

**Y Pwyllgor Datblygu Economaidd a Thrafnidiaeth**

<b>Dyddiad:</b>	Dydd Mercher 13 Hydref 2004
<b>Amser:</b>	9.00am tan 12:30pm
<b>Lleoliad:</b>	Cynulliad Cenedlaethol Cymru, Bae Caerdydd
<b>Teitl:</b>	Yr Adolygiad o Anweithgarwch Economaidd – yr adroddiad drafft cychwynnol

**Diben y papur**

1. Rhoi crynodeb i'r Aelodau o'r safbwyntiau a fynegwyd hyd yma yn yr ymgynghoriad a chan y tystion, a hynny er mwyn galluogi'r Pwyllgor i ystyried argymhellion cychwynnol yr Adolygiad.

**Cefndir**

2. Yn y cyfarfod diwethaf, rhoddwyd nodyn drafft i'r Aelodau a oedd yn amlinellu prif gasgliadau ac argymhellion y dystiolaeth a gyflwynwyd i'r Pwyllgor. Yn y cyfarfod hwnnw, bu'r Aelodau hefyd yn trafod papur gan Grwp Strategaeth a Chyfathrebu Llywodraeth Cynulliad Cymru.
3. Mae'r safbwyntiau hyn bellach wedi'u cynnwys mewn drafft cychwynnol o adroddiad y Pwyllgor a'i nod yw adlewyrchu'r casgliadau y daethpwyd iddynt hyd yma.
4. Gwahoddir yr Aelodau i ystyried yr adroddiad, yn arbennig yr argymhellion yn Adran 4, i roi sylwadau arno ac i awgrymu newidiadau.
5. Mae'r rhannau sydd wedi'u tywyllu yn Adran 4 yn rhoi crynodeb o'r argymhellion posibl a drafodwyd gan y Pwyllgor. Gwahoddir yr Aelodau i ystyried, yn arbennig, pa un o'r rhain y maent am eu cynnwys yn yr adroddiad terfynol. Efallai y bydd Aelodau hefyd am ystyried ymgorffori targedau neu amcanion penodol yn yr argymhellion hyn.
6. Efallai y bydd angen diwygio'r prif destun ar ôl y drafodaeth.

**John Grimes****Clerc****Gwasanaethau'r Pwyllgorau ac Ymchwil yr Aelodau**

**ECONOMIC DEVELOPMENT AND  
TRANSPORT COMMITTEE**

**ECONOMIC INACTIVITY IN WALES**

**Mmmm 2004**

# Chair's Foreword

*(Photograph of Chair)*

**Christine Gwyther AM**  
**Chair, Economic Development and Transport Committee**

**Mmmm 2004**

# Members of the Economic Development and Transport Committee

*(Members of Committee with colour photographs)*

Chris Gwyther (Chair)	Carmarthen West and South Pembrokeshire
Alun Cairns	South Wales West
Chris Chapman	Cynon Valley
Andrew Davies (Economic Development and Transport Minister)	Swansea West
Janet Davies	South Wales West
Lisa Francis	Mid and West Wales
Brian Gibbons	Aberavon
Elin Jones	Ceredigion
Lynne Neagle	Torfaen
Jenny Randerson	Cardiff Central

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## **Executive summary/**

### **Conclusions and summary of recommendations**

[insert recommendations from body of report]

## 1. Introduction

- 1.1 Wales has made considerable progress in rebuilding its economy from the days when it relied on traditional industries such as coal and steel. Much progress has been made in developing an economy based on new high technology industries such as aerospace, automotive, telecommunications and renewable energy and in the service sector particularly focusing on natural assets to attract tourism. Wales now has some very successful modern industries and highly competitive companies in all sectors.
- 1.2 Nonetheless, despite the advances, the Welsh economy is under-performing and lags behind most other UK regions. This is shown by the fact that productivity in Wales, as measured by the Gross Domestic Product (GDP) per person, is below 80%<sup>1</sup> of that in the UK. This in turn is reflected in lower average earnings in Wales, which are only partly offset by a lower cost of living.
- 1.3 However, comparing like for like productivity is comparable and, in terms of value added per person employed, on an industry by industry basis, Wales' performance is close to the UK average. The main differences between the Wales and the UK averages can be attributed to the lower proportion of the working age population who are in or seeking work and the relative lack of higher paid jobs.
- 1.4 The first of these is significant and relatively easy to quantify. If the Welsh employment rate was similar to the UK average, 100,000 more people would be in jobs and our GDP per head would increase to 86% of the UK average. The second is harder to assess but clearly if there were more company headquarters and research laboratories based in Wales, there would be more highly paid jobs and the gap would close even further.
- 1.5 This review focuses on the first of these.

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<sup>1</sup> <http://www.statistics.gov.uk/pdfdir/rgv0404.pdf>

## 2. Background

- 2.1 While the unemployment rate in Wales and the UK has been falling over recent years, the number of people who are economically inactive, that is to say neither in work nor looking for work, has broadly remained the same in both Wales and England. However, despite recent falls, which to a large extent are attributable to more older women taking up employment, the inactivity rate in Wales remains above the UK average. This has historically been the case and for each unemployed person in Wales there are six and a half people who are inactive.
- 2.2 The main factor behind the growth of economic inactivity in recent decades appears to have been the weakening of the demand for unskilled labour across the developed world. This has especially impacted on people with work limiting illnesses. The consequences of the fall in demand for unskilled workers seem to have been particularly severe in the UK because of the existence of a high level of very low-skill individuals compared to other advanced economies. Inactivity appears to have persisted because those on benefits and inactive are not generally looking for work, while the financial incentives may be weaker for those on higher rate benefits.
- 2.3 Reducing this high level of economic inactivity is considered by many to be a key issue for economic development in Wales. Unemployment is strongly associated with poverty which, in itself is related with many social ills such as crime, reduced opportunities and illness. Helping more people into jobs was one of the main issues highlighted in “Wales: A Better Country”, the strategic agenda of the Welsh Assembly Government, launched in September 2003.
- 2.4 With slow population growth within the UK, and an increasingly top heavy age distribution, due to the ‘baby boomer’ generation reaching retirement age, the economically inactive could be regarded as a readily available source of labour supply and one which will be necessary to support this ageing population.
- 2.5 The Welsh Assembly Government already has a range of measures in place aimed at making an impact in helping people through the transition from economic inactivity into jobs:
- The Department for Work and Pensions (DWP) run a number of voluntary New Deal programmes through Jobcentre Plus.
  - DWP has launched the pilot programme Pathways to Work in Rhondda Cynon Taff and Bridgend aimed particularly at helping those who have a limiting long-term illness.



- A range of targeted measures aimed at improving both general and occupational health for specific groups.
- A number of childcare initiatives, funded through Cymorth, which pump-prime childcare places and are targeted at particularly deprived areas.
- Programmes aimed at improving school attainment figures.
- Communities First programmes to assist the most deprived communities.
- A range of specific initiatives to overcome transport barriers run by Jobcentre Plus and local authorities.

