



Cynulliad
Cenedlaethol
Cymru

National
Assembly for
Wales

Cofnod y Trafodion The Record of Proceedings

[Y Pwyllgor Cydraddoldeb, Llywodraeth Leol a
Chymunedau](#)

[The Equality, Local Government and
Communities Committee](#)

05/07/2017

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Cofnodir y trafodion yn yr iaith y llefarwyd hwy ynnddi yn y pwyllgor. Yn ogystal, cynhwysir trawsgrifiad o'r cyfieithu ar y pryd. Lle y mae cyfranwyr wedi darparu cywiriadau i'w tystiolaeth, nodir y rheini yn y trawsgrifiad.

The proceedings are reported in the language in which they were spoken in the committee. In addition, a transcription of the simultaneous interpretation is included. Where contributors have supplied corrections to their evidence, these are noted in the transcript.

Aelodau'r pwyllgor yn bresennol
Committee members in attendance

Gareth Bennett	UKIP Cymru
Bywgraffiad Biography	UKIP Wales
Janet Finch–Saunders	Ceidwadwyr Cymreig
Bywgraffiad Biography	Welsh Conservatives
John Griffiths	Llafur (Cadeirydd y Pwyllgor)
Bywgraffiad Biography	Labour (Committee Chair)
Sian Gwenllian	Plaid Cymru
Bywgraffiad Biography	The Party of Wales
Bethan Jenkins	Plaid Cymru
Bywgraffiad Biography	The Party of Wales
Rhianon Passmore	Llafur
Bywgraffiad Biography	Labour
Jenny Rathbone	Llafur
Bywgraffiad Biography	Labour
Joyce Watson	Llafur
Bywgraffiad Biography	Labour

Eraill yn bresennol
Others in attendance

Kirsty Davies–Warner	Pennaeth Oxfam Cymru Head of Oxfam Cymru
Yr Athro / Professor Anne Green	Ysgol Fusnes Birmingham, Prifysgol Birmingham Birmingham Business School, University of Birmingham
Dr Rod Hick	Darlithydd mewn Polisi Cymdeithasol, Ysgol y Gwyddorau Cymdeithasol, Prifysgol Caerdydd Lecturer in Social Policy, School of Social Sciences, Cardiff University
Lindsey Kearton	Swyddog Polisi Cymru, Cyngor ar Bopeth Cymru Policy Officer Wales, Citizens Advice Cymru
Yr Athro / Professor Caroline Lloyd	Ysgol y Gwyddorau Cymdeithasol, Prifysgol Caerdydd School of Social Sciences, Cardiff University
Yr Athro / Professor Karel Williams	Athro Cyfrifyddiaeth a'r Economi Wleidyddol, Ysgol Fusnes Alliance Manchester, Prifysgol Manceinion Professor of Accounting and Political Economy, Alliance Manchester Business School, Manchester

University
Dr Victoria Winckler Cyfarwyddwr, Sefydliad Bevan
Director, Bevan Foundation

Swyddogion Cynulliad Cenedlaethol Cymru yn bresennol
National Assembly for Wales officials in attendance

Sarah Bartlett	Dirprwy Glerc Deputy Clerk
Megan Jones	Y Gwasanaeth Ymchwil Research Service
Naomi Stocks	Clerc Clerk
Gareth Thomas	Y Gwasanaeth Ymchwil Research Service

Dechreuodd y cyfarfod am 09:07.
The meeting began at 09:07.

Cyflwyniad, Ymddiheuriadau, Dirprwyon a Datgan Buddiannau
Introduction, Apologies, Substitutions and Declarations of Interest

[1] **John Griffiths:** May I welcome everyone to this meeting of the Equality, Local Government and Communities Committee? The first item on our agenda today is introductions, apologies, substitutions and declarations of interest. There are no apologies. Sian Gwenllian is unable to join us now but will be with us, hopefully, very shortly. Are there any declarations of interest? No.

Ymchwiliad i Dlodi yng Nghymru: Gwneud i'r Economi Weithio i'r
Rheini sydd ag Incwm Isel—Sesiwn Dystiolaeth 1
Inquiry into Poverty in Wales: Making the Economy Work for People on
Low Incomes—Evidence session 1

[2] **John Griffiths:** We move on to item 2 on our agenda today—evidence session 1 of our inquiry into poverty in Wales: making the economy work for people on low incomes. I'd very much like to welcome our first panel members here this morning. I wonder if you could introduce yourselves for the record, please, starting with Kirsty, perhaps.

- [3] **Ms Davies–Warner:** I’m Kirsty Davies–Warner, head of Oxfam Cymru.
- [4] **Dr Winckler:** I’m Victoria Winckler. I’m director of the Bevan Foundation.
- [5] **Ms Kearton:** Lindsey Kearton, policy officer at Citizens Advice Cymru.
- [6] **John Griffiths:** Okay, thank you all very much. Perhaps I might begin, then, with the first question on the Welsh Government’s economic strategy and support for business. The Welsh Government’s new economic strategy is going to adopt a regional approach to economic development and sector specialism. It’s going to support a smaller number of foundational sectors nationally, and it will empower local communities with tools to access work. So, we’d be interested in your views as to what extent this should benefit people on low incomes, as compared to the current Welsh Government economic strategy. Will it produce a major shift in that regard? Who would like to begin? Victoria.
- [7] **Dr Winckler:** I think the hints that we’ve had about the shift in emphasis in the Welsh Government’s approach so far are very welcome. We believe that a focus on the foundational economy has the potential to make a real difference to people on low incomes if it’s done in the right way, but we don’t have more detail than that at the moment. What we’d like to see is a real shift in approach away from the emphasis on increasing gross value added towards looking at making the economy work for people so that it’s about job quality, it’s about access to work and it’s about improving the quality of services that those jobs deliver. The foundational economy has a key role to play in that, but it’s not the only shift that we’d like to see.
- [8] So, although I hope there will still be a place in the new strategy for ‘the old stuff’—the talk about high value and high skills, and science and technology—I think that moving the dial around so that we’re talking about job quality, about pay, about who gets work, the quality of work, and where that work is, will, I hope, be a much bigger priority.
- [9] **John Griffiths:** Would you be able, then, Victoria, to elaborate a little on how improving the quality of work might be achieved through this new economic strategy?
- [10] **Dr Winckler:** Improving the quality of work.

[11] **John Griffiths:** Yes.

[12] **Dr Winckler:** Looking at job quality is actually a very new policy area. We've worked with the University of Warwick and the London School of Economics and Coventry University on a big project looking at that, and there's not much work being done. The downside of that is that there aren't many pointers as to what could be done, and the upside is the scope for innovation. But the issues around job design—so, how skills are grouped to make a job, so that you don't have a very detailed division of labour with lots of discrete elements making up one very boring and often quite small job—it's about giving workers responsibility, it's about looking at pay and the business model, and I think the scope for Welsh Government is around working very closely with employers to support them in shifting from business models based on low pay and poor conditions towards business models that are based on investment in the workforce and progression. Also, to assist managers in workplaces around designing and rethinking the design of jobs, rethinking the qualifications that are needed, and so on. There's not a clear route-map there, but we do know that looking at pay, looking at hours and looking at the skills package that is needed can work.

[13] **John Griffiths:** Would you differentiate at all, then, between the public sector and the private sector in terms of where Welsh Government should initially concentrate its effort? Is it easier to work with one or the other? In the private sector, is it easier to work with the bigger rather than the smaller employers?

[14] **Dr Winckler:** I don't think you can make a blanket statement about which type of organisation is easier to work with. Even within the public sector we see big differences in their approach to the living wage, for example, and their approach to the use of zero-hours contracts. So, I don't think we can make a blanket statement about who is easier to work with. I think it's a question of opportunity. What we do know is that if you can begin to work with a sufficient number of employers of whatever sort in the local labour market, you can start to drive up and change what is the norm in that locality. But I think, certainly in the early stages, it's about being opportunistic, really.

[15] **John Griffiths:** And you could be, as you just suggested, quite place-based, then, in the initial stages.

[16] **Dr Winckler:** Absolutely, yes. I think that's probably—. If you can find a

relatively well-contained labour market and have sufficient co-operation across sectors, and across sizes as well, you can begin to drive that up. That's what our work on the living wage in Merthyr showed: if you can get a sufficient critical mass then you can begin to make a change, even if employers aren't signed up as individuals to a set of changes. Because everybody else is doing it, there's a kind of general uplift.

[17] **John Griffiths:** Okay, thanks for that. Rhianon, you wanted to come in at this stage.

[18] **Rhianon Passmore:** Yes, thank you, Chair. In regard to the place-based debate, I can only speak to what I know in terms of my constituency, and there are a number of different areas in my constituency where we know that we have low pay. The Welsh index of multiple deprivation figures point to that. So, we know that if we centre around those areas—and there is a place for asset-based and person-bespoke strategies as well—we know that we have got that conglomeration in those areas.

[19] So, my question really is: in terms of the Better Jobs, Closer to Home initiative that the Government is looking at at this moment in time, and actually identifying those areas, we feel that that is part of the correct approach, alongside an employability plan. I don't know what your thoughts would be around that centralisation around that place-based initiative. Also, just to add on to that, in terms of the emphasis at the moment in terms of life sciences, how we can better identify, in those communities, businesses that are already active, but mainly that step up so that those procurement contracts, perhaps socially procured, are going to be far more beneficial in terms of qualitative pay. I don't know if you have any comments, anybody, on those different points that I've made.

09:15

[20] **Ms Kearton:** We would definitely support the idea of localising jobs and bringing more jobs to local areas. I think that not only helps us support the local economy and the infrastructure that supports those communities in terms of shops and other facilities, but it also helps to address some of the barriers to work that people face in terms of travel, the cost of travel, the time it takes to travel. One of our Citizens Advice offices in Caerphilly and Blaenau Gwent has recently been involved with a project—volunteering as a route to employment project. In that project they worked with a couple of Communities First clusters, with Jobcentre Plus and also with local

employers, most critically, and talked to those employers, identifying the needs that they had in the area. This was in Blaenau Gwent. Then the clients were able to go on an eight-week programme that built up their skills and also addressed some of those other barriers to employment, such as, perhaps, if they had debt issues, if they had housing problems, or if they had problems with benefits. They were able to enable them to be job-ready, and there were actually jobs then in their local community for them to go to. So, it was a really successful project.

[21] I think it's important to look in the round when you're talking about employability and the other barriers that people might be facing, apart from, maybe, a lack of skills, though that's important in terms of improving skills. Other issues that are going on in people's lives could also be acting as barriers to them finding work or staying in work.

[22] **Rhianon Passmore:** So, you would point out—if I may, Chair—in terms of those barriers, for those on very low pay and, potentially, in a number of zero-hours contract positions, that it is those effective barriers to work that also, equally, in parallel, have to be tackled.

[23] **Ms Kearton:** Yes.

[24] **Dr Winckler:** If I could answer that, then, what we've done quite well in Wales is address employment issues as they affect individuals. So, we've got absolutely loads of employability programmes, and we've also addressed, with varying degrees of effectiveness, how businesses invest and business decisions. But there's this big hole in the middle, and Welsh Government's not unique in not getting involved in this area, but there's this big area of work—around the jobs, the labour market, progressions, what happens within a workplace—where very few people have got involved. There's a debate to be had about whether it's appropriate and what type of intervention there is, but the evidence suggests that dealing with, if you like, each end of the spectrum isn't enough. So, if you only engage with individuals about their barriers to work and don't look at the work itself, then you've only done half a job. So, there's a whole new area that is opening up, and the Better Jobs, Closer to Home agenda is opening that up, and I think it's really exciting, but it is new and it needs a lot more work.

[25] **John Griffiths:** Thanks for that. Could I ask about procurement policy—to what extent, in your view, current Welsh Government procurement policy is providing the necessary assistance to people on low incomes or people out

of work and, particularly, the code on ethical practice in the supply chain? Is it doing enough on this agenda or could it easily do more?

[26] **Ms Kearton:** I think procurement policies are a really critical lever that the Welsh Government can use, particularly in public sector supply chains, because that covers—a lot of employers in Wales are within the public sector. We very much welcome the code of practice on ethical employment in supply chains. I think it's a really good step forward, but it's still a fairly new concept and I think it will be important that that is adequately promoted—both within the public sector and with other organisations in the private sector, as well, to encourage them to sign up to the code—and effectively monitored and enforced to check that what people say is happening is actually happening.

[27] **Dr Winckler:** If I could add to that, I think that the high-level frameworks are excellent, the code is fantastic and I think we've been talking the talk about procurement for some time, but, if you go to the front line and talk to the people who are tendering, and talk to the people who contract with public bodies, they'll tell you a different story, and they will tell you about real difficulties that they have in getting the recognition for the social-value element in contracts. We came across people who were talking recently about social care being procured like wheelie bins. There seems to be something of a gap in the translation. I think the way that you get the good intent in the procurement policies actually down to the contracting process is through the policies having teeth. So, unless it's monitored and enforced, and there are consequences for non-compliance, it ain't gonna happen.

[28] **John Griffiths:** No. Okay. Thanks very much for that. Okay, we'll move on to the employability plan and skills, and Bethan Jenkins.

[29] **Bethan Jenkins:** You've touched on it already in relation to the gap between getting people into jobs and then the quality, and I think, a few weeks ago—not that I want to misquote Carl Sargeant, but he said, when I asked about people going on to places like McDonald's and working on zero-hours contracts and not knowing, potentially, how long they'd stay because the quality of their job didn't lend itself to them wanting to stay that long—. They said they had a piece of work to be able to do on that, because they hadn't actually looked at it. So, with regard to the new employability plan, on which I think there's going to be an announcement next week, can you just give—well, that's what my briefing says. I don't want to announce anything. I'm not in Government. Yet. No; joke. What do you think an

employability plan should look like in an ideal world? If you had everything that you could—all the money in the world to do something—what would you think would be the essentials to be a part of that employability plan?

[30] **Dr Winckler:** Can I go first? We've got a paper about to come out—so, it will be rushed out now—that sets out what we think should be in the employability plan.

[31] **Bethan Jenkins:** I'm going to check my briefing.

