



Cynulliad
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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](#)

08/02/2017

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Public from the Remainder of the Meeting

Cofnodir y trafodion yn yr iaith y llefarwyd hwy ynddi 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

Tracey Burke	Cyfarwyddwr, Strategaeth, Llywodraeth Cymru Director, Strategy, Welsh Government
Jo–Anne Daniels	Cyfarwyddwr, Cymunedau a Threchgu Tlodi, Llywodraeth Cymru Director, Communities and Tackling Poverty, Welsh Government
Maureen Howell	Dirprwy Gyfarwyddwr, Cydraddoldeb a Ffyniant, Llywodraeth Cymru Deputy Director, Equality and Prosperity, Welsh Government
Ken Skates	Aelod Cynulliad, Llafur (Ysgrifennydd y Cabinet dros yr Economi a'r Seilwaith) Assembly Member, Labour (Cabinet Secretary for Economy and Infrastructure)

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

Chloe Davies	Dirprwy Clerc Deputy Clerk
Steve Davies	Cynghorydd Cyfreithiol Legal Adviser
Hannah Johnson	Y Gwasanaeth Ymchwil Research Service
Naomi Stocks	Clerc Clerk

Dechreuodd y cyfarfod am 09:15.

The meeting began at 09:15.

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

[1] **John Griffiths:** May I welcome everyone to this meeting of the Equality, Local Government and Communities Committee? Item 1 on our agenda is introductions, apologies, substitutions and declarations of interest. We have no apologies this morning. Are there any declarations of interest? No.

Craffu ar Waith Ysgrifennydd y Cabinet dros yr Economi a'r Seilwaith Scrutiny of the Cabinet Secretary for Economy and Infrastructure

[2] **John Griffiths:** Let's move on, then, to item 2 on our agenda, which is a scrutiny session with the Cabinet Secretary for Economy and Infrastructure and his officials. Cabinet Secretary, could you introduce your officials for the record please?

[3] **The Cabinet Secretary for Economy and Infrastructure (Ken Skates):** Thank you. It's a pleasure to be with you today, Chair, for my first appearance before this committee. I'm joined by Tracey Burke, Jo-Anne Daniels and Maureen Howell.

[4] **John Griffiths:** Okay. Cabinet Secretary, I believe you would like to make some introductory remarks before we move to questioning.

[5] **Ken Skates:** That's very kind. Thank you, Chair. As I say, I'm very pleased to have received an invitation to give evidence to you today as part of the committee's inquiry into poverty in Wales. The Welsh Government has adopted a whole-Government approach to tackling poverty and is committed

to using all levers available to us to improve outcomes for all people across Wales. Tackling poverty is a responsibility of every Minister and every Cabinet Secretary in Government, and this will ensure a truly cross-cutting and cross-Government approach to delivering a more equal, a more secure and more prosperous country. Now, as the Cabinet Secretary for Economy and Infrastructure, I have overall responsibility for the co-ordination of cross-cutting measures insofar as promoting economic opportunity for all is concerned, and I do believe that this is a reflection of the importance of a fair and strong economy in delivering prosperity and security for individuals across Wales.

[6] Individual Cabinet Secretaries and Ministers lead in their respective portfolio areas. During this session, I am, of course, happy to cover the Welsh Government's strategic approach to tackling poverty and to discuss the direction being taken in my own department to tackle poverty through the promotion of economic opportunity. I don't think it would be appropriate to answer specific questions on policies and programmes that are the responsibility of other Cabinet Secretaries and other Ministers. This also applies, I'm sure, to questions in relation to the recommendations by the Communities, Equality and Local Government Committee from the previous Assembly, where these fall into other portfolios. Where this is the case—and I'm sure, Chair, that you've already done so—it would be appropriate to invite other Cabinet Secretaries and Ministers to give evidence themselves.

[7] In December, the Cabinet Secretary for Communities and Children made a statement recognising that, whilst we won't be able to deliver on our ambition to eradicate child poverty by 2020 as defined by relative household income, our commitment to tackling poverty and improving prosperity for all is not in doubt. I do believe it's critical that we reflect on the levers we have here in Wales and focus on those areas where we really can make a significant difference. Now, evidence shows that employment provides the most sustainable route out of poverty, and so, within my portfolio, Chair, there will be specific emphasis on quality jobs, increasing employability and supporting people to enter, to remain and to progress in work. I want to make sure that we have broader access on to the escalator of economic activity. And through a focus on prosperity for all, I do believe that we can make a fundamental difference and ensure that we deliver on ambitions for Wales.

[8] Chair, I am conscious that the economy and infrastructure committee are to proceed with a piece of work looking at economic strategies. This ties

in with the work that I am responsible for, on the prosperous and secure strategy. May I suggest that it would be advisable for this committee to liaise with that committee, given the significance of this particular subject to the emerging economic strategy, and therefore the work of the Economy, Infrastructure and Skills Committee?

[9] **John Griffiths:** Yes. Well, thank you for those opening remarks, Cabinet Secretary. This committee has been in touch with the committee with responsibility for the economy and other matters, and we will continue to maintain that contact on these matters and others. Could I begin, Cabinet Secretary, by asking you to explain what having overarching responsibility for the Welsh Government's efforts and strategy in tackling poverty means in practice? How would you go about fulfilling that responsibility?

[10] **Ken Skates:** Absolutely. As I mentioned in my opening statement, the evidence is now abundant and demonstrates that getting people into work, opening opportunities for people to be in work—not just any work but quality work; work that has fair pay and fair pay and conditions attached to the employment—is the best route out of poverty. For that reason, my focus will be on creating a fairer economy—one where there are job opportunities for all people in all communities, but where there are specific interventions that enable people who are further from the jobs market to be able to gain the skills to be empowered. I think it's fair to say that Carl Sargeant has already identified three key areas that we'll be focusing on across Government to be empowered in order to get into work and to be an active member of the community, and to have the support and services around them to ensure that they can stay in work, and that might concern early years issues such as childcare, or it may concern transport issues, such as the availability of regular and affordable public transport.

[11] **John Griffiths:** Thanks for that, Cabinet Secretary. I think the committee will have further questions in terms of your direct responsibilities, but we're also interested in how having overarching responsibility relates to the work of other Cabinet Secretaries and Ministers. Are there any structures in place to take forward joint meetings and joint work?

[12] **Ken Skates:** Yes, the immediate work of Government is focused on the four cross-cutting strategies. I could probably bore the committee with the background to those four strategies, but, as tempted as I am, I won't do that today. Those strategies will underpin everything that we do as a Government. Now, we have structures that have been agreed for liaising across the

departments on the construction of those strategies. So, there are meetings and discussions that are taking place at an official level and a ministerial level, involving four leads on the strategies—myself, Kirsty Williams, Vaughan Gething and Julie James—but there are also discussions that are taking place, again at an official level and at ministerial level, across all portfolio holders, as we shape those strategies that will be cross-cutting. I recognise that improving prosperity and improving job opportunities is not just something that is immediately within the remit, gift and power of officials within my department, but it also requires the contribution of every other department. So, for that reason, the prosperous and secure strategy will be cross-cutting across Government.

[13] **John Griffiths:** So, you don't feel that you need any additional structure beyond those general structures that are in place for all the underlying themes.

[14] **Ken Skates:** Yes, I'm confident. Because this is a new way of working as well. This is a new approach: simplifying in terms of the number of strategies, but also ensuring that, built within each and every strategy, there is the focus on addressing poverty and disadvantage. I'm confident that the processes that we have in place for challenging and sharing information with one another are sufficient to ensure that this important agenda—and many other agendas for that matter—are given the respect and recognition, and, therefore the attention, that they deserve.

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

[16] **Rhianon Passmore:** Thank you. Thank you for your opening statement. In regard to the shaping of cross-cutting emergent economic strategies, bearing in mind, as everybody around the table is fully aware, the disproportionate effect against women in terms of the effect of poverty, what place does that hold in terms of your statement around entering, prospering, progressing and remaining in that economic pathway, bearing in mind the significance of that across departmental strategies and themes emerging?