2.6 The Government is also assessing the scope for additional action using EU structural funds where possible, and in particular are discussing with Jobcentre Plus whether action might be taken to complement the Pathways to Work project using EU structural funds.

### **3. Consultation**

- 3.1 The Committee launched a consultation on 12 December 2003 and received 27 written submissions to this. These presented a wide range of views on the factors underlying Wales' low level of economic activity and from these a number of themes emerged.

#### **Statistical Evidence and Research**

- 3.2 There was a perception among certain respondents that there was a need to improve the collection of statistical information on inactivity, to indicate more clearly the degree to which people are able or willing to re-enter the labour market. There was also a call for more research into the underlying reasons for inactivity, and for that research to be centrally collated.
- 3.3 Furthermore, it was noted that not all reasons for inactivity are negative. Some 'investment' activities, such as childcare and education, can have positive benefits, while there may also be cultural or personal reasons for people choosing not to enter the workplace. Although students were often excluded from inactivity statistics, there were concerns that this information was inaccurate and there may be scope for better identifying groups for whom employment is neither desirable, nor practical.
- 3.4 The Committee was aware of the great deal of research being undertaken aimed at understanding and tackling the inactivity problem. Although there may be some scope for refining the collection of data on the inactive, there appeared a general perception that insufficient research was being undertaken. Hence it might be beneficial for the Welsh Assembly Government to increase awareness of the work that is being undertaken, and to consider if the current mechanism for collating this research can in any way be improved.

#### **Local and Community Factors**

- 3.5 A theme common to the consultation exercise was that centrally driven programmes were considered to be less effective than those tailored to the individual and the needs of communities. Inactivity was often seen to be a local problem, dependent upon local conditions and the particular attributes of the individual.
- 3.6 It was considered that there were wider benefits to come from tackling inactivity at a community level, in that disadvantaged communities can be regenerated through activities aimed at the inactive, while communities could offer many opportunities to help the inactive with the transition into the labour market. Respondents reported that community based capacity building could provide opportunities for

individuals to gain confidence and learn a wide range of skills, and could offer a gradual shift for individuals from being inactive to being active.

- 3.7 The need for complementary agencies to work together was raised, and that programmes should be supported by government agencies such as Careers Wales and Job Centre Plus to help equip residents with the necessary skills, contacts and attitudes to re-enter the workplace. Furthermore, it was suggested that community based programmes could be placed within the remits of Assembly Sponsored Public Bodies (ASPBs).
- 3.8 However, it was also reported that Communities First partnerships may not be best placed and equipped to tackle inactivity, and that Communities First and European funding programmes are considered to be insufficiently focused. It was also noted that although concentrating on specific locations can help to focus resources, it may also lead to the neglect of other areas and individuals.

### **Community Regeneration**

- 3.9 It was reported that community projects could help to regenerate communities, while building confidence and providing direct opportunities for employment and training. Furthermore, it is considered that community involvement can create "brokerage" links between employment and training opportunities, and local people.

### **Volunteering**

- 3.10 Volunteering was considered to be a cost effective mechanism which complemented and enhanced other sectors, while many voluntary organisations have experience of delivering government training programmes and are well placed to advise and support unemployed volunteers back into paid work. It was also reported that staff can gain the skills and knowledge necessary to enable employment in other fields, while providing an opportunity to gain experience and try different activities.
- 3.11 A lack of confidence was regularly identified as a constraining issue in re-entering the labour market. Respondents expressed the opinion that volunteering activity offered participants the opportunity to build confidence and develop work and social skills, and make contacts necessary to offer a step back into employment. However, concern was raised that rules regarding undertaking voluntary work while claiming benefits were unclear, and that benefit officers may not be fully aware of them.

## **Social Enterprise**

- 3.12 Social enterprises were seen as a mechanism for supporting individuals into work while providing benefits to the wider community through increased employment, wealth and regeneration. Since social enterprises have explicit social aims as well as economic goals, it is considered that they can provide a more supportive environment to the economically inactive, while offering work-based training opportunities.

## **Intermediate Labour Markets (ILMs)**

- 3.13 ILMs are a network of diverse organisations that provide temporary wage-based employment, usually to the long-term unemployed, and mostly deliver jobs and services to disadvantaged individuals or communities. Their primary focus is on improving employability through providing training and personal support.
- 3.14 ILMs were considered by respondents to have a number of advantages in that they can be used to target the most disadvantaged, build bridges between the inactive and employers, provide waged work development, and offer a broad spectrum of opportunities and transferable skills for people.
- 3.15 Furthermore, ILMs can link in with other agencies to provide community regeneration and environmental benefits, while scope exists for accessing European funding for ILM projects.

## **Education and Training (Skills)**

- 3.16 Respondents expressed the view that there were fewer employment opportunities for workers with lower skills and qualifications. In particular, certain minority groups and the disabled were seen persistently to under-attain in school and in obtaining vocational skills. This had repercussions when these people wished to enter into employment. It was suggested that negative early learning experiences led to a perpetual cycle of negative experience and disadvantage, and that training providers were not geared to understanding or addressing the needs of those furthest from the Labour Market.
- 3.17 Respondents suggested that the formal education system could be improved by providing more information before taking GCSE options, offering vocational as well as academic courses, and providing more support in facing the transition from education into work.
- 3.18 The Committee was asked to bring to the attention of the Minister for Education and Lifelong Learning the matter that attainment of qualifications by disabled young people is still unacceptably low.

- 3.19 It was also suggested that vocational and adult education could be improved through more on the job training (including an expansion of the modern apprenticeship programme), the provision of training packages to employers, and the expansion of work experience programmes.
- 3.20 A lack of 'soft skills' was regularly cited as an issue which needed addressing, in particular social skills, team building and confidence building.

### **Transport**

- 3.21 Respondents highlighted the social exclusion problems that physical distance from the labour market can create. There were a number of calls for a cheap, reliable and comprehensive public transport network. It was felt that lower cost transport is necessary to make some lower paid jobs more attractive, and subsidised transport was seen as one way of helping the inactive back into employment (*though it should be noted that this may in fact contribute to the benefits trap!*).
- 3.22 The view was raised that if the public transport network were to be improved to enable opportunities to be accessed by the inactive, then the transport system needed to be improved for all sectors of society in order to increase demand, and thus stimulate supply. Tackling congestion, extending free bus passes to the rail network and improving the quality of services and facilities were a number of suggestions made to achieve this aim.
- 3.23 However, certain sectors of society such as the disabled or those travelling during antisocial hours faced particular problems with public transport and other ways of meeting their transport needs needed to be considered. Although there were few suggestions of how this might be resolved, one possibility was for individuals to be helped with driving test costs and driving licences.
- 3.24 A further suggestion was made that goods train lines should be adapted to take passenger trains. Although this is an idea that could be re-examined, the Committee has been informed on past occasions that there may be large, perhaps prohibitive, costs involved in upgrading goods lines to take passenger trains.

### **Childcare**

- 3.25 Respondents reported problems caused by the combination of a lack of affordable childcare and the current tax-benefit regime, which act as a barrier to parents re-entering the labour market. Childcare facilities

were generally seen to be poor, while jobs within the childcare sector were associated with poor pay and a poor job profile.

