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Cofnod y Trafodion

The Record of Proceedings

Pwyllgor yr Economi, Seilwaith a Sgiliau

The Economy, Infrastructure and Skills
Committee

15/03/2017

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Meeting Agenda

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Cofnodir y trafodion yn yr iaith y llefarwyd hwy ynndi yn y pwylgor. 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

Hannah Blythyn Bywgraffiad Biography	Llafur Labour
Hefin David Bywgraffiad Biography	Llafur Labour
Russell George Bywgraffiad Biography	Ceidwadwyr Cymreig (Cadeirydd y Pwyllgor) Welsh Conservatives (Committee Chair)
Vikki Howells Bywgraffiad Biography	Llafur Labour
Mark Isherwood Bywgraffiad Biography	Ceidwadwyr Cymreig Welsh Conservatives
Jeremy Miles Bywgraffiad Biography	Llafur Labour
Adam Price Bywgraffiad Biography	Plaid Cymru The Party of Wales
David J. Rowlands Bywgraffiad Biography	UKIP Cymru UKIP Wales
Eraill yn bresennol Others in attendance	
Nisreen Mansour	Swyddog Polisi ac Ymchwil, Bevan Foundation Policy and Research Officer, Bevan Foundation
Francis Stuart	Swyddog Polisi ac Ymarfer, Rhaglen Tlodi'r DU Oxfam yn yr Alban Policy and Practice Officer, Oxfam's UK Poverty Programme in Scotland
Yr Athro/ Professor Karel Williams	Athro Cyfrifeg a'r Economi Gwleidyddol, Ysgol Fusnes Alliance Manceinion Professor of Accounting and Political Economy,

Alliance Manchester Business School

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

Robert Lloyd-Williams Dirprwy Glenc
 Deputy Clerk

Gareth Price Clerk
 Clerc

Gareth Thomas Y Gwasanaeth Ymchwil
 Research Service

Dechreuodd y cyfarfod am 09:32.
The meeting began at 09:32.

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

Russell George: Croeso, bawb. **Russell George:** Welcome, everyone.

[1] I'd like to welcome Members and members of the public this morning to the Economy, Infrastructure and Skills Committee. I should say that there is a technical issue with production this morning—with the production equipment—in that not all of the cameras are working, so I should explain to people who are watching this morning that you may not see me. Some people might be happy with that, but the camera's going to be focused on the wider room and our witnesses—much better, I think. I should just explain that for the purposes of those watching this morning. I'll move to item 1 and ask whether there are any apologies or declarations of interest. No.

09:33

Gwella Ansawdd y Gwaith—Safbwytiau Amgen ar y Strategaeth
Economaidd i Gymru
Improving the Quality of Work—Alternative Perspectives on the
Economic Strategy for Wales

[2] **Russell George:** In that case, I move to item 2. This morning we are

continuing with our—[Inaudible.] So, I'd like to welcome our two witnesses, and I'd be just very grateful if you'd just introduce yourselves, just for the record, and tell us a little bit about yourselves.

[3] **Ms Mansour:** I'm Nisreen Mansour. I'm the Bevan Foundation's policy and research officer. We're a think tank based in Merthyr.

[4] **Mr Stuart:** I'm Francis Stuart. I'm the research and policy adviser with Oxfam in Scotland.

[5] **Russell George:** Thank you very much. I understand, Francis, you've come all the way from Scotland to be at our committee this morning, so we're very grateful for that as well. It's quite an informal session this morning. We've got various questions from Members, and I'll come to Vikki Howells first.

[6] **Vikki Howells:** Thank you, Chair. Good morning. Obviously, the Welsh Government currently has an approach where key sectors are targeted for economic support, but I know the Bevan Foundation has placed on record several times its support for a whole-economy strategy. So, I wonder, Nisreen, if you would be able to elaborate for us about why you think that would work better, and how the foundational economy could be incorporated into that strategy.

[7] **Ms Mansour:** Well, we've called for a whole-economy approach because we're very concerned that some sectors are being marginalised and left behind, and that has implications for both innovation within those sectors and the quality of employment in those sectors. I think the foundational economy is really important to raise during that, particularly areas like social care, which we know could really benefit from further innovation and further investment to ensure that practices in those sectors are improved for the people receiving the care and the people working in those sectors. I think there are examples from elsewhere that we could build on, as well as best practice within Wales.

[8] **Vikki Howells:** Thank you. Francis, I'd be interested in hearing your thoughts on that as well.

[9] **Mr Stuart:** I don't know if it's also worth me just giving a bit of background to some of the work we've done in Scotland. We published, in partnership with the University of the West of Scotland and the Warwick

Institute for Employment Research, a report in September last year called, 'Decent Work for Scotland's Low-Paid Workers: A Job to be Done'. That was a participatory research project that involved going out to more than 1,500 people across Scotland, predominantly low-paid workers, and asking them what makes for decent work. There were a number of outputs to that. One of the main outputs was a set of weighted priorities about what those workers thought was important. In terms of what they said, the top things that they said were important were fairly basic things—so, a decent hourly rate to cover basic needs, but also to participate in society, job security and the importance of a permanent and open-ended contract, paid holidays and paid sick leave, a safe working environment, both the physical aspects and the psychosocial aspects, and a supportive line manager. A supportive line manager is someone who supports them to do their job well, but also is accommodating to their needs outside the workplace.

