger, as this generation age, that their initial lack of work experience remains locked into their earning potential their whole lives, with research showing that periods of unemployment carry a wage penalty for these young people.
- 115.** Young people were the most likely to be furloughed under the UK Government’s Coronavirus Job Retention Scheme at the start of the pandemic - across the UK, 47% of jobs filled by workers aged 24 and under were furloughed for at least some of the time between 1 March and 30 June 2020, compared to 32% of all jobs. This pattern has continued across the UK over recent months now that more of the workforce have returned to their roles, with 19% of jobs filled by workers aged 24 and under furloughed as at 31 December 2020, compared to 13% of all jobs.
- 116.** The claimant count rate for 18-24-year olds in Wales (those claiming Jobseekers Allowance and some Universal Credit claimants) in December 2020 was 8.7%, considerably higher than at the start of the pandemic, the claimant count rate for this age group was 4.7% in March 2020.
- 117.** Dr Sioned Pearce highlighted TUC research showing that furloughed 16-25 year olds in Wales were “three times more likely to work in either accommodation and food, or arts, entertainment and recreation sectors where jobs are most at risk.” She said that the recovery from youth unemployment “could be harder and take longer” for Wales than for other UK nations.
- 118.** Professor Keep also warned that the problems would be particularly deep and persistent in certain geographic areas and sectors: “that really needs to be thought about, because there are going to be colleges and providers in those parts of Wales that are going to be particularly hard hit, who are going to really be facing a climb up a very steep mountain.”
- 119.** Professor Keep also predicted mass graduate unemployment as part of the post-Covid youth unemployment crisis - particularly graduates from certain subject areas and certain institutions. This is due to graduates being an increased share of the youth labour market since 2008, and being displaced by experienced adults competing for jobs. He said this would be a shock for many and “we’re not really geared up for dealing with that.”

120. Dafydd Evans of CollegesWales said in evidence to the Committee in June 2020 that it was vital for Welsh Government to incentivise employers to take young people on, and to retain apprentices, otherwise they would risk becoming “casualties” in the labour market as employers may tend to keep on more experienced staff. The Committee welcomed the announcement by the Minister for Economy, Transport and North Wales on 11 November of employer incentives to take on young apprentices under age 25, as part of a £40 million package of jobs and skill support, and the introduction of an Apprenticeship Vacancy Service.

Measuring the impact

121. Measuring the true scale of the youth unemployment problem is an enormous challenge, not least because data measures lag behind. At the time of the inquiry it was too early to see the knock-on effect of adult unemployment on youth unemployment. Youth Employment UK pointed out that already before the pandemic many young people were disadvantaged and lacked confidence in being able to get work, and experience shows the cumulative effect of youth unemployment will take time to show itself.

122. Laura-Jane Rawlings of Youth Employment UK described a three year pattern - it had taken until 2011 to see the peak rise in youth unemployment as a result of the 2008 crisis. Professor Keep said it had taken 7-8 years for the youth labour market to fully recover, while Laura-Jane Rawlings questioned whether it had been a full recovery.

123. Professor Keep compared the risk to the situation in the 1980s. He described it as “like a bath filling up” in the 80s “every year, more young people came into the labour market and only a relatively small proportion of them got a job. And so youth unemployment just kept on rising.”

124. Measurement is also difficult because many unemployed young people won’t claim benefits. Youth Employment UK’s youth voice census survey found that only **19% of NEETs** (people not in employment, education or training) **were on Universal Credit**.

125. Dr Pearce also highlighted this problem, pointing to research from Sheffield Hallam University and saying “this could be for a number of reasons, but one very possible reason is the increase in precarious employment—zero-hours contracts and periodic unemployment” and young people falling back on their families to support them when they are out of or low on work. This leaves a huge number of young people falling through the net when measuring progress into sustainable employment.

126. Dr Pearce also highlighted that Eurostat data was previously an important measure for youth unemployment and allowed easy like-for-like comparison. **Post-Brexit it will be vital for Welsh Government to ensure statistics gathered continue to allow that like-for-like comparison.**

Learning lessons for future support

127. It is vital to learn the lessons of previous recessions and avoid schemes that simply lead to a “revolving door” for young people. Professor Keep **said:**

“think quite hard about what happens when the first cohort of people graduate from Kickstart and a lot of them can’t get a job. What do you do? Do you put them back on a kickstarter, their next kickstarter?”

