

Agenda – Equality, Local Government and Communities Committee

Meeting Venue:

Committee Room 2 – Senedd

Meeting date: Wednesday, 19 July
2017

Meeting time: 08.55

For further information contact:

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Pre-meeting (08.55 – 09.05)

1 Introductions, apologies, substitutions and declarations of interest

2 Inquiry into poverty in Wales: making the economy work for people on low incomes – evidence session 4

(09.05 – 10.05)

(Pages 1 – 31)

Alex Bevan, Economic Policy Officer, Wales TUC

Lynne Hackett, Head of Community UNISON Cymru

Nick Ireland, Divisional Officer, South Wales and West, USDAW

3 Inquiry into poverty in Wales: making the economy work for people on low incomes – evidence session 5

(10.05 – 11.05)

(Pages 32 – 45)

Cerys Furlong, Chief Executive, Chwarae Teg

Dr. Alison Parken, Honorary Senior Research Fellow, Cardiff University, Cardiff
Business School



Break (11.05 – 11.10)

4 Inquiry into poverty in Wales: making the economy work for people on low incomes – evidence session 6

(11.10 – 12.10)

(Pages 46 – 51)

Joshua Miles, Policy Manager, Federation of Small Businesses Wales

Helen Walbey, Director, Recycle Scooters

5 Paper(s) to note

Correspondence from the Specialist Engineers Contractors Group Wales (SEC Group) in relation to the inquiry into fire safety in high rise blocks in Wales

(Pages 52 – 54)

Letter from the Llywydd in relation to the Implementation of the Wales Act 2017

(Pages 55 – 57)

Letter from the Llywydd in relation to programming forthcoming legislation

(Pages 58 – 59)

Letter from the Minister for Lifelong Learning and Welsh Language in relation to Communities First – the lessons learnt

(Pages 60 – 62)

Letter from the Minister for Skills and Science in relation to Communities First – lessons learnt

(Pages 63 – 64)

Letter from the Cabinet Secretary for Communities and Children in relation to Communities First – lessons learnt

(Pages 65 – 72)

Letter from the Chair of the Economy, Infrastructure and Skills Committee in relation to City Deals and the Regional Economies of Wales

(Pages 73 – 75)

- 6 Motion under Standing Order 17.42 (vi) to resolve to exclude the public from the remainder of the meeting**

- 7 Inquiry into poverty in Wales: making the economy work for people on low incomes – consideration of evidence received under items 2, 3 and 4**
(12.10 – 12.20)

- 8 Consideration of Legislative Consent Memorandum on the Financial Guidance and Claims Bill**
(12.20 – 12.30)

Document is Restricted

Making the economy work for people on low incomes: A UNISON Cymru Wales response to the Equality, Local Government and Communities Committee consultation, July 2017

1.1 UNISON is Wales' largest public service union organising over 90,000 public service workers. Many of those we organise have low incomes. Our experience campaigning for improvement to working conditions in the care sector (for those in local authority employment, private employment and the not-for-profit sector), guides this response.

1.2 Care workers [carers] perform vital, unheralded work caring for vulnerable members of our communities. The financial rewards for working as a carer are inverse to the high degree of responsibility and importance of their role.

Summary

2.2 The social care sector is in crisis. Our most vulnerable members of society are being denied the care they need. Carers in the private and not-for-profit sectors are trapped on low wages and deprived of dignity at work.

2.3 Social care has been starved of money by seven years of brutal UK Conservative government spending cuts. The result is Britain getting its caring 'on the cheap'.

2.4 UNISON Cymru/Wales calls for a special inquiry into working conditions in the care sector to investigate how the best care can be provided.

2.5 We make several comments: -

- This is a gender equality issue. The overwhelmingly female workforce at private care and not-for-profit employers is condemned to struggle with in-work poverty.
- Due to a lack of investment, carers, wherever they are employed, are under extreme pressure to do more with less. In these circumstances and despite their very best efforts, they are destined to fail service users' real needs.
- Employment conditions in the private and not-for-profit care sectors are particularly poor and are markedly inferior to those of directly employed local authority carers.
- Poor pay causes recruitment problems and repercussions for service users.
- The question of ensuring trade union recognition and collective bargaining at private and not-for-profit care companies is crucial to improving care workers' wages and employment standards.
- Social care services should be retained within the public sector and provided by directly employed public sector staff. We do not support the outsourcing of any public services to private companies or to the third sector.
- Where services have already been contracted out, it is clear the procurement process is failing staff and service users. As a priority, Welsh government must legislate to enshrine its *Ethical employment in the supply chain* guidelines in law. This would ensure an appropriate procurement process where contract bidders must offer terms and conditions no lower than those offered by the local authority to directly employed staff, as well as a guarantee of trade union recognition.
- UNISON already has a good template for how social care should look, our Ethical Care Charter. Welsh government must consider how it can best co-opt councils to adopt the Charter.
- Welsh government must think radically about tackling low pay by raising minimum wage standards; ensuring better enforcement of the minimum wage and accelerating adoption of the Living Wage Foundation rate for all those delivering public services.

Who are we talking about and what is the social value of their work?

3.1 Carers deliver care for older people, those who are physically disabled, individuals with mental health issues and those with learning disabilities and difficulties. Carers ensure the health and welfare of service users, help them take medication, and support their daily needs. This can include preparing their meals.

3.2 Carers could earn more in a supermarket but they choose instead to help the vulnerable. For them, it is not just a job and they know how much they are appreciated by the people who receive the care. For

many service users, the care worker is often the only other person they will see and talk to during the day. Every day, carers go way beyond what is expected of them in their job description and make a real difference to people's lives.

What is a low income?

4.1 Thousands of women in Wales and their families are suffering the effects of in-work poverty, no matter how hard they work in the care sector. For the majority of care workers, this is their only job. The overwhelming majority of carers employed by private or not-for-profit companies earn the national living wage of £7.50 per hour or just above. Very few earn anything near the Living Wage Foundation rate of £8.45 per hour. Council employed carers typically earn much more.

4.2 The Living Wage Foundation rate is so important because this is independently-calculated each year based on what employees and their families need to live a decent standard of living. This should be the minimum standard of pay for those carrying out work for the public sector.

4.3 Carers have reported to UNISON their low income means they cannot afford a social life.

What are the conditions of employment?

5.1 Many homecare workers are not paid for the time they travel between home visits, which can be up to a fifth of their working day. UNISON's March 2016 report, *Calling time on illegal wages in the homecare sector*, found more than ninety per cent of Welsh local authorities do not stipulate in their contracts with homecare providers that firms must pay employees when they are travelling between appointments. Only Wrexham and Carmarthenshire explicitly instruct employers to remunerate staff for the time they spend on the road.

5.2 Providers and councils are breaching statutory guidance that came into force alongside the Care Act, which clearly states that homecare staff must be paid for the time taken to get to appointments.

5.3 There is a clear difference between direct council care employment and private care or not-for-profit employment. If carers were directly employed by the councils they would be more fairly paid, with decent conditions of service.

5.4 At not-for-profit care providers, extreme financial constraints have resulted in the slashing of carers' supplements for sleep-ins at service users' homes, holiday pay, bank holiday working premiums and sick pay. Carers have told UNISON they feel exploited.

5.5 Private care companies routinely flout even basic employment protections. Early this year, UNISON won eight cases against a care provider in the Gwent region where it was easy to establish the minimum wage was not being paid. In January 2016, one hundred care workers in Swansea and Carmarthenshire received payments of as much as £2,500 after private home care company MiHomecare corrected a breach of the National Minimum Wage [NMW] regulations. Yet even now some staff continue to lose out as a result of sleep-in payments where an uplift is made to ensure compliance with the NMW. Those of workers paid the NMW rate receive a sleep-in uplift to bring them into line with the NMW. Those workers with additional responsibilities may be paid a higher hourly rate to reflect their duties, but then receive a smaller sleep-in uplift as the gap between their overall pay and the NMW is smaller. In essence, this leads to a situation where the average hourly rate is the NMW, and those who undertake additional responsibilities are not financially rewarded.

5.6 UNISON contrasts the commitment carers show to their vulnerable clients on a daily basis with the private care employers who are more interested in extracting profits than investing in their workforce and client care. Whilst private care companies pay dividends to shareholders, their staff typically receive no sick pay and only the minimum pension provision. In the case of domiciliary care, many carers are expected to use their own cars and do not receive any form of contribution towards wear and tear of the vehicle. Running a car is a significant expense – petrol costs, MOT, insurance, and unexpected repair costs. In this context, low pay is spread even thinner.

5.7 Zero hours contracts are universal with private sector employers demanding maximum availability of their carers, without any guarantee of work in return. Carers have reported to union representatives they live under constant fear that refusing to say you are available for any work despite already excessive hours, could mean your employer not allocating you work in future.

5.8 Confusing wage slips mean workers struggle to see how they are being paid so it is difficult for them to challenge their employer.

5.9 Some local authorities are complicit in these abusive practices. They choose to 'look the other way' because councils themselves are under severe financial pressure and they are focused on getting the job done as cheaply as possible not on standards of care.

Why do councils outsource?

6.1 Welsh councils have been placed under intolerable pressures by brutal UK Conservative government spending cuts over the last seven years. Regrettably, some authorities have responded to this challenge by outsourcing care to private or not-for-profit providers. This might save the councils money in the short-term, but it gives no guarantee over the quality of care provided to constituents or democratic accountability and in every case, employment conditions are squeezed. Furthermore, such decisions undoubtedly store up future problems and further burden public services at a later stage. Outsourcing is never the answer: service users, carers and the local community lose out.

6.2 Even when services are operated in-house, councils have already made unpalatable cuts and employees have to do more work with fewer resources. Inevitably, front-line services are impacted.

What does care look like under austerity?

7.1 Poor pay causes recruitment and retention problems. When there is a high-turnover of staff or shortages, the delivery of a quality service will always be difficult. A UNISON survey of 1,000 staff across the UK this year, found that four out of five said they are so rushed they are compromising the dignity and well-being of the people they look after. The volume of clients means they are often forced to see people for just 15 minutes or less. This is denying the client basic levels of care – a situation that leads to many carers giving up their own time in order to meet a client's needs. Employers choose to overlook this, unless an error occurs, in which case the carer becomes answerable with often severe repercussions.

7.2 Nine in ten care workers said a lack of staff was to blame with more than a quarter not having the time to help elderly people eat and drink. Care workers reported often being too busy to take people to the toilet or notice if a resident's health has deteriorated. They were rarely able to stop for a brief chat with the people they look after or take them outside for some fresh air. Users were therefore being kept indoors for days on end. Most of the staff working in private and local authority care homes across the UK said they regularly work through their breaks.

7.3 When care in Wales is fragmented and under-resourced in this way, it leads to additional and unnecessary strains on the NHS.

Our warning to local authorities

8.1 In January, UNISON Cymru wrote to local authorities warning overstretched resources in the care sector are depriving the largely female workforce of any dignity at work. We asked every council for a meeting to discuss how better funding in the sector could lift carers out of poverty. We said if care has been outsourced, councils should provide sufficient funding to non-profit organisations to ensure quality care for service users and decent terms for the workforce.

8.2 Torfaen, Caerphilly, Bridgend and Flintshire councils agreed to meet with us to discuss the crisis. Some local authorities are in a state of denial about the care sector and have not responded to UNISON.

8.3 If UK Conservative government austerity continues, councils will have even less money to spend on social care.

Council care contracts cannot meet basic employment standards

9.1 UNISON has a positive working relationship with many not-for-profit care employers. Councils refused to provide them with more money when the UK government boosted the minimum wage. Local authorities said providers would have to meet the additional costs on the basis of their original tender despite the fact that the change from national minimum wage to national living wage and the increase this represented had not been trailed by the UK government. Carers at some not-for-profit employers found themselves in a farcical position of receiving a boost to their hourly rate of pay but losing unsocial hours' supplements or sick pay to fund it.