- 3.26 A number of recommendations were proposed to alleviate the perceived problems regarding access to childcare:
- Social enterprises could offer childcare provision to provide both childcare, and work opportunities for the inactive.
  - Although investment in existing initiatives (such as New Deal and Sure Start) had increased, further investment was needed.
  - Initiatives need to be supported by long term funding, and extended to less deprived areas.
- 3.27 There was a need to promote the benefits of childminding as an attractive self-employment opportunity, offering flexible working hours, transferable skills, and training prospects without the need for prior qualifications.
- 3.28 The current tax and benefit regime needed to be revisited to assess whether or not it supports a return to work for parents.

### **Healthcare**

- 3.29 Respondents felt that there was scope within the healthcare sector in Wales to deal more proactively with inactivity. A preventative educational health care programme was suggested, as was the need to enable those with existing conditions to have access to treatments that would enable them to better contribute to the economy.
- 3.30 Occupational health services and rehabilitation treatments were considered to be valuable methods of facilitating the return to work for sick or injured people. It was also considered that GPs should be encouraged to play a more pro-active role in encouraging people to rehabilitate and take up employment and training opportunities.

### **Sickness and Disability**

- 3.31 A number of respondents suggested that, in the past, many older workers were encouraged into sickness and disability benefits or to take early retirement, to reduce unemployment totals.
- 3.32 Respondents also reported experiences of additional barriers in returning to work for those with physical and mental health problems. It was reported that disabled people risked losing social services support and, in some cases, housing by taking jobs. In addition moving to take

up employment could be a problem because of the need to organise health and independent living support in the new location. Such barriers, and a relatively low wage economy, were seen to make the transition from incapacity related benefits into work a particularly difficult process for this sector of society.

- 3.33 Barriers have also been encountered in the workplace, in the form of discrimination and prejudice. Respondents emphasised the need for governments to act to reduce prejudice towards employment of the disabled and to increase their self-esteem and work readiness.
- 3.34 Respondents also reported that individuals who became inactive through physical impairments often develop mental health problems after a period of inactivity, a point also supported by external research. It was suggested that although many clients are depressed or at the low end of stability, it would not take much to get them back into work if the right conditions and suitable support were present. This would require greater awareness of the needs of individuals with mental health issues and the effects of stigmatisation and discrimination.
- 3.35 It was considered that advisers from all agencies need to be able to form a trusting relationship with clients suffering from mental ill health, and that community of interest businesses or ILMs can help people back into work. For those who have been unemployed for a particularly long period of time, cognitive based therapy was proposed.
- 3.36 However, the further point was made that there was a need to recognise that those unable to work through disability still often contributed to society through voluntary work, informal care and community influence.
- 3.37 The relationship between the disabled and government departments also came under criticism. Government initiatives were seen to have focused on new benefits claimants rather than increasing work readiness amongst long-term Incapacity Benefit claimants, while it was considered that Job Centre Plus Personal Capability Assessments can be poorly conducted.
- 3.38 It was proposed that successful pilots aimed at engaging disabled people with work should be extended to other areas and individuals, and that there should be continued support for those disabled re-entering the workplace. There were further suggestions that there was a need for greater continuity in support regimes, and that a strategy of providing technical support in the home for disabled people wishing to engage in the world of work should be devised. Finally, it was proposed that the Committee should call on WAG to ensure that disabled people and employers in Wales are aware of their duties under the Disability Discrimination Act.

## **Carers**

- 3.39 According to respondents, people caring for children or elderly at home faced a number of specific barriers in taking employment opportunities. Responsibilities carried by many carers meant that they were unable to combine paid employment with those responsibilities, and carer's obligations often prevented them from accessing the training needed to re-enter the labour market. Furthermore, the stress and social isolation that resulted from a substantial caring role made carers lose confidence in their own abilities.
- 3.40 Where employment opportunities did arise, many carers faced the benefits trap, especially when taking the costs of replacement care into consideration. In situations where carers did find employment, it was reported that many carers chose to work reduced hours or forgo taking on more demanding jobs.
- 3.41 Respondents reported a shortage of 'replacement' care services in Wales, and called for a significant and sustained investment to increase the availability of high quality, flexible, appropriate and affordable care services. Furthermore, the government in Wales was called on to implement a pledge to abolish charges for services to disabled people.

## **Tax, Benefits and Income**

- 3.42 The benefits trap was highlighted on several occasions as a particular problem in preventing the inactive from participating in the labour market. The benefits trap occurs where poor people are discouraged from working or getting a better job because any extra income they earn will be largely taken away in taxes and lost benefits. It was suggested that the benefits trap needed to be better understood, and that solutions to it needed to be customised. Again, the particular barriers faced by those with physical and mental disabilities were highlighted, as they may be more likely to experience, and remain on, lower rates of pay once in employment.
- 3.43 Increasing the minimum wage and raising the personal allowance for income tax were two suggestions for reducing the effects of the benefits trap. Furthermore, it was suggested that the benefits system should be reformed so that people can maintain the safety net of benefits while trying new ways of working and upgrading skills.

## **Government Agencies and Strategies**

- 3.44 Some respondents questioned the effectiveness of the Jobcentre Plus model in ascertaining, and providing for, the short and long-term needs of the inactive. Concerns were raised about Jobcentre Plus systems of dealing with people who were considering work as an option and also



about advisers' awareness of the circumstances and support needs of clients when out of work. It was suggested that Jobcentre opening hours should be extended.

3.45 The view that government bodies should better co-ordinate at all levels was raised, in particular at the UK level. The Assembly was called upon to force inactivity to be at the front of priorities for local authorities and their partners, and to take steps to engage Small to Medium sized Enterprises (SMEs) in the employment of the inactive.

### **Information and Support**

3.46 Respondents said that more general information and support for the inactive was needed, to include:

- Guidance and counselling, including personal development and support.
- Specific learning provision.
- Support to enable an understanding of how the world of work had changed, and how to adapt to the new labour market.
- Support to improve individuals' abilities to manage their financial situation, and increase awareness of their employment rights.
- Respondents also called for easier and cheaper Internet access, and access to computers for the inactive.

### **Ethnicity**

3.47 A number of specific problems were recognised as particular issues for the black and minority ethnic (BME) population in Wales. Fewer skills and lower educational achievement, spatial factors, and poorer health were seen as underlying factors influencing economic activity rates amongst BME communities. The high cost of housing in Cardiff was also seen to reduce the incentive for some to look for work.

3.48 Lower educational achievement amongst BME individuals was highlighted as a particular issue, and a systematic sharing of good practice based on evidence of what works in successful schools with strong records of tackling ethnic under-attainment and discrimination was called for. There was a further call to focus on particular ethnic minority groups that had significant low attainment problems by ensuring that schools' parental engagement processes take ethnic specific factors into account.