[10] The things that they didn't value so highly were things like control and flexibility over how they deliver their work, varied work, even things like socially worthwhile work. So, it seems that they—[Inaudible.]—should be entitled—[Inaudible.] In too many cases, our research also found that they didn't have those things. So, alongside that bit of research about what their priorities were, we also did an assessment of the extent to which they were being met. We came across a number of stories from the research about people who didn't have those things, but we also did a desk-based assessment of the labour market in Scotland. We found that one in five workers in Scotland is paid less than the living wage—I think in Wales that's closer to one in four. There are 78,000 workers on zero-hours contracts. I think again in Wales the proportion of workers on zero-hours contracts is slightly higher. In terms of paid holidays and paid sick leave, 5 per cent of workers didn't get their minimum legal entitlement to paid holidays. Again, in Wales, I think that's slightly higher—that's closer to 6 per cent. So, I guess the main conclusion of that research is that workers value these fairly basic things, but, in too many cases, both in Scotland and Wales, they aren't getting those things.

[11] **Vikki Howells:** So, would you say then, Francis, that a Government should be looking to fix those issues before, and over and above, looking at economic growth?

[12] **Mr Stuart:** Yes. I guess like—. In Scotland, in fairness to the Scottish Government, they've put inclusive growth at the heart of their economic strategy. So, they've made inequality one of their pillars of the economic

strategy—I think that's helpful. If you look back over the last 30 to 40 years, we have seen economic growth. We've seen economic growth across the UK of about 2 per cent a year, if you average it out, but that's not been inclusive. So, I think we do need to look at the quality and distribution of economic growth, and we need to look at where workers are and what we need. So, if you look at retail, hospitality, and social care, they make up about half of workers in low pay. So, you need to look at those sectors and target interventions at those sectors, I think.

[13] **Ms Mansour:** I would add to that that it's about ensuring that growth doesn't exacerbate those problems and that the employers are engaged in a discussion with Government, and local government in particular, about the quality of employment that's being offered, particularly in aspects of the foundational economy, where changes to employment terms and conditions can happen very rapidly. Often, we actually don't know that much about people's experiences in the labour market, particularly those of low-paid workers, because change happens very quickly.

[14] **Russell George:** Can I just ask Members to put their phones on to—either switch them off or put them on to airport mode, because, unusually this morning, it's interfering with the equipment? We might not see it, but those who are watching in will experience some interference. Jeremy Miles.

[15] **Jeremy Miles:** Thank you both for that. We can describe the issue, and you're describing it in a way where people's expectations are, in fact, pretty low of the things that they would expect to see, and they're all things that we would all want to ensure were universally available, and there will be variation within the sectors that you describe in terms of the prevalence of particular problems. But, if you were to describe the key policy interventions on a kind of cross-sectoral basis that you feel would be the most likely to start to address some of these issues, what would they be?

[16] **Ms Mansour:** I would say that looking at the quality of employment in the public sector to start with, ensuring that the living wage is rolled out through the public sector fully within the next three years, is something that we've specifically called for. Then, looking at the supply chain—looking at the sub-contracted workforce—the terms and conditions in the sub-contracted workforce are not often brought up during negotiations. A commitment to the living wage is not often extended to the sub-contracted workforce in Wales. We've had tremendous success in rolling out the living wage through the public sector, but not with things like the cleaning and

care services, catering services and leisure services. That's becoming more of an issue as, particularly, more of our local authorities contract that sort of work out.

[17] We also need to look at those employers that are actually quite isolated from the local supply chain and how to influence them. Retail parks are a good example of that, as are manufacturers that don't sell to companies in Wales directly—they sell nationally or abroad. It's very hard to influence the quality of employment that they are offering, so we need to be innovative in that. I think, first of all, we need to be raising it in discussions with them, because at the moment very few organisations or people are actually bringing up things like the living wage with those sorts of employers.

[18] **Mr Stuart:** I agree with that. I think there are probably a number of things across a number of Governments. So, obviously, if you look at employment legislation and regulation, that's a crucial area. One of the things from our research was that there were a number of cases of people who weren't actually getting what they should legally be entitled to. So, I think there's an issue around enforcement of basic employment legislation, but that probably sits at UK level.

[19] There are things around corporate governance that are also at UK level. I guess at a devolved level there are things around economic development—economic strategies. I think that making statements or having targets that sort of make a signal can be helpful—so, at Scottish Government level, having inequality as a central pillar of the economic strategy. But also that needs to then have practical effect through policy—so, things like planning policies or procurement policies. Some of the work by Karel Williams on the foundational economy could be useful in looking at that.

[20] There's also, I guess, an area around potential—what you might call, moral suasion. So, trying to have a partnership approach with employers and trade unions—things like the living wage campaign, which I think has been quite successful at bringing those different groups together and actually having some impact. The Scottish Government has tried to do that, to an extent, through what they call the Scottish business pledge, which is a set of nine ethical criteria that they want businesses to commit to bringing in or to doing. I don't think that's been quite as successful as the living wage, perhaps because it's not had that sort of groundswell of support from employers, from trade unions and from civil society organisations. But there

are, I think, things that, perhaps, you might call moral suasion that could also be done at a Welsh level.

[21] **Ms Mansour:** I think the code of practice that was published last week by the Welsh Government was a welcome step in that direction. But it was very much like a first step, because it wasn't binding and it didn't have specific targets for the public sector or beyond. So, yes—keeping an eye on the delivery of that is important.

[22] **Russell George:** If I can bring in David with his questions.

[23] **David J. Rowlands:** Yes, I just wondered whether we could look a bit more closely at what the Welsh Government can do to create more secure work—or what you feel the Welsh Government could do to create more secure work—given the possibility that by 2020 there will be greater competition for a smaller number of increasingly precarious jobs, particularly at the bottom of the ladder. It also worries me just a little bit that the Bevan Foundation seems to think that it is in the—[Inaudible.] What we really have to look at is getting the—[Inaudible.]—within the private—[Inaudible.]

[24] **Ms Mansour:** Yes, I think that when we talk about the public sector, we are talking about particularly the use of agency workers and the types of contracts that tend to be used in that type of work. As the code of practice does include, zero-hours contracts should only be used where necessary and should be tried to be avoided at all costs, and that's something that we really welcome. I think it is difficult for the Welsh Government, because they don't have powers over those areas, but particularly looking at where they have influence over the private sector, with procurement policy, the way to start—. Because lots of our private sector employers are competing for those contracts and they're competing for workers; so I think that's how we can start to see standards raise.

