

Submission to the Economy, Trade and Rural Affairs Committee Consultation on The Foundational Economy

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Introduction

1. This response draws primarily on two research projects. The submitting authors worked with the Bevan Foundation on a project assessing 'Fair Work in the Foundational Economy'. The project included a review of the existing international evidence and new data analysis on Foundational Economy sectors in Wales.ⁱ The authors have also recently undertaken independent academic research examining the development of Foundational Economy approaches in Wales. This work is currently being finalised, but a draft version of the paper will be submitted to the Committee. Anne Green has also been involved in work with colleagues from the University of Glasgow, Sheffield Hallam University, Newcastle University and the University of Manchester on alternative approaches to urban economic development,ⁱⁱ including a series of workshops in Birmingham, Sheffield, Cardiff, Glasgow and Newcastle on alternative economic development approaches funded by the Royal Society of Edinburgh.ⁱⁱⁱ This submission is structured around the Committee's questions to which the research findings offer some insights.
2. The ideas of the Foundational Economy (FE) have generated considerable interest around the idea of doing economic development differently. However, there is limited evidence on how to transform 'foundational economy thinking into policy practice' (Hansen, 2022; 7).^{iv} In this respect Wales is something of a pioneer.
3. The FE includes a heterogeneous collection of goods and services that collectively can be thought of as constituting the 'social and material infrastructure of civilised life' (FEC, 2018; 3).^v Recent work identifies the core distinguishing features of FE thinking as being a concern with activities close to the everyday needs and wellbeing of the population and a focus on social innovations.^{vi} There are similarities between the FE and other conceptualisations such as the Everyday Economy (particularly where activities which have been termed 'overlooked' are included – i.e. those goods and services which are considered not materially essential but culturally expected such as haircuts, cultural and leisure activities and housing maintenance).
4. The employment footprint of the FE is large. Estimates from the Labour Force Survey suggest that more than 70 per cent of workers in Wales are employed in jobs in either the Material, Providential or Overlooked parts of the FE.^{vii} Around 40 per cent of the workforce is employed in the Providential sector alone (which includes large parts of health, education and public services), and this proportion will be far higher in some local areas. Parts of the FE, particularly in the Overlooked sectors (which include goods and services culturally defined as essential), are typified by comparatively low rates of pay and a high incidence of temporary work.

To what extent has the Welsh Government embedded support for the foundational economy into its overall approach to economic development? What further steps should it take to do this?

5. The Foundational Economy Challenge Fund (points 8 and 9) supported a discrete group of projects aimed at generating learning about policy and practice in the FE. Since the Challenge Fund there has been evidence of the wider embedding of a FE agenda in economic development policy in Wales. However, this embedding has been relatively uneven in terms of both sectoral coverage and the selective use of policy 'levers'. Much of this embedding has been focused on the potential opportunities offered by procurement (see points 10 to 14), in particular drawing on the ideas of Community Wealth Building. Sectorally, approaches to the FE have been furthest advanced in relation to the health sector.
6. Reading across the development of FE policy in Wales it appears that while there is broad support for the idea, there is a need to develop a more shared consensus of how the FE is understood in relation to economic development and what this means in practice. Understandings of the FE appear to be quite inconsistent, and the ideas are used at times interchangeably with other models of alternative economic development, particularly Community Wealth Building. In the most recent economic development strategy, 'Economic Mission: Priorities for a Stronger Economy' (2023), there is a re-framing to the 'Everyday Economy'. There also appears to remain an ongoing tension between the focus on tradable and non-tradable sectors and their relative roles in economic development policy in Wales.
7. There would be considerable benefit to adopting a clearer shared position on both how the FE is understood, and which particular policy needs and priorities are being sought to be addressed through a focus on the FE. It may also be the case that a different overarching approach or framing, such as building a 'wellbeing economy', might be more intuitive (particularly in the context of aligning to the Future Generations Act).

Which of the Welsh Government's foundational economy policy initiatives have been most successful, and why? Which have worked less well, and why?

8. The Foundational Economy Challenge Fund was developed to support the incremental growth of, and learning about, FE development. The average allocation of funding to the projects was relatively small in scale. The projects covered a diverse mix of activities, some of which were focused on particular sectors and others which were more cross-cutting (such as different forms of business support, start-up support, business hubs etc). There was a considerable focus on the social care sector which included the opportunities for new organisational forms of service provision and innovation in the sector. Private sector involvement as funding recipients was however very limited and some FE sectors were not well-represented. In relation to learning it should be noted that the delivery phase of the projects coincided with the Covid-19 pandemic.
9. The Foundational Economy Challenge Fund projects can be grouped around four different areas of focus: production; service quality; employment support; and

procurement and social value. While there are some examples of more pronounced social innovation in the funded projects, there was also a significant incidence of projects which did not appear to be particularly far removed from relatively established or standard practice in relation to local and regional economic development policy. Taken together the collection of projects can appear somewhat ad hoc, rather than obviously constituting an ambitious and coherent approach to developing FE support. That is not to suggest that there is not valuable learning from the project experiences, and collating information on lessons learned can help inform ongoing learning and future directions of policy. This should include supporting the continuation and growth of a community of practice among involved stakeholders.