- 3.49 If, despite new programmes, new data sources revealed persisting and disproportionate attainment gaps between ethnic groups, the Welsh Assembly Government was called upon to factor ethnicity into education floor targets. Furthermore, where differential achievement between ethnic minority groups was a serious concern, Estyn was called upon to identify this as a weakness of the school in its summary report to parents.
- 3.50 The Assembly was also called upon to review the effectiveness of Objective 1-3 programmes related to inactivity amongst ethnic minorities, and to carry out community development work in a way that was culturally acceptable to communities.

### **Agriculture and Tourism**

- 3.51 Low demand and seasonality were considered specific problems affecting the tourism and agriculture sectors, and in turn affecting demand for labour within these sectors. Tourism was seen as an area which provided opportunities for entry level jobs, the development of new skills for individuals with none, and the development of transferable skills.
- 3.52 Respondents called for programmes to lengthen the tourism season, diversify the tourism trade, and encourage local procurement to increase demand for agricultural goods.

### **Other Factors**

- 3.53 Various other views were offered by respondents. These included:
- **Personal Choice** - For some inactive working age people a job was neither desired nor deliverable.
  - **Age** –People from mid-forties onwards felt ‘left on shelf’ for younger people there was a lack of jobs that appeal to them.
  - **Personal Aspects** - A criminal record, drug and Alcohol Abuse, pregnancy and early parenthood, sexuality, and a lack of aspirations were seen as personal factors that impacted on the ability to engage with the labour market.
  - **Homeworking** - Opportunities to work from home should be encouraged.
  - **Public Procurement** – There needed to be greater support in implementing public procurement initiatives.
  - **Working Conditions** - Poor working conditions and environments acted as a barrier to entering the labour market.

- **Contract working** - Employers used agencies to fill vacancies rather than create long term employment opportunities.

## **4. Focus on Key Issues**

- 4.1 In the light of the consultation exercise, the Committee considered the many interrelated issues surrounding the problem of economic inactivity and the work currently being undertaken by the various levels of government and other bodies. The Committee was very conscious that the subject of economic inactivity was wide ranging and involved a large number of complex and interacting factors. It was also conscious that the underlying causal factors were only partly understood. Thus it was inevitable that the Committee would be able to address only some of these in its Review and it was decided to focus on a number of key areas where it was considered that practical recommendations might be proposed.
- 4.2 However, there was one important overarching issue that Members felt could not be categorised within the specific key issues explored below, namely that of demand. Witnesses stressed that in tackling economic inactivity it was important to address both supply and demand issues. There would be no merit in encouraging people to return to work if the opportunities did not readily exist.
- 4.3 In presenting its paper on *Raising Economic Inactivity Rates*, the Assembly Government said that there were areas in Wales where very high levels of inactivity coexist alongside a relatively buoyant local labour market. Furthermore, creating an attractive workforce within an area of high inactivity would encourage employers to enter the area, and help stimulate demand. The Committee recognises that stimulating demand in itself would not be sufficient to solve the inactivity problem, but considers that it is important to encourage sufficient demand in tandem with policies aimed at breaking down other barriers to employment, especially in communities where low demand is identified.
- 4.4 The Committee was aware that many barriers exist which inhibited the transition from inactivity into work, and that these barriers were often cultural as well as practical. Although it was not possible to consider all of the barriers faced by the inactive in the scope of this review, a number of specific barriers were highlighted as being of particular concern, and these are dealt with below.

### **The Costs of Entering Employment**

- 4.5 Witnesses detailed the way in which the benefits trap acted as a major barrier to re-entering the workplace. The low marginal benefit of returning to work could mean that employees might earn only an extra £5 above their usual benefits for a week's work.

- 4.6 In addition to those low marginal benefits of earned income, Members also heard that those re-entering employment could face additional costs for transport, lunches and clothing during the first four to six weeks of taking up a new job. This can be especially problematic in situations where there was a delay in paying 'in work' benefits such as tax credits.
- 4.7 Potentia highlighted the Enterprise Rehearsal Project, which offered a 12-month passport back to benefits if a business is unsuccessful. However, there is no similar scheme for those claiming Income Support. This meant that people risked the loss of benefits such as housing benefit and free prescriptions if working more than 16 hours per week.
- 4.8 The Assembly Government explained that a return to work package was being piloted as part of the Pathways to Work programme, which included an in work credit of £40 per week for 12 months. The Committee also heard that participants engaging with the range of work-preparation interventions on offer from Jobcentre Plus would not lose their entitlement to claim and receive benefit or to return to benefit upon leaving the programmes.

***The Costs of Entering Employment - possible recommendations suggested in Committee discussions..***

- 4.9 **That the Committee supports piloting the use of the £40 in work credit to provide financial assistance and incentive for those re-entering the labour market.**
- 4.10 **That the Committee supports the use of a 'passport' back to benefits, especially those for whom re-entering the labour market is a particular risk, such as those suffering from ill health, or low self-esteem and depression. The Department for Work and Pensions (DWP) should ensure that awareness amongst both staff and clients of the opportunities presented is increased.**

**Internal and External Barriers**

- 4.11 Members were informed that common internal and external barriers were faced by the economically inactive. Internal barriers were those such as a lack of relevant skills and low business confidence, whereas external factors were those such as funding and premises.
- 4.12 Potentia explained that government policies tended to miss the soft issues surrounding internal barriers, even though the barriers they

created were often substantial. A number of internal barriers identified by Potentia while working with clients included:

- A lack of relevant skills and business experience.
- Limiting personal circumstances (especially the lack of flexible, affordable and quality childcare for self-employed parents).
- A lack of credibility within the business environment.
- Low personal and business confidence.
- A tendency to be dependent on benefits or grants.
- Overcoming the attitudes and assumptions in terms of stereo-typing and cultural differences.

4.13 Although a lack of skills had been highlighted on several occasions, as had the need to match those skills to the needs of employers, it was the lack of soft skills which was often considered to be the most important skills issue to be addressed. Witnesses identified team-working, attitudes to work and society, and basic numeracy and literacy as particularly important issues.

4.14 The Committee heard that people brought up in high unemployment communities often had an 'unemployment mentality'. While there was a higher incidence of people on incapacity benefit in traditional mining and steel working communities, a large proportion of those claiming were not people who had worked in those industries but the following generation. Witnesses explained that this was because in depressed areas there was often an expectation within a community by the younger generation that they would not work.

4.15 Barriers caused by perception and prejudice can be manifested in both employers and employees. Employees are often unaware of employment opportunities, or may feel that certain jobs are not open to them; while employers often have poor perceptions of potential employees or believe that the skills they need do not exist in certain communities. In breaking down perceptions, witnesses considered that 50 jobs in an inactivity black spot could encourage more people to work and have more long-term benefit than 100 jobs spread across Wales.

4.16 The point was made that, while there was a range of barriers to economic activity, these were different for each individual. Moreover, individuals reacted to similar barriers in different ways. Consequently, there was a need to deal with everyone on an individual basis. However, the lack of available resources meant that there can be difficulties in providing help in such an intensive way.

4.17 Members agreed that if cultural barriers, in particular, were to be broken down this would require the involvement of the private as well as the public sector.

