

Gwneud i'r economi weithio i'r rheini sydd ag incwm isel

Making the economy work for people on low incomes

Ymateb gan: Llywodraeth Cymru

Response from: Welsh Government

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

Prosperity for All

2. Increasing prosperity and supporting a strong economy that generates sustainable employment opportunities that are accessible to all are fundamental to tackling poverty. This is not just about material wealth. It is about every one of us having a good quality of life and living in strong, safe communities with well paid jobs, household incomes and productivity levels.
3. The National Strategy provides a framework for our whole-government approach to increasing prosperity and addressing the root causes of poverty in a more effective, joined-up way.
4. It sets out how we will drive a Welsh economy which spreads opportunity and tackles inequality; how we will improve health and wellbeing; how we will support people to achieve their potential and how we will develop those vital links that will help Wales as a nation and as a people to prosper.
5. The Strategy identifies five priority areas which have the greatest potential contribution to long-term prosperity and well-being. These are Early Years, Housing, Social Care, Mental Health and Skills and Employability. This will mean giving every child the best start in life, building resilient communities and providing safe warm homes and taking action to ensure wellbeing across the life course. The strategy will be driven by a focus on raising skills levels, ensuring sustainable employment and spreading the benefits of economic growth as widely as possible.
6. Transport plays a vital role in driving Wales' economic competitiveness, connecting people, communities and business to jobs, facilities and markets. Our focus is to provide a sustainable, multimodal and integrated transport system which enables our communities to be united and to prosper, providing access for all our people to the opportunities they need to live healthy, sustainable and fulfilling lives.
7. We continue to provide substantial funding in support of Wales's bus network. Through Bus Services Support Grant we have allocated £25m to local authorities for 2017-18 to help them to subsidise a range of bus and community transport services throughout Wales. Those are services which would not run without public funding.
8. We are currently consulting on a discounted bus travel scheme for younger persons, building upon the success of the scheme we introduced in September 2015. The aim of the consultation is to see how the existing offer of one-third discounts to all 16 to 18

year olds could be improved, and potentially extended. The consultation closes on 4 January 2018.

9. The Welsh Government has undertaken a policy discussion with bus operators, local authorities and passenger groups in Wales, to develop proposals on how best local bus services can be developed as part of an integrated public transport system in Wales. The consultation started on 8 March and ended on 31 May 2017. An outcome report was published in August 2017. A further detailed consultation will take place in the Spring of 2018 on detailed proposals.
10. The Concessionary Bus Travel Scheme is hugely popular, with some 760,000 passholders resident in Wales who need not worry about the cost of using the bus to access employment, education, social events, training, medical appointments and any other journey purposes.
11. Within Wales 74% of free bus journeys are undertaken by older people, with slightly less than a quarter of those journeys are at “peak” travel times. Travel by pass holders accounts for 46% of all bus journeys undertaken on local buses in Wales (about 45 million), more than in Scotland (36%) and England (34%).
12. A public consultation about future arrangements to maintain free bus travel for older people, disabled people and some injured service veterans began on 10 October 2017 and will run until 12 January 2018. This builds on the public consultation held earlier in 2017 about how we can better plan and deliver local bus services, as part of an integrated public transport system well into the future.
13. The Welsh Government is committed to ensuring that our scheme continues to meet the needs of the people of Wales, is affordable and continues to contribute to our goals of creating a united and connected society.
14. Our City Regions recognise, not only that cities must be drivers of growth, but that prosperity must be shared across the wider regions. They are emphasising connectivity and skills as core priorities. These priorities are an enabler of growth and are fundamental in facilitating inclusive access to jobs and opportunities.
15. More households in Wales have a home that is safe, warm and secure. Recent statistics show improvements in the quality of social housing. 86% of all social housing dwellings met the Welsh Housing Quality Standard (WHQS) by March 31st 2017, which is a rise of seven percentage points on the previous year.
16. Wide-ranging support is available for entrepreneurs, small and medium businesses across Wales through our Business Wales Service including access to finance. In its first three years of operation, Business Wales helped create 14,000 jobs, safeguard 3,500 jobs and create 9,600 new businesses. Advice was given to over 25,000 SMEs and information was provided to 53,000 SMEs. There were one-and-a-half million website visits.
17. We are also testing the appeal and challenges of free weekend travel for everyone on our extensive TrawsCymru longer-distance bus network. The aim is to see how people

react to the offer of free travel, including the extent to which it attracts new passengers to the bus network.