9.2 In December 2016, not for profit providers Perthyn; Mirus Wales; Gofal; Wales and West Housing Association; Cartefi Cymru and Hafal, signed an open letter with UNISON to Welsh local authorities. It was carried in the Western Mail and here is an extract:

"(Carers) deserve not only our praise but fair rates of pay and conditions of service. Unfortunately, most are paid the minimum wage of £7.20 per hour. We would like everyone to be paid at least the real Living Wage of £8.45 per hour.

"A great deal of care is undertaken by charity or third sector employers on behalf of local authorities. There is simply no money in these contracts to pay above the national minimum and many care providers are under pressure to reduce unsocial hours' supplements and sickness benefits in order to balance the books. It cannot be right to undermine the vital work carers do in this way. Councils must provide these organisations with adequate funding to ensure respect at work for employees as well as quality of care for service users. It should not be a choice between doing one or the other. Carers might work for a charity, they are not a charity.

"Please support care workers in your community by providing the sector with more money. Quality care means investing in the workforce."

9.3 Hafal, a mental health charity supporting those affected by serious mental illness in Wales, was so concerned that a recent Pembrokeshire County Council contract could not possibly be viable on the rate the authority was willing to pay, it wrote to the Cabinet Secretary for Health, Well-being and Sport.

9.4 The council granted a Supported Living Framework contract for £11.65 per hour which was supposed to include travel time; training; travel costs; line management; insurance and any profit/surplus. Hafal, which pays travel time; HMRC rates for mileage for staff and the Living Wage Foundation rate of £8.45 per hour, could not possibly have won the tender. Accounting for the rural nature of much of Pembrokeshire and the associated time and travel costs, the not-for-profit organisation had bid just under £20 per hour.

9.5 A BBC report in October 2016 said nine out of ten councils in the UK are not paying 'realistic prices' to support older and disabled people in their own homes. The UK Home Care Association calculated the minimum price councils should be paying was £16.70 per hour but the average was £2 less.

9.6 UNISON would agree with Hafal's view that though Welsh government might support fair remuneration for carers, the actions of some local authorities prevent this.

Handing back contracts

10.1 BBC Wales reported in March this year that thirteen of Wales' 22 local authorities said they had seen contracts handed back to them, equivalent to 59 per cent of councils.

10.2 The same report said Cymorth Llaw, which has been providing care in north Wales for 17 years pulled out of providing care in Conwy. The council initially paid £14.20 an hour for care. Conwy offered to raise that to £15 but the company decided they had no choice but to give up the contract.

10.3 The BBC quoted UK Homecare Association's Colin Angel, "What we hear in Wales is a real sense of desperation from some providers trying to work out how they can remain in business on the sorts of rates that they are being paid by councils. And I think in some parts of Wales, particularly in rural areas, we may see care providers handing back work or going out of business even more quickly than in the rest of the country."

10.4 Steve Thomas, Welsh Local Government Association told the BBC councils needed more money to be able to pay carers a better wage.

“Nobody’s proud about the fact (of) how much money we pay people who work in the sector.”

10.5 The austerity programme of the UK Conservative government is the reason local authorities in Wales have so little money to spend on public service provision. It is clear with the handing back of contracts that outsourcing as a way to save money is not working. Yet, in such instances, rather than maintain the service in-house, the authority re-commissions the service to a bidder claiming to be able to run the service for less. Clearly this is a race to the bottom for the service and those who work within that service, with the ultimate price being paid by the care recipient.

Trade union recognition and bargaining is crucial

11.1 The outsourcing of social care to a myriad of private care companies means trade union penetration is much lower. Union recognition and collective bargaining coverage which came automatically under local authority care employment is absent in the private care sector.

11.2 Private care companies are overtly hostile to trade union recognition. They know in workplaces where trade unions can freely organise, they succeed in winning improvements to working conditions. The lack of trade union recognition is a barrier to raising terms and conditions of care workers.

Ethical care

12.1 Welsh government guidelines on procurement, *Ethical employment in the supply chain* must be made mandatory because there is no incentive for authorities and companies to follow this advice. UNISON calls for the code to be enshrined in legislation.

12.2 A transparent procurement process would be underpinned with minimum salary and employment standards and a guarantee of trade union recognition. Such a commissioning check-list in the care sector would include non-negotiable conditions for contract bidders on for instance: pay rates; sleep-in rates; holiday entitlement and payment; Bank Holiday working payment; shift premiums and sick pay.

12.3 UNISON is asking councils in Wales to sign up to its Ethical Care Charter which ensures dignity of care for patients and fair and decent employment standards for care staff. It states that fifteen minute client visits undermine the dignity of clients and that the length of visits must instead be matched to client needs; homecare workers must be paid at least the Living Wage Foundation rate and be paid for travel time. Zero hour contracts would be prohibited.

12.4 26 councils in the UK have signed up to the Charter and in April 2017, UNISON Cymru secured a landmark agreement with Swansea Labour group which would see the implementation of an ethical care charter – the first of its kind in Wales, if Labour won control of the council in the May local elections.

Conclusion

13.1 Wales is failing both vulnerable people who require social care and the care workforce because of severe underinvestment in the sector. A special inquiry to evaluate why the current system is so flawed and how the situation might be transformed must be a priority.

13.2 UNISON has demonstrated why only an ethical care system can provide the quality care we would wish for our relatives and members of our communities and the fair treatment a modern care workforce should expect.



**WRITTEN RESPONSE TO THE NATIONAL ASSEMBLY
FOR WALES EQUALITY, LOCAL GOVERNMENT AND
COMMUNITIES COMMITTEE INQUIRY MAKING THE
ECONOMY WORK FOR PEOPLE ON LOW INCOMES**

JULY 2017

INTRODUCTION

Usdaw is the UK's fourth largest Union, with 430,000 members. Around 26,000 of our members live and work in Wales. The majority of our members are employed in the retail sector, and Usdaw holds national agreements with four of the UK's biggest food retailers – the Co-op, Morrisons, Tesco and Sainsbury's. We also organise in major non-food retail stores, including Argos, Poundland, Primark and Ikea. Aside from retail, Usdaw has significant membership in the road transport, warehousing, food manufacturing, pharmaceuticals and home shopping industries.

Usdaw is pleased to have the opportunity to give evidence to the inquiry into *Making the Economy Work for People on Low Incomes*. Usdaw represents workers in predominantly low paying sectors, with high levels of part-time work and significant reliance on in-work benefits.

Initiatives that are aimed at reducing in-work poverty often focus on helping people to progress out of low paying jobs. There is a danger that this carries with it an acceptance that sectors such as retail will always be dominated by low paid and precarious work, which people need to 'escape' in order to find higher paid and more stable work. One in seven workers in Wales are employed in retail, making it the largest private sector employer, and it contributes 6% of Welsh GVA, so it is crucial that decent work is promoted and supported within the sector, rather than as an alternative to it.

Usdaw believes that the following should be key priorities for the Welsh Government in tackling in-work poverty:

- Promoting a real Living Wage for all workers.
- Supporting parents and carers in the workplace.
- Curbing exploitative zero-hours and short-hours contracts.
- Promoting sector-wide initiatives on training and skills, with unions, education providers and employers working together to promote workplace learning.
- Promoting the positive role of trade unions in the workplace.

Low Pay

Usdaw supports the campaign for a real Living Wage. While the UK Government's so-called 'National Living Wage' has uplifted pay rates for the lowest paid workers aged 25 and over, it still falls well short of the real Living Wage, and leaves a gap in coverage for young workers.

The naming of the higher rate of minimum wage for workers aged 25 and over as the 'National Living Wage' has caused considerable confusion amongst employers and workers. The Welsh Government therefore has an important part to play in promoting the real Living Wage (currently £8.45 outside of London) and highlighting the difference between this and the legal minimum.

It is disappointing that so far only 80 businesses in Wales are accredited Living Wage employers, and we would like to see the Welsh Government leading the way on this by continuing with its work to broaden coverage of the National Living Wage in local authorities and public bodies. We would also like to see a social partnership approach to tackling low pay with employers, Government and unions looking at ways to widen the coverage of the real Living Wage and exploring the potential gains to the Welsh economy and productivity levels.

Hours of Work

Flexible contracts are now used by many retailers, particularly for newer staff. In theory, they suit people who choose to work certain hours to fit in with other responsibilities, often caring responsibilities or second jobs. However, in many cases flexibility is tilted in the direction of the employer. Staff are increasingly put under pressure to expand their availability. Many employers now use electronic scheduling systems which fit workers around peaks and troughs in customer demand, meaning that their hours can change from week to week. Notice given as to which hours they are expected to work can sometimes be very short. This means that many of our members find it almost impossible to plan their home life due to the uncertainty of their shifts.

This could also indirectly discriminate against some groups of members who have a much greater need for control over their working hours than others, such as parents (particularly lone parents or those with a disabled child), carers and disabled workers. The lack of certainty over hours makes it more difficult for people to plan their finances, to access credit and to get rent or mortgage agreements.

Retail was traditionally a sector that offered family-friendly working hours. However, the highly competitive nature of the market means that employers are now expecting workers to fit around customer demand. This often means working unsocial and unpredictable hours.

Flexible working should mean workers having some say over their working hours, but the reality for many of our members is quite the opposite. We believe this is detrimental to employers, because it has an adverse impact on productivity, employee loyalty and retention.

With the roll-out of Universal Credit and increased in-work conditionality requirements on claimants, the issue of insecure hours of work will become even more pressing for Usdaw members. Many claimants will be expected to have, or be looking for, work equivalent to 35 hours a week at the National Living Wage. For those who do not have access to regular full-time hours in their main job they will need to look for a second job or face sanctions.

Usdaw supports the current proposals by the Welsh Government to curb exploitative zero-hours contracts in the social care sector by giving workers the right to minimum hours after three months' continuous employment. While this will not affect Usdaw members' employment directly, it will set a positive example to employers and highlights the negative impact that short-hours contracts can have on employers, employees and service users. This is an approach that Usdaw would support for employment practices across the UK.

Parents and Carers

The continued presence of a gender pay gap in part shows that women are still financially being penalised at work for having children. Whilst longstanding, and even many recent, issues with family-friendly entitlements in the workplace may not garner the same headlines as issues such as zero-hours contracts and bogus self-employment, family-friendly entitlements do place significant limitations on working parents across the workforce. Statutory maternity, paternity and adoption payments have not increased in line with the cost of living and this can make it extremely difficult for working parents to manage. The lack of availability of flexible, affordable childcare makes returning to work not a worthwhile option for far too many women in low paid employment and working varied shift patterns. The Welsh Government needs to focus on making work pay for low income families, by working with employers and unions to promote flexible working patterns, family-friendly policies and access to affordable childcare.

Usdaw's current Parents and Carers Campaign is also highlighting the vital role that grandparents play in providing childcare. As many workers have been priced out of full-time formal childcare arrangements, nearly two-thirds of all grandparents are regularly looking after grandchildren aged under 16. Employment provisions in the UK have entirely failed to keep up with this development. Most grandparents have very few, if any, rights at work when they need time off to care for their grandchildren. The charity Grandparents Plus estimates that nearly two million grandparents have reduced their hours, given up a job, or taken time off to care for a grandchild. Usdaw believes that the vital role that grandparents play in modern society needs to be better recognised by employers and the Government.

Usdaw's Supporting Parents and Carers Campaign has also highlighted the issues faced by working carers. Demographic changes, along with social care provisions failing to keep up with ever increasing demand, has led to more and more employees taking on caring responsibilities outside of the workplace. The Carers' Trust Wales estimates that there are at least 370,000 carers in Wales. That is 12% of the population – more people than there are living in Cardiff. The Welsh Government should develop a new carers' strategy to include a commitment to offering carers a break from caring in a range of settings, a personal health and wellbeing check and much easier access to support through GPs and hospitals.

