

Enterprise and Learning Committee

EL(3) 07-09 (p3) : 12 March 2009

Wales TUC evidence to the Committee inquiry into the Welsh Assembly Government's response to the current international economic downturn.

Preamble

The Wales TUC is the voice of Wales at work. We represent around half a million working men and women in over 50 affiliated trades unions.

The international economic crisis was not made in Wales but is impacting heavily on Welsh workers. The global downturn will not be turned around by actions taken by the UK alone let alone by Wales only programmes. However it our strong view that every level of Government, including the Welsh Assembly Government, has the responsibility to use appropriate measures available to them to mitigate the effects of the downturn.

As a constituent part of the UK TUC the Wales TUC has a view on the international and UK responses to the recession, a written summary of which can be made available to the committee if required. However this note of evidence concentrates solely on the Welsh assembly Government's response.

The Wales TUC warmly welcomes the approach adopted by the Assembly Government in bringing together the key economic stakeholders and Government agencies in Wales to develop an active, interventionist response within their own remit and powers. While we would argue that the scale of intervention could be increased, it is important to note that in this recession unlike those of the early 1980s and 1990s, the discussion is over how much intervention not whether the Government should intervene at all to assist workers and the economy.

We set out in this note our views on the Assembly Government response to date as well areas where we would like to see the response develop in the coming months. However this is a fast changing economic situation and the key is ensuring that Government is able to draw on the knowledge and experience of social partners to quickly adapt and develop policies and priorities appropriate to the need in Wales' economy and workplaces.

Background

Wales has been hit earliest and hardest of the UK countries by the results of the global downturn. It has had a severe detrimental effect on the 'real' economy of Wales and has the potential impact across every industrial sector and region. Some of the actual effects of the downturn are yet to feed through into the unemployment and GDP statistics.

The latest figures released in February showed that unemployment in Wales stands at 100,000 or 7% of the workforce however those figures do not as yet reflect the full impact of some of the larger scale redundancy consultations which are still ongoing. To date job loss has had the worst geographical impact on the South Wales Valleys. Occupationally the impact has been felt most heavily in the skilled trades and process, plant & machine operatives which in itself reflects the industrial impact which has focussed on the construction and manufacturing sectors.

Consumer confidence is low, as is the availability of credit. This has had an major impact on new product purchases which has immediately and dramatically hit the automotive and automotive components sector with heavily reduced demand in other manufacturing (white goods etc). There has been a significant knock on effect on steel orders which in turn adds pressure on the viability of steel works which have to operate near capacity to remain profitable.

The construction sector was first to feel the effects of the credit crunch. The housing market has been effected by the unavailability of mortgages for individuals and fears of house price reductions both of which have caused purchases to fall dramatically while at the same time speculative finance for construction projects has become far less available than previously. Many major private housing construction projects have been put on hold and work delayed on some projects already under construction. Some leading names are now seeing the company failure and significant job reduction already occurring in their contractors and sub-contractors. Suppliers to the construction sector have seen projected orders collapse and have been shedding jobs as companies compete for a vastly reduced market.

In the retail sector consumers are putting off discretionary purchases (non-essential clothes etc) or moving to lower cost retailers. Food and other retailers are competing more fiercely on price which is impacting on margins/profitability and may result in job loss if the strategy proves unsuccessful. It is also likely that big retailers will put even more pressure on suppliers to reduce costs still further, potentially leading to job loss in food manufacture etc.

In the earliest stages of the financial crisis the Welsh Assembly Government made an immediate response by convening the first economic summit in October 2008. At the Wales TUC we welcomed this initiative believing that it must be a mechanism for driving forward a programme of action not just a forum for discussion.

We recognised that the UK and Welsh Assembly Governments must act to mitigate against the worst effects of the recession in order to

support and maintain employment in Wales at this critical point in time. We also recognised that early action on these issues is vital.

It was for all these reasons that we took the unusual step of agreeing, with the CBI Wales, a joint programme of priority actions which we issued together in advance of the first summit.