Employability Plan

18. Employability is one of the five priority areas – identified as having the greatest potential contribution to long-term prosperity and well-being – in Prosperity for All. Fair, secure and rewarding employment is critical to people’s well-being, and improving skills is key to unlocking growth and innovation for businesses.
19. Participation in the labour market is recognised as the most effective individual driver of movement in and out of poverty. Over half of entries into poverty are associated with a fall in earnings, primarily due to job loss. We know that workless households are more at risk of being in poverty and are especially at risk of living in persistent poverty. Being unemployed adversely affects both mental and physical wellbeing. At the same time, children living in workless households are much more likely to have poorer health and educational outcomes, both as children and later as adults. Being unemployed as a young adult, leads to a higher likelihood of long-term “scarring” in terms of subsequent lower pay, higher unemployment, reduced life chances and greater mental health problems. From a tackling poverty perspective, the evidence to support a focus on employability is overwhelming.
20. There are also wider personal benefits to employment. Good employment and working conditions can have a positive impact, providing not only financial security, but also social status, personal development, social relations and self esteem.
21. The Employability Delivery Plan is a high-level, ambitious forward-look at how we will review and develop the employability system in Wales. The Plan is being developed in close alignment with the Economic Action Plan and the Valleys Taskforce Delivery Plan to ensure policies are complementary and cross referenced where appropriate. The supporting performance dashboard will monitor and advise on the coordination of Skills, Higher education and Lifelong Learning policies and programmes in response to Taking Wales Forward.
22. Good progress has been made in improving the employment rate and reducing economic inactivity since devolution. However, low skill levels remain a problem. Unemployment is still too high in some communities across Wales and there are still too many people who are currently economically inactive but who want to work and could work with the right support. The current landscape of employability support is complex. It needs to be simplified and managed as a system if we are to improve local, community based services to people who need support.
23. The Plan will highlight new developments in different areas of the employability lifecycle. This includes the development of the Employment Advice Gateway, a joined up referral mechanism; Working Wales, a revision of our employability programmes; and the development of our Communities work through Communities for Work Plus. The Plan will also consider functional and structural barriers to employment and support, such as transport or caring responsibilities, and will outline how government can engage the levers at our disposal to break down these barriers.

24. We will cover engagement with employers, and the role they can play through regional skills partnerships in assessing the labour market needs of a region, and developing a pipeline of an appropriately skilled workforce.
25. We will outline plans for new governance mechanisms which will allow common evaluation and accountability of the whole employability system, including how programmes interact with each other.
26. The Employability Delivery Plan will be published at the end of 2017 and will be underpinned by a new employability offer under the name Working Wales. This will consist of 3 new programmes to be delivered from April 2019:
 - Adult Employability Programme
 - Youth Employability Programme - Engagement (aimed at those furthest from the labour market)
 - Youth Employability Programme - Work focus (aimed at those closer to the labour market)
27. Working Wales will replace our current suite of programmes: ReAct, Jobs Growth Wales, the Employability Skills Programme and Traineeships. Between now and April 2019 these programmes will be reconfigured to inform the new delivery approach.

Economic Action Plan

28. To support Prosperity for All: the national strategy, and provide further detail on how we will implement our commitments, we will publish an Economic Action Plan later this autumn.
29. The Plan will be wide-ranging and draw on our levers across Government to grow our economy, spread opportunity, and promote well-being. It will take forward the actions within the Prosperous and Secure theme and actively contribute to the other themes and priority areas.
30. The Action Plan will take a cross-Government view. It recognises the pressure on resources and therefore the importance of working much more coherently, effectively and strategically across Government on our core priorities.
31. As part of Prosperity for All, we commit to a new 'Economic Contract' between business and government to stimulate growth, increase productivity, and make Wales fairer and more competitive. We will be making further commitments in this regard in the Plan.
32. In developing the strategy, we recognised five areas which emerged as having the greatest potential contribution to long-term prosperity and well-being. Two of these are social care and mental health. Care plays a critical part in strong communities, ensures that people can be healthy and independent for longer, and is a significant

economic sector in its own right. One in four people in Wales will experience mental ill health at some point in their lives.

33. We will have more to say on the detail of our actions in our Economic Action Plan. This will mark a significant change in our approach and in how we will work across Government to address the challenges.
34. The First Minister has already stated the Welsh Government's ambition to make Wales a Fair Work nation where everyone can access better jobs closer to home, where people can develop their skills and careers and where we can all expect decent, life enhancing work without exploitation or poverty.
35. We have established a Fair Work Board which as its first task is exploring a clear definition of fair work as well as identifying the levers through we can encourage more fair work outcomes from public spending and procurement practice in Wales. The output of the Fair Work Board will be an important element of our new Economic Contract which will provide the foundation for the new conditions we will place on those that are in receipt of public funding.

Valleys Taskforce

36. Incomes in the South Wales Valleys lag behind other areas and there is high welfare benefit dependency. The welfare reforms that have been introduced since 2010 have hit the valleys severely. The Valleys Taskforce will focus on creating new jobs and opportunities in Valleys communities where work is difficult to find.
37. Poverty also persists in other communities across Wales and whilst the Valleys is no more deserving, this focus gives us an opportunity to test new ways of working in the Valleys and use the learning to deliver prosperity for all across the whole of Wales.
38. When looking at material deprivation, income deprivation and employment deprivation, levels of deprivation in the South Wales Valleys are higher than the Wales average.
39. The taskforce has recognised that we need to work differently to and learn from previous initiatives and programmes that have focussed on this area. This won't be a top-down approach. Instead, we will continue to work in partnership with communities in the Valleys. The high level plan published on 20th July and the more detailed delivery plan due to be published in November have been shaped and developed following extensive engagement with communities, business and the third sector across the Valleys.
40. The taskforce, in partnership with people living in the Valleys, existing businesses, local government, third sector and civic organisations have worked to identify three priority areas;
 - a. Good quality jobs and the skills to do them;
 - b. better public services; and
 - c. my local community.