Training and Skills

Unfortunately, there has been a long history of under-investment in skills in the retail sector. For too long, retail jobs have been dismissed as low-skilled and not 'real' jobs. Usdaw believes that the Welsh Government's industrial strategy should address the training needs of the retail sector.

Only 22% of workers in retail hold qualifications at Higher Education level, compared to 41% across all industries. It is predicted that qualifications at Higher Education level will be required in 34% of retail jobs by 2022, so employers need to focus on upskilling their staff.

There needs to be more investment in careers advice at school and college level, so that young people have guidance on options other than academic routes. Alongside this, the value of vocational qualifications needs to be promoted to workers and employers.

One example of how social partnership can be used to promote learning and skills is through the Wales Union Learning Fund. The Usdaw WULF project has brokered learning agreements with employers such as Tesco, Kellogg's, OP Chocolate and Peter's Food Services to help workers access learning opportunities. The project aims to promote lifelong learning campaigns in the workplace through Usdaw's network of trained Union Learning Reps (ULRs). It has helped many people who would otherwise have had difficulty in accessing educational opportunities to get back into learning, with courses including employability skills, Welsh, mental health awareness, and digital skills. It has also enabled ULRs to support workers with guidance such as mid-life career reviews, redundancy support and referrals to Careers Wales.

The Role of Trade Unions

In order to redress the imbalance of power in the employment relationship that has grown over recent decades, workers need an independent, collective voice in the workplace. The current legislation on statutory recognition makes it extremely difficult for unions to provide a voice to workers in large, unorganised workplaces. Currently, trade unions can request a ballot on statutory recognition if at least 10% of the workforce joins the union and we can show that a majority of the workforce is likely to support recognition. When it comes to the recognition ballot, the trade union must win a majority and at least 40% of the total workforce must vote in favour of recognition. Usdaw is campaigning for reform of these procedures at UK level. The Welsh Government can play a role in restoring the employee voice by promoting dialogue between social partners on all issues affecting the economy and workers' rights, and recognising the vital role that unions can play in this.

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ELGC Committee Consultation Response:

Inquiry into Poverty in Wales: Making the economy work for people on low incomes

June 2017

Introduction

Issues of poverty and gender equality are inextricably linked. Current economic priorities, traditional, gendered roles in society and low quality work all present barriers to women reaching their full economic potential and increase the risk of poverty. Decent work is central to tackling poverty in Wales, and could help to address some of the economic inequalities that women continue to face.

In order to make the economy work for people on lower incomes, this response outlines a number of steps that need to be taken:

- Producing a gender sensitive economic strategy, which recognises the foundational economy and addresses the barriers faced by women;
- Offering employment on a flexible basis, in particular high skilled and senior roles;
- Using procurement to encourage the provision of decent work, including paying the Living Wage and reducing the use of zero-hours contracts;
- Ensuring that any negative impacts of welfare reform on women are mitigated;

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

1.1. *Create more inclusive economic growth that benefits people and places equally across Wales;*

1.1.1 It is increasingly accepted that steps to address gender equality can help drive economic growth, but steps to drive economic growth will not necessarily be inclusive or deliver equality.

1.1.2. For example, women have seen little of the investment directed into the nine priority sectors in Wales, as the workforces predominantly consist of men. In just two – financial and professional services and tourism – do women account for over 40%, but they're either notably absent from senior positions or, in the case of tourism, the sector is characterised by low wages and insecure employment¹.

¹ Chwarae Teg (2016) *A Welsh Economy that works for women* **Back Page 32**

1.1.3. Creating a more inclusive economic strategy that helps address some of the barriers faced by women accessing employment could help deliver economic growth. According to McKinsey and Co, bridging the gender pay gap could create an additional £150bn on top of GDP forecasts in the UK in 2025².

1.1.4. In order to achieve this, we believe the economic strategy should include³:

- A set of guiding principles on which economic growth should be pursued.
- An objective to maximise women's economic participation underpinned by an action plan to provide focus to cross-governmental activity.
- A set of indicators to ensure effective measurement of success.

1.1.5 Recognising the value of the foundational economy is also key to creating an inclusive economic strategy. The foundational economy provides employment to half a million people in Wales, and is relatively evenly spread around the country⁴. Women dominate the workforce in several of these sectors such as care and retail. Supporting sectors in the foundational economy to provide good quality employment and progression opportunities could help improve the pay and career prospects of many women in Wales.

1.1.6. A Government Employability Plan, which is focused on the individual, will need to recognise the distinct barriers women face in accessing and progressing within employment. A number of these are outlined in the sections below.

1.1.7 It's also important that opportunities to reskill and access employment as part of large scale projects, such as Wylfa Newydd and the South Wales Metro, are accessible to diverse groups of people and existing barriers aren't reinforced.

1.2. *interact with the UK Government's Work and Health Programme;*

1.2.1 There is a clear need for the new employability policy to dovetail with the Work and Health Programme, to ensure that, as far as possible, individuals are able to receive support seamlessly via either or both programmes. It is also important to ensure there is no duplication in effort.

1.2.2 The focus for Welsh Government should be those who are the most disadvantaged, and those who are currently not served by existing provision, including women.

1.2.3 While the DWP and the JCP have led responsibility for the benefits system and supporting the unemployed, support has often been commissioned for specific disadvantaged groups, at a much-reduced scale. Skills and employability provision is commissioned via Welsh Government and has had a strong focus on young people and the shorter term unemployed.

1.2.4 ESF funding has had widespread use in Wales to target the most disadvantaged groups, such as women, which raises concerns regarding provision following Brexit. Wales has received £4bn in structural funding from the EU since 2000⁵, often to undertake programmes with a focus on tackling poverty and skills growth.

1.2.5. Many of these programmes have had a focus on addressing the barriers that continue to hold women back and contribute to on-going economic inequality. Our own Agile Nation 2 project is just one example of these. Others include Agile Nation 1 (funded as part of the previous round of structural funds)

² McKinsey and Company (2016) *The Power of Parity: Advancing Women's Equality in the UK*.

³ NAFW Economy, Infrastructure and Skills Committee: Evidence Session, 2 February 2017 - <http://www.senedd.tv/Meeting/Clip/5c7ece59-0850-492c-a2a0-bf9849fa722b?inPoint=5:29:18&outPoint=5:35:58#>

⁴ Bevan Foundation (2017) <https://www.bevanfoundation.org/commentary/wales-foundational-economy/>

⁵ BBC (2016) <http://www.bbc.co.uk/news/uk-politics-eu-referendum-16793931>

and the Welsh Government's PaCE programme, which is providing targeted support to women to help them gain employment.

1.2.6 The Agile Nation 2 project is worth £12 million. The project works with both women and SMEs in priority sectors in Wales to build skills and improve workplace culture, in order to address the causes of the gender pay gap.

1.2.7 The UK Government, with the support of Welsh Government should assess the extent of initiatives to tackle poverty and advance equality that currently receive EU funds, and replace and ring-fence these funds to allow current and future projects to continue undisrupted.

1.3. Reduce the proportion of people on low incomes in Wales;

1.3.1 Average pay is lower in Wales than most other regions in the UK⁶, and in-work poverty is on the rise. Issues of low pay, gender inequality and poverty are also inextricably linked. As a result of women's position in the home and labour market, they are more likely to be employed in lower paid, poor quality jobs that offer little opportunity for progression.

1.3.2 Providing decent work is key to reducing the proportion of people on low incomes and tackling in-work poverty in Wales.

1.3.3 A decent wage remains a key component of decent work. In April 2017 there were 87 accredited Living Wage employers in Wales⁷. While there are a number of non-accredited employers paying the Living Wage in Wales, a sizeable proportion of the workforce are paid less than this.

1.3.4 Companies that are able to pay the Living Wage should do so and seek accreditation to the Living Wage Foundation. For those businesses where an immediate shift to the Living Wage might be more difficult, an action plan should be put in place to shift to payment of the Living Wage as soon as possible.

1.3.5 Pay is obviously an important element of decent work, but so are factors such as access to training, job security, occupational segregation, working hours, work-life balance and employment-related relationships and motivation.

1.4. Address economic inequalities between different groups of people

1.4.1. The gender pay gap in Wales remains stubbornly high. The reasons for this are complex, and include traditional roles in society, occupational segregation and under representation in leadership positions.

1.4.2 Women remain primarily responsible for the unpaid care of children and adults⁸. Flexibility is cited as a key element of decent work for women and we know that a lack of flexible working options, especially in senior roles, is a factor in women's labour market inequality.

1.4.3. Traditional working patterns and workplace culture based on strictly defined working time and place can prevent individuals with caring responsibilities accessing work that is on offer.

1.4.4. Modern working practices – i.e. ways of working that are different to the conventional full-time, nine-to-five, five days a week working pattern – could play an important role in helping businesses to think differently about how they structure their workplaces.

⁶ ONS (2016) *Annual Survey of Hours and Earnings*

⁷ Cardiff University (2017) *The Living Wage Employer Experience*

⁸ WEN Wales (2015) *The Position in Wales today on Unpaid Care*

1.4.5. Our recent report on Perceptions of Modern Working Practices⁹ (MWP) found that there is great appetite among employers in Wales to explore different ways of working and a good understanding of many of the benefits this can bring. However, there remains a lack of awareness about the variety of different approaches that are possible.

1.4.6. To ensure that MWP become more widespread, businesses have made clear that there is a need for continued support to help them explore how to implement them including advice and guidance, relevant case studies and tailored support.

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

2.1 Chwarae Teg is currently undertaking research alongside Oxfam Cymru, Cardiff Metropolitan University and the IWA, looking into policy changes that are required to support low paid women to progress their careers, enabling them to secure a sustainable route out of poverty.

2.2. Within this, we will focus on the care sector as it is one characterised by low pay and insecure employment. Working terms and conditions, perceptions about the job, training and progression opportunities and job insecurity all make it difficult to recruit and retain workers in the sector. The lack of training and progression opportunities is also widely seen as a particular problem within the domiciliary care sector.

2.3. Not being able to access training and progression opportunities is a significant factor in the gender pay gap as women often remain stuck in low paid, lower skilled work.

2.4 Procurement is a powerful lever that can be used to deliver economic, environmental and social benefits. Recent steps by the Welsh Government to produce a Code of Practice for Ethical Employment are very welcome. This code will encourage payment of the Living Wage and also prevent the unfair use of zero-hours contracts and false self-employment in delivery of publicly funded projects and initiatives. This Code of Practice could be particularly impactful in the social care sector.

2.6 While a good starting point, procurement regulations could be further utilised to address gender inequality with many nations across Europe providing examples which could be adopted in Wales.

3. Ways to increase the security of work in Wales

3.1 Zero hours contracts are an increasing feature of the labour market in the UK with an estimated 1.4 million now being employed on this basis.¹⁰ ONS statistics show that of this group 55% are women, 64% work part time and 35% want more hours.¹¹ The ONS analysis also showed a large variation in the hours people were working with 41% working less than their usual hours in the week before their interview and 18% working more.¹²

3.2 The lack of stability offered by these contracts and the potential impact on a person's benefit entitlement are a cause of concern. Continued abuse of these contracts runs the risk of pushing women further into poverty. All of these issues contribute to the growing problem of in-work poverty.

⁹ Chwarae Teg (2016) *Research into Perceptions of Modern Working Practices in Wales*

¹⁰ Office for National Statistics (2014) "Analysis of employee Contracts that do not Guarantee a Minimum Number of Hours"

¹¹ Ibid

¹² Ibid

3.3 We welcome the recent plans by the Welsh Government to start addressing the use of zero hours contracts in the domiciliary care sector¹³. However, this issue needs to be addressed across sectors in order to increase security of work in Wales.