4.18 Potentia highlighted a number of external barriers faced by clients in setting up in business:

- Access to funding due to the lack of capital assets and track record to secure funding.
- Access to appropriate and reasonably priced business premises, especially for those wishing to grow or move from their home base.
- Access to business information, support and advice, especially when dealing and accessing the plethora of business agents.
- Local economic conditions and infrastructure, especially for groups located in rural and economically deprived areas.

4.19 In helping and encouraging the inactive into self employment, Potentia said that Wales needed both 'lifestyle' and 'growth' businesses. Potentia also emphasised the need to target specific problem areas, focus on resolving them, and the importance of partnership working.

4.20 The Assembly Government informed the Committee that the Future Skills Wales research project had also identified that soft skills were valued by employers; and that equipping jobseekers in generic skills was a key element available in work-based training for people who have been out of work for a long time.

4.21 The Assembly Government also explained how Jobcentre Plus had already developed strong links with Communities First partnerships, and that it was necessary to build upon these links in order to help target the proposed return to work package amongst inactive individuals who have lost contact with the labour market. Furthermore, the Committee was informed that the WDA had agreed that their company account managers will draw employers' attention to the help that Jobcentre Plus can offer them in recruiting staff from economic inactivity.

***Internal and External Barriers - possible recommendations suggested in Committee discussions.***

- 4.22 **That programmes should focus on the internal barriers faced by individuals. Programmes should factor in the development of soft skills such as confidence building and interpersonal skills. Efforts should also be made to encourage positive attitudes among both the inactive and employers.**
- 4.23 **That consideration should be given to making available resources to enable community based action, and schemes should be developed which encourage private sector involvement.**

**Caring**

- 4.24 As childcare providers, Tiddlywinks explained that one of the major barriers to setting up and running a childcare service was the lack of help with start up costs and ongoing revenue support to ensure sustainability of childcare facilities.
- 4.25 The difficulties in registering a new project were highlighted. Witnesses explained that new standards had meant a mass of paperwork, while there had been a lack of flexibility given that the Care Standards Inspectorate was also struggling with a new role. Although there was recent evidence that flexibility had improved, witnesses expressed the opinion that a lot of individuals were still put off setting up childcare facilities because of the level of bureaucracy in the early stages. However, Chwarae Teg informed the Committee that a WDA scheme, run in conjunction with the National Childminders Association, had helped people wishing to register new businesses.
- 4.26 The need to raise the status of childcare providers was raised with the Committee, though it was acknowledged that raising the quality of training and improving pay while still providing affordable childcare was a difficult issue to address. Tiddlywinks explained that the voluntary sector had had huge difficulties in accessing funding for training and had received little support from Government Agencies such as ELWa.
- 4.27 Witnesses also raised the point that there was a lack of male childcare workers, and that this might be an important issue insofar as they could provide valuable role models to children, especially for those being raised in single parent families, normally by the mother.
- 4.28 Members also heard that there had been an increasing demand for welsh medium nurseries from both welsh speakers and learners who



wanted their children to be educated in welsh medium schools. The recruitment of bilingual staff was proving to be a difficulty, and part of the reason for this was seen to be the lack of bilingual training for care workers.

- 4.29 Chwarae Teg informed the Committee that they had strong evidence that parents of children with disabilities or special needs wanted their care to be mainstreamed wherever possible, although this required special skills amongst care workers. Some examples of good schemes existed, such as the Step-to-Step scheme in Neath Port Talbot which provides mainstream care for children with special needs from birth to 16. However, no recognised qualifications exist for carers in this area, and salaries could not compensate for those additional skills.
- 4.30 Witnesses told Members that while a lot of childcare was provided 'informally (i.e. using family and friends) it was felt that there was a need and opportunity to support this. Members heard that ELW were preparing a report for the ELL Minister on childcare including the barriers to participation in learning.
- 4.31 Chwarae Teg added that, while much of the public debate about childcare provision centred on day-care nurseries, there was also a severe lack of registered childminders, particularly in rural areas and the south Wales valleys, which already suffered from a lack of day-care facilities. Chwarae Teg suggested that there was a need to find a range of solutions for individual families and to do this it was necessary for the private, public and voluntary sectors to work together.
- 4.32 The Wales Co-operative Centre informed the committee that there were currently three child care co-operatives in Wales, and that co-operatives rely on a certain number of children using the service to be successful. As was the case for Tiddlywinks, it was explained that the lack of start up funding and tight profit margins caused particular difficulties for co-operatives to provide childcare facilities.
- 4.33 The issue of 'wraparound' care was also raised - ie care before and after school and during school holidays. Witnesses stated that very little progress had been made with this. Members heard at an early stage in the review that there was strong evidence that After-School Clubs and Holiday Clubs raised academic attainment levels as well as soft skills. Tiddlywinks added that they offered this care through its Breakfast and After School Clubs and demand was extremely high. They emphasised that the increasing need for different patterns of childcare as work patterns change to accommodate '24 hour opening' and shift work.
- 4.34 A number of possible solutions were put forward to Members. The Committee heard that flexible working arrangements, such as part-

time and flexible working hours can help people in caring for others. However, although large firms can often offer assistance in flexible work patterns and other care issues, it was not so easy for Small to Medium Sized Enterprises (SMEs), and this potentially created a bigger problem in the valleys where there were proportionally more small firms.

- 4.35 The submissions on childcare issues were especially welcomed by the Deputy Minister, who has been chairing the task force on childcare, which has been set up since the Committee identified childcare as an issue for examination in this Review. He recognised the need to drive forward the childcare agenda in Wales to ensure that children in all parts of Wales had access to affordable, accessible and sustainable childcare.
- 4.36 In presenting the *Raising Economic Activity Rates* paper, the Assembly Government explained that child and other care-related problems are unlikely to be a key factor in explaining Wales' relatively weak legacy of under-performing economic activity. However, additional investment in forms of social care would be likely to support a continued increase in the economic activity rate of lone parents in particular. Furthermore, the Assembly Government pointed out that there is strong evidence that early interventions in a child's life are the most effective means of combating subsequent disadvantage and therefore are likely to have a major impact on the inactivity problem in the long term. It was explained that effective early interventions are costly, and that it is important that they are carefully targeted. While children from the most disadvantaged homes get large and lasting benefits from these interventions, the evidence suggests that less disadvantaged children get little or no benefit.