[32] **Dr Winckler:** What we're clear about is employability is part of a bigger picture, and we need to be thinking about an inclusive labour market. So, employability is extremely important. Being in work, even a part-time job, halves the risk of being in poverty, but it doesn't get rid of it. So, helping people into work, yes—and there's a lot of evidence about what works in terms of the types of interventions you make. So, for example, pre-employment training, work experience, and a guaranteed interview are the gold standard, and, if you don't do that, you're not so likely to achieve success. So, employability really matters, but that's just the beginning. You need to couple that with work on progression, and that particularly needs investment in skills and careers advice and support and guidance, and also—back to the initial question—you need to be thinking about job quality. If you just pull one of those things out of that structure, you're not going to get the same bang for your bucks as if you do the whole package.

[33] **Bethan Jenkins:** But when you're talking about—. I know Kirsty's waiting there to come in. When you're talking about employability, there are a lot of employability plans. Is there something that's not being done now? If there are so many, why are we not getting this right? That is my concern.

[34] **Ms Davies-Warner:** Okay. So, I should say that Oxfam aren't experts on the labour market, but we do work to tackle poverty at home as well as overseas. We have a history of studying decent work and employment conditions. So, Oxfam's a women's rights organisation, and we've learnt that, although gender equality supports economic growth, it doesn't necessarily work the other way around. We've been looking at this issue more in the UK recently, and we think that, if you're going to deliver an economy that works for people on low incomes, it's vital that there's a significant gender focus. So, women's economic empowerment, we think, could reduce poverty for everyone, and the current economic model undermines gender equality and causes extreme economic inequality, making it harder for women to have

decent work. We know that in order for—our work overseas has proven that, when you do economically empower women, the whole of the community comes along. But it's really important that that work is decent, and, to echo Victoria's point from earlier, that any Welsh Government economic policy moves beyond the kind of current orthodoxy to deliver for people on low incomes, moving beyond the kind of measurement of gross domestic product and GVA, and looking at what everybody in the employment market needs to progress.

[35] **Bethan Jenkins:** Lindsey.

[36] **Ms Kearton:** I was just going to add that I think one of the things that perhaps we haven't mentioned already is about people's awareness of their rights, and also employers' awareness of their responsibilities. Because the labour market has changed so rapidly over the last decade, with the growth of different types of work and how people work, what we see every day is that some employers are taking advantage of that in terms of exploiting, perhaps, people's confusion about what they're entitled to, or maybe just not informing them adequately about what they're entitled to. We helped over 11,000 people in Wales with employment-related problems last year, and the biggest areas that we helped people with relate to pay and entitlements, terms and conditions, and dismissal issues.

[37] So, in terms of making sure that people are aware of their rights at work—. For example, people on zero-hours contracts or temporary contracts, in many situations they are entitled to some paid leave, but that's not always made known to them. Recent research that we did found, with people who are on those types of contracts, half didn't think that they were entitled to paid leave, whereas that's not always the case. So, we would say that any employability plan needs to take account of raising awareness amongst the public of their employment rights, which, in this world, are more important than ever.

[38] **Bethan Jenkins:** I know we are pushed on time, but, in my final question, I did want to mention what you think the link could or should be with the Department for Work and Pensions schemes. When I've met with delivery bodies before, they've said that some schemes would allow them to access European social funding, whereas others wouldn't. And I'm just wondering if, for example, the employability plan of the Welsh Government is so much more progressive than a DWP plan, how then will the individual benefit, or not benefit, from each scheme, or whether they would just be put

on one scheme and not another. Perhaps you would know better than me in that regard. But what I was hearing from Remploy before was that—and from Working Links, actually—some people would get less from a scheme than others would in the same area as them.

[39] **Dr Winckler:** I think there needs to be an effective interface between the two, and I think that's been one of the problems—back to your earlier question in terms of why the employability programmes haven't been so successful. We've had huge fragmentation and duplication, and I think the employability programme needs to have a place in it for the Work and Health Programme. The Work and Health Programme is going to be much smaller in terms of volume of people, so it perhaps matters less if it isn't there quite so centre stage as the Work Programme. But it needs to be there. From an individual's point of view, they need to know—they need a simple shopfront of how to access these things, rather than being faced with a plethora of different schemes with different criteria, some for over-21s, some for over-50s, blah, blah, blah. It's all about what the individual needs.

[40] **John Griffiths:** Okay. Rhianon Passmore.

[41] **Rhianon Passmore:** Following on from that, I wanted to explore a little bit more in terms of Citizens Advice, in particular, around that interface and that potential for a one-stop shop, and that potential for a huge dichotomy between DWP and accessing in-work benefits, in particular, but also universal credit. Because we have to accept that most people on low pay are on benefits, but also, in parallel, increasingly on zero-hours contracts. Obviously, there is a place, in terms of the consultation, for social care zero-hours contracts, which has been announced recently. So, I wanted to get a perspective, if we have time, Chair, in terms of whether we feel employability programmes are actually marrying up with DWP benefits, because there is nothing worse than going onto a particular programme and then having a huge delay in being able to claim any benefit. And that interplay often stops people from going back onto a progressive employability programme, which is one of the issues, in my view, but I don't know if there's any synergy from the panel in terms of that.

[42] **Ms Kearton:** I think one of the things that will change quite substantially for people with the continued roll-out of universal credit is the changes that it'll bring to people who are working, because, obviously, it's not only for those out of work, but also for those in work. It's bringing in things like in-work conditionality, for example, which people in work

wouldn't necessarily have experienced before, which will mean that if, for whatever reason, their hours of work drop below a certain level, they will need to prove that they are looking to increase their hours of work or look for further employment. That is an issue that we are concerned about.

09:30

[43] Again, from some research that we did with people who are currently on tax credits and currently on universal credit but are working—it showed that only one in three felt that they would be able to increase their hours through working, and there are multiple barriers to that, to why that is the case, both personal and employment-related. So, in terms of caring responsibilities, both childcare and other caring responsibilities, and in terms of if they are disabled or have a health condition, then they would worry that they would be able to do more work. And the support for disabled people and those with health conditions needs, definitely, to be improved to enable them to both remain in work or to go back into work after, perhaps, a period of sickness. Again, time and time again, we see people coming to us for help because they've been treated poorly by their employer when they've gone back to work after a period of sickness and those reasonable adjustments that should be made haven't been made or they've been refused. And then it can be quite difficult for people to fight that, both in terms of the stress of the situation, but also because, quite often, they do just hit barriers and don't have much success. So, obviously, when they come to us, we do support them with that and recommend what path we would recommend that they take. So, in terms of empowering people that way, that's important. But I think there will be a lot of changes under universal credit, and people do need to be equipped for that and understand what that will mean.

[44] **John Griffiths:** Okay. Joyce on employment growth sectors.

[45] **Joyce Watson:** You talk about—certainly, the Bevan Foundation; good morning, Victoria. You talk about increasing the total number of jobs in local areas being more important than influencing wages in a specific growth sector. Do you want to say a little bit more about that?

[46] **Dr Winckler:** That finding is based on quite extensive research with our research partners, and the policy message from that—and this is quite important, given the first question—is that focusing only on sectors is unlikely to achieve wage growth, whereas, if you focus on increasing all jobs of any type in any sector, and you don't distinguish between a job in social

care and a job in a high-tech company, that 'any job' increase has more effect on wage rates. And you can understand why, because it means there are fewer people chasing jobs, there's less competition, so employers have to raise their wage rates in order to attract and retain workers. And the evidence for that's quite powerful, and I think it does raise some big challenges for the way in which we've done economic policy so far in Wales.

[47] **Joyce Watson:** If I could further look at those links, if you're in an area where we're talking about paying the living wage, I've also received quite a lot of anecdotal evidence from, certainly, the retail sector, where they've paid it, but cut the hours, and, at the same time, required the same volume of work by the workers. So, how would this help people in those situations?

[48] **Dr Winckler:** Okay. I think it's important to distinguish between the statutory living wage that was introduced and is effectively a new minimum wage for over-25s, where employers had no choice, and many of them did respond by making changes to other benefits in order to cover—other work-related benefits, whether it was sick pay or paid breaks or whatever. But the voluntary living wage is for employers to decide if they are able and willing to pay it, and that is the big advantage, and that they can make preparations for it. They don't have to pay it if they don't feel able to afford it.

[49] But, if you start getting that critical mass of employers choosing to pay it, the ones that don't pay it start looking uncompetitive and need to start thinking about improving their offer as well, if they want to keep and retain their workforce. Now, that clearly works better in a more buoyant labour market, and we don't have so many of those in Wales, but that's the logic and that's what makes the difference, and, if you have that growth in an economy, the employer who stops the paid breaks is the employer who's going to struggle to recruit staff.

[50] **Joyce Watson:** Okay. I'd need some convincing.

[51] **Ms Davies-Warner:** Can I just add to that? Sorry. It's compelling, but it seems kind of counterintuitive, because we know that we've got record employment in Wales at the moment and almost a quarter of Welsh households are living in relative poverty, and over half of those households have somebody in work in them. So, I would suggest a dual focus on jobs being decent as well, and that goes further than pay and into job security.

[52] **John Griffiths:** Okay. I think we'll move on to some other questions on

the living wage. Before we do so, I know Gareth Bennett has some questions on in-work poverty, which perhaps widens it out slightly. Gareth.

[53] **Gareth Bennett:** Yes, well, I was going to just get the ball rolling by asking what you think the main factors are causing in-work poverty, and what you think Welsh Government could effectively do to alleviate that. I don't know who wants to go first. I think, Kirsty, you were just raising the issue of why we have in-work poverty, given that we seem to have high employment levels in Wales at the moment, so perhaps you have some ideas as to why we do have in-work poverty.

[54] **Ms Davies-Warner:** I think it's a combination of things. Obviously, low wages play a major part, but the fluctuating levels of work hours, insecurity of contracts, rolling in and out of jobs and the effect that that has when interacting with benefits, means that, if a family suffers a shock, say, an end of a contract, they haven't quite recovered from that shock when the next shock comes. So, I think it's a combination of different factors, of which low pay is only one.

[55] **Dr Winckler:** The hours factor is as important as low pay, and you get that toxic combination—and it's the hours of work that are done in a household, not just an individual's. So, having two people in a household halves the risk of poverty compared with having one person in work. Having a full-time worker reduces the risk of poverty compared with having a part-time worker. But, even if everybody in the household is working, there are still one in 10 households that are in poverty. So, it's—. No matter how much some people work, it's not a guarantee, and it's that toxic combination of low pay and low hours that really makes the difference.

[56] **Ms Kearton:** If I—. Oh, sorry.

[57] **John Griffiths:** I was just going to ask about the jobseeker benefits system, which you mentioned is part of this as well, because, for some people, they might work part time but tax credits top up their income to a level that, I guess, sometimes at least, is equal to what they would receive if they worked full time. So, that's another complicating factor, I guess.

[58] **Ms Kearton:** It is, definitely. I was going to build on what Kirsty was saying. What we see is that many people living on low incomes manage, somehow, to survive day to day, until something tips them over the edge, whatever that might be. And then, whether that's a loss of a job or whether

that's an illness or an accident or a change in circumstances, it's when they lose that control over their finances that things do go out of control. And things that do exacerbate that are things like how the benefits system works when you're in and out of work, and currently it is very slow to react in terms of when people have a change in circumstances. That is meant to be improving under the universal credit, but I think we will wait and see how that works in reality, because I think there are issues that need to be addressed around that. Citizens Advice are actually due to publish a report on the evidence that we've gathered to date on the roll-out of universal credit this coming Friday, so I will forward that to the committee as soon as that's available. I'm afraid I'm not able to say too much about what's in that report, currently, but I will forward it to the committee as soon as that's available.

[59] **John Griffiths:** Okay, Lindsey, that would be very useful, thanks. Okay. Rhianon.

[60] **Rhianon Passmore:** I was just going to build on your comment, Chair, before you said it, which is, in terms of lowering the threshold of tax credits—and we'll put aside the accumulation of the cuts across the system in terms of many other areas, but, in terms of an in-work benefit, how important do you feel—? I think it's important, but I need to know what you think. How important do you feel the reduction in the threshold for tax credits has been in contributing to in-work poverty?

[61] **Ms Kearton:** I think one of the things that we are calling for, in relation to universal credit, is that those incentives to work are restored and strengthened, because, following the budget a couple of years ago, as you know, the work allowances have been reduced, which means that people will be not so well off if they are going into work. That is something that we feel does need to change because it's moved away from the original principle of universal credit, which was to make work pay, which we support, but the way it is currently—. What's happening currently—obviously, there was a rebellion against the changes to tax credits, but that didn't apply to UC, and now that is coming in even more in Wales with the roll-out of full service, which we've already seen in Flintshire and we're about to see in Torfaen, and then other local authority areas will follow for the rest of this year. So, there are issues around that which we feel need to be addressed, and one of those is about restoring those work incentives and strengthening them to make sure that work does always pay.

[62] **John Griffiths:** Joyce.

[63] **Joyce Watson:** I want to come back to the separation of work and where people find themselves, and I'm talking about gender separation in work. So, if we're going to—. I want to explore a little bit further—. I want to give another chance about the employment growth sectors, the local growth sectors, and how individuals fare within that according to their gender. Because I think, for me, certainly—. And I want to know your opinion about women being trained to take part in and be encouraged in the higher paid sector, rather than finding themselves in the five Cs—we all know what they are—and if any of you have got any work that you've done to link those two things.

[64] **Dr Winckler:** Well, the first thing is that there are lots of different ways of defining a growth sector. We've used and looked at employment forecasts, but, if you use GVA forecasts, or the ones that the Welsh Government chooses to invest in, you have a quite different spread. What's very clear is that, in every sector, there is a significant gender pay gap. The sectors with the smallest gender pay gaps are the ones where you tend to have women professionals, so health and social care and in education. The gender pay gap in things like finance and insurance services and in manufacturing is absolutely massive. We also know that low pay has a very sticky floor, and people are much less likely to leave low pay in some sectors than in others. So, if you're in a low-paid job in finance and insurance, you stand a good chance of moving on within a year. If you're in low-paid work in accommodation and food services, you've got a seven in 10 chance of still being there in a year's time. That's made even worse by the gender difference. So, on the whole, men are more likely to leave low pay than women. That's why progression at work and thinking about the skills people have, the ladders that are there within sectors and across sectors, is so important. It's not just about getting people into work.