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

4.1 Women have been hit by 86% of the changes to the tax and benefit system as part of austerity measures since 2010¹⁴.

4.2 Women are more reliant on benefits than men with a higher proportion of their income coming from the state. As a result, women are much more vulnerable to austerity measures and welfare reform. Women are losing out monetarily as changes to the welfare system move forward while also having to take on additional unpaid domestic work as public services are cut. These impacts are felt even more harshly in households living in poverty.

4.3 Gendered poverty risks are affected by whether benefits are individual or joint and to whom they are paid and how, while services are particularly important to those with caring responsibilities for children or ill, disabled or elderly adults.¹⁵

4.4 As Universal Credit is rolled out in Wales, due attention needs to be paid to certain aspects such as ‘in-work progression’, which could inadvertently have a negative impact on women. It is likely that this policy will affect women in Wales to a greater extent, in part due to the higher number of benefit claimants in Wales, but also as a result of the nature of the Welsh labour market¹⁶.

4.5 It’s important that benefit claimants are encouraged to access quality employment, that offers long term and secure opportunities, over accessing insecure employment, which may not ‘pay’ following costs such as childcare and transport.

Conclusion

There are a number of steps that need to be taken to help those on low incomes in Wales, and with in-work poverty currently on the rise, these must be prioritised.

These are focused on the provision of decent work that is adequately paid, secure and address distinct barriers that women face such as caring responsibilities and reduced access to training.

The Welsh Government has a key role to play in promoting decent work through providing support and setting standards. To ensure a prosperous and equal future for women and people around Wales, this needs to be a priority of an Economic Strategy and Employability Plan.

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¹³ Welsh Government (2017) <http://gov.wales/newsroom/health-and-social-services/2017/zero-hours/?lang=en>

¹⁴ House of Commons (2016) Estimating the gender impact of tax and benefits changes

¹⁵ University of Oxford “Poverty through a Gender Lens”

¹⁶ Chwarae Teg (2016) Briefing Paper: In Work progression and Universal Credit

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Making the Economy work for people on Low Incomes

Dr Alison Parken, Cardiff Business School
4th July 2017

Introduction

Other respondents to this consultation have ably described how the industrial and occupational mix in Wales does not produce sufficient demand for high qualifications and skills¹.

My response focuses on the Committee's questions relating to ensuring inclusive growth, addressing economic inequalities between different groups of people, and the innovative actions of employers collaborating with the *Women Adding Value to the Economy* (WAVE) programme to address progression from low graded roles.

Low income can affect all employees over the lifecycle, is associated with particular economic sectors and can be compounded by insecure or variable hours contracts, self-employment and part time working.

Jobs that require low or no qualifications rarely have 'job ladders'. Progression to higher graded roles is not envisaged or supported through training and development. Employment in these 'flat structures' produces 'sticky floors' at the bottom of the labour market, constraining the ability to increase income. With little possibility to move up through employment structures (vertical progression), employees can only change employer (horizontal progression) to attain higher pay or hours, and will need information and advice on transferable skills².

¹ Felstead, A., Davies, R. and Jones, S. (2013) *Skills and the Quality of Work in Wales, 2006-2012*, Cardiff: WISERD.

² Sisson, P., Green, A. and Lee, N. (2016) *Supporting Progression in Growth Sectors*, Evidence Paper, Cardiff: Public Policy Institute for Wales

The following section considers the nexus between low incomes, the dimensions of socio-economic inequalities and inclusive growth.

The equality dimensions of low pay in the Welsh Labour Market

The *Anatomy of Economic Inequality in Wales* (2011) report found that young people, people of Pakistani and Bangladeshi heritage, disabled people and those living in rented accommodation were on the lowest incomes. Further, that with the exception of educational outcomes, women had a higher incidence of disadvantage across employment, earnings, income and wealth within all the population groups³.

The mismatch between qualifications levels in Wales and job entry requirements particularly restricts women's earnings. Women have been over-represented in sectors associated with low pay such as education, health, tourism and leisure, retail and hospitality, in occupations such as sales, administration, and personal services, for at least the last 20 years⁴. Their concentration in these sectors and occupations results in women being much more likely than men to work in jobs below their qualifications level⁵.

For women, low pay in low graded jobs is further compounded by low hours⁶. For example, within the 'elementary' jobs classification, which is gender balanced overall but has considerable gender segregation between job roles, 75% of men work on a full time basis while 73% of women work part time hours⁷.

³ Davies, R. (ed.) *An Anatomy of Inequality in Wales*, Cardiff: Equality and Human Rights Commission (Wales)

⁴ Parken, A. (2016) Changes and Continuities: Women in paid work in Wales 1994-2014, in in Mannay, D. (ed). *Our Changing Land: Revisiting Gender, Class and Identity in Contemporary Wales*, Cardiff: University of Wales Press

⁵ Office for National Statistics (2013) Full Report – Women in the Labour Market (Newport: ONS, 2013)

⁶ Low pay is defined as less than two thirds of median annual income

⁷ Parken, A., Pocher, E. and Davies, R. (2014) *Working Patterns in Wales: Gender, Occupations and Pay*, research report for Women Adding Value to the Economy (WAVE), ESF funded through the Welsh Government

The WAVE case studies produced numerous examples of women working multiple part time or part time and casual jobs with the same employer, in order to build working hours⁸.

The only protection against low earnings for women is:

‘...having a degree, a higher degree or working full time in a professional occupation. The probability of low hourly earnings is more than twice as high for women who work part-time (47%) as full-time (22%)⁹.

In addition to low pay in both part time and full time roles, estimates suggest that around half of all self - employed people have low incomes¹⁰. For these reasons, recent research categorizes ‘precarious workers’ as those who are self-employed, work part time or are in non-permanent work. The study finds that whilst the proportion of men in these categories has climbed to 27% in Wales during the economic crisis, this is still much lower than the 46% of women who are employed in such ways - a figure that has remained relatively stable over the last decade¹¹.

Further, more men and women in Wales report ‘under-employment’ than elsewhere - that is wanting more hours, or seeking an additional or replacement job to build earnings.

The rate of precarious work has also climbed sharply for disabled workers. Recalling that over half of working age people in Wales who meet the definition of disabled under the Equality Act and/or have a life limiting illness are not economically active, of those that are in some form of paid work, almost 45% are in precarious work¹². The incidence of precarious employment among the disabled population has increased over the period of the

⁸ Overview and detailed case study reports can be accessed at:

<http://www.cardiff.ac.uk/research/explore/research-units/women-adding-value-to-the-economy-wave>

⁹ Parken, A., Joll, C., and Wass, V. (2011) *The Position of Different Groups in Wales: A cross-cutting summary and conclusions*, in Davies, R. (ed.) *An Anatomy of Inequality in Wales*, Cardiff: Equality and Human Rights Commission (Wales)

¹⁰ Lloyd (2017) references Broughton, N. and Richards, B. (2016) *Tough Gig: Tackling low paid self-employment in the London and the UK*, London: Social Market Foundation.

¹¹ Davies, R. and Parken, A. (forthcoming) ‘Devolution, recession and the alleviation of inequality in Wales’, in Fee and Kober (eds.) *Inequalities in the UK since the 2008 recession: New discourses, evolutions, and actions*, Bingley: Emerald Press

¹² *ibid.*

recession, although changes to the way disability is defined in surveys makes this assessment unclear, and so it requires further examination¹³.

In summary, when designing an economic strategy for Wales, thought must be given to creating progression in the foundational economy as well as securing higher skilled jobs in growth sectors. Attention must also be given to creating greater diversity within high value sectors - restricting funding to growth sectors where men dominate higher skilled technical work, can have the effect of entrenching inequalities¹⁴.

Women account for just 9% of skilled trades workers in Wales; these skills may provide entry into new 'green economy' jobs in the future. And although the growth sector, *Finance, Business and Professional Services*, is gender balanced overall, half of all men in the sector work in the top three occupations (Senior Managers, Professionals, and Associate Technical and Professionals) compared to just a third of women¹⁵. Over 40% of women in this sector are in administrative roles with no clear progression routes.

Between 2004 and 2014, the number of *Science and Technical Associate Professional* jobs in Wales grew from 21,000 to 25,600, and men held 80% and 78% respectively of these jobs over the decade¹⁶. The new economic strategy must give consideration to supporting people to use their qualifications and skills to access higher paid work; this means breaking down gendered sector and occupational boundaries.

The WAVE 'Equal Pay Barometer' has been used in careers advice work to demonstrate the density of men and women in over 300 occupations, and likely earnings in so-called 'women's work'.

¹³ Baumberg, B., Jones, M. and Wass, V. (2015) 'Disability and disability-related employment gaps in the UK 1998-2012: different trends in different surveys?' *Social Science & Medicine* 141, pp. 72-81

¹⁴ Parken, A. and Rees, T.L. (2011) 'Economic renewal and the gendered knowledge economy in Wales', *Contemporary Wales* 24(1), pp. 113-134.

¹⁵ Parken, A., Pocher, E. and Davies, R. (2014) *Working Patterns in Wales: Gender, Occupations and Pay*, research report for Women Adding Value to the Economy (WAVE), ESF funded through the Welsh Government

¹⁶ Parken, A. (2016) Changes and Continuities: Women in paid work in Wales 1994-2014, in in Mannay, D. (ed). *Our Changing Land: Revisiting Gender, Class and Identity in Contemporary Wales*, Cardiff: University of Wales Press

Whether it has persuaded some women to take up train driving (average earnings £39,000 per annum) instead of beauty therapy (average earnings £13,000 per annum) I could not say, but it is a useful tool, which could be further developed and used by careers advice services¹⁷.

Thought should also be given to supporting growth and innovation in education and health, and management and leadership thinking (Ball 2010)¹⁸.

Since the *Anatomy of Economic Inequality report* in 2011, education and labour market outcomes have improved somewhat for people with Pakistani and Bangladeshi heritage according to the EHRC (WALES) *Is Wales Fairer?* Report. However, the *Anatomy* report was based upon the compilation of a pooled dataset that provided for close examination of small sub sets of the population. It facilitated the examination of the intersectional socio-economic impacts of gender, ethnicity, disability, social class and age on education, employment and earnings outcomes.

It would be timely to update this analysis to underpin the equality impact assessments that will be needed to ensure that the *City Deals* and new economic strategy for Wales promote equality through encouraging earnings growth/ higher hours/ and more permanent work. The strategy will need to consider both opportunities to progress in 'foundational economy' jobs, and to increase access for all into higher skilled and higher paying occupations.

Creating progression opportunities from low paid jobs

As discussed, low graded jobs (Grades 1 to 3) generally require no or low qualifications and rarely have 'job ladders' to allow for progression up the grade structure. During the *Women Adding Value to the Economy* (WAVE) programme, Cardiff University worked with collaborating public sector employers in local

¹⁷ [http://www.wavewales.co.uk/equal-pay-barometer/3514/?name=TRAIN%20OPERATIVE%20\(DRIVER\)&pay_period=annual](http://www.wavewales.co.uk/equal-pay-barometer/3514/?name=TRAIN%20OPERATIVE%20(DRIVER)&pay_period=annual)
Data correct at 2014, the EPB does need updating!

¹⁸ John Ball 'Improving what we already do', Agenda Spring 2010

government, health and higher education to assess employment and pay inequalities in the structure of employment¹⁹.

These employers demonstrated a high volume of permanent work. However, in all cases women were over-represented in low paid, low graded, part time work and temporary or casual work.

During WAVE, and pleasingly since the completion of the programme in 2015, these employers have recognised their low paid employees as a valuable asset. They know the organisation, and are loyal staff - often having worked part time for the same employer for many years.