[17] **Ken Skates:** Rhianon Passmore makes a really important point about specific disadvantages that certain groups are facing, and, actually, if we look ahead over the next five years, indicators suggest that it's going to be families and women who are going to be most adversely affected by continued tax and benefits reforms as well. So, it's an important consideration that is being made right across Government in terms of how

we focus our interventions on groups who are facing, currently, the most disadvantage, but, in the years to come, will also face an even bigger barrier.

[18] In terms of the three areas of primary intervention that Carl Sargeant has spoken about, those being empowerment, employability and early years, it's fair to say that those will strongly determine better outcomes for women. If we go to the early years element first, the childcare pledge that forms part of the programme for government will be crucially important. In terms of empowerment, increased regulatory control over the bus network will also be significant in empowering and enabling people to get into work. Also, in terms of employability, we need to make sure that, through our employability planning—the employability programme, which is attached to an all-age apprenticeship programme, now—the system and the services are person-responsive, and that means that they have to be responsive to individual needs. We know that there are general needs that groups have, but there will be specific needs as well. So, for example, we have convened an accessibility group to make sure that we can address the accessibility barriers for women, for example, before they can get into work. This group will be able to inform us in terms of what additional interventions are required for the economic strategy.

[19] **John Griffiths:** Okay. Before we move on from structures, Cabinet Secretary, we have had advisory groups to help with Welsh Government policy on poverty in the past. I don't believe we have any at the moment. Is that something for you to decide upon in terms of your overarching responsibility or is that something for other Ministers?

[20] **Ken Skates:** I'm going to ask Maureen to just given an outline of the advisory systems that already exist, if that's okay.

[21] **Ms Howell:** I think you will be aware that we had the tackling poverty external advisory group and their terms came to an end in the autumn. Since then, what we've been doing is looking at the structures that we have, which include the End Child Poverty Network Cymru, which is an externally run group, which we also attend—regular meetings—and Cabinet Secretaries do. As I said, at the moment, what we're undertaking is a review of all the groups that we've got across Welsh Government, because there is a lot of duplication. That sort of feedback came through from some of our tackling poverty external advisory group members who are on a number of different groups. But because of the sort of drive, now, for economic prosperity for all, we're also looking at the groups that exist within the Cabinet Secretary's

setup as well, and at how we can work together across those. So, what role does the council for economic renewal play in this? The Cabinet Secretary has written to Cabinet Secretaries and Ministers across Welsh Government asking what interaction they have in their roles in tackling poverty within their groups, so that we can set something up that will be meaningful, but will also mean that people are not asked to attend lots of different groups.

[22] **Ken Skates:** This is taking place at the same time that we are looking at the entire architecture of the advisory networks that we have to make sure that we do have clear, consistent advice, that we simplify the architecture that exists so that we get rid of duplication and we actually hone in on the key challenges that we face, as a Government and a country.

[23] **John Griffiths:** Okay, thanks for that. Sorry, yes; Bethan.

[24] **Bethan Jenkins:** I know you said that you didn't want to talk about recommendations, but, in the recommendations of the previous committee, it was suggested that a league of anti-poverty—an anti-poverty network could be set up by Government, but outside of Government, so including civil servants, the third sector and so forth.

09:30

[25] That was rejected because it was said that things were happening within Government. We are hearing that, perhaps, there is a disjointedness about what's happening at the moment. Would you reconsider that as a suggestion?

[26] **Ken Skates:** We're giving consideration to the whole network of advisory groups that we have at the moment. Given that—I think it's widely accepted—we've had something of a proliferation of panels, groups and organisations, I would be disinclined to create a new one at this stage without sufficient evidence to support the creation of a new group. I also fear that, creating a group with such a specific remit may actually distract from the work of other departments within Government. I think the challenge for us is to make sure that we work within Government in a cross-cutting way, and that we are all able to draw down consistent advice. I'm open minded. We could consider the recommendation. But, as I say, at the moment, my priority is on simplifying the advisory landscape.

[27] **John Griffiths:** Okay. I think, Jenny Rathbone, you have some

questions.

[28] **Jenny Rathbone:** You talk about the shift in direction for the Welsh Government's approach to poverty. Is it correct to say that we could summarise that as the focus on empowerment, early years and employability?

[29] **Ken Skates:** I think that's a fair assessment, yes. It's something that the Cabinet Secretary for Communities and Children has already spoken about. I've mentioned it already, I think, twice this morning.

[30] **Jenny Rathbone:** Okay. I just want to make sure that we are clear on that.

[31] **Ken Skates:** Yes.

[32] **Jenny Rathbone:** Okay. That's fine. Now, obviously, it's our job to scrutinise the progress that the Government is going to make with this new change of direction, and I'm a bit concerned that nothing in the information that you have submitted in advance gives us a baseline to be able to track how well we're doing. You talk about the importance of evaluating specific policies and programmes underpinning the strategy, which was in the evaluation that the Government did in 2014. So, I just wondered why we haven't got these baseline figures. You talk about the progress report on child poverty including data on progress made to date. Are we able to get hold of all these things?

[33] **Ken Skates:** Chair, if I may, I'm more than happy to provide the dashboard of data that I constantly scrutinise. It amounts to several pages, but I am happy to provide that. But also, in terms of the baseline, of course, we'll be using the well-being of future generations indicators, and those are the indicators that we'll be adopting.

[34] **Jenny Rathbone:** Okay, so the 46 indicators will be the ones that—. We don't want to have too many things, so the 46 indicators are the basis on which you are going to be tracking your progress.

[35] **Ken Skates:** Yes.

[36] **Jenny Rathbone:** Okay, that's great. In terms of how this new approach is going to deliver, you mention maximising the benefits we're going to get from public procurement, for example, through major projects and initiatives

such as the metro. Using the metro as an example, how, actually, is that going to tackle poverty?

[37] **Ken Skates:** The metro is one of a number of enormous, once-in-a-lifetime opportunities and enablers for employment and prosperity. In terms of the facilitating effect that the metro can have, there are the obvious job-creation opportunities that come from construction, but there are also the opportunities that stem from having a better-connected region. In terms of combining, integrating infrastructure, there are also opportunities to align, for example, childcare provision with metro facilities and stations in the areas people will most likely frequent.

[38] In terms of other, major, once-in-a-generation opportunities, the lagoon—or the lagoons, as we hope they will become—in addition to Wylfa Newydd, present huge job-creation projects right across Wales. So, our focus will be on maximising the opportunities for people who are unemployed to get work through the construction phase and the operating phase of each of these projects, but also to ensure that there are wider benefits stemming from the projects, through social benefits and the clauses that we have developed. I think we do have a good story to tell about the benefits that have stemmed from our 2010 intervention—£1.3 billion-worth of benefits, and I think that's pretty considerable.

[39] **Jenny Rathbone:** Sorry, but the 2010 intervention in what?

[40] **Ken Skates:** This is community benefits and the—. Would you like to outline the benefits in detail?

[41] **Ms Burke:** Yes, sure. I was actually just going to reference the new sustainable and ethical procurement panel that we've set up around the metro, and for the Wales and borders franchise specifically, going to your point.

[42] **Jenny Rathbone:** Yes, I've fully understood that transport will enable people to get to the jobs—excellent—and that the childcare at the station sounds extremely sensible. Could you just tell us a little bit more about how we're going to train up the people who will therefore have the skills to do the jobs that are going to be required to build the metro?

[43] **Ms Burke:** So, there are a range of different approaches that we're taking at the moment. Some of that is around our apprenticeship

programme, some of that is around our broader skills programme. I think the first stage with us is identifying the skills requirement—what we need in the supply chain—and then working through Business Wales, working through our procurement services and with colleges and wider skills providers, to make sure that we have the people with the appropriate skills to take that work.

