

1. The purpose of this paper is to provide written evidence to the Equality, Local Government and Communities Committee on their inquiry into *Making the economy work for people on low incomes*. This paper gives an overview of how the Welsh Government's National Strategy, Economic Action Plan and forthcoming Employability Plan can address poverty in Wales.

Prosperity for All

2. Increasing prosperity and supporting a strong economy that generates sustainable employment opportunities that are accessible to all are fundamental to tackling poverty. This is not just about material wealth. It is about every one of us having a good quality of life and living in strong, safe communities with well paid jobs, household incomes and productivity levels.
3. The National Strategy provides a framework for our whole-government approach to increasing prosperity and addressing the root causes of poverty in a more effective, joined-up way.
4. It sets out how we will drive a Welsh economy which spreads opportunity and tackles inequality; how we will improve health and wellbeing; how we will support people to achieve their potential and how we will develop those vital links that will help Wales as a nation and as a people to prosper.
5. The Strategy identifies five priority areas which have the greatest potential contribution to long-term prosperity and well-being. These are Early Years, Housing, Social Care, Mental Health and Skills and Employability. This will mean giving every child the best start in life, building resilient communities and providing safe warm homes and taking action to ensure wellbeing across the life course. The strategy will be driven by a focus on raising skills levels, ensuring sustainable employment and spreading the benefits of economic growth as widely as possible.
6. More households in Wales have a home that is safe, warm and secure. Recent statistics show improvements in the quality of social housing. 86% of all social housing dwellings met the Welsh Housing Quality Standard (WHQS) by March 31st 2017, which is a rise of seven percentage points on the previous year.

Economic Action Plan

7. To support Prosperity for All: the national strategy, and provide further detail on how we will implement our commitments, our Economic Action Plan was published in December 2017.
8. The Plan is wide-ranging and takes a cross-Government view. It draws on our levers across Government to grow our economy, spread opportunity, and promote well-being. It drives the twin goals of growing the economy and reducing inequality. It sets out a range of ambitious proposals that commit the Government to a major shift in policy direction in a number of key areas, mobilised around a common purpose to work with business and others to build resilience and future-proof the Welsh economy.

EQUALITY, LOCAL GOVERNMENT AND COMMUNITIES COMMITTEE
WRITTEN EVIDENCE – POVERTY IN WALES

9. The people of Wales are a central focus of the interventions throughout the Plan. It sets out a number of key changes to our approach to economic development, all of which have the potential to support prosperity for all and inclusive growth.
10. The Economic Contract is the centrepiece of our new approach, and frames the reciprocal relationship between Government and business to drive public investment with a social purpose. We will apply the Economic Contract to our direct financial support to business, and will explore extending the contract to include our wider offer to business and the adoption of these principles by the rest of the public sector in Wales. The Economic Contract will require businesses seeking investment to demonstrate that, amongst other things, they are promoting fair work and health, skills and learning in the workplace.
11. The Plan includes a commitment to work with businesses to overcome the key challenges of the future by changing our primary support mechanisms to focus on five Calls to Action. These include a focus on high quality employment, skills development and fair work, to improve our skills base and ensure work is fairly rewarded.
12. The Plan recognises the important economic and social role of foundation sectors such as care, tourism, food and retail. These sectors provide essential goods and services and are the backbone of many local communities. The Plan targets support at these sectors, to understand the challenges they face and the opportunities for growth and innovation. Strengthening these sectors will help build resilient communities in all parts of Wales, helping deliver our vision of inclusive growth.
13. The regionally focused model of economic development set out in the Plan will help tailor our delivery to the specific challenges and opportunities of different parts of Wales. This approach will allow us to work with partners to capitalise on local growth opportunities, tailor activities to the bespoke needs of regions and promote a more even distribution of growth.
14. In developing Prosperity for All, our national strategy, we recognised five areas which emerged as having the greatest potential contribution to long-term prosperity and well-being, namely early years, housing, social care, mental health, skills and employability. The Economic Action Plan contributes to all five of these areas. In particular, the focus on the care sector as a foundation sector will support capacity and capability in the sector and allow us to respond to its bespoke challenges and opportunities. In addition, the focus on health, including mental health, through the Economic Contract will include supporting employee assistance initiatives that address adverse factors affecting health and well-being.
15. The First Minister has already stated the Welsh Government's ambition to make Wales a Fair Work nation where everyone can access better jobs closer to home, where people can develop their skills and careers and where we can all expect decent, life enhancing work without exploitation or poverty.
16. We have established a Fair Work Board which as its first task is exploring a clear definition of fair work as well as identifying the levers through we can encourage more fair work outcomes from public spending and procurement practice in Wales. The

EQUALITY, LOCAL GOVERNMENT AND COMMUNITIES COMMITTEE
WRITTEN EVIDENCE – POVERTY IN WALES

output of the Fair Work Board will be an important element of our new Economic Contract which will provide the foundation for the new conditions we will place on those that are in receipt of public funding.