09:45

[25] **Russell George:** Adam.

[26] **Adam Price:** Can I ask: does an inclusive growth strategy, in your view, mean prioritising closing the income per capita gap within Wales between different socioeconomic groups, more than closing the income gap relative between Wales and the rest of the UK, which is where the focus has been up until now?

[27] **Ms Mansour:** We are very concerned about inequalities within Wales, and we're very concerned about the idea that regional differences within particular geographic areas, like the Cardiff capital region, for instance, aren't being recognised by policy makers working on that. I'm not sure it's about prioritising either/or, but we would be very alarmed if those inequalities within Wales weren't sought to be addressed as a priority, particularly as we talked about the south Wales Valleys a lot. I think inclusive growth needs to have that at the centre of it.

[28] **Adam Price:** You mentioned the spatial dimension. Other Members, I'm sure, will want to come in on that. In terms of the economic regional map that the Cabinet Secretary for Finance and Local Government has published in draft form, which is essentially based on the city region model, do you think that sufficiently reflects those differences in terms of spatial inequality that there are within Wales, for instance between the Valleys and the urban M4 corridor?

[29] **Ms Mansour:** I don't think it goes far enough, because what we're very concerned about is availability of jobs close to where people live, and it's very hard for a map like that to reflect that. I think sometimes there is too much emphasis—although we're guilty of that as well—and focusing too much on the city and possible growth region in north Wales. A significant part of Wales's population isn't expected to benefit from that, and so we need to consider those areas as well. But I don't think it takes us, necessarily, down that right route of talking about the availability of jobs closer to where people live, which is what we're very concerned about.

[30] **Adam Price:** Okay. Thank you.

[31] **Russell George:** On this subject, I think Hefin's got a question, Mark Isherwood's got a question, and then I'll come back—. Once we've addressed those, I'll come back to you, Hefin, for your new subject area.

[32] **Hefin David:** Well, it is actually on that, but it was kind of linking into it.

[33] **Russell George:** Do you want me to go to Mark first and then I'll come to you?

[34] **Hefin David:** Yes, that's fine.

[35] **Russell George:** Right. Mark.

[36] **Mark Isherwood:** I don't want to replicate. You're sticking to the script at this point. Do you want to go first, and then I'll—?

[37] **Hefin David:** It's kind of off-piste a bit, but it links with—

[38] **Russell George:** No, no; we'll come to Mark first, and then Hefin.

[39] **Mark Isherwood:** Okay. You touched on so many things that I'm interested in. I gave the work that you've been doing a credit in our debate on International Women's Day last week in terms of the findings you found around women in your research, which was very helpful. You'll be aware, I think, that the Bevan Foundation attended a launch, about a month ago, in this room of a piece of work by the Young Foundation on the role of place in community regeneration and development. That talks about the importance of local networks and doing things with people, not to them. How, in practice, can you see that being implemented, or should that be implemented to engage local populations in aspiring for themselves and delivering solutions within the strengths they have in their own communities? You've referred to the need for future measurements of growth not to be based solely on GVA. I know that you propose some mechanisms, but how would that be measured under the new model that you advocate? You referred to a number of low-pay sectors: hospitality et cetera. Of course, as we've heard in a different inquiry and in a different context, nonetheless those sectors do have higher paid positions within them. They are in accountancy, HR, merchandising, marketing and all the rest of it. Again, how could those organisations be better incentivised to develop, perhaps, career progression and opportunities for people not only to start on a living wage but then to—[Inaudible.]—and exploit the opportunities currently being denied to them as performing outside a priority sector in Wales? In terms of employability programmes, you referred to the need for the UK Government DWP programmes to work with Welsh Government. That's highly topical at the moment, where the Work Programme is coming to an end and tenders, I believe, are being considered at the moment for the successor programme. But the key concern amongst the UK providers in Wales has been that they've been only working with the hardest to reach, whereas the Welsh Government programmes' net has been scattered to graduates et cetera and the UK Work Programme has been able to deliver jobs at a lower cost per head on a sustainable basis than the Welsh Government programmes. Again, I'd be

interested to hear how you propose that working. You referred to the north Wales growth deal. Actually, you said it's not expected to benefit the poorer parts of north Wales. It is; it's the Welsh Government's proposals in response to any focus on the north-east Wales metro that wouldn't extend. But the growth vision is designed to reach out to Holyhead.

[40] **Ms Mansour:** I actually meant those areas not covered by the deal, sorry.

[41] **Mark Isherwood:** Sorry?

[42] **Ms Mansour:** I meant the areas that aren't going to be covered by the deals—parts of mid Wales that aren't.

[43] **Mark Isherwood:** The whole of north Wales is covered, then?

[44] **Ms Mansour:** Yes.

[45] **Mark Isherwood:** Great, thank you, because the whole objective is to stretch west and increase GVA.

[46] **Russell George:** Which one of you would like to address the points that Mark's raised, so far?

[47] **Mark Isherwood:** Well, the final one is—

[48] **Russell George:** Make this the final one, Mark.

[49] **Mark Isherwood:** —in terms of people having jobs locally, what role should individual mobility play in this, particularly for younger people?