[65] **Joyce Watson:** Can I just ask one further question? Because I think this is—well, for me, it's hugely important. Have you—when you talk about training, there's a step before training, there's the advice that young people are given so that they take the opportunities more widely than, perhaps, they might have.

[66] **Dr Winckler:** There's a clear need for better advice for all young people, not just the ones prioritised in the Welsh Government's remit letter to the careers service, but crucially for adults. So, for people who are

changing careers, returning to work, want out of their awful job in whatever—. We have a big gap, and, over and over again, the work that we're doing is pointing to careers advice at all ages in the labour market—of all ages of workers—is absolutely key.

[67] **Joyce Watson:** Thank you.

09:45

[68] **Ms Davies-Warner:** Just to add to that, I think women, as we know, face a kind of triple burden. So, they've got low incomes, and they also have less time because of care commitments, and they're also the ones most heavily reliant on an ever-contracting public service. So, literally, in terms of having time to access training, it's much more difficult, and so that's why they tend to stay more in lower-paid jobs. But, as well as training and skills, what's really important is helping women gain confidence, and, in our work overseas and in the UK, we've found that if you spend time with women and help them gain confidence they see their own routes to progression. I think that we've traditionally concentrated on people who are out of work, and, given the record numbers of employment now, the time is now to concentrate on helping people in work, especially women, who we know are more likely to be lower paid and in insecure work, to progress into better-paid employment.

[69] **Joyce Watson:** Thank you.

[70] **John Griffiths:** Okay. Thanks for that. Jenny.

[71] **Jenny Rathbone:** I wonder if you can just give us a brief overview as to why there's been such an increase in the casualisation of the employment contract—you know, the zero-hours contracts, the bogus self-employment arrangements, the minimum hours that occasionally are ratcheted up in line with demand in the business. Can you just briefly say whether these are fiscal incentives, or what are the other drivers that will need to be—

[72] **Dr Winckler:** I'd say there are two reasons. The first one is that it makes business sense to the employer because it keeps their costs down, and the second one is they can do it because there's a supply of labour.

[73] **Jenny Rathbone:** Okay. At one point the Chancellor of the Exchequer did consider tackling self-employed national insurance contributions and

whether they were adequate to make it less of an incentive to go self-employed, but then there was an uproar and he withdrew. Is this one of the things that needs tackling?

[74] **Ms Kearton:** I know one of the things that Citizens Advice is currently calling for is for there to be a statutory definition of what it means to be self-employed, because I think there is this, like you say, bogus self-employment where people are regarded as self-employed but they're not really, and they should be regarded as workers or employees and have the corresponding rights associated with that. So, that is one of the things that we are calling on the UK Government to do currently. In terms of the way the job market has gone, it's true that there can be some benefits in terms of increased flexibility, and I know that works for employers, obviously, in terms of them being able to manage the demand they may have for workers in times where they need more workers, and then times when they don't, but in terms of individuals as well, in terms of allowing people to work around other responsibilities that they have in their lives. But I think, with that, the complexity—. I just thought I'd try and put a positive on it, but there is also—. Obviously, the growing complexity of the labour market does mean that people—. There are great risks, as I said previously, and people can be exploited, people can be treated poorly, and that's where we do see the need for change and the need for people, as I say—both employers and employees—to be aware of employment rights, and that needs to be strengthened and more effectively enforced and monitored.

[75] **Jenny Rathbone:** I recognise that the zero-hours contracts can work where the employee has got skills that people want, so they can choose to fit in with other responsibilities when they go into work, but, in the main, it's the individual clinging on, hoping that they're not going to say something out of turn that then could lead to them not getting any hours. It seems to me such an unequal relationship. In one case I had somebody who was being refused a statement of earnings, so they couldn't even get the benefits that they were entitled to because they couldn't even get a statement out of the employer—just incredible. In the end, they were forced to do it. But just that level of abuse, when it should be a statutory obligation that you provide that information to make sure that you're being deducted the right tax and things like that. So, what role do you think the Fair Work Commission could play in trying to rectify this jungle, basically? I know that, Victoria, in your evidence you mentioned that there could be a role for the Fair Work Commission, but it was unclear exactly how it's going to operate.

[76] **Dr Winckler:** Well, we don't know much about it. There's not much been available, certainly at the time when we put this evidence in. I think the Fair Work Commission could identify the levers that could be used within Wales when employment terms and conditions for the most part are devolved, and it could make sure that those levers are then used. But whether it has that in its remit and is sufficiently resourced to do that, I just don't know, I'm sorry.

[77] **Jenny Rathbone:** Okay. So, you, I know—Oxfam—have demanded that the Government does something about limiting the use of zero-hours contracts, and it looks as if we're moving down that road in terms of social care—there's a consultation out at the moment, but hopefully that will then lead to action. Are there other areas you feel that Welsh Government should be moving on?

[78] **Ms Davies-Warner:** In terms of the Fair Work Commission, what we think at Oxfam is really important is that it listens to people, so that's people in sectors and communities and people living in poverty. Because, actually, most sectors know what the issues are and how to solve them, and most people and communities, if you ask them, know what the way forward is. So, we're not sure at the moment what the Fair Work Commission will do and how it will engage with people, but we think that that's a very important first step: before deciding what needs to happen in terms of fair work, that we ask people what fair work looks like and what they need in their areas.

[79] **Jenny Rathbone:** Okay, I think that's—

[80] **John Griffiths:** Just before you go on, Jenny. In terms of your evidence, then, Kirsty, and the idea that Welsh Government should show more leadership in limiting the use of zero-hours contracts, is there anything else you'd mention in terms of what showing that leadership would involve?

[81] **Ms Davies-Warner:** Well, Scotland have a model called the 'business pledge model', so we could encourage the public sector, certainly, in Wales to be dealing with organisations that have signed up to this business pledge. It's about modelling good practice, so that, as Victoria was touching on earlier, people will tend to offer better working conditions if other employers in the area are doing the same. And I think if the Welsh Government shows that commitment and, through its public sector procurement, has ethical business practices, then that sets a really good standard for the rest of employers in Wales.

[82] **John Griffiths:** Okay, thanks.

[83] **Jenny Rathbone:** What role do you think public services boards could play in assessing well-being plans when making their decisions? Because, this level of insecurity is clearly very bad for people's mental health.

[84] **Dr Winckler:** I think all agencies need to give much greater prominence to poverty and to low pay and conditions of work in their work. If you look at the strategies for most of the Welsh learning and skills partnerships, there is no mention of the words 'low pay' and there is no mention of poverty. Until those strategies start to take those issues seriously and start developing and using the tools that they have, we're not going to change those problems.

[85] In terms of the public services boards, it's absolutely crucial that they look at the quality of work, when we know from years of research that the kind of work you do has a huge impact on your well-being, and that work-related stress is a major cause of absence. To have these issues not on the agenda, I think, is a huge—well, it's a pity, and it's a big gap, too.

[86] **Jenny Rathbone:** Why is it, do you think, that in the UK and, in particular, in Wales, we've fallen so far behind some of our European partners? Because one of our later witnesses gives some stark comparative figures about, for example, profits in the multinational coffee shops that are all over the place, and they are much higher in this country than they are in, say, Germany and France. So, clearly, they could afford to pay their workforce better, but the levers are not there, it would appear, for people to demand a fair wage.

[87] **Dr Winckler:** We have, in the UK, a fairly lightly regulated labour market, as you see in the number of people who turn up in Citizens Advice and the people Oxfam are working with. The Welsh Government has, for understandable reasons, I think, not sought to intervene in the labour market—it's done the things around the edges—and I think that's the consequence. I don't know if you—.

[88] **Jenny Rathbone:** I mean—

[89] **John Griffiths:** Sorry, but could I bring Rhianon in at this point, Jenny? She's been waiting a little while. Rhianon.

[90] **Rhianon Passmore:** That's the issue that I wanted to just explore a little bit more in terms of the light regulation around the labour market. How important do you feel this growth in zero-hours contracts and in casual, almost self-employed but not self-employed, due to the non-statutory definition—? How important has the shift to this type of employment been with regard to those persons, therefore, seeking pay-day loans or becoming financially indebted as a direct result, and therefore in a circuitous cycle of poverty, which is extremely difficult to get out of? How important is this shift in the labour market towards provision of debt for individuals?

[91] **Ms Kearton:** I think that's something that we definitely see at Citizens Advice in terms of the nature of employment that many people have. For people who come to us with debt problems, often multiple debt problems, one of the triggers for that is the fact that they are in irregular work, their hours vary, they find it difficult to budget and, as a consequence then, when the household bills do come in, they find it hard to know what they can afford to pay first in terms of the priorities, and sometimes those priorities aren't what we would recommend. Obviously, we have a set sort of—. There are priority debts that we would always recommend paying first, such as rent or mortgage or council tax, but people often pay those who shout the loudest really, so people like pay-day loan companies or other types of consumer creditors who are more insistent, perhaps, on having that payment. As a result, you see people in that cycle, like you say, and it's very hard for people to catch up once they get into that situation. I think a major contributory factor is the nature of work—the fact that they are, especially in rural Wales, in seasonal work and irregular work, and the benefits system as it's designed currently doesn't keep up with those changing circumstances in people's lives. As a consequence they fall behind with payments and then there's just a spiral of debt that gets out of control, which some types of lenders can take advantage of.

[92] **Rhianon Passmore:** How much, Chair, if I may—because I think this is important—is that desperate labour market that we know, and citizens advice bureaux understand, is out there actually driving that type of employment? Is there any thought process on that? Because if you know you have a desperate labour market, you're more liable to get the employment that you can get away with. I don't know, Victoria, if you've got a—.

[93] **Dr Winckler:** As I said earlier, employers can get away with it. I'm not clear to what extent it's only about labour supply, because if you think, even in places with quite a tight labour market—somewhere like London—they are

still employing Deliveroo riders and Uber drivers on those sorts of terms. So, it's partly their business model as well. I don't know how tight the labour market would be before businesses started having to change.

[94] **John Griffiths:** Okay, and Janet Finch–Saunders.

[95] **Janet Finch–Saunders:** Thank you. This is the second poverty inquiry now that I've sat in on in committee, and I'm intending to do more listening on this one and more interacting on the last one, because, for me, we're going over a lot of the same ground. But having said that, you mentioned before, Victoria, about strategies, and I know from my time as an elected member, both here and within local authorities, lots of agencies and organisations are writing lots of strategies. Is there at some stage a time when we should actually stop writing strategies, concentrate on what we've already come up with before, and actually deliver on that model? For me, I'm a real fan of the Well-being of Future Generations (Wales) Act 2015 because I think that encompasses a lot of the strategic things that we keep repeating and repeating. How important do you think the future generations Act, if implemented and resourced—so it's not just this wish list out there—? How important do you think it is, that it can contribute to actually eradicating poverty, helping as regards better education for our children, so we can then get those better skills and higher paid jobs into Wales? How important do you think that Act is? Should we all be getting behind it? It's legislation. I feel very passionately about that.

10:00

[96] **Dr Winckler:** I don't know where to begin, really. I think the future generations Act is extremely important as a statement of intent. I've yet to see and be fully convinced—and this is my personal view—that that good intent can be translated into change on the ground, because it is so vast and the intentions are so high level. I think the changes that organisations need to make are so big, I'm not sure that we yet have the mechanisms in place. I hope that we will. I'm absolutely not—. But I think it is probably a great deal more work than the collective we have allowed for.

[97] **Janet Finch–Saunders:** If I may come back, because this is where I believe that the real debate should be. We have a Government. We have a fair degree of resources—£15.5 billion coming into Wales. When you said it's so vast, do you not think that for us to ever be an ambitious nation, we have to aim high? Even if we only end up there, it's a lot better than not being as

ambitious and aiming high.

[98] **Dr Winckler:** Something sometimes happens in going from the frameworks, the legislation, the policies and the duties to what actually happens on the ground.

[99] **Janet Finch–Saunders:** Don't I know it?

[100] **Dr Winckler:** I think if we can understand why things don't always trickle down to the ground or the cogs somehow, somewhere along the line—. I think you're right: I think we need to make sure we can deliver, and it's not all about strategies. And I just hope we get the future generations Act right.

[101] **Janet Finch–Saunders:** Me too.

[102] **John Griffiths:** Okay, we have to move on, I think, Janet, because we've got three minutes left and I know Jenny didn't finish her earlier questions. Jenny.

[103] **Jenny Rathbone:** Specifically, most of the work programmes from the Department for Work and Pensions and the Welsh Government emphasise support for getting people into work, but then the programme ends with day 1 of the job. How much do you think those programmes need to change to emphasise progression and enabling people to stay in work, because often it does break down from the lack of support?

[104] **Ms Kearton:** I think that is a really important factor as well. Enabling people to remain in work is equally as important as people starting work in the first place. And one of the areas where, obviously, we see a lot of that, where there are problems, is with disabled people and people with health conditions. And it's awareness of the programmes that may be available to employers to enable them to make those reasonable adjustments—for example, the Access to Work programme. I think, currently, there is very low awareness of that programme. Things like that do need to be better promoted, and things do need to be more joined up, because quite often there are just small—. As we've spoken about already in terms of what can happen in terms of job design, being more flexible about working hours and when people work, and taking account of all the additional needs that people may have. Quite often, there are small adjustments that do need to be made that aren't necessarily costly, so any guidance that can be provided, that

Welsh Government can provide, to new start-ups, for example, particularly for smaller businesses on how they can support people to remain in work who may have—

[105] **Jenny Rathbone:** Okay. You made a very specific point about how Communities for Work was dependent on the networks with Communities First, and I just wondered if you'd just like to elaborate on why you think Communities for Work can't operate without the wider Communities First.