Transport

17. Transport plays a vital role in driving Wales' economic competitiveness, connecting people, communities and business to jobs, facilities and markets. Our focus is to provide a sustainable, multimodal and integrated transport system which enables our communities to be united and to prosper, providing access for all our people to the opportunities they need to live healthy, sustainable and fulfilling lives.
18. We continue to provide substantial funding in support of Wales's bus network. Through Bus Services Support Grant we have allocated £25m to local authorities for 2017-18 to help them to subsidise a range of bus and community transport services throughout Wales. Those are services which would not run without public funding.
19. We are currently consulting on a discounted bus travel scheme for younger persons, building upon the success of the scheme we introduced in September 2015. The aim of the consultation is to see how the existing offer of one-third discounts to all 16 to 18 year olds could be improved, and potentially extended. The consultation closed on 4 January.
20. The Welsh Government has undertaken a policy discussion with bus operators, local authorities and passenger groups in Wales, to develop proposals on how best local bus services can be developed as part of an integrated public transport system in Wales. The consultation started on 8 March and ended on 31 May 2017. An outcome report was published in August 2017. A further detailed consultation will take place in the Spring of 2018 on detailed proposals.
21. The Concessionary Bus Travel Scheme is hugely popular, with more than 750,000 passholders resident in Wales who need not worry about the cost of using the bus to access employment, education, social events, training, medical appointments and any other journey purposes.
22. Within Wales 74% of free bus journeys are undertaken by older people, with slightly less than a quarter of those journeys at "peak" travel times. Travel by pass holders accounts for 46% of all bus journeys undertaken on local buses in Wales (about 45m), more than in Scotland (36%) and England (34%).
23. A public consultation about future arrangements to maintain free bus travel for older people, disabled people and some injured service veterans began on 10 October 2017 and will run until 12 January 2018. This builds on the public consultation held earlier in 2017 about how we can better plan and deliver local bus services, as part of an integrated public transport system well into the future.
24. The Welsh Government is committed to ensuring that our scheme continues to meet the needs of the people of Wales, is affordable and continues to contribute to our goals of creating a united and connected society.

EQUALITY, LOCAL GOVERNMENT AND COMMUNITIES COMMITTEE
WRITTEN EVIDENCE – POVERTY IN WALES

25. We are also testing the appeal and challenges of free weekend travel for everyone on our extensive TrawsCymru longer-distance bus network. The aim is to see how people react to the offer of free travel, including the extent to which it attracts new passengers to the bus network.

City Regions

26. Our City Regions recognise, not only that cities must be drivers of growth, but that prosperity must be shared across the wider regions. They are emphasising connectivity and skills as core priorities. These priorities are an enabler of growth and are fundamental in facilitating inclusive access to jobs and opportunities.

Business support

27. Wide-ranging support is available for entrepreneurs, small and medium businesses across Wales through our Business Wales Service including access to finance. In its first three years of operation, Business Wales helped create 14,000 jobs, safeguard 3,500 jobs and create 9,600 new businesses. Advice was given to over 25,000 SMEs and information was provided to 53,000 SMEs. There were one-and-a-half million website visits.

Employability

28. Employability is one of the five priority areas – identified as having the greatest potential contribution to long-term prosperity and well-being – in Prosperity for All. Fair, secure and rewarding employment is critical to people’s well-being, and improving skills is key to unlocking growth and innovation for businesses.

29. Participation in the labour market is recognised as the most effective individual driver of movement in and out of poverty. Over half of entries into poverty are associated with a fall in earnings, primarily due to job loss. We know that workless households are more at risk of being in poverty and are especially at risk of living in persistent poverty. Being unemployed adversely affects both mental and physical wellbeing.

30. At the same time, children living in workless households are much more likely to have poorer health and educational outcomes, both as children and later as adults. Being unemployed as a young adult, leads to a higher likelihood of long-term “scarring” in terms of subsequent lower pay, higher unemployment, reduced life chances and greater mental health problems. From a tackling poverty perspective, the evidence to support a focus on employability is overwhelming.

31. There are also wider personal benefits to employment. Good employment and working conditions can have a positive impact, providing not only financial security, but also social status, personal development, social relations and self esteem.

32. The Employability Delivery Plan will be a high-level, ambitious forward look at how we will review and develop the employability system in Wales. The Plan is being developed in close alignment with the Economic Action Plan and the Valleys

EQUALITY, LOCAL GOVERNMENT AND COMMUNITIES COMMITTEE
WRITTEN EVIDENCE – POVERTY IN WALES

Taskforce Delivery Plan to ensure policies are complementary. The supporting performance dashboard will monitor and advise on the coordination of Skills, Higher education and Lifelong Learning policies and programmes in response to Taking Wales Forward.