41. There is an opportunity through the investment being planned for new initiatives, such as the Cardiff Capital City Region and Swansea Bay City Region City Deals and the South Wales Metro, aligned to our wider regional working approach, to bring together existing businesses, local government, third sector, civic organisations into developing a cohesive plan to promote the region for investment as well as to co-ordinate existing investment in a smarter way.
42. Our approach will enable us to use the Valleys as a test bed for a place-based approach to enhancing employability. The area of Skills and Employability is one of the five priority areas identified in the National Strategy as having the greatest potential contribution to long-term prosperity and well-being.
43. While we transition to delivery of the new employability programme, Working Wales, we are testing a number of new approaches to enhance employability support for adults who are short-term unemployed and those who churn in and out of temporary employment. The trial will be geographically focused with the initial phase commencing in the Valleys taskforce. We will manage the transition to the new Working Wales programme to ensure that there will be no pause in delivery. We aim to ensure that individuals who enter the current suite of programmes on or before 31 March 2019 will be able to complete their programme of learning; our intention is that no individual receiving support will be disadvantaged by the introduction of the new programmes.
44. A cross-government team is taking forward the Better Jobs Closer to Home programme to align a range of commercial pilots with other interventions to support creation of meaningful employment in communities with high levels of joblessness. This means local jobs for local people with fair payment and good conditions of employment. The pilots will test new methods of procurement practice designed to create employment from commercial interventions within the Welsh Public Sector expenditure profile on works, goods and services. If the pilots prove successful, then these methods can be replicated in other areas of Wales, in other areas of spend. The programme is part of the 'Good Quality Jobs and the Skills to do them' priority; It will create real opportunities and decent jobs where the need is greatest. This includes using public procurement to support local businesses and supply chains.

Living Wage

45. The Welsh Government supports the concept of a Living Wage, as defined by the Living Wage Foundation. Working in social partnership we encourage employers to adopt the Living Wage as one of a range of positive actions to help alleviate the problems caused by poverty and low wages in Wales.
46. The Welsh Government has produced a Guide to Implementing the Living Wage through Procurement which has been made available to private, public and third sector organisations. The Guide has been published alongside a Code of Practice on Ethical Employment in Supply Chains. Part of being an ethical employer is paying employees a fair wage. We have further demonstrated our commitment by ensuring all directly employed staff within the Welsh Government are paid the Living Wage (with the exception of apprentices), as is the case within NHS Wales. The introduction of the

common contract in Further Education has ensured all staff covered by this contract are now also paid at or above the Living Wage.

Welfare Benefits

47. In 2016/17, Department for Work and Pensions (DWP) expenditure on state benefits in Wales was £9.5 billion (5.5 per cent of the total for Great Britain). In addition, HM Revenue and Customs (HMRC) statistics indicate that around 224,000 households in Wales received £1.4 billion in total from Working Tax Credit and Child Tax Credit payments in 2015/16 (5.2 per cent of the total for Great Britain).
48. The UK Government's welfare reforms (as currently planned) over the next few years are estimated to result in significant reductions in benefit income for some households. This is on top of the significant welfare cuts already implemented since 2010.
49. Institute for Fiscal Studies (IFS) analysis shows households in Wales would lose 1.6 per cent of their net income on average (or around £460 a year) if all of the tax and benefit reforms that were planned to be introduced by the previous UK government between 2015-16 and 2019-20 are implemented. This is equivalent to £600 million a year in Wales as a whole. Some of these reforms have already been introduced in the last couple of years. We await information in the Autumn Budget on the current UK government's tax and benefit policies to be introduced over the next few years.
50. If the same policies go ahead, we know lower-income households, particularly those with children, would lose considerably more on average (around 12 per cent of net income). Large families would be particularly hard hit losing around £7,750 a year or 20 per cent of net income on average. The IFS expect these changes would increase the number of households in Wales in poverty. When the new UK government's tax and benefit policies have been confirmed, we will assess the potential impact in Wales.
51. We remain committed to maintaining full entitlements for households to receive support with their council tax bills through the Council Tax Reduction Scheme. The CTRS is supported with £244 million of funding from the Welsh Government provided through the Local Government Settlement. As a result, almost 300,000 vulnerable and low-income households in Wales continue to be protected from any increase in their Council Tax liability, of which 220,000 continue to pay no council tax at all.
52. Since April 2013, the Welsh Government's Discretionary Assistance Fund has supported more than 140,000 awards to the most vulnerable people in Wales, with almost £31 million in grants.
53. The maximisation of benefits to help the most vulnerable claim benefits that they are entitled to is supported through the Welsh Government's £5.97 million grant to provide advice on social welfare issues. As part of this funding the Better Advice, Better Lives project encourages the take-up of council tax and housing benefits, alongside other benefit entitlements, especially amongst those people and groups less likely to claim. During last year, the Front Line Advice Services funding contributed to organisations responding to over 48,000 requests and helped households to secure over £12.7 million in additional welfare benefit income.