[106] **Ms Kearton:** It's not so much that it can't operate; I think it's just the fact that it's currently reliant on those structures and those partnerships that have been built around the Communities First clusters. And as the transition is happening with Communities First being phased out, what we're seeing—. Citizens Advice currently deliver the shared outcomes project, so we deliver advice in over 40 Communities First clusters across Wales, and what they're seeing with the transition is that, in some places, they have experienced venues closing or staff leaving, and that is upsetting the balance and the affected partnerships that were there and referral mechanisms and that kind of thing. I think it's good that—. I think a programme should be more pan-Wales. I think that's one of the things that we said in terms of our response to the committee's inquiry on Communities First lessons learnt, is the fact that it shouldn't be just place-based in that respect. That support should be available for people across Wales, regardless of where they live, because poverty exists across Wales, not just in certain areas. So, as a scheme, Communities for Work needs to be built on in terms of delivering.

[107] **Jenny Rathbone:** All right. And, Victoria, you emphasised progression in work. Changing these support mechanisms so that they continue into employment—is that going to be sufficient?

[108] **Dr Winckler:** Retention, which is important, and I think the payment-by-results system for the old Work Programme did encourage providers to think about retention, but then there's progression as well. And I think all—. Well, as I said at the beginning, an employability programme needs to look at all elements of the job market. There's no point getting people into jobs that they lose after a fortnight.

[109] **John Griffiths:** Okay. Well, thank you very much for giving evidence to committee this morning. You will be sent a transcript to check for factual accuracy. Thank you very much.

[110] I think we'd better have a short break, hadn't we? Jenny, let's take a very short two-minute break while we usher everyone back in.

*Gohiriwyd y cyfarfod rhwng 10:06 a 10:11.
The meeting adjourned between 10:06 and 10:11.*

**Ymchwiliad i Dlodi yng Nghymru: Gwneud i'r Economi Weithio i'r
Rheini sydd ag Incwm Isel—Sesiwn Dystiolaeth 2
Inquiry into Poverty in Wales: Making the Economy Work for People on
Low Incomes—Evidence Session 2**

[111] **John Griffiths:** We move on to our second evidence-taking session this morning and our second panel. Welcome to all three of you. I wonder if you could introduce yourselves for the record, starting with Anne.

[112] **Professor Green:** Hello, I'm Anne Green. I'm from the City Region Economic Development Institute at the University of Birmingham and I've recently been working on an Economic and Social Research Council project on harnessing growth sectors for poverty reduction.

[113] **Professor Williams:** Karel Williams—professor at the Alliance Manchester Business Schools and mainly known in Wales for work on the foundational economy.

[114] **Professor Lloyd:** Hello, I'm Caroline Lloyd and I'm a professor at the School of Social Sciences at Cardiff University. For a number of years, I've been working on projects related to low-wage work, particularly international comparative studies.

[115] **John Griffiths:** Okay, thank you all very much. I wonder if I might begin, then, by asking the first question, really, on the Welsh Government's economic strategy and support for business. The Welsh Government's new economic strategy is going to take a regional approach to economic development and sector specialism. It's going to support a smaller number of foundational sectors nationally and it should empower communities with tools to access work. To what extent would you see that strategy succeeding in addressing issues of low pay and in-work poverty, more so perhaps than the current Welsh Government strategy? Karel.

[116] **Professor Williams:** I think the answer to that question is that, in the

context of this committee, you could look at policy in terms of getting people into work and giving them market income, but the foundational economy is about thinking about the other side of the equation—that their well-being also depends on foundational services: health, care—the pipe-and-cable connections to the household. So, we would work at it in a double sense and get a double dividend in terms of well-being, not only through the jobs, but the services and that also is very important because, in south Wales, 40 per cent to 50 per cent of the jobs are in foundational sectors and the foundational economy is distributed according to population so that it's everywhere.

[117] **John Griffiths:** Okay, thank you for that. Any other comments? Caroline.

[118] **Professor Lloyd:** I think it's a good way forward, but we have to bear in mind that if there is growth in these areas and the creation of jobs, it may not necessarily have an impact on pay or incomes. So, we have to have a joint strategy that looks—if we're developing locally and local industries or sectors—at the heart of that issue: how do we create good-quality jobs and higher-paid jobs?' If you separate it out and just say, 'Well, we're going to create more jobs or growth at a local level', without thinking about the kind of jobs and the structures that you need to encourage more high-quality, high-paid jobs, then you're just going to get more of the same. So, I think it has to be a combined, integrated strategy.

[119] **Professor Green:** Yes, I'll just reinforce those points—that issues of job design and issues like that are very important alongside the whole part of joining up the supply side, the demand side, health, housing and everything else.

10:15

[120] **John Griffiths:** Okay. I wonder, then, if I might move on and ask about gross value added as a means of measuring economic success in Wales. Do you believe that we could usefully move away from that measure of success to alternative measures? And what impact might that have on people on low incomes if that change did take place?

[121] **Professor Williams:** I myself have argued against GVA, which is basically a market income measure. I think, if we're interested in well-being, the provision of services at a local level is at least as important, especially for

people who don't have lots of market income. And from that point of view, I've argued for a dashboard of tangible welfare indicators, which would be local and relevant, so that it might be something like, for example, denser bus services to outlying estates, rather than some kind of overall metric of a technocratic and remote, top-down kind.

[122] **John Griffiths:** Okay.

[123] **Professor Green:** With GVA, I would say I would keep GVA as an indicator to be used alongside other international comparisons, but it's as well as, not instead of. I think that there is a need for a fuller basket of indicators to measure a fuller picture than GVA can possibly do on its own.

[124] **Professor Lloyd:** I would probably go with Karel more on what is the actual aim of this figure of economic growth. Why do we want economic growth? And what are the—? You know, is it just to increase the amount of income, or are we looking at things that—you know, what are the important indicators? Are they things like income distribution, equality, health and welfare of people? Once you've decided what your main aims are, it may or may not include an economic growth indicator, but I think it's deciding what are the key objectives and having aims and targets that reflect those objectives, rather than ones that actually may lead you somewhere else and may have nothing to do with those core objectives that you have.

[125] **John Griffiths:** Okay, thanks for that. Rhianon.

[126] **Rhianon Passmore:** Thank you, that's very interesting. In terms of the fact that we know that users of local authority services and the public sector in general are predominantly those more on low incomes, and in terms of place-based programmes and the Wales indices of multiple deprivation, we know we can go into any constituency and we will find areas that we know from those data that we currently have and hold to that we've got lower economic activity, we've got less car ownership, we've got more elderly, we've got more in poverty in those particular areas. So, what is your view, then, if you're talking about a wider dashboard and moving away from GVA—although I gather there is some disagreement there—? What is your view then in terms of a strategy that would be looking more to areas of inactivity, areas that we know have, because of that, lower productivity—for instance, a programme called Better Jobs, Closer to Home, where we'll be assessing businesses that are currently working in these lower economic output areas and then actually working with them to promote them so that we can get

better qualitative jobs and therefore better qualitative pay? I don't know if there's any narrative around that as one initiative that Welsh Government is looking at at the moment.

[127] **Professor Williams:** Well, I think we have to be strategic about the foundation. We could start, for example, as we've argued, by looking at care. Adult care employs 3 per cent of the workforce, and care as a whole around 5 per cent. The sector doesn't deliver consistent quality care; it delivers poor quality jobs. Now, this is a case where you know the problem of 1947 was to make free hospitalisation available for the population. That's what Nye Bevan solved. What you lot need to solve now is making good-quality care and good-quality jobs available to people. That's a kind of sectoral redesign problem, which brings together all the things that we're talking about.

[128] **Rhianon Passmore:** So, to interrupt you, Chair, you're talking sectorally, rather than looking at areas of lower economic activity. For instance, community: I live on one of the largest social housing estates in the borough. So, rather than looking on a Community First model of anti-poverty strategy as one platform to move forward with, you're talking about looking generally at maintaining the levels of quality across a sector. Is that correct? Have I interpreted that correctly?

[129] **Professor Williams:** Well, I mean, the foundational sectors are all grounded in specific places. So, it is, at the same time, a local strategy, and you're trying to build grounded firms. One of your aims in reorganising care would be to actually make sure there were opportunities for a local small business as well as co-ops. So, it's a kind of holistic approach.

[130] **John Griffiths:** Perhaps I could just ask you a question that addresses that groundedness of businesses, because I know that Professors Lloyd and Williams have talked about prioritising support away from the footloose inward investment to more embedded businesses, and that that would benefit people on low incomes. Could you expand a little bit on that?

[131] **Professor Lloyd:** Yes, I think we all know that there have been some cases of large organisations paid lots of money to come here. They've either not stayed very long, or the jobs that they've created have been very low paid and not good-quality jobs.

[132] It's important to—. In trying to attract inward investors, you're competing against all other areas, other countries. It's exceedingly difficult

to get good, sustainable jobs. There might be areas where you can build on particular specialities, but I don't think that's going to be in the more high-value areas, and I don't think that's going to help those areas in Wales that are low-income, more deprived areas. And actually thinking about, when you come to your locality—and I think there is room for across the board for Wales and also looking at particular communities—what can you do there to encourage and incentivise particular types of businesses, but also thinking about the quality of employment, because if you just say, 'Well, we're going to give tax rebates to every company that comes into this area', the quality of jobs may well just be the same. So, thinking about particular localities, how you can encourage that, and, I think it is about those areas that we've talked about: care, about having good hospitals, good libraries, good education, good parks—. All those kinds of things are within the remit of what Welsh Government and Welsh institutions could do for particular areas, alongside trying to help local companies, small and medium-sized enterprises.

[133] **Professor Williams:** I've always been a great fan of grounded firms, whether I for Williams Trailers or Jenkins Bakery. But, at the same time, we shouldn't idealise grounded firms, because they're not always good employers, and some of them can be as adept as private equity at avoiding corporation tax. When that's said and done, I think there is a huge difference that Welsh Government policy needs to take on board between mobile inward investment and grounded firms. Mobile inward investment means spreadsheet calculations, and they exit when the spreadsheet gives the wrong numbers. Grounded firms don't really have anywhere to go, so they have to stick it out and often take a lot of punishment as part of that process. I think the difference is that, with inward investment, you get exit, with grounded firms, you should have conversation and voice.

[134] I'll give you an example of this in care. We're working at present with Sheffield City Council on care. Sheffield City Council is the lowest payer within 75 or 100 miles for residential care. Because its providers are mainly mom-and-pop firms and SME firms, they haven't exited; they've taken less money out of the business for the last six or seven years. We're now trying to mediate between the providers and the council around open-book accounting. Now, maybe rational academics won't actually triumph, but you can see there's a possibility there of a conversation, where a private equity-financed chain would simply have decided, 'There's no money in Sheffield; we're exiting.'

[135] **John Griffiths:** Okay. Thank you for that. Jenny.

[136] **Jenny Rathbone:** I just want to throw in the challenge of automation, because we're told that up to 700,000 jobs in the Welsh economy are at risk from automation. And, sticking with the foundational economy, how can we ensure that the benefits of new technology come to the community, rather than to the spreadsheets of the inward investors?

[137] **Professor Lloyd:** I'm actually starting a project looking at automation and roboticisation, and I think the estimations are rather exaggerated. We don't know what's going to happen, and we don't know—. Jobs will be lost in certain areas and will be grown in other areas. The big growth area, which is unlikely to be substantially affected by automation, is in areas of care and education and health. So, we will see job losses in some areas, and growth in other areas, so I wouldn't get side-tracked down the line of, 'We're going to lose 700,000 jobs; what are we going to do about it?' If you actually looked sector by sector and thought, 'Where is the job loss going to be?', it's probably in some of the financial services, where areas like Cardiff have been quite important, but we've been losing jobs for some time in financial services. In manufacturing, again, we've been losing jobs over many, many years in manufacturing. So, I don't think there's going to be any sudden loss, but it's then about creating the jobs in the other areas.

[138] **Jenny Rathbone:** Okay, thank you.

[139] **Professor Green:** Can I just add something a bit more broadly about that? I don't disagree with what's been said, but I think digitalisation does also offer some opportunities. It's quite interesting how, in some cities such as Rotterdam, digital platforms have been used in various ways, with help to people, to try and get them involved in the economy, who might not otherwise have been, in terms of delivering local services and that kind of thing. So, it's not all a 'bad news story', in quotes.

[140] **Professor Williams:** I'd like to come back to that and second what my colleagues have said. I think, in Wales, we've had an inventor-innovator approach to technology—you know, we're going to have a tidal bay lagoon and we're going to have a world-class turbine industry. Probably not, I think. We need to adopt, in the foundational economy, a user approach to technology. If we want to reform care, of course it's about social things and relations, of course it's about opportunities for small business, but nobody wants to be a luddite. We can use the technology for all kinds of imaginative purposes, but with a user approach based on the idea of service delivery,

rather than an inventor and an innovator approach about high-productivity sectors.

[141] **Jenny Rathbone:** Thank you.

[142] **John Griffiths:** Joyce.

[143] **Joyce Watson:** If I can bridge the gap between those two lines of thinking, we know that there will be fewer jobs in some of the industries that currently use more manual labour than they might, and that's car assemblies, and fairly well-paid jobs, quite frankly, that have had secure tenure of employment, because those two things are equally important. And then you talk about what's left, or what might be left, and I want to explore this a bit further, which will be the care sector and other sectors that are markedly less well paid than those that might be displaced. So, how do we avoid people being worse off from moving from one sector to the other? Have you done any analysis in those areas, looking at, specifically, what I've just asked?

[144] **Professor Williams:** If one looks at the foundational sectors, I think there are clearly going to be some areas that are already what I would call 'buffer areas' of employment, where we're going to lose jobs. The most obvious one is driving, where I think, within 15 years, we'll have level 5 autonomy in vehicles, which will dramatically change the number of people driving minicabs, for example. If you think of south Wales, the classic job taken by an ex-industrial worker was minicab driving, and that was a buffer occupation. But, if you think of the core of the foundational, which accounts for about 25 per cent to 30 per cent of total employment, 25 per cent plus, health, education, care—the providential services—these are areas that are tax funded, where we have substantial choice and scope for imagination about how we use technology, how we train people. This is a matter of social and political choice. We will probably have to accept higher levels of taxation.

[145] **John Griffiths:** Okay. So, yes—Caroline.

10:30

[146] **Professor Lloyd:** Yes, I was going to say I think you've raised a really important issue, and I agree with you, to some extent, we are going to be expanding. Some manual work is going to be lost, but we're also expanding some other jobs that are not, as I say, going to be very highly paid, and how are we going to develop—? I think we need to look at particular sectors,

maybe more advanced technology areas, where we could already have some speciality and develop them into world-class areas.