128. Courses and placements must be of sufficient length to provide transferable skills, and maximise young people’s chances of work and career progression. Dr Pearce **said** Wales should look to the key recommendation by **Scotland’s Advisory Group on Economic Recovery** for **two year, quality apprenticeships**, rather than the six month work placements offered by Kickstart. Professor Keep endorsed Welsh Government working hard to ensure the Kickstart scheme offers high quality placements. If it is exploited by unscrupulous employers looking for free labour this will backfire and risk the success of the scheme.

129. Laura-Jane Rawlings **said that** with her commercial background she was struck by the lack of impact measurement against investment in employment schemes for young people, and emphasised the hugely negative impact it had on them:

“we’ve spent money on employability workshops, or curriculum vitae workshops, and that sort of training activity, and young people can end up gathering certificates from those programmes, from one provider to another provider, and just get cycled and cycled and cycled. And, actually, the impact of that cycling through is really negative on that young person, on their life earning chances, on their mental health and well-being, on their self-belief, and their personal systems, where they live and how they contribute to society.”

130. Laura-Jane Rawlings argued that the open market system had led to a lot of variation in frameworks, standards and language, with a need for a national strategy and policy to then be delivered at local level. Proper co-design of the strategy with 14-24 year olds is vital: “You don’t see a trainer manufacturer just making trainers without doing any sort of user testing.”

131. The Committee also points to its ‘Recovery for All’ recommendations about ensuring that those most marginalised young people, who are furthest from the labour market, are fully involved in that co-design. Youth Employment UK wants to see more accountability to young people, with youth voice as core to the youth employment strategy, and ensuring young people are involved in the measurement and accountability structures.

No young person left behind

132. Laura-Jane Rawlings said that the complex needs of many young people had been exacerbated by lockdown: “We’re hearing from Children in Need and other charities that they’ve seen double the amount of phone calls during that lockdown period” and alongside that there had been a lack of the usual educational support in things like resilience, careers education and advice, career management skills.

“Young people with disadvantaged characteristics were already disadvantaged in the labour market; this will be exacerbated under COVID because they will be competing, then, as Ewart [Keep] says, with the 500,000 young people who’ve left education this summer, and will leave again next summer, and they will be in the labour market with young people who have barriers and other challenges to employment. So, those young people are the young people who really do need us.”

133. As well as those with protected characteristics, the Resolution Foundation’s ‘Class of 2020’ briefing highlights that employment and pay for those with the lowest levels of qualifications will be much harder hit than for graduates. It concluded that: “the current crisis may reduce the employment chances of lower-skilled adults leaving education by more than a third, even years down the line when the direct economic effects of the crisis will (hopefully) have abated.”

134. Helen Cunningham of the Bevan Foundation said that options for those leaving school now without 5 good GCSE’s were “really quite limited” and work needed to go into considering the whole range of pathways and options open to them.

135. Dr Pearce suggested Welsh Government should look at the triage system adopted by the Developing The Young Workforce programme in Scotland, which includes the ‘Young Person’s Guarantee’ of 12-24 months of ‘employment, education, training or a volunteering opportunity’.

136. David Hagedyck also floated the idea of a similar “job opportunity guarantee” for young people in Wales to address the threat of long-term scarring. Though acknowledging it was expensive, he said it “wasn’t rocket science” to suggest it as an area for support and investment. Around that he wanted to see investment in expanding high-quality college, university and training places, “not just to warehouse young people in college until the crisis starts to ease”. Investment in local community-level provision will be important to help those less confident to take the step back into an educational setting.

137. David Hagedyck said it was right for Welsh Government to focus on building on the existing infrastructure rather than create anything new (with the exception of the Personal Learning Account pilot), and for all agencies to work closely together operationally to ensure no gaps, and that no young person falls through the cracks.

138. A key recommendation from Dr Pearce’s research was for **Welsh Government to take a more strategic approach to engaging with civil society organisations that already support marginalised young people**, and rather than a narrow approach focused around ‘employability’, to adopt a more holistic approach that addresses confidence-building and empowerment, as well as tackling the structural causes of unemployment and precarity.