In challenging times of austerity, the collaborating WAVE health board and local government employers have undertaken surveys and staff consultation exercises with low graded employees, asking them about their aspiration to progress, desire for greater working hours and their readiness for training and development or job enrichment.

The results of staff consultations demonstrated significant interest in both working greater hours and training and development for progression. It is early days, but both employers have, or are in the process of, updating recruitment practice, redesigning personal development reviews, undertaking gender bias training, developing line managers to spot progression opportunities, and bolstering skills, including literacy skills where necessary, in order to help employees progress – often into areas where recruitment has been challenging.

One innovation of particular note is an employer intervention to help employees avoid the welfare/low earnings trap.

Although Universal Credit requires workers to strive for higher pay or increased hours, the low earnings trap is compounded by the one 'earner disregard' per household policy. The lack of a 'disregard' for a second earner can act as a disincentive to build

¹⁹ Overview and detailed case study reports can be accessed at: <http://www.cardiff.ac.uk/research/explore/research-units/women-adding-value-to-the-economy-wave>

hours or move to higher paid roles – joint earnings may be insufficient to replace the loss of household welfare transfers²⁰.

The health board has run joint consultations with staff supported by Citizens Advice Bureau and Job Centre Plus to help women in low graded roles understand and negotiate earnings/ welfare transfer boundaries.

Creating job shadowing and job swapping opportunities within the health board has also led to movement between occupations and some movement to higher grades. Eighty ‘bank only’ workers have moved into permanent work in nursing and healthcare roles as a result of staff engagement activities and changes to the recruitment process²¹.

Creating ‘job ladders’ in lower skilled work is challenging, but with commitment and resource it is possible.

The Higher Education employer has tackled gender segregation in lower grades by creating generic service roles that contain stereotypically gendered tasks. Workers can move between tasks, for example, the same workers may rotate between catering and security work. All the jobs are offered on a flexible working basis and by moving to a values-based recruitment system, the employer considers that a higher number of women have been recruited to supervisory roles than might have otherwise been expected.

These initiatives are detailed examples of dedicated work by employers to change the employment structures that reproduce inequalities in the labour market, and are underpinned by the ambitions set out in the Welsh Specific Equality duties on employment and pay differences.

The Welsh Government review of the effectiveness of the public sector duties equality is due in September 2017. If the review shows that such good practice is not widespread, then the *Equality, Local Government and Communities Committee* has the

²⁰ MacLeavy, J. (2017) *The Lack of Welfare in Welfare to Work*, Women Work and the Economy in Post-Brexit Britain, PolicyBristol Conference, 22nd June 2017.

²¹ Parken, A. (2015) *From evidence to action on gender pay gaps: The WAVE employer case studies*, research report for the Women Adding Value to the Economy Programme, ESF funded through the Welsh Government.

opportunity to encourage the replication of such good practice, in the both public and private sectors.

FSB Wales response to the Equality, Local Government and Communities Committee

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

5th July 2017



Arbenigwyr mewn Busnes
Experts in Business

About FSB Wales

FSB Wales is the authoritative voice of businesses in Wales. With 10,000 members, a Welsh Policy Unit, two regional committees and twelve branch committees; FSB Wales is in constant contact with business at a grassroots level. It undertakes regular online surveys of its members as well as a biennial membership survey on a wide range of issues and concerns facing small business.

Introduction

FSB Wales welcomes the opportunity to provide evidence to the Equality, Local Government and Communities Committee on its inquiry into making the economy work for people on low incomes. In our view, this is an opportune moment for the Committee to consider issues around the ambition and scope of economic development policy as we transition through a period of economic uncertainty. It is also pertinent in that the Welsh Government is itself examining its economic strategy and we hope this inquiry will form part of a much wider engagement process in the development of the new strategy.

Economic Strategy & Inclusive Growth

FSB Wales believes that the Welsh Government's new economic development strategy should set out clear ambitions for inclusive economic growth that will benefit all communities across Wales. This will necessarily mean a change in economic approach from the current strategy with a stronger emphasis on developing the prospects and vitality of indigenous businesses in communities across Wales. As part of this change, the current focus on foreign direct investment should be repurposed towards economic development goals ensuring successfully anchored large projects are supporting the growth of Wales' SME supply chains. This reorientation of economic development policy is key if we are to ensure the quality of employment improves in every area of Wales.

Welsh Government's economic development policy needs to be reoriented towards indigenous economic growth.

There is a relationship between the diversity of the local business base and sustainable and resilient labour markets. The Centre for Local Economic Strategies (CLES) has previously argued that places that are too dependent on one aspect of the economy, or a dominant large employer, often have unbalanced and fragile local economies.¹ The Welsh Government's forthcoming Economic Strategy should consider the need to create a diversity of strong, sustainable SMEs in communities that are able to support labour markets which deliver positive social and economic outcomes.

Diverse local economies are more resilient than unbalanced economies dominated by a single large employer.

More generally, an economic strategy focused simply on employment and increasing the number of people in work is unlikely to produce wider social benefits. FSB Wales has previously argued that Welsh Government should introduce a measure of "Employment

¹ "Productive Local Economies: Creating Resilient Places", CLES, December 2010 P.25

Quality” into the well-being measures and we believe that there is merit in an economic strategy using this as its key employment measure.² Moreover, the emerging economic development strategy should look at a wider set of economic indicators to ascertain economic wellbeing and diversity in local economies such as business size, the quality of employment and more regular localised economic statistics.

Welsh Government’s emerging economic development strategy should include a basket of indicators to complement GVA.

Despite a growing body of literature examining the Welsh labour market, few reports look at the places and localities that provide jobs. This is symptomatic of a wider problem where public policy often fixates on national developments and overlooks important local variations. The Welsh Government should seek to produce more detailed, and more regularly updated, labour market statistics for the different regions of Wales – enabling policy makers to more quickly respond to local need and/or changes in circumstance.

Better data about how local economies function is key to a more place-based approach to economic development.

Work, wages and skills

SMEs have a significant impact on employment in Wales with 62 per cent of all private sector employment taking place with micro, small or medium sized firms.³ Previous research by FSB looking at smaller firms’ impact on employment has shown that not only do they create a significant proportion of new jobs but starting up a small business or becoming an employee in an SME accounts for 88 per cent of all movements from unemployment into private sector employment.⁴ Of this, micro enterprises (24%), small businesses (27%) and self-employed individuals (17%) account for 68 per cent of all movements.

More significantly, this research has shown that 92 per cent of movements from either unemployment or non-participation into private sector employment are due to becoming employed by an SME or starting an SME⁵.

Smaller firms are more likely to employ those who are unemployed or do not participate in the labour market at present. This could be relevant in relation to groups of people that have historically engaged less with the labour market.

One of the main explanations for this is that smaller firms have less formalised employment processes and offer more flexible employment relationships. For instance, another insight in our previous employment research is that the unemployed and non-

² <https://www.fsb.org.uk/docs/default-source/fsb-org-uk/consultationresponsefinal8f9984ba4fa86562a286ff0000dc48fe.pdf?sfvrsn=1>

³ Welsh Government. 2016. *Size Analysis of Welsh Businesses* [Online]. Available at: <http://gov.wales/docs/statistics/2016/161129-size-analysis-welsh-business-2016-en.pdf> (accessed 5th July 2017).

⁴ Back to Work: The Role of Small Businesses in Employment and Enterprise”, Peter Urwin and Franz Buscha for FSB, September 2012.

⁵ IPPR (2014) [Small Firms Giant Leaps: Small Business and the road to full employment](#)



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participants moving into employment in large firms are two-and-a-half times more likely to do so under temporary contract, when compared to those moving into micro-businesses.

There is also evidence that suggests small firms are more likely to retain employees during downturns⁶, rather than laying people off.

Policymakers should avoid a 'one-size fits all' approach to employment issues, recognising the differences in approach between smaller and larger firms.

SMEs in general tend to be more likely to engage with the living wage (as defined by the Living Wage Foundation) as employers. FSB analysis indicates that the majority of the private sector, Living Wage Foundation accredited employers in Wales are SMEs. Further analysis in Scotland indicates that 79% of accredited Living Wage employers are SMEs, with the remaining 21% being made up of larger firms and public sector organisations.

Despite this, evidence presented by Cardiff University and the Living Wage Foundation found that Scottish organisations in both the public and private sector represented around 23 per cent of all those in the UK signed up to the Living Wage.⁷ It seems from their research that this is the result of a concerted campaign on the part of Scottish Government to drive uptake. FSB Wales believes Welsh Government could undertake a similar approach, working in partnership with wider civil society and those in the public and private sector to properly resource a Living Wage campaign.

Welsh Government should bolster the resourcing and approach of the Living Wage Campaign in Wales.

However, it is important to recognise that in some sectors – particularly areas where SME involvement in Wales is large (and likely to grow) such as childcare and social care – government regulation plays a significant role in shaping the business model and creating regulatory pressure that may feed through into wages⁸.

This is clear in an area such as childcare, which has relatively small profit margins due to regulatory requirements around staffing levels and the type of premises a business can occupy – as well as commissioning of services that often reflects lowest cost rather than best value. It is easy to see how wages can be squeezed by sudden changes in the regulatory, policy or tax landscape.

Government regulation plays a significant role in shaping business models, particularly in the foundational economy.

Elsewhere, seasonal sectors such as tourism and agriculture may require support in order to ease variations in income over the course of the year. These sectors may also either be more labour intensive over certain periods, or struggle to maintain the income

⁶ "Productivity, Investment and Profits during the Great Recession: Evidence from UK Firms and Workers", C. Crawford et al, Fiscal Studies 34(2), June 2013.

⁷ Heery, E; Nash, D & Hann, D. 2017. *The Living Wage Employer Experience*. Cardiff Business School. P.44

⁸ This is reflected in a number of papers prepared by the Public Policy Institute for Wales, available here: <http://ppiwi.org.uk/tackling-poverty/>



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to support year round employment. These seasonal sectors are a significant proportion of the Welsh economy, especially in rural areas⁹.

Specific support could include Welsh Government supporting innovation and diversification in these sectors to extend the profitable seasons.

Government should seek to support seasonal sectors of the economy to diversify and extend the season.

For many SMEs, the last two years have seen a number of regulatory changes, which whilst not a problem singly, may have created pressures on aggregate – including but not limited to: Pension auto-enrolment, changes to the National Minimum Wage, and Business Rates revaluation, all of which were put in place within 12 months. Whilst some of these policy areas are not devolved, other areas which may introduce cost pressures are devolved and Welsh Government should carefully consider these impacts (and the cumulative impacts of other changes) when introducing them.

The cumulative impact of employment policies such as National Living Wage and pension auto-enrolment has a bearing on employment costs.

Whilst work and wages are not devolved, skills policy is – and there are opportunities for Welsh Government to make “lower paid” work better by ensuring there are clearer opportunities for training and progression within low paid work. In childcare, this may mean creating pathways towards teaching qualifications or similar, whilst in social care similar pathways towards qualified health care work may also be suitable.

It is also worth noting that often lower paid employment with strong progression and training can provide a route out of poverty. This is particularly pertinent in relation to apprenticeships and sectors that have well-established education and training routes, many of which such as construction are heavily dominated by SMEs.

Vocational education can provide a strong progression route out of poverty for many, with SMEs being particularly active in this area.

Self-employment

A growing proportion of the Welsh working population are self-employed, with self-employment accounting for a sizeable proportion of employment growth (and labour market re-engagement) since 2010.

The picture of self-employment is varied across Wales, with up to 25% of the working age population in rural areas in self-employment, whilst this is closer to 10% in urban and ex-industrial communities.