33. Good progress has been made in improving the employment rate and reducing economic inactivity since devolution. However, low skill levels remain a problem. Unemployment is still too high in some communities across Wales and there are still too many people who are currently economically inactive but who want to work and could work with the right support. The current landscape of employability support is complex. It needs to be simplified and managed as a system if we are to improve local, community based services to people who need support.
34. The Plan will highlight new developments in different areas of the employability lifecycle. This includes the development of the Employment Advice Gateway, a joined up referral mechanism; Working Wales, a revision of our employability programmes; and the development of our Communities work through Communities for Work Plus. The Plan will also consider functional and structural barriers to employment and support, such as transport or caring responsibilities, and will outline how government can engage the levers at our disposal to break down these barriers.
35. We will have a strong focus on engagement with employers, and the role they can play through Regional Skills Partnerships in assessing the labour market needs of a region, and developing a pipeline of an appropriately skilled workforce.
36. We will outline plans for new governance mechanisms which will allow common evaluation and accountability of the whole employability system, including how programmes interact with each other.
37. The Employability Delivery Plan, planned to be published 2018, will be underpinned by a new employability offer under the name Working Wales. Working Wales is a single employability programme for young people and adults that focuses on the individual, identifying and addressing barriers to employment and providing a range of support that moves people into sustainable, quality employment.
38. The programme is split into youth and adult strands but they all share a common vision, a common delivery platform and a common purpose, namely meaningful employment for all. Working Wales will replace our current suite of programmes: ReAct, Jobs Growth Wales, the Employability Skills Programme and Traineeships. Between now and April 2019 these programmes will be reconfigured to inform a new delivery approach which will be focused on the individual and tailored to address their individual barriers.

Valleys Taskforce

39. Incomes in the South Wales Valleys lag behind other areas and there is high welfare benefit dependency. The UK Government's welfare reforms that have been introduced since 2010 have hit claimants in the valleys severely. The Valleys Taskforce is

EQUALITY, LOCAL GOVERNMENT AND COMMUNITIES COMMITTEE
WRITTEN EVIDENCE – POVERTY IN WALES

focusing on creating new jobs and opportunities in Valleys communities where work is difficult to find.

40. Poverty also persists in other communities across Wales and whilst the Valleys is no more deserving, this focus gives us an opportunity to test new ways of working in the Valleys and use the learning to deliver prosperity for all across the whole of Wales.
41. When looking at material deprivation, income deprivation and employment deprivation, levels of deprivation in the South Wales Valleys are higher than the Wales average.
42. The taskforce has recognised that we need to work differently to and learn from previous initiatives and programmes that have focussed on this area. This won't be a top-down approach. Instead, we will continue to work in partnership with communities in the Valleys. The high level plan published on 20th July and the more detailed delivery plan published 7th November have been shaped and developed following extensive engagement with communities, business and the third sector across the Valleys.
43. The taskforce, in partnership with people living in the Valleys, existing businesses, local government, third sector and civic organisations have worked to identify three priority areas;
 - a. Good quality jobs and the skills to do them;
 - b. better public services; and
 - c. the local community.
44. There is an opportunity through the investment being planned for new initiatives, such the Cardiff Capital City Region and Swansea Bay City Region City Deals and the South Wales Metro, aligned to our wider regional working approach, to bring together existing businesses, local government, third sector, civic organisations into developing a cohesive plan to promote the region for investment as well as to co-ordinate existing investment in a smarter way.
45. Our approach will enable us to use the Valleys as a test bed for a place-based approach to enhancing employability. The area of Skills and Employability is one of the five priority areas identified in the National Strategy as having the greatest potential contribution to long-term prosperity and well-being.
46. While we transition to delivery of the new employability programme, Working Wales, we are testing a number of new approaches to enhance employability support for adults who are short-term unemployed and those who churn in and out of temporary employment. The trial will be geographically focused with the initial phase commencing in the Valleys taskforce. We will manage the transition to the new Working Wales programme to ensure that there will be no pause in delivery. We aim to ensure that individuals who enter the current suite of programmes on or before 31 March 2019 will be able to complete their programme of learning; our intention is that no individual receiving support will be disadvantaged by the introduction of the new programmes.