[147] So, I agree, a part with the foundational economy, but there's still the other 70 per cent, 60 per cent, which we need to think about—which sectors we want to develop, and which ones we can develop, and which can be successful, and be realistic about that, and put resources into there. But it's a very difficult—I think a very challenging area.

[148] **Professor Green:** And, I think, if you look at sectors such as manufacturing and what digitalisation and industry 4.0 mean for all of that, there's also the whole issue of the maker economy, and new opportunities that might arise as well. So, I think sometimes the picture isn't so stark as loss everywhere and gain everywhere else. I think it is a more variegated picture.

[149] **John Griffiths:** Okay. We need to move on, but, Rhianon, did you have a further short question on this matter?

[150] **Rhianon Passmore:** A very short question, but, in terms of the drivers that are forcing the new employment shift, so that we've got a very low-paid economy for those who are on zero-hours working, what is your perception of how light regulation around employability is actually forcing this new wave of workers who are in in-work poverty, balanced against an absolutely decreasing welfare benefit net? How is that, therefore—I don't know if you think it is or not—? Is that actually driving employers?

[151] **John Griffiths:** We've got questions on security of work and those other matters later—

[152] **Rhianon Passmore:** Okay. We'll come back to that, then.

[153] **John Griffiths:** —so we'll come onto those, but—.

[154] **Rhianon Passmore:** I'd rather not do that briefly, anyway, so—.

[155] **John Griffiths:** Procurement is the next section. Janet.

[156] **Janet Finch-Saunders:** Just really the extent to which current Welsh Government procurement policy maximises benefits for people on low incomes, and how the suggestions for extending and refocusing

procurement policy put forward by Professors Lloyd and Williams might achieve this.

[157] **Professor Williams:** Well, I think procurement is an absolutely classic case where reach exceeds grasp. We've been saying for years that we need to make procurement open to more social criteria, to several orders of worth, and then, two years ago, the Federation of Small Businesses did some freedom of information stuff, and most Welsh local authorities don't know how much of their spend is with SMEs, for example, et cetera, et cetera, et cetera. We've been distracted by this postcode localism of where the invoices come from. It's time we did procurement seriously.

[158] **Janet Finch-Saunders:** I've got to be honest, I'm an advocate of local procurement where we can, but small companies I speak to—it's a dickens of a job. The bureaucratic process involved in tendering for works with local authorities—all of the public bodies—is an absolute nightmare. I get that on a constant.

[159] **Professor Williams:** Procurement is something that is organised around the convenience of the procurer. That means, for example, large contracts—the first thing you want to do if you want to involve SMEs is to break up large contracts into small contracts—

[160] **Janet Finch-Saunders:** And that often happens.

[161] **Professor Williams:** Yes. This requires a proactive approach, and you need to make sure that you've got firms. When we worked in Enfield, we worked on preparing firms to get contracts for insulating social housing, which means they need to be gotten the certification before they can bid for the work. All of this requires a commitment of resource, manpower, and seriousness.

[162] **Janet Finch-Saunders:** And Professor Lloyd.

[163] **Professor Lloyd:** I agree. There are two issues. The one side is, as you say, the procurement is very difficult. We don't have enough information. I don't think people have, necessarily, the skills—those who are the procurement people—or that it's in their objectives that this is what they should be doing. But also we could push more at the kind of job-quality aspects of procurement. So, at the moment, it tends to be around perhaps creating some full-time jobs, apprenticeships, some skills issues drawing on

less advantaged workers, or less advantaged within the community, the unemployed, and so on—pushing more towards things like a living wage within that. And, across the whole of Wales, it's not done systematically. How far we can do this within European rules and those kind of things—but there could be much more around the issues of fair wages, but also coming back to the issue of, as someone mentioned over here, employment security, and moving to proper employment contracts, is very important.

[164] **Janet Finch-Saunders:** I know the Cabinet Secretary Jane Hutt has worked really hard over the past few years trying to move the big ship of procurement around. What more do you think the Welsh Government could do in its entirety as a Cabinet and as a Government?

[165] **Professor Lloyd:** I guess, again, it's resources and seeing this as the top priority. This is one of the big levers that you actually have, and saying, 'Right, actually, this should be at the top of our priorities'. Every department should be looking at this and saying, 'Right, okay, in health, okay, in local authorities'—you know, we could do this across the board, and it needs, as you say, resources at central level but also at the local level so that local authorities, local hospitals, and so on, have the ability to look at procurement in different ways. And you have to provide sticks and carrots at a local level to people that you don't directly manage, if you like, to local authorities, because they may say, 'Well, actually, why should we be doing this?'

[166] **Professor Williams:** It's not just Welsh Government; we've got to get the intermediary institutions like the hospitals and the universities properly enlisted. As it happens, on my mobile phone this morning someone indiscreetly copied me an e-mail from a head of procurement at a Welsh university, and he says, 'Our main challenge is lack of recognition from senior management of the strategic benefits of community benefits currently not serviced in the university strategy. Currently unable to insist that they should be considered as part of the contract award criteria. Lack of staff awareness of what community benefits are and their potential impact.'

[167] I think that's a very honest reply from somebody who's trying to do a job. If then people in procurement are not adequately resourced, are not supported by senior management—. And this isn't simply a job for Welsh Government; as with so many other areas of policy, we need to enlist the intermediary institutions and get them to understand the economic and social effects of what they're doing.

[168] **Janet Finch–Saunders:** Thank you. And then my final question on procurement: how the UK leaving the EU will impact on the ability of the Welsh Government to use procurement as a lever to support low-paid workers and those not currently working, for example, around the living wage. Sorry about that.

[169] **Professor Lloyd:** I think it depends on the settlement, so we don't know, really, what the settlement is going to be, and until we know that—.

[170] **Janet Finch–Saunders:** Yes, just put your finger in the air and answer the—.

[171] **Professor Williams:** The pioneering work on procurement was done by Keith Edwards in housing association and local government procurement. And what he came up with was a kit whereby you could work your way around the EU regulations. And I think Keith's conclusion and my conclusion was that the EU had been used as an excuse for lazy procurement around large contracts on least cost. It's not going to change because we change the macro framework; it's going to change because senior management in universities buy into things.

[172] **Janet Finch–Saunders:** And then a tiny final one: how do we upskill, then, our procurement officers within our public bodies?

[173] **Professor Lloyd:** Well, I think once you have the—it's getting that commitment. There's no point upskilling them if they don't then have the ability to do anything. So, I think, once you get the commitment of the senior managers, then upskilling isn't a major issue. You have to do it, but it's—. It's not the main problem.

[174] **Professor Green:** And I think it's also getting it away from a tick-box exercise. That's the other thing. And I think that is about commitment and allowing people time to use their initiative and to foreground good examples where small companies have had advantage from schemes, et cetera.

[175] **Professor Williams:** I think, on procurement, the No. 1 acid test is: how many millions of pounds of procurement each year is the officer responsible for? If it's a large sum, you cannot be discriminating for obvious reasons. So, you need to get more people onto the business of the contracts. And, secondly, I think you need to see that this isn't simply a matter—again, coming back to the tick-box thing—of putting clauses into contracts. In

many cases, you're going to need prep—i.e. identification of local firms who could bid, exclusion of those who are not interested. In Enfield, a large number of small contractors were, in a sense, offered business on a plate if they went for the certification, and said, 'Well, I'm all right; can't be bothered.' You've got to identify the sub-group of firms and stroke their ears and make sure they get the relevant information and are encouraged. As with so many other areas of policy, it's a completely different mentality that's required. Care would be a classic one, where, of course, the classic thing is people want to outsource large contracts and hope for no comeback, because that makes for an easy life.

[176] **Janet Finch–Saunders:** Thank you.

[177] **John Griffiths:** Okay. Well, I think we've given procurement a good airing, and we need to move on to the Welsh Government's employability plan. Bethan.

[178] **Bethan Jenkins:** I won't take too long. In the previous evidence session, we heard that there are quite a lot of different employability plans, some which offer different things and can be quite confusing. I was wondering, with the new employability plan from the Welsh Government, what you think should be in there, and whether you could comment on, I think Professor Green saying about the importance of considering in-work progression in employability policy. It's all well and good to get a job, but then how do we sustain that job, and how do they get the worth out of that job once they've got it? So—yes.

[179] **Professor Green:** Yes, I think, answering that particular point, it's like seeing employment and employability as a pathway. So, you can think of it as at least four stages, if you like. You've got the pre-employment stage, where a lot of effort has been put in. You've got the employment-entry stage, where, again, there's been a fair amount of effort. But, then, after that, there's tended to be in the past somewhat of an exit—'job done; that's enough'. But I think it's then about sustaining a job in those early months when somebody's not been in work for some time. So, it's sustaining that job, and that can be an issue in terms of temporary jobs, insecure jobs, as has been highlighted in some of the evidence. But it's also then about progressing in work, and I think that's about seeing the first job as a first stage along a pathway. Is this something that's like a stepping stone to something more? And this is where advice and guidance and knowledge of some of the intermediary services is going to be very important to try and

get through an issue that it's not just pre-employment and employment entry, but help for people actually in those first few days and months, and then returning to them: 'Well, you're settled now in a job; how can you move forward? If you're in a care position, can that be integrated into a—you know, can you move into healthcare?' If you think of integrated care and health, that's one way where you can think of a pathway through from one job to another. So, I think there's a lot there about seeing it as a longer pathway, and then services being there to support people, advise people, once they're in work.

[180] **Professor Lloyd:** I've done quite a bit of work on progression, particularly from low-wage jobs, and the main issue is that obviously there's a problem of a lack of opportunities. So, there are a lack of job ladders, but that's not the case in a lot of jobs. Obviously, you've got pyramids, so not everybody can progress, so we have to think about the quality of jobs at the lower end. But, often, that progression within particularly areas like retail and hospitality, means very little in terms of pay. So, unless you get to the position of a manager, you're still going to be on low pay. And, also, the opportunities, particularly for part-time workers, are very, very small. So, progression for part-time workers—normally, if you want to progress from the bottom level to the next level up, you have to work full-time, or you have to start very early in the morning, or finish very late at night. So, there are whole issues around the opportunities for, particularly women, to progress higher up the organisations.

10:45

[181] And, even if they do, there are issues about lack of pay, mobility requirements and so on. So, a lot of it is about—in certain sectors, it's very difficult to do a lot about progression. In other areas, for example, in education, in health, in local authorities, far more could be done in order to improve progression pathways within work. A few years ago in the NHS, there was a whole series of projects around the skills escalator—the idea that you'd come in at the bottom, as a porter or a cleaner, and you could, with training, move up the ladder and go up and even become a healthcare assistant, become a nurse, and so on. We need those kinds of opportunities for those people who do want to, and are able to, progress, and that could be done within your larger organisations. Obviously, when you're a small retail outlet with five people, or a cafe or a restaurant, it's much more difficult. So, we have to think about the quality of the employment for those people who aren't necessarily going to move up.

[182] **Bethan Jenkins:** So, what—? Sorry, I'll wait for you to speak first.

[183] **Professor Williams:** I think my two colleagues have given you a very balanced overview of the possibilities and the limits. What I would say is—and this is a rather pessimistic view, I think—that shuffling people into low-paid, insecure work doesn't solve very many problems. We now have a situation where, for example, if you look at the Coastal Housing association in Swansea, 60 per cent of their tenants in financial difficulty are in work, which indicates the level of stress around this. So that, whereas I agree with all the things that are said by my colleagues, I think, in due course, we're going to have to think more radically beyond jobs and think about things like basic income, for example—i.e. an income that is not simply connected to employment. Because I don't think—. If you look at my two colleagues, they're telling you that, although progression is a good thing, there are limits to what can be done in terms of the creation of quality, well-paid jobs.

[184] **Bethan Jenkins:** But do you think that there's enough information out there at the moment or is it tracked enough? Because what I think I've gathered from previous inquiries as well is that the Welsh Government collect data up to a point, so that they get into the job, but not then if they're in a job for a week or two weeks afterwards—that doesn't seem to be of note. So, if we're going to be talking about progression as a marker in and of itself, what would you want to see in an employability plan? We can describe the problems very well, but what would you like to see happening in an employability plan that would make this different to what's happened before is what I'm trying to understand.

[185] **Professor Green:** I think you've touched on a very important thing about how policies in the past have been assessed and evaluated in terms of the indicators, 'job entry; job done' kind of thing. I think this does require tracking and longitudinal work beyond that, going forward. I think this is where—. I mean, it's not just a Welsh issue; I think it's a broader issue within the UK and I think it's about the resource that's put into assessment and evaluation. If you look at some of the things that have been done in the US, they have had big philanthropic programmes that have actually invested in large-scale evaluations, which have actually tracked through and built much more of an evidence base about what can work. Now, this doesn't address the issue in terms of what's been said about the quality of jobs, but it does actually give you more information about where the pinch points might be, where the difficulties come, and where resources and effort need to be put to

get policies to work better in the future.

[186] **Bethan Jenkins:** If we could see them or see an example, that would be—.

[187] **Professor Green:** Yes. I mean, in the US, for example, there are issues like something called 'WorkAdvance'. This is a sort of a dual customer approach, where they're looking at employers and individuals going into work and are tracking that through—right through, over several years—to measure the benefits of the programmes, and then, also, looking at different sub-groups within programmes because, sometimes, if you get a sectoral focus in progression, what you can do is—. Sometimes, what the evidence suggests is that it can be quite valuable for groups that are under-represented: so, men in female-dominated jobs and vice versa. It's that kind of evidence that can work through, which you can look at from an individual's point of view and then also from an employer's point of view, how can they fill some of the deficiencies in their current model by attracting different kinds of people into the workforce, and what support they need when they're there. But it is about resources, and it's about resources over time. You can't get away from that, I don't think.

[188] **John Griffiths:** Thank you very much. We've got limited time left, I'm afraid, and a few different areas to cover. Gareth has some questions on in-work poverty.

[189] **Gareth Bennett:** Yes, thanks, Chair. Karel, you talked about, or you referred to, the extent to which we now have a problem with in-work poverty in Wales, and I wondered how far that problem is caused by supply of labour. So, therefore, how much can the Welsh Government do about it and about improving conditions at work?