[50] **Mr Stuart:** I can have a go at the progression. I think you're absolutely right; there are companies in low-paid sectors with higher wages within those companies in those sectors. It's a huge problem in the sense that you have—. The Joseph Rowntree Foundation did some research on this area and found that 75 per cent of workers on low pay are still on low pay 10 years later. So, there's a huge issue in having a low-pay trap there. We do make some recommendations, borrowing, I think, from the Joseph Rowntree Foundation, in our research, which is around having potentially champions within companies, who are responsible for trying to champion progression routes within those companies. I think Oxfam Cymru are doing some

research on this at the moment. They've commissioned some research to look at what are the potential progression routes that we could look at. So, hopefully, there might be some useful recommendations from that. I guess the only other thing I was going to say was: to some extent, it might also be around the structure of companies and business models. So, you do have, say, in the social care sector, different business models, some of which have much flatter wage differentials and some of which might pay more for the low-paid workers because of those lower wage differentials. You might also have to look at those different types of business models in order to allow the wages to be shared more evenly within those companies.

[51] **Ms Mansour:** On the place-based initiatives point that you raised, that's something that we've actually called for—we've called for those to be streamline. So, things like business improvement districts and enterprise zones. We want them to be focused on the areas where deprivation is highest in Wales, but where we have had quite significant investment in infrastructure. We've highlighted Merthyr Tydfil as an excellent place for an enterprise zone, because we've got great road links, we've already got anchor companies moving there—General Dynamics moved there last year—but there's far more that can be done to support businesses moving there and bring jobs to the area, bring jobs to where people are living. Obviously, we welcome the idea that it would be easier for people to travel between Merthyr and Cardiff through the metro, but we aren't sure that that's going to reach a lot of people because of the door-to-door journey that they're going to be facing and the practicalities around expecting people to be that mobile where they may have other responsibilities such as care responsibilities. That's why we are advocating that Merthyr is created as an enterprise zone.

[52] You mentioned the employability programmes as well, and we're very keen to see in-work progression brought into those programmes as an objective. I think there's some work going on in Glasgow around that at the moment through the use of a pilot scheme, with business advisers helping employers see what they can do to be more innovative and help employees progress. We hope that that will be a way to tackle the low-pay problem in some aspects of Wales's economy. But we're also aware that some models actually seem to work on a low-pay basis. I think they need more extensive support to move away from that if we're really going to tackle this problem.

[53] **Russell George:** Mark, do you have a brief question before I move on to Hefin David?

[54] **Mark Isherwood:** The GVA and how you'd measure the alternative.

[55] **Ms Mansour:** There are actually quite a few models for measuring inclusive growth, rather than just looking at simply GVA, and they often tend to focus on things like living costs, the labour market, things like unemployment and levels of economic inactivity, which can be hidden within just simply looking at GVA. We'd refer to the Joseph Rowntree Foundation's inclusive growth monitor there, because that's a really comprehensive measure. We hope that the Welsh Government's economic strategy takes some of the measures from that.

[56] **Mark Isherwood:** And local networks—utilising our local networks.

[57] **Ms Mansour:** Yes.

[58] **Mark Isherwood:** With people. Right. Thank you.

[59] **Russell George:** I'll move to Hefin David to ask questions on this theme and then move on to a new theme that he wants to take us to. Hefin David.

[60] **Hefin David:** What is a growth pole?

[61] **Ms Mansour:** A growth pole is essentially like a cluster of businesses based around a particular sector, and the other employers that then gather around that. So, aspects of the foundational economy tend to gather around a particular concentration.

[62] **Hefin David:** And the concept of a pole suggests that there's another pole somewhere else.

[63] **Ms Mansour:** Yes, so you have primary and secondary growth poles. I think, if we were looking at the Cardiff capital region, it would be Cardiff as being the primary pole and Merthyr being the secondary pole.

[64] **Hefin David:** Okay. One of the things you said is that you need a limited number of growth poles—for example, you mentioned Merthyr Tydfil—in strategic locations. Why is Merthyr a strategic location and Bargoed isn't?

[65] **Ms Mansour:** Because of the investment in infrastructure. It's accessible. We've had lots of investment in road networks there.

[66] **Hefin David:** So, doesn't that suggest, then, if you've got a growth pole in Merthyr, you could then end up neglecting areas like Bargoed and Pontypool?

[67] **Ms Mansour:** Yes, and I think that needs to be looked at closely, actually. I think—relating back to what Mark said about individual mobility and where people are able and happy to travel to, to ensure that they've got a decent quality of life—we don't know that much about that in Wales. We don't know if people from Bargoed are happy to travel to Merthyr.

[68] **Hefin David:** They can't, I think is the issue. It's very difficult to do so.

[69] **Ms Mansour:** Yes, often they can't.

[70] **Hefin David:** Having lived very nearby—.

[71] **Ms Mansour:** I've done that journey several times and it's not the most pleasant of drives. Yes, we need to look at transport links. I think the metro is proposing to do that. It shouldn't all just be about trying to get people to Cardiff quicker. It needs to be about helping people travel around the Valleys. If we are going to focus on growth poles, as we have advocated, it needs to be about making sure that people can get to those growth poles quickly and frequently.

[72] **Hefin David:** I'd be concerned if you're talking about having a growth area in Merthyr and then the same in Cardiff and that's the linear route, as a kind of spoke to the city hub. What I've been advocating is exploring this concept of social capital. Have you explored social capital at all, and the value of knowledge across Valleys communities, without thinking about Cardiff too much?

[73] **Ms Mansour:** I've seen some of your writing on it and I'm familiar with what you've put forward on it.

[74] **Hefin David:** Do you agree with the concept of considering knowledge transfer across the northern Valleys area, for example?

[75] **Ms Mansour:** I don't think they're incompatible. I think you can have

hubs but you can also have that travel through as well. I think that would be really interesting to explore, because much of the northern Valleys is neglected in terms of the sort of investment that you've been talking about and the practical connectivity issues that really need to be addressed.

[76] **Hefin David:** I'm just thinking of—. We were talking about a company called Carpet Fit in Aberdare that was getting some of its supplies from Caerphilly. If that's going to happen in a bigger way then those cross-valley links need to be enhanced.

[77] **Ms Mansour:** Yes.