139. Dr Pearce pointed to Quebec, Canada as an example of involving civic society not just in project delivery but in strategic work and policy development, and research closer to home from Sheffield Hallam University on “the value of small”. She noted a report by the Council for Wales of Voluntary Youth Services found that civil society organisations in local authority areas were hitting policy targets, but “were not involved in the policy in any way whatsoever” and this was a real “missed trick.”

140. Dr Pearce said post-2008 research of countries including Sweden, Germany, Italy and Poland showed that taking a ‘structural approach’ to youth unemployment had more favourable outcomes; “viewing youth as something to be invested in, rather than a problem to be solved.” Rather than focusing on individual responsibility to apply for x number of jobs, this approach focuses more widely than just employment alone.

141. Dr Pearce noted that while the evaluation of Jobs Growth Wales had been “broadly favourable”, criticism had been around lack of targeting and achievements made that might have been made anyway. Working strategically with organisations on the ground could help prevent this for future programmes.

Making training work for everyone

142. Ali Abdi from Citizens Cymru Wales told the Committee that training apprenticeships need to be made more accessible to young people from ethnic minority communities. Ali explained that one of the large blockers to this was access to information on opportunities, that “you like and put things on the Welsh Government website, Careers Wales” but young people aren’t looking in those places. Ali went on to tell the Committee that young people should be employed and have a role in disseminating information about these opportunities saying “young people know young people best in terms of how to reach out to them”.

143. Whilst Careers Wales do have an online guide to apprenticeships including an Apprenticeship Vacancy Service where you can search for courses, Members are concerned this information is not getting to all young people, and believe the Welsh Government need to do more to promote training opportunities to young people, particularly young people from ethnic minority communities, on platforms they already engage with.

144. Ali Abdi also highlighted the problem of the ‘third year gap’ to Members. Many qualifications either need a student to go into a paid role with a professional registration (for example with the Care Council for Wales) or into a job with Continuous Professional Development (CPD) to keep the qualification relevant. Ali told Members that many young people find it hard to get these paid roles when they finish the course so end up in low skills jobs or unemployed.

145. The ‘third year gap’ is fundamentally caused by a person’s inability to find a job in their chosen career, so it is most acutely affects people who are already disadvantaged in the labour market for example because of their race, because they have a disability or another protected characteristic.

146. As this report has explored several times, when unemployment rises people who were already disadvantaged will be the most severely affected. The Welsh Government must work with colleagues and employers to support people with protected characteristics to make the transition between training and work in order to ensure they can fully use their qualifications.

Recommendation 42. Preventing a scarred ‘Covid generation’ must be one of Welsh Government’s top priorities for recovery, with robust plans to guarantee high-quality training and work experience for young people.

Recommendation 43. Welsh Government should urgently assess the introduction of a Youth Opportunity Guarantee for 16-24 year olds in Wales as part of its strategy and support programmes to tackle youth unemployment.

Recommendation 44. Welsh Government should improve its strategic work with Welsh civic society and young people themselves when developing its policy approach and strategy for addressing youth unemployment.

Recommendation 45. To meet the priority of preventing a scarred 'covid generation' the welsh government must create a strategy which:

- Includes targeted interventions aimed at supporting the employability of the cohorts of people leaving education during the pandemic and shortly after.
- Takes an approach that goes beyond employability measures to build young people's confidence & resilience and address the underlying structural issues.
- Ensures new schemes designed to tackle youth unemployment stop the churn of young people simply moving in and out of various support schemes, including by ensuring courses and placements are of adequate length, and that they fully support progression.
- must be co-designed with young people aged 16-25, including those furthest from the labour market, and must include clearly measurable indicators and outcomes, with young people also involved in the accountability mechanisms.
- Draws on best practice from the UK and further afield.

Recommendation 46. Welsh Government must work closely with Department for Work and Pensions and Job Centre Plus to ensure the Kickstart scheme offers as many good quality opportunities as possible for young people in Wales.

Recommendation 47. Welsh Government should take steps to ensure it has, and publishes, a clear picture of youth unemployment that also can directly compared to other UK and European nations.

Recommendation 48. Welsh Government and Careers Wales should improve promotion of training courses to young people from ethnic minorities. To do this they must work with young people from those communities.