⁹ Whilst figures for employment by sector in Local Authorities, available statistics indicate that up to 15% of jobs in West Wales and the Valleys are in sectors that might be considered “seasonal”, around 9% of jobs in East Wales are in sectors that might be described as seasonal. Statistics for employment are available at: <https://statswales.gov.wales/Catalogue/Business-Economy-and-Labour-Market/People-and-Work/Employment/Jobs/Whole-Workforce/workplaceemployment-by-industry-area>



Arbenigwyr mewn Busnes
Experts in Business

Initial findings from research that is currently being undertaken by FSB Wales suggests that most self-employment in Wales is genuine and driven by a number of positive factors rather than necessity driven.

In the context of the committee's inquiry, we would urge the committee to consider ways in which the Welsh Government could, or should assist in making self-employment more sustainable and to remove some of the risks associated with self-employment that do not exist for those in an employed relationship. Whilst employment is not a devolved matter, there are significant policy levers available in areas such as procurement which should be used to drive forward such changes.

In the short term, the Welsh Government should consider ensuring that where contracts are tendered to self-employed people that they ensure that contracts are tendered at a price that allows the self-employed to take up insurance for sick pay and other forms of leave that are a statutory entitlement for employed people. FSB Wales was keen to see this taken forward in the Welsh Government's "Code for Ethical Employment in Supply Chains"¹⁰ and we hope such a change can be incorporated in future revisions.

Welsh Government should use its procurement capacity to help place self-employment on a more sustainable footing.

Welsh Government should also closely monitor the work emerging from the Taylor review of self-employment and look to implement any changes that might fall within devolved competency.

Conclusion

FSB Wales welcomes the Equality, Local Government and Communities Committee's inquiry into making economic development work for those on low incomes. We believe that an economic development strategy that pursues greater diversity in local economies can help deliver better outcomes for the people of Wales. Wales' 248,000 smaller firms have to be an intrinsic part of this strategy to make this successful.¹¹

¹⁰ Welsh Government (2016), WG Code of Practice, Ethical Employment in Supply Chains <http://gov.wales/docs/dpsp/publications/valuewales/170309-ethical-en.pdf>

¹¹ Welsh Government. 2016. *Size Analysis of Welsh Businesses* [Online]. Available at: <http://gov.wales/docs/statistics/2016/161129-size-analysis-welsh-business-2016-en.pdf> (accessed 5th July 2017).

Agenda Item 5.1

Priflywodraeth, Llywodraeth Leol a Chymunedau
Equality, Local Government and Communities Committee
ELGC(5)-24-17 Papur 6/ Paper 6

GRENFELL TOWER TRAGEDY: Issues for the one-day National Assembly inquiry by the Equality, Local Government and Communities Committee.

Submitted by the Specialist Engineers Contractors Group Wales, SEC Group - Response to Fire safety in high-rise tower blocks being considered in a one-day National Assembly inquiry in response to the Grenfell Tower tragedy in London.

It was 73 years ago that a wartime government inquiry led by Lord Simon bemoaned the emphasis in the construction industry on lowest price which, inevitably, drove down standards. Other reports since then have conveyed the same message. But, all these years later, this concern hasn't gone away.

In February this year Professor John Cole's report, following his inquiry in the construction of Edinburgh schools, returned to the theme. Seventeen schools had to be closed because of major defects in the construction of masonry panels (incidentally fire-stopping was also an area "*deserving of special attention*"). Professor Cole concluded:

"The procurers of buildings need to consider whether the drive for faster, lowest cost construction may be being achieved to the detriment of its quality and safety."

Also he could have thrown into the mix the huge problems over cashflow, with sub-contractors and suppliers regularly having to put up with late and non-payment. As Professor Cole acknowledged this is an issue for government, regulators and the construction industry.

Like the Edinburgh schools problems the Grenfell Tower tragedy has again highlighted some of the dysfunctionalities in the way in which construction related activities are procured and delivered. It seems that, at least, four matters require to be addressed.

The first is a review of safety-related standards and regulations to ensure that they are fit for purpose and up to date.

The second is the abandonment of traditional approaches to procurement whereby contractual demarcation lines keep designers away from construction supply chains. Today detailed

expertise relating to products and processes lie within the supply chain but technical specialist contractors (such as cladding, structural steel, mechanical and electrical) are not appointed early enough to engage with designers and specifiers.

The third is a statutory framework for licensing firms in the construction industry. This has been on the agenda for a long time. In 1998 Sir John Egan (then CEO of the British Airports Authority) delivered a government-commissioned report, *Re-thinking Construction*. He observed that the City of London had little regard for construction because there were no barriers to entry. In his follow-up report in 2002 (*Accelerating Change*) he called for a system that recognised the competency of firms in the industry.

The majority of US States have statutory licensing schemes. Although they vary from State to State the overall aim is to accredit those firms that have demonstrated a reasonable level of technical proficiency in respect of the work they provide. Similar schemes exist in Australia.

In UK construction there are statutory (and quasi-statutory) competence schemes under the Building Regulations, Gas Safety Regulations and Water Regulations. These schemes could be rationalised under one statutory umbrella since most of the required competencies are common across the schemes.

Such statutory umbrella could then be gradually extended to the whole of the industry. For a large part of the industry – mainly engineering – this would not present a problem since many of the trade associations involved already require their firms to undergo rigorous accreditation processes. Unfortunately being accredited in this way doesn't always help firms obtain work since there is often a race to the bottom to provide the lowest price. A statutory licensing scheme would, therefore, provide a level playing field for competition.

The final matter relates to enforcement of regulations. Lack of resources in local authorities have hampered effective enforcement. In addition, different regulations have different enforcement agencies. We now need a National Enforcement Agency to drive effective enforcement measures across the country. After all the Health and Safety Executive has a national inspectorate.

The Grenfell Tower tragedy has now increased pressure on the government and construction industry to instigate a radical re-appraisal of the proper approach to procuring and delivering construction and the regulatory framework that governs it.



Elin Jones AC, Llywydd

Cynulliad Cenedlaethol Cymru

Elin Jones AM, Presiding Officer

National Assembly for Wales

Y Pwyllgor Cydraddoldeb, Llywodraeth Leol a Chymunedau
Equality, Local Government and Communities Committee
ELGC(5)-24-17 Papur 7/ Paper 7

Agenda Item 5.2

Committee Chairs
National Assembly for Wales
Cardiff Bay
CF99 1NA

11 July 2017

Dear Committee Chair

Implementation of the Wales Act 2017

As you will be aware, the Wales Act 2017 provides that the Secretary of State for Wales must appoint, through regulations, a 'principal appointed day' on which the new reserved powers model will come into force. The Act also provides that the Secretary of State must consult me, as Llywydd, before making such regulations.

I enclose a letter from the Secretary of State setting out his intention to appoint **6 April 2018** as the principal appointed day. He also indicates that he intends to commence most of the remaining provisions in the Wales Act at the same time.

You will note from the Secretary of State's letter that he intends to write further in relation to the implications for the Legislative Consent process as a result of the two-year Parliamentary session. I will share this letter with you in due course.

I would be grateful if you could let me know by Friday 28 July whether your committees have any comments to make on the Secretary of State's proposals.

Yours sincerely

Elin Jones AM
Llywydd

Enc

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Page 55

Elin Jones AM
Presiding Officer
National Assembly for Wales
Cardiff Bay
CF99 1NA

Ref: 250SUB 17

10th July 2017

Dear Elin,

I am writing regarding the implementation of the Wales Act 2017. The Act provides for the Secretary of State to appoint, through regulations, a “principal appointed day” (PAD) on which the new reserved powers model comes into force. The Act specifies that I consult the Welsh Ministers and the Assembly’s Presiding Officer before making regulations appointing the PAD. I am therefore writing to seek your views on my proposal to specify **6 April 2018 as the principal appointed day**.

Three key factors have informed my proposed date. Firstly, the need to implement the new reserved powers model of Welsh devolution as soon as practicable, to provide a clearer settlement and a well-defined division between devolved and reserved responsibilities. The lack of clarity that is a feature of the current Welsh devolution settlement continues to hinder our administrations working together as effectively as they might.

The 2017 Act requires the PAD to be at least four months after the regulations appointing the date are made. Making these regulations this autumn would provide Parliament, the National Assembly for Wales and both our governments with sufficient notice to prepare for the new model.

Secondly, as you know the new devolved taxes - the Land Transaction Tax and Landfill Disposals Tax - come on stream on 6 April 2018. Bringing the reserved powers model into force on the same day would deliver a strong message that Welsh devolution has come of age.

Thirdly, we need to be clear about the model of Welsh devolution which applies as we prepare for our exit from the European Union. Implementing the reserved powers model in April 2018 provides us with sufficient time to make the necessary preparations before exit day.

I also propose to commence most of the remaining sections of the Wales Act 2017 in the same order. These sections devolve further powers to the National Assembly and the Welsh Ministers. The devolution of these powers is already reflected in the reserved powers model and so it makes sense to bring these sections into force at the same time.

The current session of Parliament will run until 2019, meaning the new reserved powers model would be brought force mid-way through the session. Clearly this has implications for any Legislative Consent Motions that may be required, and my officials are working to assess the impact. I will write to you once this analysis is completed. You will be aware that under Schedule 7 to the 2017 Act the current *conferred* powers model would continue to apply to those Assembly Bills which have passed Stage 1 by the PAD.

I would be grateful to receive your response by **4 September**, enabling the regulations to be drafted by early autumn. I am happy to share with you the regulations in draft before they are laid.

I am writing in similar terms to the First Minister of Wales.

Yours,


Alun Cairns MP
Secretary of State for Wales
Ysgrifennydd Gwladol Cymru

Agenda Item 5.3

John Griffiths AM
Chair, Equality, Local Government and Communities Committee

12 July 2017

Dear John

Programming forthcoming legislation

As you may be aware, Business Committee recently considered a paper setting out a range of legislation which is known to be intended for introduction within the next twelve months.

Business Managers considered that it would be appropriate to take ‘in principle’ decisions on which committees the Bills planned for introduction within the next twelve months would be referred to, to assist committees in their forward planning.

Based on the subject matter of individual Bills, the following forthcoming legislation would appear to be most closely aligned with the remit of the Equality, Local Government and Communities (ELGC) Committee:

- The Public Service Ombudsman for Wales (Committee Bill)¹;
- Regulatory Reform of Registered Social Landlords;
- Fees Charged to Tenants in the Private Rented Sector;
- Local Government.

¹ Although Standing Orders suggest a different approach for Committee Bills, Business Managers are inclined to agree the proposal of the Finance Committee that– given the subject matter of this Bill and the circumstances of its development– this Bill should be referred to a subject committee at Stage 1 and back to the same committee at Stage 2.



However, Business Managers are conscious that this would represent a substantial volume of legislation for ELGC to consider, in addition to the Committee's planned stage 2 scrutiny of Abolition of the Right to Buy and Associated Rights (Wales) Bill, budget scrutiny and policy inquiries.

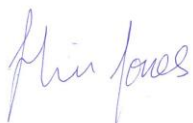
An additional issue is that the Public Service Ombudsman for Wales Bill and a Bill on the Regulatory Reform of Registered Social Landlords are both likely to be introduced around the same time period in the autumn term. Likewise both the Bill on Fees Charged to Tenants in the Private Rented Sector and a Bill on Local Government are likely to be introduced around the same time period in Spring/Summer.

As such, before finalising a view on whether all of these Bills are referred to ELGC, Business Managers would be grateful for your view both on:

- whether you consider that ELGC would have capacity to manage this volume of legislation; and
- whether the double incidence of two Bills for your committee's scrutiny being introduced in the same time period is likely to pose particular challenges.

I would be grateful if you could indicate your views on these issues before the end of term if at all possible, so that Business Managers can make 'in principle' decisions on which committees the Bills planned for introduction within the next twelve months would be referred to.