[44] **Ken Skates:** The regional skills partnerships will become increasingly important in identifying the skills gaps within the market, and therefore ensuring that skills training providers are able to address those gaps. We are looking for a step change, as well, in the relationship that work-based learning operators have with higher education and with further education and, indeed, with schools, to ensure that they utilise labour market intelligence to better effect, and shape the skills that people acquire around the job opportunities that are emerging. Now, this is important here in Wales, because of those major projects across the border. A scheme that involves vouchers is being introduced for apprenticeship provision. The problem with a voucher is that you can't necessarily target or shape apprenticeship provision to what major projects actually require, and instead, it's entirely possible that lower level apprenticeships could attract more investment. We want to make sure that we drive up the quality and level of skills that are attained by people, to fill the jobs that we know are in the pipeline.

[45] **Jenny Rathbone:** Okay. Just, finally on this area, could you just—? In terms of using your procurement powers, what is the Welsh Government's approach to the corporate social responsibilities of the companies that you engage? Issues like the living wage, ethical supply chains; could you just elaborate?

[46] **Ms Burke:** Sorry. If I may, Chair, I hope it's okay just to come back very quickly on your last question, because I think there's a little bit of detail that I could add there around—. I was mentioning the sustainable ethical procurement panel that we've set up around the Wales and borders franchise and the metro, and one of their specific things is to look at those skills requirements. So, they're doing a labour and skills analysis with the Construction Industry Training Board, which will help us to analyse the skills that are needed. Then we're progressing a memorandum of understanding between the Welsh Government and Network Rail on training initiatives, so that we can make sure that we've got the right skills for those jobs.

[47] **Ken Skates:** It's also—sorry, Chair. It's also important to point out that the code of practice produced by my colleague Mark Drakeford will be launched next month, I believe, and that also supports a wider adoption of the living wage. We've got a good story to tell in terms of Welsh Government being a living wage employer, the NHS and many councils. We would like to encourage more, particularly in the private sector, to adopt the living wage, given, again, that evidence shows that the living wage can contribute to a more productive working environment. I should point out as well, Chair, that I will be looking at remit letters for the national sponsored bodies in terms of how we can improve ethical employment practices. Members may be aware that the national museum and national library are already living wage employers, but I'll be building into other remit letters for national sponsored bodies an expectation that they should pay the living the wage and the organisations that they support should also pay the living wage.

[48] **John Griffiths:** Okay. Thanks very much for that. Joyce, directly on this point?

[49] **Joyce Watson:** Yes, on procurement. We have got a good story to tell in places, but it's not always the case. So, what I want to ask is, you mentioned some of the big contracts, and they're probably the easiest to deal with because you're dealing with large sums of money, and people are more prepared, then, of course, to give some of the benefit from that. My question is around the smaller companies that reside outside large conurbations, but also local authorities and their outsourcing, where they do that, and how you're going to build any procurement within that, particularly in the construction industry, where large firms immediately offlay the work to others.

[50] **Ken Skates:** I'll ask Tracey to answer this.

[51] **Ms Burke:** I think this is central to the work that the Cabinet Secretary for Finance and Local Government has been looking at in terms of looking at ethical procurement right throughout the supply chain, and actually placing people and quality of job right at the heart of that, and so that code, which the Cabinet Secretary said would be published in March, covers 12 commitments around six areas. It covers issues like blacklisting, modern slavery and some very disappointing and disturbing things that sometimes happen in employment practices. But then it goes right through to issues such as zero-hours contracts and how, when they're used unfairly, they can result in people having lower rates of pay and much worse terms and

conditions, but it also looks at things like umbrella schemes, which I think is where your question is, where a contractor who wins the contract may have reasonable employment practices themselves, but then offlays to other suppliers who don't, and the code is really going to try and address those issues throughout—not, obviously, Welsh Government, but throughout the public sector.

[52] **Ken Skates:** Chair, I'm happy to ask my colleague whether an early briefing could be provided for the committee on the code of practice for ethical employment in supply chains.

[53] **John Griffiths:** That would be very useful, Cabinet Secretary; thanks very much. Joyce.

[54] **Joyce Watson:** If I can just pursue one more thing in procurement and some of my knowledge about the construction industry's currently employees being only 1 per cent female. So, I want to ask, within that procurement, that ethical procurement, do you look at the diversity that exists within the workforce, as well as all the other terms and conditions?

[55] **Ms Burke:** I'm not in a position to answer that, I'm afraid.

[56] **Ken Skates:** Nor am I, I'm afraid. We'll get that briefing for you. It does address issues that prevent people from having secure employment, but I'm not sure, I'm afraid, whether it addresses the point that you raise, specifically.

[57] **Joyce Watson:** And one other group, if I can. I read recently that disabled people are about to lose huge rafts of money. They currently get £102, I think it's going down to £78 a week, and they're going into the jobseeker's allowance—the argument being that they have no extra, or additional needs to any other when they're looking for a job. So, again, these are things out of our control, but things we're going to have to deal with when we're talking about poverty. So, I want to ask, Cabinet Secretary, if—well, I know you will be aware of the changes—how you're going to deal specifically with potentially quite a large group of people, who are already disadvantaged, being even more disadvantaged, and who are already living on the edge financially, being perhaps pushed into real poverty?

09:45

[58] **Ken Skates:** Chair, Joyce Watson raises the crucial point of fiscal levers not being within our control, and, of course, many of the decisions that are going to come are being made within Westminster. We do know that there are enormous challenges that many people will face in the years to come. The Institute for Fiscal Studies has recently conducted an inquiry in which it found that the relative child poverty rate in the UK is likely to rise from 17.1 per cent in 2013–14 up to more than 25 per cent, in fact, almost 26 per cent, by the end of this decade, as a consequence of changes to tax and benefits, and also, potentially, pressures through rising inflation. So, we don't have the primary levers, those fiscal levers, to address the challenges that people will face.

[59] However, there are mitigating interventions that we can make. The primary ones concern work: making sure that people can access work, creating opportunities for people to work and then, once in work, ensuring that they go on acquiring the skills and qualifications that enable them to progress fully and properly. For those who are not in work, of course, we have to look at where we can use our limited resources and, to a great extent, this is the responsibility of my other Cabinet colleagues. But what is absolutely crucial is to bear in mind that the best way out of poverty, the best way to avoid poverty, is to be in work, to be in secure employment, and so my focus will be on job creation and the creation of jobs of a high quality.

[60] **John Griffiths:** Thank you for that. Janet.

[61] **Janet Finch–Saunders:** Thank you, Cabinet Secretary. All that I've heard so far is actually very positive. Just taking you back to talk about empowerment and employment, you've mentioned the metro, tidal lagoons, and those kinds of employment opportunities are great, and I know that they will feed well into a poverty agenda in terms of getting people more empowered and employed, but the kinds of skills that are needed for that kind of work, for Wylfa—. So, you're going to have to work really closely with other Cabinet Secretaries and the higher education—. How do you intend for us to have those skills? We heard yesterday from the First Minister, with the Welsh Revenue Authority, he doesn't believe we have the skills in Wales, so they're looking more towards London to bring those—that's not the answer. How do we start to grow a ground base of people who have the skills, so that they can actually access the jobs that will be coming by means of this infrastructure that we're promised in the future?

[62] **Ken Skates:** Janet Finch–Saunders makes the point that we have to be

able to, one, create the pathways into employment for people, but also identify those pathway opportunities. The employability plan and programme that Julie James is leading on is designed to do just that. It will provide opportunities for people at every skill level to be able to acquire the qualifications, the experience and the skills to get into work in priority sectors that are identified as having growth opportunities and that will provide the jobs of tomorrow. The employability plan and programme is going to be critically important, alongside the regional skills partnerships, which are able to identify the opportunities and utilise far more robust labour market intelligence.

[63] In terms of providing work for people at all skills levels, I think it's important to note at this point that I have talked a lot about higher quality jobs and higher standards of skills, but we do need a balanced approach. For some people, access to the workplace means access without skills or qualifications, and so it's absolutely essential that we do have that balanced approach. But we can't just focus on access jobs, nor can we just focus on the higher level jobs either. There has to be a strategy that enables people to get into work and to progress to the very highest level, and that's what the employability plan and programme and our economic interventions aim to achieve.