10:00

[78] **Hefin David:** Okay, I think I'll stop there for that, Chair, and come back.

[79] **Russell George:** That's fine. I'll come to—. We've got only one subject area that we talked about before we started, so I'll come to Hannah, and then, after that, the floor is open to anybody else who wants to ask a particular question. Oh, sorry, Jeremy—on the back of this, was it?

[80] **Jeremy Miles:** No, no. I've got a separate—

[81] **Russell George:** Oh, you have as well. Yes, okay. I'll come to Hannah, then to Jeremy. Sorry, Jeremy.

[82] **Hannah Blythyn:** Thanks, Chair. I just want to turn to the role that procurement potentially can play in improving living conditions and addressing issues of ethical employment as well, because I know Francis might be able to expand on the work that the Scottish Government perhaps has done on that, with the procurement Act that they've done there, but also I know there's been something that's, well, slightly more limited within Wales in terms of policy advice notes and tackling umbrella employment and trying to tackle blacklisting. So, what other opportunities do you see perhaps procurement can offer in terms of perhaps looking towards better pay and conditions, and training, and apprenticeships?

[83] **Mr Stuart:** I can give it a go. I should say I'm certainly not an expert on procurement, thankfully.

[84] We did do some work back in 2014 when the sustainable procurement Bill was going through Parliament. We were part of a coalition, along with various civil society organisations, that came up with some 10 key points that we wanted to see the procurement Bill address. We did make arguments then that it was possible, and we did get some legal advice, for example around the living wage, that it was possible to make it sort of mandatory as a requirement to pay a living wage. That was counter to the Scottish Government's legal advice, and we weren't able to win that argument, so they didn't make it mandatory. But my understanding is that, since then, they have produced statutory guidance, and that is having some impact on paying the living wage, for example, and procurement. I know Unison Scotland have done some work on it, and I think, certainly within the social care field, they have put in more money, and whether it's enough money to make everyone pay the living wage—they have put in more money for the living wage to be paid to social care providers. So, I think there is some movement in Scotland, and whether it says much as we like to see or not, I'm not sure.

[85] **Hannah Blythyn:** So, is that social care providers in the public sector, or independents, or—?

[86] **Mr Stuart:** Yes, my understanding is it's both, so, yes, it applies across the board.

[87] **Ms Mansour:** We looked at the Scottish Government's work as well as part of the work that we did on the living wage, and it seemed as though, because they consulted with the European Commission on it, and you can't mandate that an employer pays the living wage, but you can look at fair work practices and you can include the living wage as part of that. So, I think the code of practice is the sort of beginning of that in Wales as we start to look at the quality of employment, including the living wage, in the procurements.

[88] **Hannah Blythyn:** So, you'd put the living wage as part of an overall package of fair work, rather than a specific kind of demand, for want of a better way of phrasing it.

[89] **Ms Mansour:** Yes. There seem to be legal consequences if you specify the living wage, but you can do it when it comes to fair work, and you need to have a definition then of fair work, which I think would be very welcome in Wales.

[90] **Hannah Blythyn:** Thanks.

[91] **Russell George:** I'll come to Jeremy Miles and then Hefin David, who wants to develop something further. Jeremy.

[92] **Jeremy Miles:** Just firstly, to develop this line of questioning in a slightly different direction, using procurement, obviously, to drive up employment practices is a very good thing, but if you look at local authorities and NHS bodies, the portion of procurement that happens in Wales is not what it might be, and so the impact of any progressive application of procurement is going to be limited if that remains the case. And I'm interested also in the answers you gave to my initial question about the kind of policy interventions that get you to the right outcomes, because a lot of them are about using those tools to drive up employment conditions. There's this sort of whole agenda out there about the role of anchor institutions in local economies, and I don't mean anchor companies as the Welsh Government uses it, but key, large economic players, and, often, they're public sector bodies, universities, NHS organisations, but they can be private sector organisations. Would you see that part of the future would be those sorts of organisations taking a role of greater stewardship, if you like, in their local economies? So, yes, driving up terms and conditions, but also, actually, nurturing their local economies proactively to commission and purchase and procure much more locally than they are currently doing. Would you see that as part of the picture?

[93] **Ms Mansour:** Definitely. Definitely. I think one of the most surprising things we found when we were looking at the living wage throughout Wales was that nobody seemed to feel responsibility for actually talking to their suppliers, or talking to—if it comes to local government—other employers in the area about their employment practices. There seems to be a real reluctance to intervene in any way, even if it is about recommendations, so our values aren't necessarily getting put across to employers. So, while everybody was saying, 'Yes, this is a great idea, we really support the living wage', that support wasn't actually coming across when they were spending money themselves. So, I think we need to look at how we can influence employers, like you said, because procurement certainly isn't going to catch everybody. We need to be communicating the benefits of ethical employment practices much more. We know there are benefits around productivity, particularly around retention and recruitment, and employers need to be aware that, actually, it makes good business sense to be doing this—it's not just about creating fair employment.

[94] **Mr Stuart:** Yes, I'd absolutely agree with that. I'm not sure how much more I can add other than, I guess, the work around the foundational economy is saying, I think, that 40 per cent of the UK economy is sheltered from competition, and therefore a traditional model of trying to lower regulation to increase competition isn't the model that we should be going for for that. It should be about trying to ensure that where the public sector intervenes with that sort of interface, it's about trying to say there are more social aspects that you should be considering here.

[95] The other bit of research I might point to is some of the work that has been done by the Living Wage Foundation. They've produced a report around good jobs in retail. It found that, for a number of employers—I think Ikea and the phone company EE were mentioned—when they moved to a living wage, they did so, but they did also bring in other benefits, so they reduced zero-hours contracts and they actually increased the number of overall hours within the company so they had more slack, but they actually increased productivity at the same time. So, I think, certainly within the retail sector, there's an evidence base to suggest that moving towards those types of employment practices can also have business benefits for that sector.