Recommendation 49. The Welsh Government should work with colleagues and employers to support people with protected characteristics to make the transition between training and work in order to ensure they can fully use their qualifications.

6. Transport Recovery

The pandemic has led to a huge reduction in passenger numbers on public transport which in turn has led to the collapse of ticket revenue for operators. However the network remains a vital link to work, shopping and other essential services for many across Wales. To ensure the continued operation of the network the Welsh Government has given substantial emergency support to bus companies and in February a subsidiary for Transport for Wales took direct control of the Wales and Borders franchise. It is essential that the network recovers from the pandemic and continues to offer people the ability to travel to work, entertainment, visit friends and family and for countless other purposes.

147. Public transport recovery is important for inclusion and equality and must be tailored to support economic recovery. Around 25% of households in Wales do not own a car and are reliant on public transport. Many people who are unable to work from home are also bus users. Christine Boston of Transform Cymru stressed that it is a vital public service, and Rhian Davies of Disability Wales said transport recovery and remote working policy must include commitments to inclusivity.

148. Key issues for transport recovery are the **degree of uncertainty about future take-up of public transport, and the need to progress long-term plans with limited data**, initially reflecting very dramatic shifts in travel behaviour in the early months of the pandemic. Welsh Government has clearly communicated its goal of developing a sustainable, integrated transport network in the draft Llwybr Newydd: a new Wales Transport Strategy and associated 'mini-plans' for delivery, but how do we plan for a future where travel demand and patterns are so uncertain?

149. The Committee took evidence at the end of September from advocacy groups and those representing passenger interests, and from academic experts. Welsh Government's Bus Emergency Scheme was propping up services, and within a month it had announced the move to bring rail under public ownership by February 2021. In addition to subsidising bus and rail transport, and funding active travel measures in response to Covid-19 social distancing rules, moves by

the Welsh Government to allow access to the **Discretionary Assistance Fund** have been welcomed by the taxi and private hire sectors. Clearly uncertainty over the future revenue funding for bus and rail also creates an unknown liability, and a risk if it is not affordable - the Committee deals with these matters in more detail in its **report** on the Welsh Government's **Draft Budget for 2021/22**.

150. It is well recognised that this public funding gives Welsh Government the opportunity to influence the shape of the future transport network, who it serves and how to create a “more strategic system”, and as the Deputy Minister for Economy and Transport **described it**, to “exercise our muscle”. Witnesses also felt that investing in public transport (which will always be subsidised by public funds) could create jobs and help the economy.

151. Future strategy will have to be both agile and resilient, but should move away from traditional **demand-led and ‘forecast-led’ planning** based on old assumptions, and towards supplying solutions that will then shape demand. **Professor Lyons said** “you can see when you change the supply that the demand does respond.” He **characterised** the deep uncertainty as an opportunity for government:

“...it’s quite legitimate for a Government, nationally or locally, to take more ownership over a vision-led approach, and the challenge then is to explore that uncertainty rather than to ignore it or sidestep it. And that can be done and is being done increasingly through the use of scenario planning, where you allow different combinations of factors and drivers of change to play out and you then start to see, ‘Well, Wales may face a series of very different futures. How can we ensure the types of policies and investments we make are resilient to those different futures so that we avoid stranded assets and create the right opportunity for future generations?’”

Safety and Confidence

152. Critical for recovery is a need to **reassure people about the safety of public transport**, and to promote and market public transport to rebuild trust, offering fare and ticket options which reflect new travel patterns.

153. David Beer of Transport Focus **noted that** cleaning regimes were less visible on public transport than in hospitality, which might be a factor for passenger confidence, but in weekly surveys, 7 out of 10 people at that time (late September 2020) also said they planned to work from home far more in the future. Both the Campaign for Better Transport (CBT) and Transform Cymru stressed the

importance of instilling confidence about the safety of public transport: Norman Baker of CBT called for better messaging from UK Government and the devolved administrations.

154. Several witnesses noted the purpose of public transport may change after the pandemic, for example in the light of remote working patterns and possibly more people using it for leisure rather than commuter travel. CBT said that evidence of recovery in rail use for leisure but not for commuting was “a very clear indication” of future trends. Transport must facilitate the journeys people want to make as well as have to make, Transport Focus stressing the importance of getting a full understanding of this new demand. Ticketing options must reflect this, with an extension of ‘carnets’ and single-leg pricing. David Beer called for the fares reform work done as part of the Williams rail review to be “brought out and accelerated.”