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

[65] **Rhianon Passmore:** To build on what's just been said, I welcome very much the employability plan that you mentioned, which Julie James is working on. In terms of the importance of our limited resources, and the importance of social procurement, and the opportunities that are there for us in terms of energy and transport and housing around the Welsh housing quality standard, and being able to free up those limited levers that we do have in Wales—. It is absolutely apparent, as has been mentioned already, that we have a lower skill level in some sectors. So, for instance, a company like Switchgear in Blackwood in my constituency provides equipment for over three quarters of the UK market—it provides for the Sydney Opera House, the Tokyo metro and Transport for London—but it is saying that it has to go to the UK for the BEMA higher education training curriculum because we can't get those skills here in Wales. So, what are we doing in Wales in terms of providing a similar structure so that we can work with our higher education institutions and further education institutions to provide those skills? Because everybody's been talking about this for a long time.

[66] **Ken Skates:** That's absolutely right, and if we reflect on where we've come from, one of the challenges that we've faced in the last 10 years and more is that we've moved away from the traditional forms of heavy industry that have required a different skillset to an entirely new economy, and at the same time, we've also seen a decline in the number and availability of jobs within the public sector, which has required a growth in private sector employment opportunities, again, in many respects, requiring another additional different set of skills.

[67] But against that challenging backdrop, I think we do have a good story to tell. There are still areas—. And the employability plan and the Diamond review I think are important as well in terms of how we approach qualifications and skills training and education in the future. Against that landscape, we do have a good story to tell. We have almost record low unemployment. We've seen output in the production and construction sector in Wales rise more quickly than in the UK, and in market services as well. Over the last 20 years we've seen research and development spending by businesses in Wales grow more quickly here than across the UK as a whole. In terms of business births, we're now at a record level. Business birth rates have increased by just over half since 2010. Against the most challenging backdrop of significant and pressing austerity-driven decline in public sector jobs, we have grown the private sector quite considerably and ensured that we have not seen the sort of increase in unemployment that other post-industrial areas of Britain have witnessed during austerity. We do need to prepare ourselves for the future now, and there are challenges, but there are also opportunities that we will be addressing that will require a cross-Government and, as I say, a cross-cutting approach.

[68] So, for example, the advent of—call it the fourth industrial revolution, or I4—it presents huge challenges, but also considerable opportunities. Our natural resources in Wales place us in a great position to be able to grow the green economy and to become a distinctive place for investors who are interested in energy in particular. There are opportunities. Those opportunities will only be realised if we do have effective regional skills partnerships a responsive FE, HE and education system, and also an employability plan and programme that equips people with the skills that they require alongside a Government that is able to identify the barriers preventing people from accessing work, or staying in work.

[69] **Rhianon Passmore:** And do you feel those elements are now in place?

[70] **Ken Skates:** This is a very big jigsaw puzzle that has required close attention. I am confident that we have all the pieces now in place. We are on the cusp of what could be a great opportunity for Wales: huge investment programmes, a new, more dynamic employability programme and a range of training providers that are amongst the best in Britain, and a new curriculum as well. So I do think that all of the ingredients are coming together, and we are in a strong position. That said, we do need to recognise that there are challenges that are beyond our control as well, and that we will have to overcome. I could run through those challenges—I wouldn't want to depress Members too much—but I do think within those challenges there are also great opportunities.

[71] **John Griffiths:** Thanks for that, Cabinet Secretary. This does lead us on to the next area of questioning and questions from Sian Gwenllian.

[72] **Sian Gwenllian:** Bore da a diolch am ddod atom ni. Rwy'n cytuno'n llwyr efo chi mai cryfhau'r economi ydy'r ffordd i gael pobl allan o dlodi, ond mae'n rhaid i'r swyddi fod yn swyddi o ansawdd, oherwydd mae hanner y bobl sy'n byw mewn tldi yn gweithio, felly nid hynny yw'r broblem—swyddi o ansawdd uchel ydy'r nod. Nid yw'r darlun economaidd presennol ddim yn ddarlun sydd yn ennyn llawer o obaith. Mae yna gryn her yn wynebu'r Llywodraeth; dim ond o edrych ar yr wyth dangosydd economaidd allweddol, nid yw Cymru yn perfformio'n dda o gwbl o gymharu efo rhanbarthau Lloegr yn benodol—yn y tabl yma, beth bynnag. Felly, yn amlwg, mae cael strategaeth economaidd yn hollbwysig i'n symud ni ymlaen. Pryd gawn ni weld y strategaeth? Beth ydy'r amserlen ar gyfer cyhoeddi'r strategaeth? Ac yn bwysicach na hynny, pryd gawn ni weld y cynllun gweithredu?

Sian Gwenllian: Good morning and thank you for coming here today. I agree totally with you that strengthening the economy is the means of getting people out of poverty, but the jobs need to be quality jobs, because half of the people who live in poverty are working, therefore that's not the problem—high quality jobs is the aim. The current economic picture doesn't engender much hope. There is quite a challenge facing the Government; you only have to look at the eight key economic indicators, and Wales isn't performing well at all compared with English regions specifically—in this table, anyway. Therefore, clearly, having an economic strategy is vital to move us forward. When will we see that strategy? What is the timetable for publishing the strategy? And, more importantly, when will we see the action plan?

[73] **Ken Skates:** Diolch, Sian. Rwy'n **Ken Skates:** Thank you, Sian. I do siarad Cymraeg tipyn bach, a mwy, speak a little bit of Welsh, and I hope gobeithio, cyn bo hir. to be able to do more soon.

[74] So, I'll speak in English, if I may. You are right that there needs to be a focus on higher value added jobs. We have seen, though, considerable growth in the sectors that provide some of the best paid and most productive forms of employment—financial and professional services, for example, has seen incredible growth. Advanced manufacturing and materials likewise. In terms of the figures that you point to, I think it's important that we don't just take a snapshot of those indicators, but also look at the trends.

[75] So, for example, with GVA per head, since devolution Wales has had the fifth highest increase in GVA per head compared to the 12 UK countries and regions. In terms of gross domestic household income, Wales has seen the fourth largest percentage increase in GDHI per head in the UK between 1999 and 2014. In terms of primary income per head, we saw the third smallest percentage point decrease in primary income per head on average in the 10 UK countries and English regions. It had decreased between 1999 and 2014. In terms of employment, we've had employment increasing more quickly than in the UK over the last year. Likewise, in terms of average full-time earnings, between 2011 and 2016, average weekly earnings increased more quickly in Wales than in the UK—9.1 per cent compared to 8.1 per cent. The poverty rate has reduced by 2 per cent between 1998–99 and 2014–15, at a time when we've seen intense austerity. And in terms of average total household wealth, we now stand at 95.2 per cent of GB average, and that is greater than six other regions or countries.

[76] But we don't wish to stop there, and we need to make sure that those positive trends continue. We will only maintain those trends if we introduce more people into work from workless households, and ensure that those in work go on to better jobs, earning better pay.

[77] There is something that I've discussed with officials at length, and that is, if you like, the lumpiness of the economy. I'm going to ask Tracey to talk about this—

[78] **Sian Gwenllian:** Can I just have an answer on the specific question: when will we see the economic strategy?

[79] **Ken Skates:** Sorry, yes. The strategy—. The First Minister has been clear that he expects work to be completed this spring. I'm very pleased that we're in a position, given that time frame, to be able to consider the work that you're doing as part of the strategy, and also the work that the EIS committee are doing as well.

[80] **Sian Gwenllian:** And then there will be an action plan following on from that, obviously, filtering through the different strands that we need.

10:00

[81] **Ken Skates:** Yes, and it will apply to all departments, the actions that will be within the strategy.

[82] **Sian Gwenllian:** Because really that's what we need. We have got a weak economy. You can't—. I take it that some aspects are progressing, but relatively, we have got a weak economy across the eight indicators that we have here. So, that is the position, and I don't think we need to gloss over that. We need to recognise, first and foremost, that we are starting from a low place.

[83] **Ken Skates:** That's right.