[96] **Jeremy Miles:** Is there a way in which, as well as looking at wages, we should look more broadly at the cost of living as well? Because, actually, the flip side of some of the technology advances, which is frankly driving down wage costs in many ways, although bringing other benefits—we should, shouldn't we, be trying to capture some of those benefits to make the costs of living less for people on wages that are always going to be under pressure? Do you have any thoughts about those sorts of policy interventions that are broader—costs of energy would be a good example, perhaps? Maybe outline some of your thoughts about that broader picture.

[97] **Ms Mansour:** In the report that we published late last year with the Joseph Rowntree Foundation, we advocated things like collective energy purchasing as a way in which to mitigate the impact of living costs. Also, I think if we look more at monitoring inclusive growth, including things like housing costs, particularly. For people in Cardiff we often say how great our wages in Cardiff compare to other parts of Wales, well, actually, once you factor in things like housing costs and transport costs, you know, we're not so sure if they are so great. So, I think it's a mixture of starting to monitor different things, but also looking at ways that we can support, particularly, local communities to make those sorts of financial choices.

[98] **Mr Stuart:** Yes, I'd agree with that. I guess, it's not an area that we've done a lot of work on, but if you're serious about tackling poverty then, of course, you have to look at the costs of living, you have to look at wages, and you have to look at benefits, and you have to look at the cost of living. A lot of the trends around that aren't good, unfortunately, so it's an area that we need to look at, definitely.

[99] **Jeremy Miles:** Thank you.

[100] **Russell George:** Is it on this theme, Mark? Yes. Okay, that's fine. Mark.

[101] **Mark Isherwood:** I understand in Scotland some work had been done on how to incentivise SMEs, recognising that although larger companies can generate higher productivity, lower labour turnover and lower absenteeism through introducing the living wages, SMEs—some of them—could struggle. I wonder if you could comment on the work that's happened in Scotland and the discussion around that in Scotland. In terms of the Assembly, the Assembly became a living wage employer 12 years ago after a campaign led by Together Creating Communities Wrexham, based on procurement for its catering and cleaning services. It might be something for the lawyers to go and advise us on afterwards, but how did they cross the legal barriers to enable that to happen?

[102] **Mr Stuart:** On SMEs, I'm not aware of the work. I know that it was a driver behind the procurement Bill of the Scottish Government, but I'm not actually sure what the specific work that's been done around SMEs is. I guess the point I would make is that I think it is an area—. In terms of working with employers to incentivise good employment practices, I think it's certainly an area that needs more research. So, there was some work being done by the University of the West of Scotland around what incentivises employers to do good employment practices. The New Policy Institute have also done some work. Both of those bits of work emphasised the importance of reputational concerns and business benefits, but I think that's going to differ depending on the structure of a company and the size of a company. SMEs, for example, might not be so concerned about reputational concerns if their reputation isn't out there within a public or a consumer field. So, I think it's certainly an area that could do with more research about what incentivises employers to do better employment practices.

[103] The Living Wage campaign, I think, is a good example of something that has had some impact. And I think that's partly because it's a broad-

based campaign with a significant element of support from civic society organisations. It's a recognisable brand. There's also a credible process behind that, in terms of that it's not been undermined by employers signing up to it and then not actually doing it. So, I think that whole area of how to incentivise SMEs, but also all employers, to undertake good employment practices could probably do with a bit more research about what drives different types of companies.

[104] **Russell George:** Is there anybody else on this subject, otherwise I'll come to Hefin? No. Hefin.

[105] **Hefin David:** I just realised I missed the opportunity to undertake a bit of comparative analysis there between what you're proposing for the south Wales Valleys and what happens in Scotland, Francis. I wonder if you might explain whether there are any lessons, any similarities between this concept of place and growth.

[106] **Mr Stuart:** I guess one thing that I might point to would be a bit of work that Oxfam did back in 2012 called the Oxfam Humankind Index. That was a bit of research, which was—. The decent work research was very much modelled on it, but that involved going out to, in that case, over 3,000 people across Scotland, and asking them, 'What do you need to live well in your community?' And they came up with, again, a set of priorities. Top of the list were things like good physical and mental health, and a decent, safe and affordable home to live in. So, that, to us, was about questioning the model of economic development and saying, 'Rather than just focusing on economic growth all the time, you need to focus on these types of things that matter to people.' Off the back of that, we developed what we call a policy screening tool, which is a way of assessing a number of policies, going through those different things that people prioritise. So, I guess that goes back to this question of inclusive growth and how you make sure that the quality of growth is meeting the people's expectations. We've tried to get traction around that. I don't think it's an area that Government or local authorities have necessarily brought into wholeheartedly and done.

[107] Beyond that, I don't think there's an awful lot of work at a Scottish level beyond city deals, to be honest, in terms of—. I think city deals certainly provide an opportunity of public and private sector funding. I guess the concern is—. I've tried to look into stuff around city deals and there's not that much information or transparency about what the process behind them is. I think there's certainly opportunities to make sure that that funding goes

towards creating the type of work that people say is important in terms of decent wages, job security, and in terms of meeting some of those wider things around housing or health that people value. So, there's certainly markers out there about how people, or how Governments or local authorities can try to address those things, but I don't know if it's been put into practice yet.

[108] **Hefin David:** You mentioned city deals—have you seen any core periphery issues emerging from Scottish city deals?

[109] **Mr Stuart:** Any what, sorry?

[110] **Hefin David:** Core periphery—where you've got the core benefit, with the periphery kind of being left out.

[111] **Mr Stuart:** I've looked at it a little bit, but I think most areas seem to be covered, which might be a good thing.

[112] **Hefin David:** Okay, thank you.