155. Norman Baker said the whole transport system needed to change to support long-term remote working and avoid the risk of a car-based recovery. In addition to better messaging and more flexible ticketing, he said failure to raise fuel duty was a key reason for modal shift away from public transport back to car use, and it was a matter of sending the right economic signals.

156. Christine Boston of Transform Cymru pointed out that the changes brought about by lockdown “needed to happen anyway”, given the levels of congestion, overcrowding, poor air quality and planned urban growth:

“We’ve hit a reset point. We have seen a step change and we need that to continue. So, I think we need to look at the bigger picture and do everything we can to keep some of those positive habits going forward.”

Transport and remote working hubs

157. The Committee received significant evidence about positive and negative aspects of remote working for transport recovery, deciding to undertake a separate inquiry into the impacts of Welsh Government’s proposals for 30 per cent of people to continue working remotely, either from home or from a local ‘community hub’. That inquiry will report later in March 2021. Witnesses recognised the potential benefits and disadvantages, but there was much focus on the ‘place-based’ opportunities it presented. Ryland Jones of Transform Cymru said:

“That gives us an opportunity to create the idea of this concept of 20-minute neighbourhoods—having lots of services within a relatively small area of where people live. That can give us a lot more equality in terms of how people access services, and reduce the demand that we’ve seen on, particularly, the roads network.”

158. However if long-term embedded remote working does not happen, the question arises what should be done to support modal shift and support decarbonisation. Christine Boston’s view was that in light of the lack of capacity in the network before Covid-19, the impact of Welsh Government’s proposals for 30% of people to continue with remote working would be “negligible”, and the big concern was how to get people moving again for economic recovery.

159. Making public transport attractive means focusing on passenger priorities. David Beer pointed out that with greatly reduced capacity, punctuality had increased to 95 per cent, and this presented an opportunity to identify pinch-points in timetables and make adjustments that would allow performance to be maintained in the recovery phase. Digital information and Wi-fi should be used to give passengers and operators better information to manage journeys, including dealing with future concerns about crowding. He said the focus should be on providing an inclusive service that was “agile and flexible and responsive”, catering for those who are older or have mobility needs.

Popup active travel measures

160. The Committee recognises that the funding given to local authorities for pop-up active travel measures at the height of the pandemic was issued in haste. In the recovery phase it is vital to evaluate their effectiveness to learn for the future. During scrutiny of the Welsh Government’s draft budget in January, the Deputy Minister acknowledged that evaluation of the long term outcomes from active travel investment is an area the Welsh Government needs to improve on more generally.

161. Anecdotal evidence suggests that **some significant behavioural changes may be possible with relatively small investment**, e.g. in how pupils travel to school as a result of school street closures. Ryland Jones of Transform Cymru and Sustrans Cymru said effective monitoring and evaluation of Covid-19 funding was crucial to provide the hard data.

162. Recommendation three of the Committee’s report on Decarbonisation of Transport in July 2020 addressed this point, and in response Welsh Government committed to provide an update following submission of quarter 2 claims by local

authorities in October 2020. Quarterly data on progress in delivering schemes will be followed by yearly reports on outcomes from September 2021. The Committee looks forward to reviewing initial progress data from Welsh Government, but it will be important for the Sixth Senedd to scrutinise the longer term outcomes, e.g. impact on decarbonisation, modal shift, air quality and congestion.

163. It is often the small things that can make a big difference. Norman Baker of CBT gave examples of relatively small levels of investment in small schemes having a big impact:

“...small interventions that don’t cost very much money actually have a much better payback and have more immediate impact than grandiose schemes that maybe take 10 or 20 years to deliver. This can be a cycle lane, it can be a bus lane, it can be sorting out a congested junction.”

164. He also pointed to a no-cost example of a reduction in rail season ticket cost driving modal shift from road to rail with a cost saving from avoiding a road upgrade. Witnesses agreed that investment in both active travel and public transport should be seen as complementary for driving modal shift, not competing priorities for investment.