[190] **Professor Williams:** There isn't a magic job-quality, higher-pay formula, particularly if you remember that the largest area of foundational employment is providential services, which are basically taxpayer funded. There are serious constraints here, and that's why I think it's important, again, to take this broader kind of approach and think not just what kind of jobs are we creating, but what kinds of services are we getting in return for the jobs. I think we need to think of several different orders of worth here, rather than simply, you know, pushing people into jobs and then being disappointed that the jobs are not high paid and secure.

[191] **Gareth Bennett:** So, if the Welsh Government could effectively do anything—I mean, this is quite a broad idea that you’ve got—but what single things could the Welsh Government do to influence it?

[192] **Professor Williams:** I think it’s crucially important. If you actually look at the whole business of jobs and GVA, it is essentially a technocratic idea of policy that is done to people. If people want to understand the absurdities of that, they should look at the Nick Clegg *Newsnight* interview, which you can find on YouTube, where he goes to Ebbw Vale and the population tells him that the EU money has been spent on the wrong things. The first thing we need to do is not simply worry about job quality, but we need to start asking people what kinds of foundational service improvements in quantity and quality would be meaningful for them. And I think that, you know, we’ve got to break down the compartmentalisation of policy that is the result of this preoccupation with making markets work. We are, in the foundational economy, not just trying to make the labour market work; we’re trying to think about what kinds of services we get out of it. And we need, crucially, to ask citizens—not consumers, citizens—what kinds of services they want and how they see quality in things like adult care. Take something quite simple: the whole adult care system has been constructed in domiciliary care in recent years around basically using untrained people as substitutes for what used to be called district nurses. Is this biomedical model completely appropriate, or should we be encouraging people to rent minibuses and take people down to the pub on Friday night? I certainly know which one I’d prefer in 10 years’ time. And from that point of view, do you see—? We have to ask people; we have to think more broadly than simply about making the labour market work.

[193] **Gareth Bennett:** Did either of the other two have any thoughts on this?

[194] **Professor Lloyd:** In terms of the supply of labour, I think there is evidence to suggest—you know, we have seen the effects of more labour coming in, particularly on low-wage jobs, which has dampened down wages. You might say some of that is about an increase in migrant working, but there are also issues about welfare-to-work policies. So, you’re pushing people—as welfare payments get lower and lower, people are being pushed into more and more insecure and low-paid jobs. Issues around the weakening of trade unions, for example, unable to push up wages in a large range of sectors because they’re simply absent now and they’ve had many of their powers taken away, alongside, obviously, things like the minimum wage not rising very high and a lack of enforcement of things like minimum wages

and employment contracts. So, it's a whole range of issues that is making people more desperate to get into work and more willing to take any job that is available, whether it's zero-hours contracts, whether it's at the minimum wage, or lower. Obviously, if you've got a tight supply of labour or high welfare payments then people have more choice and wages inevitably rise.

[195] **Gareth Bennett:** Will enforcement ever be—? How effective is enforcement ever going to be? Because there are regulations at the moment that don't get properly enforced. So, is regulation really a viable route to go down?

[196] **Professor Lloyd:** Yes, if you're prepared to put the money in to enforce it. We've had enforcement agents cut in the same way as things like health and safety. But also, in terms of issues around minimum wage and employment contracts, obviously, on the ground, trade unions are particularly important in terms of enforcement. So, there's a whole—but also other community groups and Citizens Advice and those kind of areas. Yes, enforcement—I mean, obviously, some people always get around enforcement, but when you've got actually quite large employers who are on the margins of legality, of breaking the rules, there's something seriously wrong with the enforcement issues.

[197] **John Griffiths:** Okay. Well, we have limited time, so we have to move on to the living wage at this stage. Joyce, you have some questions.

[198] **Joyce Watson:** You've touched on the living wage, but there's also the voluntary living wage that is in place. In some areas, the public sector have paid it, and in some areas, they haven't—you've already said that. And, in some cases, businesses say that they're too small to pay it, and therefore don't pay it. And of course it runs alongside all the other things like job insecurity and what you've just mentioned. So, what do you think, as a Government, with the limitations that we have, we could do to improve people's prospect of being paid the living wage, as opposed to the minimum wage?

[199] **Professor Lloyd:** I think you've made a good start, but I think there's a lot more that could be done, again, as we said, within the public sector and with the large employers, in particular, within Wales that you actually have some sort of control over. So, I think the living wage is important. I think, in Scotland, they've recently introduced this in terms of care workers. As part of their contracting arrangements, they've introduced the living wage there. I'm

sure that's something—

[200] **Joyce Watson:** We've done that.

[201] **Professor Lloyd:** Sorry?

[202] **Joyce Watson:** I think that's been done here in some areas.

[203] **Professor Lloyd:** Not for the private sector. They're doing it for the private sector contractors, not just directly employed. I mean, it is difficult. How do you get—? You've got a lot of controls and levers in the public sector, but what do you do about the private sector? Certainly in things like educational institutions, universities and so on, some of them have signed up and some of them haven't. Again, you have leverage there. There's the large organisations and what you can do about encouraging them and making it more public that those who are paying it—whether there could be more promotional aspects of it.

[204] I think also, when you think about the smaller companies who say they can't afford it, there's a question then about whether there are things that you can offer organisations. There are some organisations where you might say, actually, they are on the margins of profitability, they're paying low wages, they have poor employment contracts, they're undercutting better employers, and therefore it doesn't matter if they go to the wall, because they're taking the business of the better employers. So, for some companies, you may well think, 'We don't necessarily want to support them, we only want to support the better employers, not the ones that are undercutting them'. So, thinking about not a kind of general, 'Right, everybody's going to get a tax rebate if they pay—'. You know, with a tax rebate, you could say—well, actually, for some small SMEs, you might want an approach where maybe you should focus on tax rebates, or other opportunities like providing them with marketing or cut-price things. There's various aspects you could do to encourage the SMEs to do it, and if they don't want to do it, you can't force them.

[205] **Joyce Watson:** We can't do that, necessarily, as Welsh Government. So, do we need to bring it back to procurement?

[206] **Professor Lloyd:** Procurement is the obvious one, yes.

11:00

[207] **Professor Williams:** I think you need to say that, in the public sector, it's a question of motivation and resourcing. In the private sector, we have got to focus on supply chain conditions, which are a matter of business ecology. Nobody starts out in life wanting to be a bad employer, but they are put in a position where they have no alternative. My colleague Professor Froud did an excellent study of textiles in the UK. What emerged from that, very clearly, is the contrast between carpets and garments. Garments, which is dominated by the fast fashion guys at present—you know, a dress for £10 or £15—has spawned a whole sector in Leicester that is paying below the legal minimum wage. If you look at carpets, it's the exact opposite. Co-operative relations between the manufacturers and the independent retailers, and responsible behaviour by the large shed retailers Carpetright and John Lewis, mean that carpets in the UK is, relatively speaking, a high-wage sector. People have to think about these supply chain conditions, and they need to shine the searchlight on those supply chain conditions and the ecology that they are creating. That's relevant in things like: why are carpets and, to a lesser extent, sofas relatively good examples of successful sectors, and why are other areas, like food processing or garments, a complete shambles? The answer is the behaviour of the large firms, which needs to be focused on.

[208] **Professor Green:** I think there's also an issue as regards the voluntary living wage about what might be the advantages to the employer of doing that. There's no doubt that, in terms of messaging between small businesses, it's employer-to-employer that's likely to have more impact than necessarily the public sector to employers. So, I think an experience of introducing the voluntary living wage to a sort of narrative level might have helped overcome retention problems in some businesses. That might be quite a powerful message in terms of a business-to-business aspect of trying to support expansion of the living wage.

[209] **John Griffiths:** Okay. Thank you very much for that. We move on, then, to Jenny and security at work.

[210] **Jenny Rathbone:** There were some very interesting comparisons in Professor Lloyd's paper about how these multinational coffee shops are much less profitable in other countries in Europe than in Britain. Is that just down to lack of trade union organisation? What are the reasons why coffee shop workers are on zero-hours contracts and are casualised labour in this country, whereas in, say, Germany or France, they are reasonably well paid?

[211] **Professor Lloyd:** In France, there's almost 100 per cent collective bargaining coverage, and they have a high minimum wage. There is a lot of regulation of the labour market in terms of things like employment contracts. They have just recently introduced a law that the minimum part-time hours should be 24 hours a week, and that's across the country, unless you have got a particular reason you write as to why you don't want to have that contract, or you're a student. Things like the hours you work must be reflected in your contract. So, all those things mean that employment security, working time issues and pay are much higher. Again, go to Norway; they have very high social welfare payments, again, high levels of unionisation and collective bargaining—not so much in the coffee sector, but it still pushes up wages at the bottom. Our sector is almost completely—. There are no unions; there is no collective bargaining coverage; the minimum wage is very low; regulations are very weak. We have—as we know—the most flexible labour market in Europe.

[212] **Jenny Rathbone:** Okay. So, it's a combination of failure of regulation and lack of any trade unions with any oomph.

[213] **Professor Lloyd:** Yes. Lack of regulation, rather than failure of regulation, and yes, a lack of collective bargaining.

[214] **Jenny Rathbone:** And how do you account for the regional differences within Wales? You highlight that, in some places—for example, Caerphilly, RCT and Cardiff—the situation is rather different to other parts of—you know, in rural areas.

[215] **Professor Lloyd:** In terms of levels of low wages?

[216] **Jenny Rathbone:** Yes.

[217] **Professor Lloyd:** Yes, I think we can see that in terms of where the big employers are, the public sector employers are, around these areas. It tends to be the rural areas where there are higher levels of low-wage work, and I guess that's a lack of that larger employer infrastructure.

[218] **Jenny Rathbone:** So, is that lack of choice or lack of transport in rural areas so that there is only one job you can actually get to?

[219] **Professor Lloyd:** I'm not sure. I don't know. I haven't seen any research

done on the distribution of jobs in those areas. We know there's a lot in agriculture, a lot in tourism, so those areas tend to be lower paid than if you're in administration, in financial services and so on. Obviously, where you have cities, the wages do tend to rise slightly more than if you're, as you say, in a rural area. I think that's an area that needs more research on the distribution across Wales.

[220] **Jenny Rathbone:** Do you think that the new economic policy of the Government needs to—? Is that going to be, to some extent, tackled through having a regional economic policy as we're told Ken Skates is going to have?

[221] **Professor Lloyd:** I think that will help so that you could look at those particular regions and say, 'Look, why have we got 50 per cent of jobs in this area that are low paid? What can we do about that? That should be a prime area of economic growth', and think about those kinds of issues. Whereas in Caerphilly there are other problems that may not necessarily be around wages.

[222] **Jenny Rathbone:** Okay, so there's some emerging information about Better Jobs, Closer to Home as an initiative to focus on local businesses and then increase—.

[223] **Professor Lloyd:** Yes, because we know that a lot of young people move out of these areas because there are not quality jobs. Often, the biggest employer is the hospital or the local schools, or maybe the university, if they have a university there. So, a lot of young people who do have qualifications will move out because there are not the sort of jobs that they would like to do.

[224] **Professor Green:** Yes, this is an issue, I think, that is a feature of many more peripheral rural areas, where you get a cycle of young people who might be more ambitious, more highly educated, moving out and then you've got the 'lower skilled', in quotes, jobs and people that remain. So, there is a whole issue here about the thickness of the labour market, because where there's higher demand it tends to help many of these issues that we've been talking today about inequality in the labour market. The actual level of demand does help in terms of raising prospects for progression, helping pay levels generally.

[225] **Professor Williams:** I think what my colleagues are saying is that in most of these areas we're dealing with pretty intractable problems and I

think, without in any way disrespecting Ken Skates, clearly the language around policy is changing and people like Ken are talking about the foundational economy. The question is whether the policies we will have will have effort and imagination and resource into rethinking the practice in a way that levers real change, because that's going to be much more difficult than just changing the language.

[226] **Jenny Rathbone:** Indeed, but the obvious ones are affordable housing and transport.

[227] **Professor Williams:** Quite obviously, yes, both of which raise issues about the limits of the purse of the Welsh Government, but I think it's not beyond the wit of man to make some progress in these areas. But the progress will depend on, in a fundamental sense, rethinking policy. I think it's not simply Welsh Government. It's intermediary institutions like housing associations that are going to have to up their game, and in all the foundational areas we need to stop doing policy to people and ask them what do they want and what they value.

[228] **Jenny Rathbone:** Thank you.

[229] **John Griffiths:** Thank you very much for that. I'm afraid that's all we have time for. Thank you very much for giving evidence, all three of you. You will be sent a transcript to check for factual accuracy. Thank you very much indeed.

*Gohiriwyd y cyfarfod rhwng 11:10 ac 11:16.
The meeting adjourned between 11:10 and 11:16.*

**Ymchwiliad i Dlodi yng Nghymru: Gwneud i'r Economi Weithio i'r
Rheini sydd ag Incwm Isel—Sesiwn Dystiolaeth 3
Inquiry into Poverty in Wales: Making the Economy Work for People on
Low Incomes—Evidence Session 3**

[230] **John Griffiths:** May I welcome everybody back, and welcome Dr Rod Hick from Cardiff University to give evidence as our third evidence-giver, third panel—a one-man panel for our third session today? Welcome to the committee. Perhaps I might begin by asking the question about the Welsh Government's economic strategy. The new economic strategy is going to take a regional approach to economic development, and indeed sector

specialism. It's going to support a smaller number of foundational sectors, nationally, and empower communities with the tools to access work. We'd be interested in your view as to what extent this designed shift in policy might benefit people on low incomes, compared to the current strategy.

[231] **Dr Hick:** Well, thank you for that introduction, and indeed for the invitation to come and speak with you today. Perhaps I might preface my response by saying that I think the reason I've been invited to appear before you today is that I've just completed a study on in-work poverty in the UK, which was generously funded by the Nuffield Foundation, and the study focused on three main things. The first is: how much in-work poverty is there in the UK and who experiences it? Secondly, the relationship between tax credits and social security more broadly in in-work poverty. And then, thirdly, the extent of transitions in and out of in-work poverty.