[113] **Russell George:** Are there any other areas that Members want to cover? Adam, are you indicating? Yes. Adam Price.

10:15

[114] **Adam Price:** Taking these interlinked ideas of place-based economic development, inclusive growth and the foundational economy, are there any other areas in the world—cities, regions, nations—that you think have done it really well, and we should look at?

[115] **Ms Mansour:** We've not looked specifically at examples from abroad. I think I've read some work about how Cleveland has done really well out of these sorts of practices. We've looked more at individual policy measures and how they've been adopted elsewhere, and particularly how certain policy decisions around city deals have been more inclusive. So, I think the Glasgow city deal, for instance, has looked at in-work progression as a key aim, and so we're very keen that the city deals in Wales look at the possibility of tackling low pay and in-work progression as well, rather than the examples that you've mentioned.

[116] **Mr Stuart:** Most of my work is focused on the UK, so I'm certainly not

an expert. I know some of the research that Oxfam has published around inequality and inclusive growth sometimes points to Brazil as an example that has had more inclusive growth over the last sort of 10, 15 years. So, that might be one example. I think they've also pointed to some of the participatory budgeting work that's been undertaken in Brazil, in Porto Alegre, so that might be one example. But that's just off the top of my head.

[117] **Adam Price:** Thanks for that. I was wondering, just going back to the spatial dimension again, about this idea of the Valleys enterprise zone that the Bevan Foundation has proposed. Could you say a little more about how that could work, and also how you see the relationship with, or the tension with, the city deal region map that we referred to earlier?

[118] **Ms Mansour:** It's all about creating a buoyant labour market in the Valleys, because that enables people to move out of low-paid work quicker and to move out of unemployment quicker. So, it's about creating that buoyancy, and I don't think there is really expected to be much of a tension, because the amount of jobs anticipated for the Cardiff area are not enough to satisfy the number of jobs needed for the whole region. So, we need to be looking at creating jobs in the Valleys as well as in the capital city.

[119] I think that, if we're talking about a buoyant labour market and there is competition between the areas for workers, that could result in better employment practices, hopefully.

[120] **Adam Price:** Is it implicit in the idea that the assisted areas map, which currently in Wales is based on NUTS 2—? Is that it? I can never remember my nomenclature of units of territorial statistics. But west Wales and the Valleys and east Wales—west Wales and the Valleys is the assisted area that has the highest level of support. So, is the idea that the Valleys would have a higher level of state-aid assisted area status than Cardiff, in order to drive some investment in that area?

[121] **Ms Mansour:** Yes, to some extent, and other incentives to attract businesses to that area, because at the moment we don't think that it's concentrated in the most effective way.

[122] **Adam Price:** Finally, given your remarks, would you see a similar argument for those parts of the rural north-west and south-west, where there is also a spatial gap?

[123] **Ms Mansour:** Yes. We've actually advocated that this sort of approach should be taken in rural parts of Wales as well.

[124] **Adam Price:** Thank you.

[125] **Russell George:** Thank you, Adam. I've got Jeremy next. Is anybody else waiting? I wasn't sure whether—. David, are you waiting as well as Mark, or not? I'll come to Jeremy, then David, then yourself. Jeremy.

[126] **Jeremy Miles:** Underpinning much of the discussion today is the idea that work is no longer a route out of poverty, and obviously there's a discussion that has been going on for some years, but which has been gaining some traction recently, about the question of a universal basic income and its contribution to tackling some of these challenges that we've discussed today. Do you have any thoughts about whether that is the right way to go?

[127] **Ms Mansour:** We've not done any work on that. I think it's coming up a lot in discussions about the impact of automation on the workforce, and particularly on low-skilled, low-paid work. I think it's something that we should look at further, if automation is expected to have the impact that some people are warning about, but I think it should not be a distraction for the challenges that the labour market is facing at the moment, and there are lots that we could be doing to address those.

[128] **Mr Stuart:** Similarly, we've not done any work on it. It is an area that we're increasingly getting asked about, as I'm sure lots of people are. So, it might be something that we need to look at, but it's not something we've done work on.

[129] **Jeremy Miles:** Thank you.

[130] **Russell George:** David Rowlands.

[131] **David J. Rowlands:** I'd like to return, if I may, to some of the points Adam was exploring earlier on with regard to discrepancy in regions. I'm going to use that awful measure of GVA here, but it's readily available. We were talking about something like 52 per cent of the UK GVA and 54 per cent from Anglesey and the Valleys, whereas in Cardiff it's something like 89 per cent. I had a feeling that that's very much due to the fact that there are a large number of public institutions in Cardiff—obviously, this being a prime

example of that. Have you explored the possibility of what impact there might be by moving some of these institutions out into the other regions in Wales, and possibly making those one of these pole regions that you're talking about—the anchor for one of those pole regions? Because it seems to me that it is the public sector that has the best pay, salaries, et cetera. So, have you explored that idea?

[132] **Ms Mansour:** It's not something that we've looked at specifically, but it is something that has come up in the research that we've done around the living wage, particularly around—. So, for some employers, becoming a living wage accredited employer is because they are competing with the public sector for workers, and it sets them out from the others. So, I think that that does need to be explored and the impact of not necessarily moving some of Wales's public sector employers, but looking at the potential for locating them elsewhere, and the benefits of that on the wider economy should be considered when they're set up.

[133] **Russell George:** Mark Isherwood.

[134] **Mark Isherwood:** I'm going to have to be cautious. In Cardiff and the Vale it's a 10-point fall since 2000 in terms of relative GVA. Despite that, in north-east Wales, despite the industrialisation, it's been a 15-point fall. So, it's not all good news in terms of sharing out. We've got to bolster everywhere. But in terms of social capital, how do you respond to the growing body of evidence, some of which from yourselves, but especially international evidence, that to unlock social capital, those in power had to be prepared to share power, whether that's in terms of growth deals, for example, devolving power within Wales to a north Wales economic forum, for example, or whether, in some of the communities, it's unlocking the strength and assets in communities by working with people?