[84] **Sian Gwenllian:** We really need to get our act together quickly, so that we can start shifting ourselves forward as a country. My next question was around the indicators here, which show a pretty bleak picture, but it's even worse in some areas. And in my constituency, there are poor areas and there are rural areas, and rural poverty really doesn't show in the indicators here. But, for example, in rural Meirionnydd, the weekly sum is £400, and £492 is the weekly national level, but it's even worse in some areas. So, what is your Government going to do about rural poverty in particular?

[85] **Ken Skates:** There are pockets of inactivity and deprivation across Wales, not just in rural areas, but also in urban areas. There have been calls for separate strategies for rural Wales, and there have been calls for strategies for the high streets, for small businesses and for the digital economy. There will be four strategies that will be cross-cutting, cross-Government, and will address poverty wherever it is. And those strategies will place an obligation on all Ministers and Cabinet Secretaries to deliver on the aspiration to tackle and defeat poverty wherever it is. So, there will, of course, be specific interventions designed for the regions, and that includes

rural areas, in hand with the city regions and the growth regions as well.

[86] **Sian Gwenllian:** Can I suggest that one intervention that could be used would be for the Government itself to have a policy of distributing jobs that it's creating out of the M4 corridor and to the regions, which actually would prosper economically by having high-quality jobs? At the moment, it doesn't seem to me that there is a strategy, because it's not reflected in the criteria that govern where the new jobs are going. And if the Government is seriously talking about spreading economic prosperity across Wales as a way of tackling poverty in rural areas especially, that really needs to be addressed, otherwise—. The Government itself has got that tool in its hand and it's not using it.

[87] **Ken Skates:** Can I say that we are already doing that? In my department, I've already been clear, for example, that with the development bank of Wales, I believe that it should be based in the north. And I do believe that as we create opportunities within the public sector, we need to make sure that we address the challenges that those areas face, in rural Wales in particular, but across the regions where there is a lack of opportunity. So, I would very much agree with the Member on this, and I think, within the prosperous and secure strategy, and indeed, within the 'United and Connected' strategy, I would expect to see a very clear steer on the role that Welsh Government itself can play in providing opportunities for wealth creation and prosperity in the regions.

[88] **Sian Gwenllian:** I look forward to seeing that.

[89] **John Griffiths:** Okay. We'll move on to 'prosperous and secure', and Jenny Rathbone has some questions.

[90] **Jenny Rathbone:** One of the issues that was highlighted in the 2015 report from this predecessor committee was the under-claiming of benefits that people were entitled to. So, I wondered if you could just tell us exactly what the strategy for the Government is to amend that, because, clearly, that's a loss of money in the global Welsh economy, not just for the individual.

[91] **Ken Skates:** I'd like to ask Maureen to answer this specific question.

[92] **Ms Howell:** Okay, no problem. We've been working with third sector organisations, and through our advice services, and through our links to the

Department for Work and Pensions, and some work with GP practices, around making people aware of what they can claim, but also in terms of GP practices, providing information to enable people to go through the process of claims—to make it a simpler process to enable GPs to provide the right information upfront so that they don't necessarily have to appeal against a decision because they haven't had the right information. So, there's quite a bit of work going on in that area across Wales at the moment.

[93] **Jenny Rathbone:** Obviously the GPs themselves are pretty busy providing medical advice, so do you have other people in the practice to do this?

[94] **Ms Howell:** Yes, certainly. They are practice managers and practice nurses, but it is the GP who usually has to provide the evidence for a particular claim. Therefore, what we are doing is providing the information to simplify that process to make it a speedier process and also to look at the aspects of what GPs charge for providing that information, to target that as a uniform approach rather than an ad hoc approach, which has been happening in the past. So, we're very much working with the British Medical Association in Wales to simplify that process.

[95] **Jenny Rathbone:** So, by way of assessing how successful you've been, can you give us some comparative figures for the last available period and the previous 12 months?

[96] **Ms Howell:** I haven't got those with me, but we can provide a note.

[97] **Ms Daniels:** If I may just identify one particular area. As Maureen has said, we need lots of different professionals to be able to offer additional advice and guidance. We do have a specific programme, Better Advice, Better Lives, which we've been funding for a number of years. It's a partnership with Citizens Advice Cymru, where advice workers are situated, particularly primarily in health settings—that could be a GP surgery, a hospital or any other kind of community care setting. In 2015–16, for example, the BABL advisers helped nearly 19,000 people across Wales with more than 46,000 issues that those individuals were raising. They've estimated that the benefit, or the financial gain, for people in communities through that project in the year was more than £20 million. Since the start of the BABL project—it's been operating for a number of years, and the Cabinet Secretary for Communities and Children has recently announced the continuation of the project—it's helped nearly 73,000 people and the estimate suggests that that's brought

in gains of more than £66 million to individuals and to communities.

[98] **Jenny Rathbone:** So, obviously invest-to-save is working there.

[99] **Ms Daniels:** Very much so.

[100] **Jenny Rathbone:** And we undoubtedly should be spreading it across.

[101] **Ken Skates:** Chair, is the committee looking at all at affordable credit in this inquiry? Because it's alarming how much money is going out of Wales because of extortionate credit rates through pay-day loans and other forms of borrowing. There is an incredibly important role that credit unions in particular can take, but I do think it's important that we assess whether credit unions are actually sufficiently strong—indeed, whether there are too many credit unions at the moment and whether there needs to be a greater degree of collaboration and potentially mergers to encourage them to become more sustainable, but also better at marketing what they can offer. We are haemorrhaging money. Families—some of the poorest people in Wales are haemorrhaging money because of unaffordable credit. I do believe that there is a role that the credit unions can play in preventing this and stopping it from happening. I'd strongly recommend perhaps inviting credit unions here.

[102] **Bethan Jenkins:** We're still awaiting the financial inclusion action plan. A lot of that will be dealt with—with due respect Cabinet Secretary, that was the whole emphasis of the private Members' Bill that I put forward, actually.

[103] **Ken Skates:** I believe that it was published before Christmas.

[104] **Bethan Jenkins:** Okay, well, we weren't notified.

[105] **Ken Skates:** It was published before Christmas, and given that, and what I've just said, I cannot make a strong enough argument, I think, for bringing, perhaps, the credit unions here.

[106] **John Griffiths:** I think certainly those are matters that the committee will want to give further consideration to. They are matters that we've discussed, but they're matters we'd want to give further consideration to, I'm sure. Jenny.

[107] **Jenny Rathbone:** I'm sure that's right. Before we go on, can I just go

back to the relationship with the DWP, because BABL is obviously a very good news story, but you don't have to watch *I, Daniel Blake* to hear all the anecdotes about the really—you know, some of the things that people put up with in terms of being sanctioned and the way it plunges them into deep poverty, because they not only lose the money they have to live on for that week, but they lose their housing benefit, and there's that sort of cascade of problems. So, how are you ever going to tackle ingrained poverty if we have a DWP that is focused on reducing the benefits bill and not looking at the individuals? You know, I have people with dyslexia who fail to turn up at appointments because they couldn't read the letter. I think there is a lack of humanity in the way that the DWP deals with people.

[108] **Ken Skates:** I wouldn't disagree at all, and we know that something in the region of £600 million is going to be lost every year, because this is the figure that the Institute for Fiscal Studies has been able to calculate as a consequence of further changes in the DWP.

[109] **Jenny Rathbone:** In Wales or in the UK?

[110] **Ken Skates:** This is in Wales.

[111] **Jenny Rathbone:** Gosh.

[112] **Ken Skates:** So, as much as we can grow the economy, we are also having to grow the economy at a time of decreasing resource, with considerable sums being taken away from households in Wales and, actually, I think that, for many, for families, it averages, or it will average, I'm afraid, at something in the region of 12 per cent of their income, and that's a huge hit.

[113] **John Griffiths:** It is. It's very worrying indeed.

[114] **Jenny Rathbone:** So, what can you do, in your discussions with the DWP, about how you ought to be collaborating to tackle the poverty that is obviously your duty? How can we make the benefits, the DWP in Wales, work a little bit more humanely and effectively than in other parts of the UK?