[232] I must confess it's difficult to speak very precisely to some of the strategies of the Welsh Government, on the grounds that the study itself was a UK-wide study. I'm hoping that we might be able to speak to the ways in which the study might be of relevance to Welsh Government and trying to make some of those transitions, but I'm afraid a detailed commentary on the proposed economic strategy is something that I feel is probably beyond the limits of what the work that I've been doing will have allowed me to speak about.

[233] **John Griffiths:** No, I think that's absolutely fine. In terms of tackling in-work poverty, I think we'd be interested in the major differences: what they would be in terms of a Welsh Government policy that looked more at in-work poverty than low pay, for example.

[234] **Dr Hick:** Yes, sure. I think the big thing, as we move to thinking about in-work poverty, and I think that the first message, perhaps, is that I think it's important that we think about in-work poverty in and of itself and not only low pay. I do think that's important and I think, actually, that will become more important over time, and I'll perhaps say a bit more about that in due course. The key thing when I think about in-work poverty vis-à-vis not low pay is that it's not only about the work. We're thinking about the circumstances of a whole household where somebody is in work. Actually, that, I think, requires, at the very outset, quite a shift in conception about what we're trying to do in relation to the problem at hand. So, low pay, or trying to tackle low pay ends up being part of the challenge, but it's about seeing that's it's actually only one part of the challenge and actually it's also

about thinking about the amount of work totally that is undertaken within a household and how we can try to boost that, to augment that. It's about trying to tackle low pay, it's about trying to look at the different needs that working households have, the extent to which, maybe, the state compensates for these needs or not, and then thinking about whether we need to do more to compensate for these needs or not. So, it's really quite a conceptual shift, I think, and it does lead you to a multiplicity of strategies, rather than one thing, if you like. So, thinking about low pay—you know, you're trying to hit one target, if you like. Thinking about in-work poverty requires thinking about many moving parts at the same time, if you like.

[235] **John Griffiths:** So, would you have a view, then, as to what the key measures that the Welsh Government could take to address poverty in working households are, by addressing barriers to employment that stop household members working or, indeed, prevent people from working additional hours?

[236] **Dr Hick:** One of the things that we observed in the study—when we looked at transitions, we tried to look at how many people struggle to make the transition from worklessness into work and also leave poverty at the same time, and then we looked at the sort of negative transition: how do people fall into in-work poverty? What we observed in both of those cases is that the groups are disproportionately families with children. So, we're looking at a disproportionate representation of lone parents and then also larger families with three or more children. So, this led us to believe that policies, broadly speaking, that helped to reconcile work and family life—and, again, I can think of a number of different things one might do in that domain, but policies that help families reconcile family life, of which childcare policies are, perhaps, one of the more obvious ones—can, perhaps, help at that boundary with families where somebody enters work but the family doesn't exit poverty. So, I think that's certainly one area, and then childcare is, sort of, one specific area that can try and help there.

[237] **John Griffiths:** Okay. Could I then follow up by asking the extent to which you believe Welsh Government should focus on particular sectors in tackling in-work poverty, and if you do believe that there should be that sectoral approach, which sectors they should concentrate on?

[238] **Dr Hick:** The sector that has the highest probability, or elevated probability of in-work poverty is where workers are working in service sector employment. I think that's probably the area of in-work poverty where we

have the greatest overlap with low pay. So, then I think we're looking at trying to promote the voluntary living wage, to try and improve pay levels across the economy, really, but the service sector is where the problem seems to be most acute.

[239] **John Griffiths:** Okay. Rhianon.

[240] **Rhianon Passmore:** Thank you, Chair. Just taking you back slightly in terms of employability pathways, which is a main emphasis in terms of Welsh Government strategy, there seems to be a huge dichotomy between those who are in work or are often on zero-hours contracts working for, I don't know, pizza delivery companies, and a perverse incentive, I think, in terms of being able to keep those at that bottom level. Now, in terms of how we, as a Welsh Government, are going to create employment pathways to be able to grow those who are very, very poor, but in work, as you've already mentioned, into that growth in the middle—. What I'd like to ask you is, in terms of the private sector and in terms of regulation of the private sector, what drivers you think the Welsh Government has to be able to impact on the private sector, because, majoritively, we are talking about private sector in-work poverty.

[241] **Dr Hick:** You touched on zero-hours contracts—and I appreciate this is not a lever that we necessarily have immediately at our disposal—but it does seem to me that a national conversation about zero-hours contracts is pretty important. These are obviously forms of contracts that are either not valid or legal in many European countries or are heavily regulated, and it does seem to me that this is something we need to start thinking about. In actual fact, the challenge for us as analysts is that it's not always easy to see the impact of zero-hours contracts in the data, as it were. So, we kind of know it's a problem, but it's actually hard for us to evidence that at present in many of the existing data sets that we have. It seems to me that that is a fundamental conversation that we need to have, and lobbying the relevant powers to try and effect change in that area would strike me as being important.

[242] **Rhianon Passmore:** And finally, if I may, Chair, with regard to the fact that you mentioned tax credit thresholds and the whole in-work poverty welfare benefit net, which is radically shrinking, we talked about having a million different strategies in terms of tackling poverty. As the previous witness talked about income levels, how important do you feel that net is in terms of supporting employment strategies? Is it of importance at all or do

you think it's of great importance?

[243] **Dr Hick:** It's definitely important. If you look at what happens when you take away tax credits out of a working poor family's income, it's a substantial, sizeable reduction. The poverty gap or the distance of that family to the poverty line increases quite substantially. So, tax credits are, and have been, an important part of the income packages of working poor households—and other households besides; they're not only targeted on the poor, but an important part of the income packages of working poor households. The evidence that I've seen—and this is primarily conducted by the Resolution Foundation—shows that the cuts to tax credits that have been legislated for, and that are, if you like, coming down the track, are going to have very substantial impacts on the incomes of low-income households. The crucial point is that these gains won't be offset by increases in the minimum wage and by changes to the tax brackets, and I think that's actually the fundamental point. So, tax credits really matter, and the substitution, if you like, that has been proposed isn't sufficient to offset the losses.

[244] **Rhianon Passmore:** Okay, thank you.

[245] **John Griffiths:** Just on that subject, then, are there ways in which the Welsh Government could encourage the take-up of working tax credit by households without children, given the low levels of take-up?

[246] **Dr Hick:** The way I thought about this—. It's a great question. As I mentioned in my submission, I'm aware of the income maximisation strategy that the Welsh Government has had, but haven't seen any information about how effective it's been et cetera. I think the first thing is just to be aware that the take-up levels are so low amongst this group, and, I guess, trying to feed that into an existing advice service, as it were, to feed that through to the existing income maximisation strategy—. Of course, the hard thing about this group is that you don't necessarily have an intermediate. So, one thing around child tax credits is that you can potentially use a school as a conduit, if you like. This might help to explain—I don't know, but it might help to explain—why child tax credits take-up is higher. So, there is a challenge there. There is, perhaps, an overlap with low pay there, and maybe some organisation working in relation to low pay can help as the conduit.

11:30

[247] **John Griffiths:** Do we know, by the way—? Have we any idea how much

money's involved in terms of that low take-up of working families' tax credit by families without children in Wales? Do we have any idea how much money's involved?

[248] **Dr Hick:** I haven't seen a Welsh-level analysis of it.

[249] **John Griffiths:** No, okay.

[250] **Dr Hick:** So, the figures I'm aware of are the public release by HMRC, who don't disaggregate the statistics to any great extent.

[251] **John Griffiths:** No. Okay. Before I bring—. On this very matter—Jenny.

[252] **Jenny Rathbone:** Can you explain why employers wouldn't want to point out to these no-children households that they may be eligible for tax credits? Because, they're paying them less than a living wage because they're able to, but why wouldn't they want to point their employee in the way of tax credits that cost them, individually, nothing?

[253] **Dr Hick:** That's a great question. I think one of the challenges that comes with this slightly more complex whole-household approach in relation to in-work poverty, is that, as I said, the circumstances of the whole household matter. And my sense is that there's an element to which employers don't necessarily know the circumstances of the wider household beyond that of their employee.

[254] **Jenny Rathbone:** Well, except you get tax credits for children—you pay less tax because you have dependants in your house. So, your tax code will tell anybody who's involved in salary in deductions of taxes that that person was a single person, because it's reflected in their tax code.

[255] **Dr Hick:** It's reflected in their tax code, but I'm not necessarily sure that that necessarily means an employer will know that they are—. First of all, it requires that the employer has an understanding of the tax credit system, and the tax credit system is a complex enough beast, and, secondly, I think it does require an understanding, potentially, of their wider circumstances—whether they have a partner, whether that partner's working, how much that partner's earning—and I think that is, fundamentally, one of the challenges when we move away from thinking about low pay. An employer might not know what the precise low pay threshold is, but they probably know, 'I'm paying minimum wage to this worker'. But whether an employer knows, 'I

have an employee, and they have—whatever their family situation is', isn't something that's clear to me that employers necessarily know. That, actually, I think, is one of the challenges in an employer-led approach, if you like.

[256] **John Griffiths:** Okay, and Joyce.

[257] **Joyce Watson:** I want to take you back to the service sector as being a very poorly paid area, and I want to focus that on who's in that sector delivering those services. So, there's obviously a gender division—

[258] **Dr Hick:** Yes.

[259] **Joyce Watson:** It's so obvious. So, why is it that that sector is—have you looked at—so poorly paid, and what might be the solution? And the other factor in this—I thought, possibly, if the data are disaggregated, you might find a lot of under-25s in there as well.

[260] **Dr Hick:** Yes. Well, to start at the gender point, the relationship between low pay—. Well, low pay, we know, is a highly gendered phenomenon. I think it might be 70 per cent—it's around 70 per cent—of people on low pay are women, and the question is what you do about that relationship. I suppose I think one might do two things, albeit not necessarily bringing these two things together. So, the first is doing something about low pay in and of itself, and trying to increase the minimum wage, which is on track anyway; trying to promote the living wage as best as can be done—that is the voluntary living wage—so that we raise pay floors, and that in itself would contribute to gender pay equality somewhat.

[261] We then have, obviously, a broader issue about gender pay equality throughout the economy, which is obviously a long-standing and pernicious and not easily solvable problem, but I do think greater transparency in terms of pay rates between men and women—and actually, one could argue, greater transparency in terms of pay more generally—would perhaps be helpful in shining a light on some of these inequities within firms so that at least people are aware of them.

[262] **Joyce Watson:** So, are you saying that, because the public sector are mostly the procurers of the service sector—not exclusively, but mostly they are—are you saying, then, that it would be an advantage to gaining equal pay within that if those who are employing had to declare their minimum rates of pay publicly?

[263] **Dr Hick:** I certainly think that a greater level of awareness about pay differentials between men and women within companies across different pay thresholds or grade thresholds could be quite a useful starting point to shine some light on some of these differentials. Yes.

[264] **Joyce Watson:** And have you looked at—is there any disaggregation about the under-25s?

[265] **Dr Hick:** One of the things that we observed in the longitudinal analysis was that the under-25s—I'm trying to think whether 25 was our cut off; I think it might have been—the under-25s, or young people anyway, were certainly more likely to experience in-work poverty, but it did tend to be more transient than for other groups, which, in a sense, is the positive flip side to the negative that they experience it a bit more. So, there is a bit more movement in and out. It's actually later in life where it's a bit less likely, but, where it is experienced, it tends to be less transient. And, in terms of responses, there is a question about whether the new minimum wage, or the national living wage, where you would want to have that dividing line—if it's 22 or if it's 25, to get the full rate. I note that the independent adviser on poverty in Scotland published a report yesterday or maybe the day before, where they have argued that the Scottish Government should lobby the UK Government to try and lower the threshold for the national living wage—the higher minimum wage, that is—down from 25 to try and tackle low pay amongst younger people.

[266] **Joyce Watson:** Okay, thank you.

[267] **John Griffiths:** Rhianon.

[268] **Rhianon Passmore:** Thank you. It's slightly going back in terms of the question around tax credits, but, to broaden it slightly, in terms of the low take-up that was mentioned, often it's anecdotally spoken of that the actual difficulty when you are in poverty—and I'm talking of in-work poverty on a zero-hour contract—is that you have more than one position, more than one job, and so the difficulty in actually filling in Department of Work and Pension packs and applications for benefit is that you don't want to be had up for fear of fraud, so, therefore, you don't actually apply. That is because the hours of work are so, as you say, transient and you can't be guaranteed. So, I think there is a piece of research that needs to be done around take-up in terms of benefit because of fear of clawback and sanctions that go along

with that, and I think that is muddying the waters. I don't know whether you'd have any comment on that.

[269] **Dr Hick:** Perhaps not to that very direct issue, but to a related issue, which is that there was an issue about overpayments of tax credits in the 2000s, where families obviously got into difficulties because they were, in effect, overpaid, although these weren't errors—this was the natural running of the system. Then, because of changes in their household circumstances, these payments effectively are clawed back later down the line. The solution to dealing with those overpayments was to increase what's called the tolerance, so that you could have a greater change in your earnings before there was any change in your entitlement, so, effectively, to reduce the extent to which clawbacks occurred. And, actually, one of the quiet things that we've seen in the last few years is the tolerance cut back down again, so that, potentially, these overpayments may become more of a problem again. I haven't seen—

[270] **Rhianon Passmore:** This is actually in reverse. It's not to discount what you said—this is a fear from the potential claimant that they cannot guarantee the number of hours that is demanded from them in the application form to be able to apply, so I think it is something perhaps to look at in terms of the fact that they don't want to commit—'I'm going to do seven hours a week' et cetera, et cetera. So, I think that is of relevance.

[271] **Dr Hick:** I take that point, and actually, here is one area where potentially current reforms are driving in a somewhat helpful direction. You know, the move to universal credit will mean the elimination of the hours thresholds. So, that fear of—. I appreciate it doesn't get around the uncertainty point and doesn't get around the fraud point you mentioned, or a complexity point, but in terms of the hours-of-work thresholds, one of the aims of universal credit, of course, is to incentivise even low levels and low hours of work, and to try and be a bit more responsive to these changes as and when they happen.

[272] **John Griffiths:** Okay, thank you for that. Gareth.