We identified the following seven areas where an emergency Government response should be focussed:-

1. Procurement
2. Infrastructure
3. Housing
4. Energy efficiency
5. Skills
6. Funding
7. Business rates

We attach a copy of this joint statement as an annex to this evidence.

We welcomed the support given to the joint Wales TUC/CBI Wales proposals both by other employer organisations such as the FSB and other participants at the first summit.

The Assembly Government response has been impressive and speedy. Over the course of October 2008 - March 2009 five full summit meetings and frenetic behind the scenes work by officials have developed a Government response to the downturn in each of the seven priority areas jointly identified by Welsh unions and businesses.

The Committee has already received the Minister's evidence regarding the Government response and we do not therefore intend to list here each and every one of the specific actions taken. We would however wish to highlight some of the most significant areas from the perspective of unions in Wales and indicate where the interventions can continue to be developed.

Summary/Recommendations

The Assembly Government has done well in leading a social partnership approach to the economic crisis response. The next steps are to continue to engage with social partners regarding a longer term industrial strategy for Wales. This should build on the economic summit structure to develop a shared approach on the fair transition to low carbon economy and the opportunities that provides for Wales.

The Assembly Government has done well in achieving speedier payment times for Government invoices which helps mitigate business cash flow problems. The next steps are to ensure all Government agencies throughout Wales deliver payment schedules to the same standard.

The Assembly Government has done well in increasing the percentage of public procurement contracts being won by Welsh companies. The next step is to adopt a more 'can do' approach to the introduction of employment, training and other social clauses into public contracts.

The Assembly Government has done well in bringing forward £124m of spend to deliver now on labour intensive capital projects including school hospital and housing stock renovation as well as social housing build. The next steps are to ensure all public agencies are delivering these projects to the same emergency response timetable as well as delivering on the intended employment and other outcomes.

The Assembly Government has done well in prioritising investment into energy efficiency including the multi-million pound fund to establish the Heads of the Valleys as a low carbon region. The next steps are to ensure the Heads of the Valleys fund is used to support large scale green manufacturing projects and to roll out mass delivery of simple attic insulation type programmes which will have an immediate impact on energy saving, direct employment, supplier employment and fuel poverty.

The Assembly Government has done well in developing the 'weathering the storm' publications and seminars to highlight the flexible support available to businesses. The next steps are to ensure banks are fully engaged with supporting companies at local level and that Finance Wales explores whether the 'JEREMIE' funds create opportunities for it to play a co-ordinating role developing a package of financial support for companies in partnership with high street banks.

The Assembly Government has done well in ensuring the European Structural funds programmes (particularly ESF) deliver a share of the resources required for the initial emergency response. The next steps are to ensure the overall balance of the programmes both between and within measures, are appropriate to the changed economic circumstances.

The Assembly Government has done well in identifying the need for increased basic skills engagement from employers. The next steps are to ensure that employees can access basic skills support in the workplace without detriment to their employment.

The Assembly Government has done well in increasing the Workforce Development programme assistance rate from 50% to 70%. The

next steps are to ensure workers are fully engaged in identifying their training needs and participating in appropriate training.

The Assembly Government has done well in increasing the financing of the 'React' fund by 50%. The next steps are to ensure individuals receive timely and appropriate assistance in identifying training courses and accessing potential new employers.

The Assembly Government has done well in identifying a £20m fund to support the continuation of existing and new apprenticeships. The next steps are to ensure that individual apprentices who lose their employment are able to complete the apprenticeship programme either through college study or with a new employer.

The Assembly Government has done well in taking the innovative £48m 'Proact' scheme from concept to delivery in a matter of three months and in developing the scheme through social partner engagement. The next steps are to ensure the fund has the same level of social partner engagement throughout the delivery phase, that the training provided is of high quality & fully engages the workforce and that the fund is adequate to meet demand over the coming months.

Conclusion

While this note of evidence is necessarily brief the Wales TUC will be please to provide more detail of our views on the Welsh Assembly Government response to the international economic downturn when we provide oral evidence to the Committee.