***Caring - possible recommendations suggested in Committee discussions.***

- 4.37 **That ways should be explored to increase the number of childcare opportunities, especially in valley communities. In particular the public, private and voluntary sectors should be encouraged to work together to provide childcare capacity in and out of normal working hours.**
- 4.38 **That the economically inactive should be encouraged to undertake childminding activities as a step towards finding long term employment.**
- 4.39 **Childcare provision by Intermediate Labour Markets (ILMs) should be considered where a need for childcare provision was identified and the market cannot support private provision.**
- 4.40 **The opportunities for both the voluntary sector and ILMs should be considered in providing training for carers within the childcare profession.**
- 4.41 **That the Assembly Government should do more to promote childminding activities and encourage people to set up as registered childminders.**
- 4.42 **That consideration should be given to providing greater support and guidance to potential childcare providers in dealing with necessary bureaucracy, and that ways to reduce bureaucracy should be investigated.**
- 4.43 **That special consideration be given to training for minding children with special needs.**
- 4.44 **That the Assembly Government should consider the current after-school and school holidays provision for older children, and investigate ways in which this can be improved.**
- 4.45 **That ways to make childcare more affordable be considered.**

**Transport**

- 4.46 **There was a widespread view that transport problems can act as a major barrier to employment both in rural areas and the valleys, and that the problems faced by individuals are particularly acute for those working alternative shift patterns or travelling to industrial estates sited out of town. Transport problems can be further exacerbated by the inability to move house – particularly for people trapped in low value houses in relatively isolated areas.**

- 4.47 The Community Transport Association (CTA) emphasised that the needs of communities have to be understood for schemes to be successful. They saw community transport schemes as an important way of addressing weaknesses in public transport provision and a need for flexible routes to be developed.
- 4.48 The CTA talked about the difficulties in providing community transport and the need to rely on voluntary drivers, especially where transport was required for those working unsociable hours. Nonetheless, it was stressed that most drivers were paid workers, and that this benefited the community further in terms of local employment. Funding was also considered to be a barrier to setting up schemes, as it needed to last for a 3 to 5 year period to be effective.
- 4.49 The need to create partnerships was raised, in particular the need to work with WAG to develop enterprise in the community.
- 4.50 The view was also expressed that solutions lay beyond the provision of public transport, and that there was a need for creative travel solutions involving car sharing and cycling. In creating solutions, witnesses were mindful of the constraints of satisfying green transport policies.
- 4.51 Merthyr Tydfil County Borough Council explained how it ran a project aimed at both transport for the inactive, and at young people lacking skills, confidence and with low employment prospects. The scheme included leasing vehicles to individuals to travel to employment that was not accessible by public transport. It also enabled young people who had had poor school opportunities or were on the fringes of crime to participate in an alternative practical educational programme in repairing and maintaining vehicles for the scheme. In the longer term it was hoped that local health boards and social services might buy into the scheme to secure long term funding. WAG, the Youth Justice Board and Objective One funding currently finance the scheme.
- 4.52 Evidence gathered during the Assembly Government's *Raising Economic Activity Rates* work suggested that that improvements to public transport could be expected to make only a modest contribution to reducing inactivity. It was important to develop links with local authorities and transport operators to ensure that the needs of jobseekers are being addressed, through for example the provision of adequate public transport services on key commuting corridors.
- 4.53 The Committee is aware that, given the high levels of inactivity within inner city areas, it is unlikely that transport in itself represents major barrier to employment. However, often relatively small obstacles prevented transport being available, with a huge knock on effect for individuals within communities. Although poor transport opportunities can be considered to be more of an issue of social deprivation, such

problems are believed to have wider implications to society, contributing to the cycle of disadvantage, including inactivity, that can become manifest in future years. Members are not convinced that 'rural proofing' is in itself a priority because there are equally serious transport issues in the South Wales valleys which community transport could help resolve.

***Transport - possible recommendations suggested in Committee discussions..***

- 4.54 **The opportunity for better links with, and sponsorship of schemes by, partners in the private sector should be investigated.**
- 4.55 **That consistency of funding was a concern and alternative funding arrangements ought to be considered, such as Service Level Agreements and Communities First funding. Private company partnerships and/or sponsorship could also assist with funding concerns.**
- 4.56 **That ways of improving the timing of local buses should be considered. In some areas bus services finish too early in the day to be used by those commuting to and from work. Ways of co-ordinating the timetables of public transport to those within the community transport sector should also be developed.**
- 4.57 **That the wider economic benefits of an effective transport system be considered. Assisting people to travel to hospital and surgery appointments, via community transport, can save on wasted NHS costs resulting from missed appointments and can also help people get back into employment sooner. Furthermore, community transport schemes could themselves be an important source of employment in the local community.**
- 4.58 **That a strategic approach towards training via the Youth Justice system be considered.**
- 4.59 **That the opportunities for local authorities to allow community transport schemes to use their fleet of vehicles when they were not in service be considered.**

**The transition Into employment: Intermediate Labour Markets and the Voluntary Sector**

- 4.60 **Given the large number of barriers faced by the economically inactive, and in particular considering that barriers can often be internal as well**

as external, witnesses expressed a need to create programmes which provided a smoother transition from inactivity into employment. In particular witnesses supported the use of a broader range of community based support networks.

- 4.61 There was a call to encourage a linear shift from voluntary, to co-operative, to social enterprise, and on to mainstream business, as stages of entrance to the labour market in order to reduce the fears and negative perceptions associated with the risks of re-entering the labour market.
- 4.62 In particular, contributors highlighted the benefits of using intermediate labour markets and the voluntary sector as providing an enabling and supportive role at the community level.
- 4.63 Again, the Committee heard the view that policies need to focus more on communities rather than taking a blanket approach, and that those efforts should be focussed on wider community regeneration and at tailoring policies to specific areas based on their own particular needs. Witnesses stated that outside organisations, such as the WDA and ELWa, were often seen as too prescriptive in dealing with inactivity issues, and that community organisations might be better placed to help the transition from inactivity into employment.
- 4.64 In support of this view, Jobcentre Plus had found that it was more effective to focus specific schemes on communities and employers rather than adopt a scattergun approach. Whilst they often took the lead role in tackling economic inactivity in an area, the problem was too large for any one agency to tackle alone and increasingly a partnership approach had been adopted involving others such as the WDA and ELWa.
- 4.65 Witnesses also emphasised the important role that Local Authorities have in working at the community level.
- 4.66 The Committee heard about the broad range of opportunities afforded by Intermediate Labour Markets (ILMs). Being closer to their communities, it was argued that ILMs had greater knowledge of the requirements of those communities and understood the barriers that those communities faced. Furthermore, it was considered that ILM projects could be targeted at the needs of the local labour market, and could provide skills in situations where the private sector may be unable or unwilling to provide training and where skills shortages exist.
- 4.67 Witnesses also expressed the view that training provided by ILMs, even where mainly vocational, appeared to encourage clients to adopt a broader set of skills, transferable beyond the immediate area of training. Soft skills such as team-working, time-keeping and initiative; core skills such as literacy and numeracy; and life skills such as

financial management; were recognised as being potential benefits of the ILM programme.