[115] **Ken Skates:** I think, through ministerial meetings, discussions take place concerning actions by DWP. Sometimes, not all concerns are fully and sensitively addressed, but I do think that we need to be robust at every stage in challenging DWP to be more responsive to the needs of communities in

Wales, and that constant dialogue will continue. But there is nothing—because we don't hold the levers, there is nothing that we can actually do in terms of changing their approach. A change in approach would come by ministerial direction at a Westminster level. And as much as we can try to influence that, it can't be guaranteed.

[116] **John Griffiths:** Okay. Joyce, briefly.

[117] **Joyce Watson:** I want to talk about things that I think we can control, and we can control some joined-up working. I want to come back to benefits rights advisers. I know of some good examples where local government have helped to finance those, and they sit within the council, and if somebody applies for one benefit, usually housing benefit, they immediately are flagged up as being entitled to other benefits, so that, therefore, you maximise the entitlement for that individual at the point of entry. So, I want to ask about that and how we are setting about perhaps spreading that more widely. And it would work extremely well in any area, whether that's urban, rural or otherwise. So, that's my question. These are the things we can control, and an example of really good practice.

[118] **Ken Skates:** Indeed, and this is an area that is most relevant to the finance and local government Cabinet Secretary in his work. But, Jo-Anne, would you be able to give a response to my colleague?

10:15

[119] **Ms Daniels:** Just to highlight that, as part of the roll-out of universal credit, there has been very strong co-operation between the DWP and local government, facilitated by Welsh Government in part, also by the WLGA, to ensure that residents have advice and guidance around universal credit, but also more fundamentally about the change in payments and what that means for their household budgets. Moving from weekly budgeting, for example, to monthly budgeting—what that means. So, there's been a huge amount of work that local government colleagues across Wales have been undertaking to ensure that universal credit recipients understand the range of issues that are entailed in taking up universal credit and in that move.

[120] The other thing I'd highlight is the importance of co-location of services. Increasingly, across Wales, we see fantastic examples often being led by local government, involving different agencies being sited in very valuable community centres and community assets across Wales, that enable

people to get a wide range of advice and guidance on a plethora of issues in tackling and dealing with the challenges posed by welfare reform.

[121] **Ken Skates:** And the Chair himself should probably take credit for some of this because he was responsible for the lifelong learning libraries programme. We've invested more than £13 million now in the transformation of 100 libraries and many of them now have co-located services from local authorities offering advice and support on benefits and access into employment.

[122] **Joyce Watson:** And there's one other issue, if I can. It links two things, employability and access to benefits. There was a discussion this week about employers requiring, each time a member of staff becomes ill, for however many days, a sick note produced by the GP. There are two factors here and I'll just put them on the table. One is wasting GP time because it could be a cold or something minor, but also the other factor is the charge for that. So, my question is this: when we're looking at ethical procurement, are we checking all of those things that are in the pipeline, so that they actually don't, in the end, cost us logjams in our health services, and also cost the individual employee money, which is actually is needless? I'll just put that on the table.

[123] **Ken Skates:** The example that the Member has given us, I think, sounds utterly unreasonable in terms of the expectation it places on the public purse. This is something that perhaps we should reflect on. I can certainly ask my colleague to take a look at that particular example. But we are trying to dissuade such practices from taking place through the responsible business policy that we've adopted and which Business Wales is responsible for. There is a responsible business web portal that now exists and we are encouraging businesses to actually look at the impact that such practices have on workforce morale and productivity. Because it's proven that if you have low levels of morale in the workplace, you also have low levels of productivity.

[124] **John Griffiths:** Okay, thank for that, Cabinet Secretary. We now move on to some questions from Bethan Jenkins.

[125] **Bethan Jenkins:** I think most of the living wage questions have been asked. I wanted to ask if you could clarify—. I was listening to your answers to Sian Gwenllian about the new and more dynamic employability plan, and I wondered if you could tell me when that's going to be announced. Is that

going to come in conjunction with the economic plan or is that separate to the economic plan?

[126] **Ken Skates:** I don't have a date. That's with Julie James. So, I don't have a date, I'm afraid. It is separate to the prosperous and secure strategy, but it will be referenced within that strategy because it's such a critical component of delivering better jobs for people and ensuring that we remove barriers that exist. So, it will be a crucial part of our work moving forward and, therefore, part of the strategy—that has already been designed and, therefore, it sits outside of the strategic work that's taking place at the moment.

[127] **Bethan Jenkins:** Okay. I'm just wondering what decision was made to not consider it as part of the economic plan. I recently met with Remploy, who were telling me that there is quite a lot of cross-over in the training that's provided, and, not only that, but that many of the businesses that they do work with—I don't want to name names here today—do provide quite worrying wages: zero-hours contracts, for example. So, I'm wondering: in this new plan, are you making sure that that isn't the case? Of course, you don't control the DWP, but you would control the employability plan within the Welsh Government, so you could make sure that any businesses or contractors that you are working with, or any work plan that they were on, would not then be disincentivising people from taking part in them if they were getting such a measly wage packet at the end of it.

[128] **Ken Skates:** There are two interventions here. One is through the employability plan. The work on the plan and the programme has taken place over a good length of time and is at the point of completion. Therefore, the work on the strategy follows it. We've got the delivery system—or, we will have the delivery system—and then the strategy for a more prosperous and more secure Wales will be published. So, there is the ability to be able to intervene directly through the employability programme. That will be largely focusing on equipping people with the skills required to get into work and ensuring that, once in work, people are able to acquire the experience and further qualifications and skills to progress through work. But there are also interventions that we can make in terms of the ethical employment practices and the code of practice that we've already spoken about, as well as consideration that we will be giving to the way that we support businesses. We have certain levers if we support businesses. We have certain conditions at the moment that we apply when we offer grants and loans. We, as part of the prosperous and secure strategy, are considering how else we can ensure

that there are fairer pay and conditions attached to the support that we offer.

[129] **Bethan Jenkins:** Okay, thanks. I just wanted to move on to the situation with regard to the anti-poverty work agenda. Obviously, we know from the Cabinet Secretary for Communities and Children that there are quite a lot of schemes in place: Communities for Work, PaCE and so forth. I want to understand where you sit in relation to his plans, especially with regard to the fact that he is minded to end Communities First. At the moment, we don't know what will follow from that. Can you shed any light on whether you are talking to the Cabinet Secretary about how that new scheme will look, especially given that the last communities and culture committee said that place-based interventions were less effective than getting to grips with Wales-wide—

[130] **Ken Skates:** Universal.

[131] **Bethan Jenkins:** Universal projects. So, I am trying to understand that.

[132] **Ken Skates:** There are a number of important points that you have raised. In terms of place-based interventions, there is also evidence from other sources, such as the Joseph Rowntree Foundation, that says that place-based interventions are actually critically important. My view, based on evidence, is that place-based interventions can have a significant role in ending, if you like, the cycle of social reproduction in areas of concentrated deprivation. So, where you have more, for example, workless households, inter-generational worklessness and a lack of economic activity over several generations, a place-based intervention can be very effective. That said, there is also evidence—and the previous committee identified it—that shows that universal provision of interventions that tackle poverty are more effective. I wouldn't wish to prejudge the decisions that the Cabinet Secretary for Communities and Children will be making in terms of some of the programmes that he is responsible for, such as Communities for Work, PaCE and Lift. I think it would be very helpful, though, to gather an indication or a steer from the Cabinet Secretary when he appears before this committee, in terms of what the Cabinet Secretary is minded to do with regard to Communities First.

[133] I do have regular discussions with him. My concern is that his interventions align and dovetail with the interventions that are delivered through my department, and therefore that we don't have duplication. Now, in terms of some of the programmes that the Cabinet Secretary for

Communities and Children is responsible for, if we look at the outcomes from Lift, that does dovetail neatly with some of the interventions that we make on the economy side. It also aligns neatly with interventions made by the Minister for Skills and Science. Where identifying opportunities where we can roll out successful complementary interventions is concerned, I'm determined to make sure that we don't just speak on a one-to-one basis, but that we also involve other Cabinet Secretaries and Ministers. For that reason, discussions take place on the future of programmes and on the strategies across departments. So, recently, for example, a discussion took place between myself, the Minister for Lifelong Learning and Welsh Language, and the Cabinet Secretary for Communities and Children, concerning how we tackle poverty and improve productivity. Discussions also take place on a quadrilateral basis. In fact, there will be one this afternoon between myself, Julie James, Kirsty Williams and Vaughan Gething on how we address some of the deeper, more structural problems with the Welsh economy and the challenges that the labour market continues to have. So, discussions can't just take place in isolation between two Ministers. That said, I am working closely with him, and with others, in shaping future interventions.