165. Nick Richardson and Professor Glenn Lyons both pointed to the need to make bus more attractive than car use, also noting that buses are a flexible mode that can more easily adapt to changing travel patterns. Nick Richardson said: “if you make the product right, people will use it.” He also said care should be taken not to introduce any active travel measures in response to Covid-19, such as street closures, that undermined the viability of buses.

Innovation

166. Professor Lyons said innovation should not focus too much on technological fixes, but rather on “changes in social practices and opportunities.” He also cautioned against assuming a transport solution to a transport problem:

“I would call it a triple-access strategy where you’re really understanding the value of land-use planning and digital connectivity in helping alleviate the pressures on the transport system.”

167. He said that future investment should be focused around that triple-access approach. **The Committee is encouraged by explicit reference to the triple-access model in the Burns Commission report** – referencing Professor Lyons’ work – and acknowledgement of the importance of digital connectivity and land-use

planning in consultation on the new Wales Transport Strategy. The extent to which these are integrated effectively in policy and delivery remains to be seen.

168. Christine Boston of Transform Cymru ~~also said~~ moving to electric vehicles will not resolve congestion and air quality problem, and the transport innovation needed was: “things like demand-responsive buses, building our community transport services, helping them to grow, bringing in more e-bikes, e-scooters and using every opportunity available for sustainable transport.”

Integration

169. Integration is vital both within the transport network, for ticketing and service connections, and policy integration across land use planning, education and health.

170. The ~~draft Wales Transport Strategy~~ points to the role of the National Development Framework (NDF), stating that “as part of the implementation [of the NDF], we will collaborate with planning, health and education”. It refers to actions such as “[facilitating] homeworking” and ensuring that new public sector developments “are located near to where people live and make provision for transport that meets the needs of service users”.

171. Policy integration, and particularly integration with land use planning, has been raised repeatedly by this committee and its predecessor. It is recognised as a difficult issue. The ambition in the draft transport strategy is welcome. However, Welsh Government recognises that it needs to be held to account on converting good intentions into practice when it comes to the ambition of an integrated network.

172. The Deputy Minister for Economy and Transport said in general scrutiny on ~~25 November 2020~~ that it was something for the government to be pressed on, but there was a challenge in balancing cross-departmental working with maintaining pace in delivery. Simon Jones of Welsh Government acknowledged the importance of working across policy areas both inside government and outside, to prioritise and maximise outcomes from future funding available to deliver the strategy.

173. The Committee retains **concerns about the effectiveness of coordination between the players involved in delivering integration** - Welsh Government, Local Government, Transport for Wales - as highlighted in its 2019 report ‘~~The Future Development of Transport for Wales~~’. The process of developing regional strategic transport bodies has taken time, and although legislation is in place, Corporate

Joint Committees (CJs) are a long way from being ready to deliver, and subject to the outcome of forthcoming Senedd and local government elections. Lord Burns also emphasised to the Committee the importance of taking forward governance arrangements in parallel with infrastructure in implementing the South East Wales Transport Commission's recommendations.

174. In November the Minister described “huge movement” with the CJs, and the Deputy Minister said that a lot of work had been done on aligning transport and economic development. It was hoped that the CJs would play “a significant role” and relationships would be “coherent from the get-go”. The Minister acknowledged the importance of coordination, noting that the details of responsibility for functions were subject to co-design and consultation with stakeholders at that time. Underpinned by the NDF and the new Wales Transport Strategy, CJs could potentially prove effective delivery vehicles, and the Committee wants to see this work continue at pace.

Long-term funding

175. The Committee's 2019 report on Transport for Wales concluded that a long-term (five year) funding commitment for local authorities, reflecting TFW's indicative funding over a five year period, would better support the harnessing of skills and expertise and facilitate long-term planning of transport infrastructure.

176. Christine Boston of Transform Cymru also said that multi-year funding should be passed on down from local authorities to those funded, e.g. community transport operators who needed that greater stability. Nick Richardson pointed out that many services were becoming unviable before the pandemic, and in the recovery phase “buses will need significant funding or they will simply disappear.”

177. Ryland Jones said some more innovative local authorities were looking to ‘lock in’ sustainable transport measures, and security of funding could give greater resilience to stick with those measures for longer and nudge behavioural change. He also said revenue funding streams were vital to incentivise behavioural change, not just money for capital infrastructure.