- 4.68 The Committee also heard that activities and support provided by ILMs appeared to be of help to the inactive where problems of anxiety and depression associated with being detached from the labour market exist. The gaining of qualifications during the programme was considered to be especially helpful.
- 4.69 The potential wider benefits to society of ILM activities were highlighted, in that ILMs may help in regenerating communities, providing additional public services and contributing to environmental improvement. Furthermore, the services provided by ILMs may be beneficial to the local economy in that they may complement businesses in the private sector. For example, Members heard how the On Track bicycle rental service provides a bicycle rental service to tourists, thereby contributing to the tourism infrastructure within the local economy.
- 4.70 Although the Committee heard about the many potential benefits of using the ILM model, a number of weaknesses were also identified. There can be difficulties in recruiting suitable candidates onto the programme, as many people who are at some distance from the labour market do not appear to have the necessary attributes to enter the programme. As outlined at other points within the review, individuals' attitudes were cited as a particular issue which needed to be addressed. Although the hospitality industry appears to offer a number of opportunities for ILM intervention, low wages were seen to act as a deterrent, even though this was an industry that often faces staff shortages.
- 4.71 Members also heard that it can often be difficult to set up a sufficient number of projects, as programmes have to be devised which avoid displacing employment from elsewhere within the economy. Furthermore, the costs of running ILM projects can be high, depending upon the needs of individual clients. However, the Committee were reminded that these costs may be offset to some extent by the wider economic, social or environmental benefits offered by the programmes.
- 4.72 Furthermore, the Committee heard that it can be difficult to build Labour Market Intermediary (LMI) partnerships, particularly among some local authorities that have tended to work in relative isolation from other local authorities.
- 4.73 Having considered the strengths and weaknesses of Intermediate Labour Markets, the Committee investigated further transitional routes into work, in the form of other community based organisations. In particular, the voluntary sector was seen as providing opportunities for

a transition from inactivity into employment, as work experience can be provided in a risk free and supportive environment.

- 4.74 The Wales Co-operative Centre (WCC) informed the Committee of how groups of co-operatives were being encouraged to work together on recycling initiatives, thereby creating an internal market via horizontal integration.
- 4.75 The importance of developing a specific policy to support this kind of activity and then targeting action accordingly was emphasised by witnesses, as was the need for the public sector to use its procurement policies in a way that allowed small voluntary businesses to benefit. Witnesses also argued that it was important for systems to be simplified to enable small enterprises to access funding.
- 4.76 In developing businesses, the WCC stressed the fact that it was important to work in partnership with other similar organisations such as the Wales Council for Voluntary Action (WCVA), CYLCH (*spell out precise title*) and Community Enterprise Wales, as well as the WDA and ELW<sub>a</sub> to raise awareness.
- 4.77 Work undertaken during the Assembly Government's *Raising Economic Activity Rates* work suggests that initiatives in public procurement need to take careful consideration of local labour market conditions and the need to target the economically inactive in order to avoid displacement. However, it was considered that there is considerable potential in requiring public sector contracts to include a training and recruitment component targeted at local unemployed and inactive people. A Business Procurement Task Force was being set up to make the process more open and accessible.
- 4.78 The Assembly Government re-emphasised the potential benefits and weaknesses of using ILMs to help the inactive back into work, including the potential high costs of running such schemes, and risks of displacing jobs elsewhere. Although using social enterprises had additional social benefits the Assembly Government stressed the need to target both voluntary sector and ILM programmes carefully.



*The transition into employment - possible recommendations suggested in Committee discussions..*

- 4.79 That there is a need to ensure that routes should be developed which provide a more linear movement from inactivity into employment. In particular, programmes at the community level can create a more supportive environment for those facing greater risks and with a fear of re-entering the labour market. The voluntary sector should be given more support in offering an early stepping stone into the labour market.
- 4.80 That individuals should have an opportunity to experience employment without losing benefits. This 'passport back to benefits', and possibly other financial incentives, should be considered for community based programmes, especially voluntary projects in order to make work experience pay for those outside the labour market.
- 4.81 That mechanisms should be devised which ensure greater co-ordination and effort between local authorities, especially in the south Wales valleys.
- 4.82 The Committee recognises that there are a number of limitations in using ILMs to enable the inactive to enter the labour market. In particular, the problems of displacement and potential high cost of programmes means that such programmes should be carefully targeted. However, the use of ILMs was recommended for use where potential clients are at some distance from the labour market, and where other programmes would be insufficient to entice or compel individuals into employment.
- 4.83 That the Assembly Government considers the scope for ILMs to fill the gap in the need for transportation and childcare provision within certain communities.
- 4.84 That mentoring should be client orientated and specific to needs.
- 4.85 That the voluntary sector should be further supported by devising programmes to encourage greater horizontal and vertical integration between voluntary sector organisations.
- 4.86 That efforts be made to improve the image of social enterprise.
- 4.87 That funding to social enterprise be streamlined.

## Healthcare

- 4.88 At an early stage of the review, the Committee heard that there was a large number of single-doctor practices in many valleys areas which had high levels of inactivity. These also tended to be served by older General Practitioners. It was suggested that the Committee might consider doctors' attitudes to 'signing off' people from work, and ways in which doctors can better help the inactive to move into employment. It was perceived that doctors often sign people off if they are unable to do their current job, and that often there was no incentive for that person to be considered for a different type of work.
- 4.89 The British Medical Association (BMA) told the Committee that the factors behind the large number of people absent from work due to ill health were complex. These included longer waiting lists for operations and investigations, the reluctance of employers to allow employees back to work on light or reduced duties, and inherent levels of chronic illness in Wales. Furthermore, there were difficulties with regard to the Department of Work and Pensions' (DWP) capacity to assess sick people and roughly only one third of those referred to the DWP were actually assessed. A major improvement would come simply from increasing the number of occupational health specialists.
- 4.90 In relation to the number of people being transferred from unemployment benefit to sickness benefit, the BMA said that there was a greater stigma attached to being unemployed than being long term sick. In addition, some patients had visited their GP in the belief that the DWP had already decided they needed a sick note and it was difficult for the general practitioner to come to a different conclusion. It was suggested that a simple referral form, completed by the DWP, would make it clear to the patient and the GP that the referral was for the GP to examine the patient.
- 4.91 The Committee heard that the robustness of the local labour market had a major effect on economic inactivity, as some companies were able to offer alternative, lighter jobs to help people back into work. Furthermore, in areas where a variety of employment was available, people had more opportunity to find employment that matched their situation. This view supported the earlier comment that larger firms, often absent in areas of high inactivity, have the capacity to offer more flexible arrangements and opportunities to those that might otherwise fall into inactivity.
- 4.92 Calling for further information on preventative health care, Members were reminded that that the Welsh Assembly Government operates an award scheme for workplace health promotion in Wales called *Health at Work - The Corporate Standard*, as part of its drive to improve the nation's wellbeing.

- 4.93 The BMA commented that public health officials were in a better position than GPs to promote preventative health measures because the key factors are better housing, education and exercise. These were outside the range of GPs' responsibilities and expertise. Nonetheless, better occupational health training for GPs might be considered and it was suggested that this be a recommendation for the report.
- 4.94 There is limited scope for GPs to affect the ability of the economically inactive to move into employment. The need for preventative healthcare, often at the most basic level of housing, education and exercise, is of utmost importance in enabling people to improve their own situation and from preventing individuals from entering inactivity, while a low income legacy leads to a vicious cycle of poor food, education, housing, income and poor health. GPs are not trained to any great degree in occupational health, and there is often limited capacity for doctors to deal with employment issues at any depth in surgery. Furthermore, the doctor patient relationship is one of trust, and there are difficulties faced in giving doctors tasks which might be in conflict with this relationship.
- 4.95 The Committee heard that the Assembly Government would pilot the delivery of health advice through the return to work package. Furthermore, proposals had been made, aimed at improving the health of those people with a work-limiting illness as well as helping those people who are at risk of falling out of employment due to health related problems. These proposals involved research into GP practice, better information for GPs, and outreach in GP surgeries.
- 4.96 The Assembly Government also confirmed that consideration was being given to training economically inactive people to work on refurbishment necessary under the Council House Stock Transfer Scheme, as a way of helping both the inactive, and those in poor housing.