What progress has been made in using procurement to strengthen the foundational economy since our predecessor Committee looked at this issue in 2019? What further actions are required to deliver greater progress, and what innovative examples of best practice could be built on?

10. Procurement is the area where support for the FE has arguably been most progressed, drawing particularly on the ideas of Community Wealth Building, with the Preston model being the best known example.
11. The Healthier Wales foundational economy programme guidance emphasises the aim to embed a local FE focus within procurement decisions in the health sector. Other aspects of the strategy link to aspects of workforce development in the health sector. The 2023-2026 Public Health Wales Strategic Plan identifies NHS providers as ‘anchor institutions’ which need to embed FE principles into their approaches to value and innovation. Anchor institution networks outside Wales have also included a particular focus on procurement, as exemplified by the case of Birmingham under a Community Wealth Building banner.^{viii}
12. The focus on procurement also aligns with the Social Partnership and Public Procurement (Wales) Act 2023.
13. These developments all indicate a clear direction of travel and shape the potential role of procurement in supporting FE activities. However, to date there is limited (publicly available) evidence on the nature or scale of impact these changes are having.
14. As described below (point 16), there is scope to seek to use procurement more ambitiously in line with social value and job quality within suppliers to progress the Fair Work agenda.

How effective have the Welsh Government’s actions to deliver fair work in foundational economy sectors been? What further steps should it take within its devolved powers to progress this agenda, and how can it work with the UK Government to drive improvements in non-devolved areas?

15. There is limited evidence of conspicuous success in harnessing FE policy for supporting Fair Work outcomes. A partial exception to this is in the social care sector with the

pledge to pay social care workers the Real Living Wage. In other sectors the links to Fair Work are more speculative than tangible. For example, the focus on ‘good jobs’ in green industries lacks any obvious mechanism to support the different aspects of Fair Work. While the shared strategic vision for the retail sector (2022) identifies a clear set of aims, it is less obvious what the means are through which these job quality concerns can be meaningfully addressed.

16. Many of these limitations reflect the comparative weakness of the Welsh Government’s influence over central aspects of employment policy. However, there is also scope to make more of the possibilities to use procurement to drive employment standards which focus more on the quality of local employment, as well as to utilise the development of non-statutory employment quality frameworks/charters which have been used elsewhere.^{ix} This would help to shift the focus from supporting employment in the FE, to supporting the growth of ‘good jobs’ in the FE. There may also be the scope for new opportunities for devolution around employment service delivery that could also support this agenda. International experiences of career pathways programmes and/or sectoral employment strategies for example can provide relevant learning here.^x

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ⁱ Green, A. and Sissons, P. (2021) *Fair work in the foundational economy: key data*. Available at:

<https://www.bevanfoundation.org/resources/fair-work-in-the-foundational-economy-key-data/>

Green, A. and Sissons, P. (2021) *Fair work in the foundational economy: a review of evidence*. Available at:

<https://www.bevanfoundation.org/wp-content/uploads/2021/05/Fair-Work-in-the-FE-Evidence-Review-FINAL.pdf>

ⁱⁱ Crisp, R., Waite, D., Green, A., Hughes, C., Lupton, R., MacKinnon, D. and Pike, A. (2024). ‘Beyond GDP’ in cities: Assessing alternative futures to urban economic development’, *Urban Studies*, 61(7), 1209-1229.

ⁱⁱⁱ See [University of Glasgow - Schools - School of Social & Political Sciences - Research - Research in Urban Studies - Research activities - Current research projects - Alternative economic development approaches – RSE workshop series](#)

^{iv} Hansen, T. (2022). ‘The foundational economy and regional development’. *Regional Studies*, 56(6), 1033-1042.

^v Foundational Economy Collective (2018). *Foundational economy: the infrastructure of everyday life*. Manchester University Press

^{vi} Russell, B., Beel, D., Rees Jones, I., and Jones, M. (2022). ‘Placing the Foundational Economy: An emerging discourse for post-neoliberal economic development’. *Environment and Planning A: Economy and Space*, 54(6), 1069-1085.

^{vii} Sissons, P. and Green, A. (forthcoming) *Facing-up to the Foundational Economy: Regional development, public policy and employment in Wales*.

^{viii} Centre for Local Economic Strategies (2023) *Birmingham Anchor Network: leadership report 2023*. Available at: [BAN-leadership-report-2023-FINAL.pdf \(cles.org.uk\)](#)

^{ix} Hughes, C., Martínez Lucio, M., Mustchin, S. and Tenquist, M. (2024) *Understanding whether local employment charters could support fairer employment practices*, Research Briefing Note, Work and Equalities Institute, University of Manchester. Available at:

[WEI Understanding whether local employment charters could support fairer employment practices DIGITAL V6 WITH ANNEX.pdf \(manchester.ac.uk\)](#)

^x Sissons, P., Green, A., and Lee, N. (2016). *Supporting Progression in Growth sectors: A Review of the International Evidence*. Public Policy Institute for Wales. Available at: www.wcpp.org.uk/wp-content/uploads/2019/06/Supporting-progression-in-growth-sectors.pdf