178. The Committee recognises that there are no easy answers to these funding issues, but it **is vital to support cross-party consensus on strategic investment decisions that can be locked in over the longer-term**. It would like to see this Welsh Government ensure the arrangements in place in 2021 are as strong as possible for the next Welsh Government to push forward at pace with strategic infrastructure projects.

179. The consultation document for the new Wales Transport Strategy sets out plans for a five year Statement of Funds Available (SoFA) underpinning the next National Transport Delivery Plan. Its purpose is to “provide more certainty over the funding available in the delivery plan period so Transport for Wales can plan for the future.” It notes the difficulty in providing budget certainty, but says it will provide “high, medium and low budget scenarios” to allow TfW to plan.

180. The Committee is unclear why a similar approach cannot be applied to key elements of local authority transport spending, given the likely benefits in achieving value for money.

181. In light of the seismic changes brought about by Covid-19, the Committee also sought assurances that existing infrastructure plans remain fit-for-purpose in light of post-pandemic assumptions, the South Wales Metro in particular. James Price of Transport for Wales told the Committee on 18 November that the **original proposition for the Metro system was not just for a mass transportation system in and out of Cardiff**, although it could still provide that, **and that the Metro would be able to ‘flex’ to fit economic recovery and future demand.**

Legislative reform for bus services

182. Nick Richardson said the most useful form of innovation was probably “regulatory change” and a different way of thinking about the same old issues. He saw a role for regulatory reform to address the ‘confusion’ of the current bus services model and attempts to get operators to work with other players to deliver what consumers need.

183. Ministers and officials expressed hope that the new partnership agreement under the Bus Emergency Scheme (BES2) - introducing public service obligations (PSOs) which regulations allow to be in place for two years - will deliver in the short term without the need for legislation. However the Minister for Economy, Transport and North Wales said the test would be whether operators would break away from that partnership arrangement, and also that “currently the framework just doesn’t lend itself to the totality of Welsh Government policy in terms of contracting all services, including commercial services.” The Deputy Minister also said there were some “fundamental issues” that would need to be legislated for.

184. Lord Burns also told the Committee “there is probably going to have to be a new way of regulating buses in terms of how you determine which are the key routes.” The Burns Commission recommended bringing back the provisions of the withdrawn Bus Services (Wales) Bill, which Peter McDonald of the Commission

secretariat said “should be treated as a minimum.” He said having them “in the toolbox” would be beneficial.

Measuring rail performance

185. Welsh Government told the Committee in November that the mechanisms to monitor delivery of ‘performance metrics’ by the newly established publicly owned TfW Rail Ltd were still being considered. This was because the current penalty fine and incentive system simply moves money around the system and is unhelpful.

186. TfW’s Chief Executive wrote to the Committee on 7 January 2021 confirming development of a new suite of key performance indicators (KPIs) reflecting TfW’s values and incorporated into staff personal objectives:

“under the new more integrated model, a contract based management wouldn’t be appropriate, but a more organisational and management led model with accountability to customers, owners and elected members will be right.”

187. The successor Committee in the Sixth Senedd will wish to keep this under review, to be assured that the performance measures against public investment are adequate, transparent and effective.

Recommendation 50. Welsh Government should publish a recovery plan for bus and rail which includes:

- the work needed to understand and respond to passengers’ travel needs post-pandemic;
- prioritised plans for new services, fares and ticketing structures; and
- supporting promotional and marketing activity.

Recommendation 51. Welsh Government should publish an evaluation of the effectiveness of short-term active travel interventions implemented in response to Covid-19. The evaluation should outline lessons learned, case studies and best practice to be shared across local authorities.

Recommendation 52. Welsh Government should consider the scope of options to give more long-term funding certainty to local authorities for transport investment, similar to that offered to Transport for Wales in the Wales Transport Strategy. The need for both revenue and capital funding must be taken into account. If this longer-term funding is not possible the Welsh Government must

clearly set out why the approach for local government differs from that for Transport for Wales and the National Transport Delivery Plan.

Recommendation 53. Welsh Government should identify the mechanisms it will use to achieve cross-party consensus on priorities for the ‘big ticket’ investments in transport infrastructure and operations that are necessary for recovery.