Yours sincerely



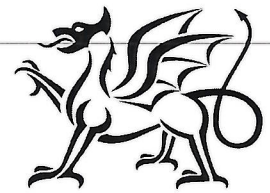
Elin Jones AM
Llywydd and Chair of the Business Committee



Minister for Lifelong Learning and Welsh Language

Y Pwyllgor Cydraddoldeb, Llywodraeth Leol a Chymunedau
Equality, Local Government and Communities Committee
ELGC(5)-24-17 Papur 9/ Paper 9

Ein cyf/Our ref: MA-P-ARD-2486-17



Llywodraeth Cymru
Welsh Government

John Griffiths AM

Chair

Equality, Local Government and Communities Committee
National Assembly for Wales

11 July 2017

Dear John,

Thank you for your letter dated 26 June 2017 about the three inquiries focusing on poverty, which the Equality, Local Government and Communities Committee are undertaking. It is timely that I provide you with an update about the work of the Ministerial Taskforce for the South Wales Valleys, ahead of the publication of our high-level plan "*Our Valleys, Our Future*" on 20 July. This follows on from the evidence I gave to the committee in September.

As I noted in September, the Valleys face a unique set of challenges and lags behind the rest of Wales in economic terms; in terms of quality and length of life and in educational attainment and skills. While poverty also presents in other communities across Wales, the problems are particularly acute across the South Wales Valleys as a whole. In addition this focus on the Valleys presents us with an opportunity to test new ways of working and use the learning to deliver prosperity for all across the whole of Wales.

We need to work differently to – and learn from – previous initiatives and programmes that have been targeted at the Valleys. The taskforce has not adopted a top-down approach – we have been working in partnership with people who live and work in the Valleys to develop the plan and will continue to do so as we deliver its ambitions.

I have been working with the Cabinet Secretary for Communities and Children; the Cabinet Secretary for Economy and Infrastructure and the Minister for Science and Skills to develop the Welsh Government's prosperity for all approach. As the Cabinet Secretary highlighted in his evidence, it is clear that poverty levels have remained stubborn across Wales – the taskforce provides a real opportunity to take a fresh look at this.

There is a lot the taskforce can learn from the Communities First programme, both in terms of what worked and didn't work and from the impact the winding down of the programme will have on Communities First areas in the Valleys.

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Rydym yn croesawu derbyn gohebiaeth yn Gymraeg. Byddwn yn ateb gohebiaeth a dderbynnir yn Gymraeg yn Gymraeg ac ni fydd gohebu yn Gymraeg yn arwain at oedi.

We welcome receiving correspondence in Welsh. Correspondence received in Welsh will be answered in Welsh and corresponding in Welsh will not lead to a delay in responding.

The taskforce will publish a summary report of all the engagement activities undertaken alongside *“Our Valleys, Our Future”* on 20 July. This will present a clear evidence base of what people have told us and how it has shaped the plan. As part of the development of the plan, the taskforce considered evidence from a wide range of sources relating to tackling poverty, including: the Bevan Foundation; the Neath Economic Forum; OECD; the regional skills partnerships; the education consortia; the Joseph Rowntree Foundation; Oxfam Cymru; the What Works Centre for Wellbeing and Cardiff University.

“Our Valleys, Our Future” has been shaped into three priority areas – good quality jobs and the skills to do them; better public services and my local community. It sets out a series of high-level actions, which aim to provide a clear vision and direction of travel for the next four years.

Good-quality jobs and access to skills training was a clear priority for the people and businesses the taskforce spoke to. People told us there are not enough job opportunities within reach of their local communities and too often the jobs which are available are based on zero-hours contracts or are temporary or agency work. To address this, the taskforce has set the ambition that by 2021 we will have closed the employment gap between the South Wales Valleys and the rest of Wales. This means helping an additional 7,000 people into work and creating thousands of new, fair, secure and sustainable jobs in the Valleys.

The Minister for Skills and Science will be launching the Welsh Government’s new agenda for employability. This will widen our efforts to support people who are economically inactive into jobs and create better conditions for work. The taskforce will ensure these commitments deliver maximum benefits for our Valleys communities.

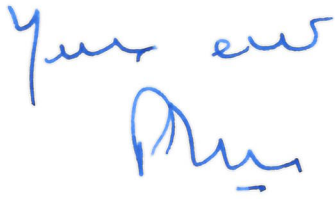
We will target investment to create new strategic hubs in six areas across the Valleys. These will be areas where we focus public investment to create new jobs and further opportunities to attract private sector investment. We will work with local communities, local authorities and business to ensure the focus of each hub reflects the opportunities and demand in each area and their aspirations for the future.

These are some of the proposals in *“Our Valleys, Our Future”*. Once published, we will work with communities and stakeholders to develop a delivery plan, which will be published in the autumn.

You query whether the taskforce has considered the impact of the winding down of Communities First on communities in the Valleys. The issue has been raised at the taskforce’s public engagement events. Given the potential impact of welfare reform and the loss of EU funding, it is time for a new approach. International evidence from the OECD shows that focusing on skills and employment will help us achieve better outcomes.

Helping people into work will be supported through programmes such as Communities 4 Work, Lift and PaCE, which the Welsh Government has significantly invested in. Working collaboratively with the city deals and harnessing the wider benefits of the South Wales Metro provides us with a real opportunity to grow the Valleys economy.

Thank you for your interest in the Ministerial Taskforce for the South Wales Valleys. I will ensure the committee receives a copy of "*Our Valleys, Our Future*" as soon as it is published.

A handwritten signature in blue ink, appearing to read 'Yours truly' followed by a stylized signature.

Alun Davies AC/AM

Gweinidog y Gymraeg a Dysgu Gydol Oes
Minister for Lifelong Learning and Welsh Language

Julie James AC/AM
Y Gweinidog Sgiliau a Gwyddoniaeth
Minister for Skills and Science

Y Pwyllgor Cydraddoldeb, Llywodraeth Leol a Chymunedau
Equality, Local Government and Communities Committee
ELGC(5)-24-17 Papur 10/ Paper 10
Ein cyf/Our ref MA-P/JJ/2410/17

John Griffiths AM
Chair of the Equality, Local Government
and Communities Committee

12 July 2017

Dear John

Thank you for your letter of 26th June 2017 requesting information on the Employability Delivery Plan to inform the Equality, Local Government and Communities Committee's inquiries into poverty in Wales.

In my recent statement to Plenary, I set out the Welsh Government's approach to Employability in Wales. It is my intention to publish an Employability Delivery Plan before the end of 2017. The Plan will underpin the Taking Wales Forward commitment to 'reshape employability support for job-ready individuals and those furthest from the labour market to acquire the skills and experience to gain and maintain sustainable employment. It will look closely at existing services and infrastructure, assess how well they help people to find and stay in work and consider whether they provide value for money.

To ensure a fully integrated approach to the development of the Employability Delivery Plan, I have established a cross-Welsh Government Employability Board made up of senior officials. In addition, I am drawing up an External Stakeholder Engagement and Communications Plan which will feed into the cross-Welsh Government Board and include representation from key partners.

In my statement I outlined that our new employability offer is expected to begin delivery in April 2019. This will be positioned as a single offer under the name, 'Working Wales' and will be underpinned by a new programme for adults along with two new programmes that will deliver employability support to young people. Between now and April 2019 we will reconfigure our existing programmes to enable a smooth transition, using the Valleys and Communities for Work Plus areas as a test bed to inform the new delivery approach.

We will make amendments now to existing employability programmes, including the EU-funded ReAct, Jobs Growth Wales and Employability Skills Programme, and ensure these are effectively aligned, to enhance support for unemployed people and those who churn in and out of temporary, poorly paid employment. We are also developing a range of projects under the Better Jobs Closer to Home programme to better align a range of commercial

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We welcome receiving correspondence in Welsh. Any correspondence received in Welsh will be answered in Welsh and corresponding in Welsh will not lead to a delay in responding.

pilots with other interventions to support creation of meaningful employment in communities with high levels of joblessness.

Employability clearly has a vital role to play in supporting people to move out of poverty. I welcome the Equality, Local Government and Communities Committee's inquiries and look forward to receiving a copy of the report which I hope will inform the development of the Employability Delivery Plan. If the Committee requires any further information on the developments outlined in this letter or in my statement then please do not hesitate to contact me.

Yours sincerely



Julie James AC/AM
Y Gweinidog Sgiliau a Gwyddoniaeth
Minister for Skills and Science

Ein cyf/ Our ref: MA (P) CS 2347 17

John Griffiths AM
Chair of Equalities and Local Government Committee
National Assembly for Wales

13th July 2017

Dear John

During my appearance before the committee on 21 July I offered to provide a written note in response to some of the committee's questions. I trust the note below will clarify the specific matters.

Details of the process for querying public service boards' well-being plans, as outlined in the Well-being of Future Generations (Wales) Act

As part of the Well-being of Future Generations (Wales) Act 2015 a public services board must, in preparing its local well-being plan, seek the advice of the Future Generations Commissioner on how to take steps to meet the local objectives included in its plan. The Commissioner has 14 weeks in which to give that advice. Once it has received the Commissioner's advice but before publishing the plan, each public services board must consult those people listed in the Act on its draft plan. The mandatory consultees include the Commissioner and the Welsh Ministers.

The Act also states that each board must review its local objectives or local well-being plan if directed to do so by the Welsh Ministers and may revise its objectives or amend its plan following such a review. When giving a direction the Welsh Ministers are required to publish a statement giving their reasons for doing so.

However, the focus of public services boards and their local well-being plans is on local accountability and in order to assure that democratic accountability is in place there is a requirement for a designated local government scrutiny committee of the relevant local authority to scrutinise the work of the public services board and its local well-being plan.

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We welcome receiving correspondence in Welsh. Any correspondence received in Welsh will be answered in Welsh and corresponding in Welsh will not lead to a delay in responding.

A note of discussions between the Welsh Government and local authorities, local delivery boards and public service boards on transitional arrangements

My officials have regularly met with all Lead Delivery Bodies to discuss transition. The first series of meetings followed my oral statement and the team have continued meeting on a bilateral basis to provide bespoke support. In addition, the Lead Delivery Body Network is being held every two months with meetings held in both North and South Wales. These Network meetings have been held in February/March, April/May and June/July in North and South Wales respectively.

A copy of the Transition and Strategy Guidance provided to local authorities

The Communities First Transition and Strategy guidance can be found by following the attached link:

<http://gov.wales/docs/dsjlg/publications/comm/170622-transition-guidance-en.pdf>

A note of the evaluation of the Communities for Work and Lift programmes, including any available data and assessment criteria

Further detail on the above action can be found at Annex 1

A note providing further detail on the employability pathway following engagement on the Lift and Communities for Work programmes

Further detail on the above action can be found at Annex 2

A copy of the guidance on the capital asset programme

I will be re-opening the Community Facilities Programme (CFP) before the end of July. The programme has been refreshed to take into account the additional £4 million per annum I announced in February. Priority will be given to applications from the former Communities First areas. I want community facilities in these areas have access to capital grants to improve what they can offer people in these communities and also to improve their own long term sustainability as part of the Communities First legacy.

There will be some notable changes to the CFP including the introduction of small grants of up to £25,000 which could for example fund a separate kitchen or toilets to facilitate the building's use as a childcare setting. There will still be larger grants available to a maximum value of £250,000. All applicants will have to provide evidence that the local community has been engaged in the development of the project. This will help to ensure the community gets what it wants and needs.

Community groups outside of Communities First clusters will still be able to apply to the CFP. They will have to show their proposals will improve opportunities for people living in the communities they serve. They will also need to identify key delivery partners such as the local authority. This will help them to evidence the strategic importance of their application. Guidance will be issued shortly.