**Healthcare** -. possible recommendations suggested in Committee discussions.

- 4.97 That the Welsh Assembly Government lobby the UK government to look into the matter regarding the difficulties associated with the Department of Work and Pensions' (DWP) capacity to assess sick people.
- 4.98 That moves should be made to improve the working relationship between GPs and the DWP. In particular, to prevent patients from visiting their GP in the erroneous belief that the DWP has already decided they needed a sick note. A simple referral form should be developed, to be completed by the DWP, to make it clear to the patient and the GP that the referral was for the GP to examine the patient.
- 4.99 That better occupational health training should be considered as a part of GPs training, although the Committee recognises that, given the intense training schedule already faced by GPs, increasing training in one area would be likely to impact on the ability to provide training in another.
- 4.100 That anxiety and depression are strongly associated with long term unemployment and inactivity, and that to address this there needs to be greater investment in counselling services.
- 4.101 That there should be greater use of occupational health specialists within communities and business.
- 4.102 That the Pathways to Work pilot be rolled out among other high inactivity areas in Wales.
- 4.103 Often, small to medium sized enterprises do not have the resources to provide comprehensive occupational health services to their employees. Nor do they have the range of jobs to enable a rapid return to the workplace for those who have recently been unable to work due to sickness. This lack of preventative healthcare and lack of opportunities to return to work means that there is the risk that workers may fall more easily into inactivity. The Committee recommends that the Assembly Government reviews the provision of occupational health services in Wales, and gives consideration to piloting occupational health services within communities in order to provide workplace and general health advice to both individuals and businesses, and that such services be pro-actively involved in the rehabilitation of sick and injured employees.

**Education and Training**

- 4.104 ELWa was invited to inform the Committee of its programmes aimed at helping the inactive back into employment. They emphasised that economic inactivity was a deep-rooted problem that was not easy to resolve, and that a segmented approach was necessary to deal with the different categories of those who are economically inactive.
- 4.105 Although skills training was considered to be an important factor, it was acknowledged that this would not solve the whole problem on its own, and that multi-agency working was needed to help people re-engage with learning.
- 4.106 Members wondered whether more priority should be given to early years education, and whether more should be done to promote post 16 education access courses. Concern was also raised that care should be taken to ensure that colleges with smaller student populations would not be disadvantaged by the new funding system as costs per student in rural areas were higher due to a lower student to teacher ratio. As such, it was considered that sparsity and rurality weighting need rigorous analysis.
- 4.107 Members expressed the view that it was important to consider the needs of employers in providing training, and that these are particularly acute in the care, tourism and construction sectors. Members considered that these sectors might benefit from more emphasis on training and qualifications, and more should be done to encourage employers to provide and support skills training for their employees.
- 4.108 ELWa made the point that it was not just a case of training people for specific jobs, but that there was a lead up time in training those who are to provide the training. Hence there will be delays between identifying a skills gap, and providing individuals with the necessary skills. As generalists, ELWa emphasised the need to work with other bodies in providing the skills needed within specific sectors. ELWa also made the point that, as many low skilled individuals have been 'turned off' training at an early age, it was necessary to encourage firms to provide, and further invest in, training.
- 4.109 Members considered the ReAct programme, designed to help redundant workers gain new skills, overcome obstacles and improve the chances of returning to work quickly. Members felt that potential beneficiaries of the programme should be targeted earlier, perhaps while they are serving out their notice period, to encourage take-up of the programme. Members also considered that more emphasis should be placed on multi-agency working with the Basic Skills Agency, Jobcentre Plus and WAG.
- 4.110 In presenting its paper on *Raising Economic Inactivity Rates*, the Assembly Government raised the view that the long-term solution is to

ensure that all young people leave school with the skills and confidence to succeed. Although action at each stage in the learning process is considered important, early interventions in a child's life are seen to be the most effective means of combating subsequent disadvantage and the potential to enter into inactivity in the future.

- 4.111 The Committee heard that the Assembly Government was running a pilot programme between September 2002 and March 2005 to test and evaluate free learning up to a first Level 3 qualification for workers employed in the Llanelli area. However, the Assembly Government informed the Committee that there is no guaranteed access to training for adults and relatively little expenditure is available for upskilling the existing adult workforce. Training to help low-skilled workers to climb up from the bottom rungs of the employment ladder in principle appears to be important to reduce the risks that people slip out of employment, and to increase their earning power. The Assembly Government explained that the cost effectiveness of training of this sort is uncertain, and that the key is therefore to devise ways of supporting adult training which are well targeted and cost-effective. ELWa has been asked to undertake a review of work-based learning by autumn 2004 and to recommend actions that will improve the impact of programmes to help people move from inactivity into jobs and to progress to higher skilled better paid jobs.
- 4.112 The Assembly Government explained that the WDA should be able to provide 'early warning' of the skills needs of new and expanding clients, thereby helping Jobcentre Plus in their targeting of those currently inactive and ELWa in the planning of learning support.

***Education and Training - possible recommendations suggested in Committee discussions..***

- 4.113 **The Committee considers it important to ensure that school leavers have the necessary formal skills to progress into future employment, and also with the attitude to enable the transition into the world of work.**
- 4.114 **That rigorous analysis should be required to justify any particular programmes reflecting geographical issues related to accessibility.**
- 4.115 **That different models should be considered in the local provision of Post 16 education.**
- 4.116 **That the Assembly Government investigates ways in which it can take on the difficult challenges in reaching potential learners.**
- 4.117 **That the Assembly Government does more to actively engage employers in workplace learning programmes.**
- 4.118 **That there was more emphasis on providing training for low-skilled learners, as most of the training currently delivered was considered to be aimed at the more highly skilled as it was easier to deliver and easier to achieve 'success'.**
- 4.119 **That the Assembly Government should ensure that the ReAct programme was taken into workplaces early on, when job losses are announced, to ensure maximum take-up of the programme and maximum benefits in the time before job losses occur.**
- 4.120 **That programmes are implemented to ensure that there was a supply of skilled trades occupations when and where they are needed.**
- 4.121 **That a sectoral approach to learning provision was devised to enable the best use of resources.**
- 4.122 **That the low educational attainment of disabled groups and certain black and minority ethnic groups be addressed in order to prevent subsequent disadvantage.**

## **5. Summary and Conclusions**

### **Annexes**

- A) Chair's invitation letter to consultation
- B) Persons and organisations responding to the consultation