Annex A: List of oral evidence sessions

The following witnesses provided oral evidence to the committee on the dates noted below. Transcripts of all oral evidence sessions can be viewed on the [Committee's website](#).

Date	Name and organisation
16 September 2020	Professor Dylan Jones-Evans, University South Wales Professor Andrew Henley, Cardiff University Professor Cillian Bristow, Cardiff University David Hagendyk, Learning and Work Institute Cymru Helen Cunningham, Bevan Foundation
23 September 2020	Leighton Jenkins, Confederation of British Industry Wales Amy Bainton, Federation of Small Businesses Wales Peter Hughes, UNITE Wales Shavanah Taj, Wales Trades Union Congress
30 September 2020	Christine Boston, Transform Cymru Ryland Jones, Sustrans Cymru Norman Baker, Campaign for Better Transport David Beer, Transport Focus Prof Glenn Lyons, University of the West of England Nick Richardson, Mott Macdonald
7 October 2020	Andrew Campbell, Wales Tourism Alliance

	<p>David Chapman, UK Hospitality</p> <p>Victoria Brownlie, National Hair and Beauty Federation</p> <p>Sara Jones, Head of Welsh Retail Consortium</p> <p>John Whalley, Aerospace Wales Forum Ltd</p> <p>Richard Warren, UK Steel</p>
14 October 2020	<p>Dr Sioned Pearce, Cardiff University</p> <p>Professor Ewart Keep, Oxford University</p> <p>Laura-Jane Rawlings, Youth Employment UK</p> <p>Cerys Furlong, Chwarae Teg</p> <p>Dr Alison Parken, Cardiff University</p> <p>Ruth Coombs, Equality and Human Rights Commission</p> <p>Rhian Davies, Disability Wales</p>
4 November 2020	<p>Ali Abdi, Citizens Wales and Race Council Cymru</p> <p>Shavanah Taj, Socio-economic subgroup of the First Minister's Black, Asian and Minority Ethnic Covid-19 Advisory Group</p> <p>Ginger Wiegand, Ethnic Minorities and Youth Support Team Wales</p> <p>Sophie Howe, Future Generations Commissioner</p> <p>Haf Elgar, Friends of the Earth Cymru</p> <p>Tabea Wilkes, RSPB Cymru</p>
11 November 2020	<p>Ken Skates MS, Minister for Economy, Transport and North Wales</p> <p>Simon Jones, Welsh Government</p> <p>Sioned Evans, Welsh Government</p>
18 November 2020	<p>Sian Lloyd Roberts, North Wales Regional Skills Partnership</p>

	<p>David Roberts, North Wales Regional Skills Partnership</p> <p>Richard Tobutt, Cardiff Capital Region</p> <p>Huw Wilkinson, South East Wales</p> <p>Jane Lewis, South West & Mid Wales Regional Learning and Skills Partnership</p>
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Annex B: List of written evidence

The following people and organisations provided written evidence to the Committee. All Consultation responses and additional written information can be viewed on the Committee's website.

Reference	Organisation
COV-01	Cardiff City Deal
COV-02	Cardiff Airport
COV-03	Chwarae Teg
COV-04	Federation Small Businesses Wales
COV-05	PTI Cymru Ltd (Traveline Cymru)
COV-06	Individual response
COV-07	ICA Wales
COV-08	Yns Mon Council
COV-09	British Veterinary Association
COV-10	Transport Focus
COV-11	Institute of Theatre Consultants
COV-12	School of Management University of St Andrews
COV-13	University of St Andrews and Aberystwyth
COV-14	Industrial Communities Alliance Wales
COV-15	BT Group
COV-16	Community Transport Association
COV-17	ICA Wales
COV-18	Yns Mon Council
COV-19	British Veterinary Association
COV-20	Transport Focus
COV-21	Institute of Theatre Consultants
COV-22	Deryn
COV-23	Institute of Chartered Accountants in England and Wales (ICAEW)
COV-24	Individual response
COV-25	The Association of the British Pharmaceutical Industry
COV-26	Individual response
COV-27	Bevan Foundation Wales

COV-28	Cardiff University
COV-29	EYST Wales
COV-30	Country Land and Business Association Limited
COV-31	Vatenfall wind power
COV-32	Sioned Pearce
COV-33	Jones Bros Civil Engineering UK
COV-34	Cardiff University