EQUALITY, LOCAL GOVERNMENT AND COMMUNITIES COMMITTEE WRITTEN EVIDENCE – POVERTY IN WALES

47. A cross-government team is taking forward the Better Jobs Closer to Home programme to align a range of commercial pilots with other interventions to support creation of meaningful employment in communities with high levels of joblessness. This means local jobs for local people with fair payment and good conditions of employment. The pilots will test new methods of procurement practice designed to create employment from commercial interventions within the Welsh Public Sector expenditure profile on works, goods and services. If the pilots prove successful, then these methods can be replicated in other areas of Wales, in other areas of spend. The programme is part of the taskforce's 'Good Quality Jobs and the Skills to do them' priority; it will create real opportunities and decent jobs where the need is greatest. This includes using public procurement to support local businesses and supply chains.

Living Wage

48. The Welsh Government supports the concept of a Living Wage, as defined by the Living Wage Foundation. Working in social partnership we encourage employers to adopt the Living Wage as one of a range of positive actions to help alleviate the problems caused by poverty and low wages in Wales.

49. The Welsh Government has produced a Guide to Implementing the Living Wage through Procurement which has been made available to private, public and third sector organisations. The Guide has been published alongside a Code of Practice on Ethical Employment in Supply Chains. Part of being an ethical employer is paying employees a fair wage. We have further demonstrated our commitment by ensuring all directly employed staff within the Welsh Government are paid the Living Wage (with the exception of apprentices), as is the case within NHS Wales. The introduction of the common contract in Further Education has ensured all staff covered by this contract are now also paid at or above the Living Wage.

Welfare Benefits

50. In 2016/17, Department for Work and Pensions (DWP) expenditure on state benefits in Wales was £9.5 billion (5.5 per cent of the total for Great Britain). In addition, HM Revenue and Customs (HMRC) statistics indicate that around 224,000 households in Wales received £1.4 billion in total from Working Tax Credit and Child Tax Credit payments in 2015/16 (5.2 per cent of the total for Great Britain).

51. The UK Government's welfare reforms over the next few years are estimated to result in significant reductions in benefit income for some households. This is on top of the significant welfare cuts already implemented since 2010.

52. Institute for Fiscal Studies (IFS) analysis shows households in Wales lose 1.6 per cent of their net income on average (or around £460 a year) from the tax and benefit reforms introduced by the UK government between 2015-16 and 2019-20. This is equivalent to £600 million a year in Wales as a whole.

53. We know lower-income households, particularly those with children, lose considerably more on average (around 12 per cent of net income). Large families are particularly hard hit losing around £7,750 a year or 20 per cent of net income on average.

EQUALITY, LOCAL GOVERNMENT AND COMMUNITIES COMMITTEE
WRITTEN EVIDENCE – POVERTY IN WALES

54. IFS analysis projects that absolute child poverty in Wales will increase by nearly 7 percentage points between 2013-15 and 2019-21, the largest increase out of all UK countries and English regions. The planned UK government's tax and benefit reforms account for nearly 4 percentage points of the increase in absolute child poverty in Wales over this period. This is driven by the UK government's welfare benefit changes, such as the limiting of tax credits and UC to two children, and the freeze to most working-age benefits.
55. The Welsh Government continues to mitigate the worst impacts of the UK Government's welfare reforms, where possible. We remain committed to maintaining full entitlements for households to receive support with their council tax bills through the Council Tax Reduction Scheme (CTRS). The CTRS is supported with £244 million of funding from the Welsh Government provided through the Local Government Settlement. As a result, almost 300,000 vulnerable and low-income households in Wales continue to be protected from any increase in their Council Tax liability, of which 220,000 continue to pay no council tax at all.
56. Since April 2013, the Welsh Government's Discretionary Assistance Fund has supported more than 150,000 awards to the most vulnerable people in Wales, with over £33 million in grants.
57. The maximisation of benefits to help the most vulnerable claim benefits that they are entitled to is supported through the Welsh Government's £5.97 million grant to provide advice on social welfare issues. As part of this funding the Better Advice, Better Lives project encourages the take-up of council tax and housing benefits, alongside other benefit entitlements, especially amongst those people and groups less likely to claim. Since the project started in 2012 to the end of September 2017, the BABL project helped over 103,400 people with confirmed gains of more than £111.4 million. During the first half of this year (April – 30 September 2017), the Front Line Advice Services funding contributed to organisations responding to over 29,713 requests for information and advice, securing over £7.9 million in income gains.
58. The roll out of Universal Credit is causing individuals and families particular problems accessing financial support in relation to their housing costs and, worryingly our most vulnerable and disadvantaged are affected. Welsh Ministers have repeatedly called on the UK Government to halt its roll out and fix the fundamental flaws within the system. The Autumn Budget 2017 did make some concessions to speed up the first payment, which will be introduced over the next few months, however, the Welsh Government considers that these do not go far enough to help those people in greatest need.
59. The Senior Officials Group on welfare reform is reviewing what more can be done cross-government to help mitigate the worst impacts of the UK Government's welfare reforms.