[134] **Bethan Jenkins:** Okay. I think it's worth noting, though, that—. I mean, I've looked at Communities for Work, and it's helping quite a small percentage of people, but within, still, the Communities First areas. So, I'm trying to understand. Many of these areas are still in the poverty brackets that they were in at the beginning of the flagship scheme of Communities First, so I'm wondering how you're going to make sure that any new project is going to ensure that the outcome that you decide that you want from the start is going to be realised. We'll come on to child poverty, but that already has been scrapped as a target, for example. We want to be in a position where any new project can actually have tangible targets and milestones from the start.

[135] **Ken Skates:** The measurements are crucial. Yes, absolutely. The measurements are crucial, and actually, projects such as Lift and Communities for Work—they have been targeting areas where there is the deepest concentration of worklessness. So, whilst we've created and secured more than 140,000 jobs in the last five years, we may consider the number of interventions and employment opportunities that have been provided by those two programmes relatively small. Actually, within the communities where those interventions have realised positive outcomes, the impact has been tremendous, because in many cases, for the first time, a household has

somebody in work—and that, on an inter-generational basis, proves critical. So, you're not just influencing the outcome destiny of one person in the household; potentially you are influencing the life chances of multiple people within the household.

[136] **Bethan Jenkins:** Have you got evidence to show that? Because I'm struggling to get the evidence on the evaluation of Communities for Work, for example. I've asked the Cabinet Secretary before.

[137] **Ken Skates:** I'm happy to ask for notes on the figures. I've got figures for some of the programmes.

[138] **Bethan Jenkins:** I've got the figures. I haven't got any evaluation really—that's what I'm asking for.

[139] **Ken Skates:** Okay. If evaluations are not available, we will ask the Cabinet Secretary what evaluation work has taken place.

[140] **Bethan Jenkins:** Thanks.

[141] **John Griffiths:** Okay. Thanks for that. Could I just ask about in-work poverty, Cabinet Secretary?

[142] **Ken Skates:** Yes.

[143] **John Griffiths:** Because we know that most people living in poverty in Wales at the moment are in work, and there are particular sectors—the care sector for example, as well as retail and hospitality—where a lot of low-paid work is concentrated. So, is there a specific focus or concentration on those areas? You talked about entry-level jobs earlier. Will there be specific targets in terms of creating entry-level jobs, but then upskilling and making sure progression takes place, and perhaps more professionalisation of the care sector, for example?

[144] **Ken Skates:** Chair, the health and care sector is the biggest employer of apprentices in Wales. It's an incredibly important sector for the people of Wales, and one that will become increasingly so, as we see an increase in the older population. I do think that will present a challenge, but also, it potentially offers us a huge opportunity in terms of employment prospects.

10:30

[145] I've been giving consideration to making health and social care a priority sector for the economy in order to help drive up the quality of employment, drive up wages and drive up conditions of employment as well. I think it's widely recognised that the expectations that people have of, particularly, social care are increasing. That means that those expectations will have to be met. That in turn means that we will have to see an improvement in terms of quality across the board. There are some providers who, I think, at the moment are exemplars, but we need, across the board, a consistent, excellent approach and quality of service. So, in order to deliver that, I am considering, as I say, the potential of making health and social care a priority sector. But this is an area of the economy, and I think it's important to recognise that this is a hugely important area of the economy. It's something that Tracey has been working very closely on on my behalf in recent weeks and months. So, can I ask Tracey to go through it?

[146] **Ms Burke:** You may indeed. In fact, I think the Cabinet Secretary has covered many of the key points. The Cabinet Secretary's drive and challenge to officials was twofold, really. Firstly, because of the significant issues in terms of workforce practices and the difficulties with workforce planning. There were a number of concerns there, including low pay, unpredictable hours, poor career progression, and lack of job security, which mean that a number of people are actually trapped in in-work poverty in the care sector. But the corollary is that we know that it's a growing sector. I think we know that employment in residential care—I've got the figure here—says that that employment has increased significantly over the last five years, up by nearly a half, I think. So, we know it's a growing sector. We also know it's quite geographically dispersed, so it tends to be—. It can be closer to home, I suppose, so there are some benefits in terms of accessibility to employment for people. So, the challenge is for the quality and the fairness of the work in that sector to be driven up and then provide good-quality work for people who want to enter the workplace.

[147] So, the work that we've done is to look at a range of economic issues across the sector to do with employment, the challenges that there are: there's quite a lot of fragility amongst some of the employers there; the increasing costs that they're facing. We've also looked at some of the drivers for change for the sector too. But we've also been working with healthcare officials, and I think that's part of the new approach that we're trying and perhaps some of the cross-cutting work that we're trying to do across Government.

[148] The Minister for Social Services and Public Health made a statement in November about the recruitment and retention of care workers—particularly domiciliary care workers—around the minimum wage, zero-hours contracts, et cetera. There were really, really key messages coming out of that about enforcing compliance, particularly around employment practices, et cetera. So, we're working very close with them. We're not there yet, there's no silver bullet here, but it's certainly an example of where we're trying to do things differently, both to address in-work poverty and people wanting to enter the workplace.

[149] **Ken Skates:** I've been hugely encouraged by how both Vaughan Gething and Rebecca Evans have embraced what we're trying to do and our aspiration. I think that does bode well for the construction of both the prosperous and secure strategy and the healthy and active strategy, which will complement each other and will have strands that are woven into the two. I do think that health and social care are similar in many ways to the visitor economy or, if you like, the place-making and place-building element of the foundation economy because, in a similar sense, there are opportunities for career progression within the visitor economy in a similar way to those that exist in social care, but there are also huge challenges for people who work in the sector that need to be overcome, in a similar way, through driving up quality. If you like, as a precursor for what we'd like to do with social care, take a look at the strategy for tourism, 'Partnership for Growth', which we're now mid-way through. The heart of 'Partnership for Growth' is a desire to drive up quality—the quality of the product, the quality of the brand and the quality of work, and pay standards as well, and conditions within the sector. We are achieving that in the visitor economy. We're seeing an increase, not only in visitor numbers, but we're seeing a huge increase—a huge increase—in the amount that visitors are spending. That, in turn, is driving more employment opportunities at a higher wage.

[150] **John Griffiths:** Thanks very much for that, Cabinet Secretary. I'm afraid that we haven't got a great deal of time left. We need to move on to some questions that Rhianon has.

[151] **Rhianon Passmore:** I'll leave that. I'll hopefully speak again on that issue. In regard to the primary fiscal levers that you've highlighted very much at the beginning, I just want to get an opinion, really, in terms of our ability to mitigate for some of these huge tsunami of effects around huge concern about the potential for inflation, mortgage rate rises, VAT, which

disproportionately affects the poorest in our society, the whole issue not just about universal credit and the debt and the potential for eviction around that, but in terms of disability appeals, in terms of that massive effect of the cuts departmentally around welfare reform, which are still to hit us here in Wales. You've mentioned at the very beginning the assessment from the Institute for Fiscal Studies around the £660 million. So, my first question, really, in terms of how we mitigate for all of those drivers, would be: has there been a Welsh Government assessment of how that tsunami of welfare benefit cuts is going to hit, combined with the other issues, which we talked about earlier? And my proper question, based on the back of that, will be: our alternative approach is—. We've mentioned the emphasis around employment and prosperity, but these are huge external impactors on the poorest in our society. There is no silver bullet, but what is the assessment of what will impact against all of those elements that are coming for the poorest here in Wales?