[273] **Gareth Bennett:** Thanks, Chair. A few people have asked questions relating to the take-up of tax credits, and one thing that occurred to me was that when a lot of people start a low-paid job, they're working for an employment agency, and we haven't really mentioned that in any of the sessions today. It's quite difficult, if you're working for an employment

agency, sometimes, to get any information that is relevant to the job you're doing. And it does make it difficult to get information pertaining to things like tax credits. I think the traditional idea that you start a job, you work for this department and they tell you this, that and the other—it doesn't really exist in a lot of people's working life realities these days, partly because of the fact of employment agencies. So, I don't know what observations you had about that.

[274] **Dr Hick:** Only off-the-cuff observations. I think, in truth, other than—. I guess there's a question about whether it's a rights issue or whether it's an information issue. If it's an information issue, I don't necessarily see that there is an inevitable barrier there that can't be overcome in terms of mandating employment agencies to make people aware of their rights and entitlements and—

[275] **Gareth Bennett:** I wonder, perhaps, are they well enough regulated—employment agencies?

[276] **Dr Hick:** I don't know. It's not a comment I can make, I'm afraid.

[277] **John Griffiths:** Okay, well, in that case, then, let's move on to some further questions around the living wage. Joyce Watson.

[278] **Joyce Watson:** You've touched on this—the living wage in and of itself won't really make a difference to anybody's life per se. But, as a Government, could we and should we ensure that at least that living wage exists within our procurement processes, so that at least we understand that that's been taken on board?

[279] **Dr Hick:** It seems to me to be a helpful thing whenever, across society, the living wage is paid. And to that extent, I think if the Welsh Government can ensure that its procurement activities are consistent with paying the living wage, that seems to me to be a helpful step forward. I know, again, that the Scottish Government have talked about this and they seem to have come up with a form of words that suggests that they'll do it, but perhaps not in each and every case. There seems to be some room for manoeuvre there, and I guess that must be reflective of particular concerns about profitability and costs within certain providers. So, I don't want to entirely dismiss or negate those, but paying the living wage seems to me to be a helpful step forward, given that low pay is, I think it's fair to say, the secondary mechanism that leads to in-work poverty. I think it is helpful to

mention that it is only the secondary mechanism, and I think the key thing about boosting low pay is, as I mentioned in the submission: there are very good reasons that we would want to tackle low pay and to raise the pay floor, but we have to bear in mind that most of the people who will gain won't be poor, because most people who experience low pay aren't in poverty.

11:45

[280] **Joyce Watson:** Can I also ask—

[281] **John Griffiths:** Before you go on, Joyce, is it absolutely on this point, Jenny?

[282] **Jenny Rathbone:** Yes, on that point—and that's simply because they have family responsibilities. Therefore, employers think they're entitled to pay them low wages.

[283] **Dr Hick:** We can't discount—

[284] **Jenny Rathbone:** We know there's a massive fall in wage levels once women have children. And it's prejudice, it's availability, I mean, you know—.

[285] **Dr Hick:** There's certainly a correlation between part-time work and more flexible forms of work and low pay. And I think here's where there really is a multiplicity of reasons. So, it's not trying to—

[286] **Jenny Rathbone:** And short of providing free childcare for everybody, what else could we do to try and tackle this?

[287] **Dr Hick:** I think it's about trying to raise the wage floor and deal with it that way, rather than trying—. Maybe this is a personal perspective, but I think it's about trying to raise the wage floor rather than trying to break the correlation, if you like.

[288] **Joyce Watson:** Can I—? Because that's what my question was going to be. Raising the wage floor is one part of it, but there's an awful lot of evidence, and I know it to be the case, that major employers then cut the hours of the workforce per se, if not the individuals, and expect exactly the same output for the same amount of money that they were paying in any case. So, nobody's better off except for the contractor of that employment. So, how are we going to tackle that? Because it is the case, and it's

particularly the case in retail, that once they have to pay more money to people, they'll cut an hour here or there.

[289] **Dr Hick:** I think that's a real—. How we ensure that gains in one area aren't offset by losses in another is a real challenge. And I think it probably becomes a particular challenge when we are talking about an hour here or there, because it would need a pretty strong form of regulation to try to prevent that sort of marginal adjustment. As I say, I think we need two things together. One is around improving the minimum wage and pushing for a living wage, and then, the second thing is around trying to regulate zero-hours contracts, which doesn't speak to the more nuanced case you're talking about.

[290] But I think trying to deal with zero-hours contracts is an important way forward, and I note that my native Ireland has announced at least a desire to eliminate zero-hours contracts. Again, we haven't seen the detail of exactly what that's going to mean. The wording they have is:

[291] 'unless it is genuinely casual work, emergency cover or short-term relief work for the employer.'

[292] So, how many exemptions that's going to allow is not entirely clear yet. And, as ever in these cases, the devil is in the detail, but the desire or the aspiration, the stated aspiration, is there to eliminate zero-hours contracts in most cases. And I think that seems to me to be a helpful conversation to have going forward.

[293] **Joyce Watson:** Okay. That's fine.

[294] **John Griffiths:** That neatly takes us on to security at work. Jenny, I believe you have some questions.

[295] **Jenny Rathbone:** You give some interesting evidence about—one of the ways we can remove families from poverty is to get more members of the family working. How do we do that? And, also, at the moment, all these work programmes support people who are outside the workforce into work, but on day one of them in work, it's 'Ta-ra, see you later'. There's no further support given. What role do you think supporting people in work, and providing that transition into progression in work—would that actually make a more sound investment in individuals?

[296] **Dr Hick:** I agree that this is an issue in terms of trying to promote employability, particularly of second earners, where there is a second adult in the household. I agree that employability, or in fact progression, is important. I think what we can see, as I say, in the data, is that family responsibilities play a role in the circumstances where people seem to be struggling and where there seem to be difficulties around that. I think then, as I say, childcare is potentially one policy lever that one might try to utilise. But I think we have to be aware that the fact that families are in this position where they struggle a little bit more with these transitions—it's not necessarily the case that we can eliminate this. It may just be that, partly for preferences—we can't think that we can reduce these differentials to zero, I think, is the issue. So, I'm not suggesting that childcare, for example, can be the silver bullet that solves all of the issue, but it strikes me as being one of the things that we can do. Certainly having an in-work support system—tax credits/universal credit—which incentivises continued progression seems to me to be important as well.

[297] **Jenny Rathbone:** There are also quality of life issues here. Earlier witnesses have talked about the importance of having work as part of your life and not just a tick-box: 'You're in a job.'

[298] **Dr Hick:** Sure—

[299] **Jenny Rathbone:** So, do you think that that's something that Government needs to refocus—the way they look at raising the number of people who are in work?

[300] **Dr Hick:** I certainly accept that, if you take an entirely income-focused—and when we're thinking about in-work poverty, it does tend to drive us down the line of thinking about household incomes and what we could do to move the income variable—that's all well and good, but it doesn't necessarily answer the broader quality-of-life question, which is why some of these differentials for families might not disappear, because people make alternative choices in terms of 'This is how I want it'. One might accept a temporary reduction of income in order to spend more time in another way.

[301] **Jenny Rathbone:** There are also macro-economic imperatives because childcare costs more than what you can earn, so there aren't many alternatives there.

[302] **Dr Hick:** No, indeed. I think my point is just to suggest that I think that

childcare can be a useful lever, but we can't assume that it's going to do all of the work.

[303] **John Griffiths:** Just in terms of specific groups, I know you mentioned lone parents and families with three children or more being more likely to move from unemployment or economic inactivity into in-work poverty, if they were to gain employment. Would you like to see Welsh Government childcare policies specifically targeted at those groups, and, if so, how might that be done?

[304] **Dr Hick:** Having groups that are particularly affected doesn't always mean that we should target policy on those groups. One can have a more general policy, which would naturally benefit some groups more than others, if you like. So, I don't think that the fact that some groups have an elevated rate of a certain issue necessarily should lead us down the road of thinking that a targeted solution is the most appropriate.

[305] One thing I think would be useful is that I note that there is an increased childcare offer that the Welsh Government is proposing in seven areas. I don't know what plans there are to analyse the impact of that down the line, but it would, of course, be interesting to know that, if that increase is to occur—what's the impact going to be? I think that a lot of the evidence on modelling the impact of additional childcare is based on modelling—we have a statistical model, we set it up, we make certain assumptions. This isn't the work that I've been working on, but in reading this area, a lot of it is based on modelling. So, having some real-world knowledge and experience of what happened when you increase this offer seems to me to be an important thing to understand and an important area to learn lessons from.

[306] **Jenny Rathbone:** Well, the pledge is to then make it available to all families with three and four-year-olds. So, at the moment, you've got pilot areas, but—

[307] **Dr Hick:** Yes.

[308] **Jenny Rathbone:** But, obviously, that doesn't solve all the childcare problems, because there's after 15:30 and getting them to school, et cetera. So, it's a juggling act throughout.

[309] Can I just move us on to discussing one other area where people are stuck in a poverty trap? And that is the really noticeable shift from owner-

occupancy to private rented tenancies—10 per cent is really significant, and, obviously, at the same time, we've had the rise of the buy-to-let market and this idea that houses aren't homes, they are assets to be sweated and to make money out of. What do you think Welsh Government could do to reduce housing costs, particularly for private rented tenants where people with very little skill—if they're in private rented accommodation, it's virtually impossible for them to work, in my experience, because they just can't cover the cost of the housing unless they're getting housing benefit.

[310] **Dr Hick:** Yes. There's no doubt—one of the things that I think came out of our research, and has come out of other pieces of work that have been done recently, is that this shift towards the private rented sector is, as you say, substantial. I think a 10 percentage point shift within society towards the private rented sector, away from owner-occupation, is very serious, and especially since it's not clear to me that this is a shift that has abated or that is likely to abate any time soon. So, it seems to me that we're on a sort of direction of travel that I don't necessarily see the end of any time soon.

[311] I think the question, for the UK as a whole, actually—and, again, I think there's a broad conversation needed about this—is do we want to see this continued shift away from owner-occupation towards the private rented sector, because it seems to me that we know that this is a sector with higher housing costs across the distribution, or across much of the distribution, and bringing these down isn't going to be entirely easy. I know there are proposals about letting agents' fees, but bringing these costs down is going to be difficult. So, it seems to me that we do need to question whether we want to see this trend continue because, otherwise—you mentioned housing benefit at the end—the danger is that we see the housing benefit budget continue to expand, which doesn't seem to me to be a helpful direction of travel.

[312] **Jenny Rathbone:** Okay, so how significant do you think is the proposal to remove letting agency fees for private rented tenants, or are we talking about rent controls?

[313] **Dr Hick:** I think the proposal to remove letting agents' fees is a step in the right direction, but strikes me as being a fairly modest step in the right direction in terms of the scale of the issue at hand, which is high rents. As a proportion of—I know there's a huge amount of variation, but, in terms of fees and of rents—. But, of course, you know, letting agents' fees aren't a huge proportion of rents, and, actually, another question here, I think, is the

impact on the measure of poverty. And, not to digress too much, but I know that there are concerns more broadly about, let's say, Communities First and its efficacy or not in terms of moving the poverty rate. To my knowledge—so, poverty is measured after housing costs, but, to the best of my knowledge, it doesn't capture letting agents' fees. So, there is a chance that you do something positive, albeit modest, that isn't captured in the poverty data at all, potentially.

[314] **Jenny Rathbone:** Well, it certainly isn't covered by housing benefit, the letting agency fee, but it's more likely to benefit those who are not in receipt of housing benefit who are having to use their wages.

[315] **Dr Hick:** Yes.

[316] **Jenny Rathbone:** As well as their other income support.

12:00

[317] **Dr Hick:** Indeed. I think my point is that it seems to me to be helpful, modest, but I wouldn't necessarily expect it to show up in any of the data—in any of the macro data. And, actually, of course, the real concern is to ensure that the reduction doesn't get passed on through higher rents, because that would show up in the poverty data. So, there's actually a potential that if the change happens and it gets translated into higher rents then you potentially see an impact on the poverty data in the direction you don't want to see.

[318] **Jenny Rathbone:** Well, perhaps that's a more realistic reflection of what's going on, though—were that to be the case. Because, at the moment, as you say, it doesn't show up, it's just coming out of the money people are otherwise spending on food and other things.

[319] **Dr Hick:** Yes. That strikes me as being a frustrating dilemma for policy makers—you try to do something and it doesn't show up in the data. But it's not unheard of in plenty of other domains and areas and countries where poverty measures aren't necessarily always terribly sensitive to actual policies that do make a difference on the ground.

[320] **Jenny Rathbone:** Okay, thank you.

[321] **John Griffiths:** Okay. Well, thank you very much for giving evidence to us today, Dr Hick. You will be sent a transcript to check for factual accuracy.

Thank you very much.

[322] **Dr Hick:** Thank you very much.

12:01

Papurau i'w Nodi
Papers to Note

[323] **John Griffiths:** Okay, the next item on our agenda today is item 5—papers to note. We have two papers to note: a letter from the Chair of the Children, Young People and Education Committee to the Cabinet Secretary for Education regarding community-focused schools, and then a letter from me to the Cabinet Secretary for Communities and Children in relation to fire safety in high-rise blocks in Wales. Are Members happy to note both papers? Yes. Okay, thank you very much for that.

**Cynnig o dan Reol Sefydlog 17.42(vi) i Wahardd y Cyhoedd o Weddill y
Cyfarfod**
**Motion under Standing Order 17.42(vi) to Resolve to Exclude the Public
from the Remainder of the Meeting**

Cynnig:

Motion:

bod y pwyllgor yn penderfynu that the committee resolves to gwahardd y cyhoedd o weddill y exclude the public from the cyfarfod yn unol â Rheol Sefydlog remainder of the meeting in 17.42(vi).

accordance with Standing Order 17.42(vi).

Cynigiwyd y cynnig.

Motion moved.

[324] **John Griffiths:** The next item then is a motion under Standing Order 17.42 to resolve to exclude the public from the remainder of the meeting. Is the committee content to pass that motion? Okay, we will move into private session.

Derbyniwyd y cynnig.

Motion agreed.

*Daeth rhan gyhoeddus y cyfarfod i ben am 12:02.
The public part of the meeting ended at 12:02.*