You also requested further information on the following:

How the Welsh Government plans to assess the effectiveness of the change in strategic approach to poverty and whether the Welsh Government would consider supporting a longitudinal study on poverty in Wales

The Welsh Government is committed to undertaking robust research to evaluate the effectiveness of programmes aimed at reducing poverty and has a number of such studies currently being conducted. Examples include the Evaluation of the Lift programme, Evaluation of the Pupil Deprivation Grant, the Evaluation of Communities for Work, the Evaluation of PaCE (Parents and Children), and the Evaluation of the Childcare Offer.

In relation to national data, the National Indicators of Wales are required, as set out by section (10) (1) of the Well-being of Future Generations (Wales) Act 2015. This puts in place a framework to measure the impact of the Act, which includes key poverty indicators looking at the economy, health, education and skills. This is in alignment with this Government's 'Prosperity For All' focus which will be outlined in Taking Wales Forward. Furthermore, we undertake and publish analysis of key cross-sectional datasets (including the Households below Average Income, Annual Population Survey and National Survey for Wales datasets) to better understand poverty and worklessness in Wales. Our 2015 Child Poverty Strategy includes 5 key objectives for tackling child poverty and improving the outcomes of low income families in Wales and on 13 December I published our statutory report on progress.

We already support the longitudinal Understanding Society UK study, which can be used to derive measures of poverty and its persistence over time. In addition, we fund a boost to the Millennium Cohort Study to ensure robust longitudinal data relating to children born in the year 2000 for Wales and this is used to inform reporting about child poverty and well-being and the factors associated with differential levels of achievement for Welsh children and young people; this is reported in the Welsh Government's publication: The Children and Young People's Well-being Monitor for Wales, 2008, 2011 and 2015). Welsh Government also has a programme of data-linking in place to examine a range of outcomes linking administrative and longitudinal survey data, such as in relation to education destinations, fuel poverty and Flying Start. As part of this programme, a project is being undertaken to examine the feasibility of constructing an individual deprivation measure in Wales using administrative data, which is by its very nature longitudinal, and which will add to our understanding of deprivation currently gained from the Welsh Index of Multiple Deprivation (WIMD), the Welsh Government's official measure of relative deprivation in Wales, and to address some of its limitations.

We will look to use all these, and other sources to explore poverty trends; and where there are gaps in the available evidence we will explore options for filling these where we can.

The data used to assess the effectiveness of employability programmes disaggregated on age and / or gender, if available.

I can provide the following data as requested above which is used to assess the effectiveness of the Programmes.

ReAct 3 Programme

Male 66%
Female 34%

Participants by age (% of total participants):

18-24 3%
25-49 62%
50+ 35%

Jobs Growth Wales 2 (from September 2015)

Since April 2015

Male - 54%
Female – 46%

Participants by age

16-17 – 4%
18-24 – 96%

The Employability Skills Programme (from September 2016)

Male - 61%
Female – 39%

Participants by age

16-17 – 1.4%
18-24 – 24.4%
25-49 – 53.7%
50+ - 20.3%

Yours sincerely



Carl Sargeant AC/AM

Ysgrifennydd y Cabinet dros Gymunedau a Phlant
Cabinet Secretary for Communities and Children

A note of the evaluation of the Communities for Work and Lift programmes, including any available data and assessment criteria

Lift

The Programme was formally launched in March 2014 and as at 31 May 2017 had provided 4,583 opportunities, including 939 people from workless households supported into employment, putting it on track to meet its overall target by the end of this year.

Lift Evaluation

The Lift Programme is being independently evaluated by Wavehill Ltd, with the second stage report published on 20 December 2016. The report includes the following findings:

- Tackling poverty is one of the Welsh Government's highest priorities and given the substantial evidence that links worklessness to poverty there is ample justification for policy intervention of this nature.
- The Programme delivery model has been designed with a high degree of flexibility and this has enabled it to adapt to local circumstances and retain a person-centred approach.
- Participants are mostly positive about the support they've received through the Programme.
- A high proportion of participants have been long-term unemployed or have never worked, with only a few having engaged in previous initiatives to support them into employment; suggesting that Lift is effective at engaging with those hard to reach.
- Where participants have engaged in previous support Programmes, over three quarters prefer the approach adopted through Lift.

Further information and a copy of the Phase 2 report can be found at:
<http://gov.wales/statistics-and-research/evaluation-lift-programme/?lang=en>.

Communities for Work

Background

Communities for Work focuses on reducing the number of 16-24 year olds who are Not in Education, Employment or Training (NEET) and increasing the employability of economically inactive and long term unemployed adults who have complex barriers to employment.

Each Communities for Work delivery team has a Triage Support officer who carries out a suitability assessment. The suitability assessment includes a first stage ESF eligibility check and a low level vocational skills assessment to determine an individual's level of need and which programme would be the best for the participant e.g, Communities for Work or Lift. The Triage Support Officer also provides ongoing case management across Communities for Work and local partnership networks, ensuring the individual receives the appropriate level of service and support available. The suitability assessment would identify a participant as:

0-6 months from employment: low to medium level of support required
 6-12 months from employment: medium to high level of support required
 12+ months from employment: high level of support required.

As at 31 May 2017, Communities for Work had provided employment support to 9,367 people and helped 2,272 into employment across Wales. The rate of delivery is expected to accelerate over the coming years and to meet its target of 10,000 people into employment by 2020.

Data Collection

Communities for Work adheres to the Welsh European Funding Office guidance on the recording and reporting of outcomes, all outcomes require a strict set of evidence before the outcome can be claimed. This ensures a robust monitoring arrangement, in which Communities for Work Account Managers continually monitor.

As at end 31 March 2017, the outcomes recorded and reported to the Welsh European funding office for Communities for Work are;

Outcome	Percentage of Communities for Work participants
Low or No Skills	54%
Care or Childcare responsibilities	40%
Over 54	11%
From a Jobless household	69%
From a BME group	5%
A work limited health condition	26%
Disability	13%
Male	46%
Female	54%

Communities for Work Evaluation

To evidence the benefits of Communities for Work, Old Bell/Dateb has been commissioned to undertake an evaluation of the Communities for Work programme which will look into the longer term benefits for the participants. The evaluation should provide evidence on whether participants entered sustainable employment and whether the programme helped to improve the participant's labour market position.

The three aims of the evaluation are:

- to elucidate the theory of change for Communities for Work and develop the logic model underpinning the programme,
- considering the differences between Priority 1 and Priority 3 Communities for Work operations to assess how the programme has been set up and how it is being operated
- to provide an indication of its overall effectiveness (including any differences between the target groups).

The draft Theory of Change report, which is the first phase of the evaluation was published in April and confirms that the programme is well designed and based on sound evidence. A copy can be found at:

<http://gov.wales/statistics-and-research/evaluation-communities-Work/?lang=en>

The second stage report will draw upon the theory of change in assessing how Communities for Work was set up and is being implemented across Wales.

Drafting the second stage report involved:

- interviews with Welsh Government officials, Department of Work and Pensions operations managers and Delivery Managers, Lead Delivery Body staff with direct responsibility for Communities for Work;
- undertaking a package of qualitative fieldwork in 19 selected CF cluster areas which included interviews with Communities First cluster managers; group or individual interviews with Communities for Work triage workers, advisers, adult and youth employment mentors; telephone discussions with a training provider, with a referral agency and/or third sector body, and an employer who have engaged with Communities for Work; one-to-one interviews with programme participants and reviewing a sample of 10 participant portfolios
- reviewing progress reports

The second stage report is due to be published Summer 2017.

Follow up actions following appearance at the Equalities, Local Government and Communities Committee on 21 June 2017

Employment Pathway

Both the Lift and Communities for Work Programmes follow a person-centred and holistic approach to supporting clients with complex barriers to employment. Following engagement with either programme the mentors and advisors will meet with participants to understand the barriers to employment and the actions that will be agreed to address these. Each participant's plan is individual to their own needs and circumstances.

Following a referral or contact, an appointment will be made with either a triage officer, adviser or mentor who will undertake a first contact triage assessment. Triage will consist of a first level eligibility check and light touch suitability assessment to determine the level of need and therefore which Communities for Work (CfW) advisory service is most appropriate. Results of the suitability assessment could indicate that the person referred requires low, moderate or high level of support or that they are ineligible

When a high level of support is identified, the participant will be referred to a CfW mentor who will agree an action plan for the participant.

When a moderate / medium level of support is required the participant will be referred to a Specialist Employment Adviser dependent on the level and type of need identified. This role is further broken down to two specialisms – parent employer advisors and community employer advisers. Both will agree action plans with the participants and both go on to agree action plans.

Although CfW will aim to engage with those furthest from the labour market, we can anticipate a small number of customers will be able to be supported with a minimum level of advisory support. These participants will be able to be self managed or easily directed to appropriate services and will require low level of support, again, through agreed action plans.

To supplement the advisory service, all participants will have access to a training provision as well as a barriers fund that will provide financial support to overcome barriers to employment.

John Griffiths AM
Chair of the
Equality, Local Government and Communities Committee

14 July 2017

Y Pwyllgor Cydraddoldeb, Llywodraeth Leol a Chymunedau
Equality, Local Government and Communities Committee
ELGC(5)-24-17 Papur 12/ Paper 12

City Deals and the Regional Economies of Wales

Over the last couple of months the EIS committee has been taking a wide range of evidence on City Deals and the Regional Economies of Wales. We have almost concluded our evidence gathering and will be drafting a report over the summer recess.

As you are undertaking your work on in-work poverty, we thought it might be helpful to pass on the following points:

1. City Deals across the UK have been driven by an agenda which is primarily focused on growth. However, in Scotland and Wales, the governments have been keen to ensure that deals also contribute to their wider agendas – in Scotland this is termed inclusive growth, and in Wales it tends to manifest itself in talk of tackling poverty or achieving the Future Generations goals. While these are explicit targets of the Welsh and Scottish Governments, they are only implicit in the City Deals signed in Wales to date. It is unclear to what degree they have been incorporated in the City Deals themselves.



2. Little thought appears to have been given to what happens if there is a global period of de-growth (i.e. a recession), which would prevent Deals from reaching Growth targets. Although there appears to be optimism among City Deal leaders that such circumstances would be taken in to consideration.
3. The asymmetry of City Deals is a great strength – in that Deals can be tailored to local need. But it also creates problems in comparing Deals (as each is so markedly different) and in ensuring that all work harmoniously together. In Wales we heard evidence from organisations that hoped the forthcoming Welsh Government strategies would knit together the City Deals in to a coherent national picture. But the evidence from Scotland was not promising. For example – the Highlands and Islands deal is based on encouraging young people to remain in the area. The Glasgow deal is based on growing its population. It was not clear whether these two goals were compatible in a post-Brexit climate where high levels of inward migration seem unlikely.
4. While City Deals will aim to increase GVA across the region, we have asked lots of questions about the distribution of that growth within the region. Colegau Cymru, for example, warned that Deals had the potential to “hollow out” certain areas, concentrating prosperity, and leaving pools of poverty. There is a great deal of optimism from City Deal leaders that this will not happen.
5. Appraisal and monitoring methods for City Deals are still evolving. In Scotland we heard about their dashboard that the Glasgow City Deal has developed to monitor a range of indicators. The Joseph Rowntree Foundation has done some work in Leeds and Manchester taking a more ‘inclusive growth’ approach. And we heard from the Bevan Foundation that they are looking to do some similar work in a Welsh context. It is not clear at this



stage, whether this work will provide a more useful set of indicators to judge success, or whether the UK Government will buy in to it if it does.

I hope these notes are useful in your consideration.

Best wishes

A handwritten signature in black ink, appearing to read 'Russell', with a stylized flourish underneath.

Russell George AM

Chair of the Economy, Infrastructure and Skills Committee