[152] **Ken Skates:** I'm going to pass over to Jo-Anne in a second, but I think that the metaphor that you use is appropriate—the tsunami that is approaching. We can offer two defences: one, a bit of a stormbreak, if you like, in terms of the advice and support that we can give people. But, given the scale of the losses, that stormbreak is going to be insufficient without the lifeboat, which is essentially the access point to better jobs and greater degrees of soft-generated wealth. That's why it comes back to what I said at the start: our solution and our best hope of helping people who are facing difficulty now, but could face even greater difficulty in the future, is to give them opportunities to get into work—work that pays, rather than work that has them maintained in poverty. But, in terms of the assessment that's being made by the Government, Jo-Anne, can you provide some details on this?

[153] **Ms Daniels:** Yes. So, the Cabinet Secretary has mentioned the report from the IFS, and that report was specifically looking at the impact of welfare reform changes in Wales. We know that lower-income households, particularly those with children, are going to lose more than average. We know that large families will be particularly hard hit. Estimates are suggesting that they could lose as much as 20 per cent of their net income, on average, and that's mainly because of the restriction of the child element in tax credits and universal credit to two children, and, reflecting some comments that Members made earlier, we know that households with a disabled person are likely to lose significantly more than those without, on average. As the Cabinet Secretary said, the primary way in which we can support families in the face of those changes is through employment—

through work, through better work and better pay—but we are also very conscious that we need to help families in terms of reducing their costs and enabling them to afford the necessities of life. So, for example, we are helping, through programmes like Nest and Arbed, to reduce some of the costs associated with heating people's homes. So, helping to address fuel poverty. Through programmes like the Welsh housing quality standards, we're improving the quality of housing that people live in. Again, that will have an impact on the cost of running their homes. It's fair to say that we should reflect on some of the positive progress that's been made. So, for example, the number of workless households in Wales continues to fall, and the number of children living in workless households is at an all-time low. We've already touched on some of the advice and guidance services that we're providing, again to help families cope with the changes, and help them to ensure that they can make the most of—

[154] **Rhianon Passmore:** Okay. I don't want you to repeat anything that's been said earlier. For me to capture the scale of what needs to be done is important, and you've gone through a number of the different mitigations that we hear Welsh Government are putting in place. I suppose my question is—and obviously, we've got the council tax reduction scheme, et cetera, and that's not to be lightly dismissed—but, really, the question is: do we have the fiscal levers that we need to be able to do what we want to do in terms of this whole agenda?

[155] **Ken Skates:** We don't have the fiscal levers that would enable us to do what we would want to do, which is to protect people from poverty. However, in terms of the levers that do exist at Westminster, rather than make a call for them to be transferred without the appropriate and proportionate amount of resource, we would demand that attention is paid to the unique position that Wales is in, and that the UK Government needs to be responsible in implementing any welfare reform, rather than to conduct it in a way that will adversely impact on Wales, given the reasons that Jo-Anne has outlined and that I spoke of earlier.

[156] I think it's quite clear from what we've discussed already that there are huge challenges to come for many people, but, through the interventions that we made in the previous Assembly term, and which we will continue to make in this Assembly term, Welsh Government, whilst it's not the cause of continued austerity, can provide that stormbreak that I talked about, and the opportunities, as we've provided for 150,000 people and families so far in the previous Assembly term—we can provide the opportunities to avoid

being hit by the tsunami that you've talked of.

[157] **John Griffiths:** Okay. Thanks for that. And Jenny Rathbone, some questions on child poverty.

[158] **Jenny Rathbone:** Yes. Obviously, in the context of the disinvestment in the next generation by the UK Government, child benefit will be worth 20 per cent less in 2020 than in 2010. I wondered if you could tell us how you're focusing on the areas where the Welsh Government can have the most impact, for example, the summer holiday school lunch and fun clubs, which are targeted on communities where a lot of children are on free school meals during term time. My understanding is that that isn't going to cover even all the Communities First areas, and I just wondered if you can explain why that is, and whether the Government's done enough to engage with the third sector to enable us to deliver those sort of schemes.

[159] **Ken Skates:** This is a pilot scheme, and I should declare an interest in this, as I was putting together the manifesto that led to the programme for government that includes this pledge. And it's something that I feel particularly passionate about, because we know that, during schools holidays, the summer holidays in particular, children from disadvantaged homes and communities fall further behind their peers. And this form of intervention, it is hoped, will lead to that attainment gap being reduced, or at least, the attainment gap over that summer period, being addressed. In terms of the intervention itself, as it's a pilot programme, we'll await the evaluation, and then it will be for the Cabinet Secretary to make a decision on whether to roll it out more widely. But it is one of many pledges and interventions that are within the programme for government that are aimed at addressing ill health, poor levels of attainment, and other challenges that people face that do utilise the expertise of the third sector. In particular, there is the Wales well-being bond that is within the programme for government and—

10:45

[160] **Jenny Rathbone:** Can you just explain what the Wales well-being bond is?

[161] **Ken Skates:** Okay. Can I suggest that we get a note on this?

[162] **Jenny Rathbone:** A note, yes—fine.

[163] **Ken Skates:** But, essentially, what the well-being bond aims to do is to target resource, in a similar way to investing to save, at those services that can be provided by the third sector that lead to problems not being experienced, or lead to a faster and more sustainable treatment of illness. So, for example, if we look at some of the pilot projects that have taken place, they've involved working with people who suffer from depression in order to prevent, further down the line, health boards spending more on prescriptions. So, an agreement is reached between a third sector organisation and a health board that, ultimately, leads to cost savings for the health board. In doing so, it's based on measurable outcomes and proven interventions, and that bond, I think, could be very significant in helping to address worklessness and poor education attainment, as well as challenging and treating ill health. But I'm happy to ask for a note to be—

[164] **Jenny Rathbone:** Okay, well, we look forward to having a note. Just lastly, as the person with overarching responsibility for tackling poverty, including child poverty, how closely do you look at the statistics in relation to children's well-being to identify whether we're making progress? So, things like the Flying Start figures for breastfeeding, for the motor skills that children have when they start nursery—those—and, indeed, the numbers of missing or decayed teeth at, I think, it's age five.

[165] **Ken Skates:** I'm not responsible for that specific area. I'm—

[166] **Jenny Rathbone:** No, I appreciate that you're not responsible for it. Do you look at the statistics?

[167] **Ken Skates:** I'm responsible for prosperity—. Yes, this would be for the respective Cabinet Secretaries to assess and analyse. Within my remit, I look at the indicators that are relevant to wealth prosperity, job creation and job security, but they are certainly—I believe, but I would need to check—stats that the respective Cabinet Secretaries and Ministers would take note of. Maureen.

[168] **Ms Howell:** Can I just say that, in the third year report on the child poverty strategy, which was published late last year, those stats are available, and there are infographics that you can look at, which clearly indicate those stats that the Cabinet Secretary for Children and Communities reports on?

[169] **Ken Skates:** We're happy to provide the link.

[170] **John Griffiths:** Okay. Thanks very much for that. I'm afraid that's all we have time for in this scrutiny session. So, thanks very much, Cabinet Secretary, and thanks to your officials for coming along to give evidence this morning. You will, in the normal course of events, receive a transcript of your evidence to check for factual accuracy. Thank you very much.

[171] **Ken Skates:** Thank you, Chair, and thanks, again, for inviting us.

10:48

Papurau i'w Nodi Papers to Note

[172] **John Griffiths:** Okay. The next item on our agenda, then, is item 3, papers to note. We have one paper, which is correspondence from the Welsh Local Government Association in relation to our refugees and asylum seekers inquiry. Is the committee happy to note that letter? Yes.

Cynnig o dan Reol Sefydlog 17.42 (vi) i Benderfynu Gwahardd 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.

[173] **John Griffiths:** Then, we move on to item 4, which is a motion under Standing Order 17.42 to resolve to exclude the public for the remainder of the meeting. Is the committee content? Thank you very much. We move into private session.

Derbyniwyd y cynnig.
Motion agreed.

Daeth rhan gyhoeddus y cyfarfod i ben am 10:49.
The public part of the meeting ended at 10:49.