[135] **Ms Mansour:** That's not something that we've looked at closely in Wales, but I think it would be very interesting to explore that further, particularly the community element.

[136] **Mark Isherwood:** One of your colleagues has written quite well on this.

[137] **Ms Mansour:** Yes, but I'm not so familiar with it myself. Sorry.

[138] **Mark Isherwood:** Oh, well, fair enough.

[139] **Mr Stuart:** It's not something that I or, I think, Oxfam have done an awful lot of work on. I guess I can try and bridge that into another point I was going to make, which was around—. I guess, if we're looking at social capital, we're obviously not looking just at economic measures. So, I think the point is that we need better data around quality of work. Within this research, we tried to do a labour market assessment. There are some indicators or some priorities for workers that we just don't have appropriate indicators for. So, for example, workers value being fairly compared to other workers. It's important. That was sixth in the list of 26 factors. We don't have any good data around that at all. Similarly around things like the humankind index, where we have things like good relationships with family and friends being valued as important, but we don't necessarily have good data around that. So, I guess the point is, if we're to make effective interventions about things that matter to people, we need to have better data and indicators around those things that matter to people.

[140] **Russell George:** Thank you. We're drawing to an end now, but perhaps the last question I would like to ask is: what are the three key priorities that you think that the Welsh Government should include in their economic strategy?

[141] **Ms Mansour:** Well, we would definitely like to see the living wage rolled out through the public sector and the sub-contracted workforce. We would like to see that targets are adopted in order to measure inclusive growth, not just looking at GVA, and we would like to see the place-based initiatives that we've talked about being streamlined and refocused on areas of particular deprivation.

[142] **Mr Stuart:** I'm just quickly writing three things here. [*Laughter*.]

[143] **Russell George:** You mean they weren't on top of your head?

[144] **Mr Stuart:** They weren't. I guess, fundamentally, like the last point I was making, we need to respond to what people value and that does mean that we need better data about what people value. So, we need better indicators, we need better targets. I think that needs to be near the top. Issues around procurement are an obvious, fundamental lever that we could do more on and then, thirdly, the point I made at the beginning around moral suasion or trying to think—if you don't necessarily have powers to do things, to just pull a lever, then you need to think a bit more creatively and come up with new initiatives. In Scotland there's the Fair Work Convention,

which is a partnership between trade unions, employers and others to try and push forward this agenda. So, perhaps, thinking around that area of moral suasion might be a third area.

[145] **Russell George:** Well, can I thank you both for your time with us this morning, particularly Francis, who has travelled a long way from Scotland? We're very grateful for your time this morning. There will be a transcript of proceedings, so, please do have a look over it and if there's anything you want to add to what you've said, then please let us know as a committee. But we're very grateful to you for your time this morning. Thank you.

[146] **Ms Mansour:** Thank you very much.

[147] **Mr Stuart:** Thanks.

10:26

**Cynnig o dan Reol Sefydlog 17.42 i Benderfynu Gwahardd y Cyhoedd
o'r Cyfarfod**

**Motion under Standing Order 17.42 to Resolve to Exclude the Public
from the Meeting**

Cynnig:

bod y pwylgor yn penderfynu that the committee resolves to gwahardd y cyhoedd o eitemau 4 a 5 exclude the public from items 4 and 5 of the meeting in accordance with 17.42(vi).

Motion:

Standing Order 17.42(vi).

Cynigiwyd y cynnig.

Motion moved.

[148] **Russell George:** I move to item 3 and move to exclude the public for items 4 and 5 under Standing Order 17.42, which would mean that we go back into public session around 11:15. Are Members content with that? I see that they are. Thank you.

Derbyniwyd y cynnig.

Motion agreed.

Daeth rhan gyhoeddus y cyfarfod i ben am 10:27.

The public part of the meeting ended at 10:27.

Ailymgynullodd y pwylgor yn gyhoeddus am 11:23.

The committee reconvened in public at 11:23.

Yr Economi Sylfaenol—Safbwytiau Amgen ar y Strategaeth Economaidd i Gymru

The Foundational Economy—Alternative Perspectives on the Economic Strategy for Wales

[149] **Russell George:** Welcome back to the Economy, Infrastructure and Skills Committee. Can I just remind Members if they could put their mobile phones onto off or onto airport mode just for today, because there are some technical issues? And to remind Members, and for Members watching, we have got some technical problems with the production this morning, so it means that people may not be able to see me because there's one camera, so the camera will take a wider shot and focus on our witness.

[150] I move to item 5 in regard to our—. Bear with me a sec. Item 6, sorry—thank you, Gareth, for pointing that out—item 6, in regard to our inquiry on alternative perspectives on the economic strategy for Wales. This morning, I'd like to welcome Professor Karel Williams from Manchester university to be with us. I'd be grateful if you could perhaps just introduce yourself and tell us a little bit about yourself before we go into questions.

[151] **Professor Williams:** My name is Karel Williams. I'm an academic in the later stages of my career. I've been variously a historian of the nineteenth-century poor law, a motor industry researcher, a researcher on financialisation and financial crisis and, most recently, on the mundane economy. I've changed what I do every eight years or so. And, in a way, I think the shifts that I've made have often been occasioned by opportunities, but, in this case, it's been kind of occasioned by a sort of hiraeth in a certain sense, because I come from Llanelli, and I only go back very occasionally, and what strikes me very much is that the place has 'gone back', as my father would have said, over the last 30 years—that it was once a place of affluent, off-shift workers, and it's now a place of pound shops and charity shops. And I wanted to try to understand that, and, in a way, the whole of the foundational economy thing is my last throw of the dice, and it's an attempt to understand the place that I come from and what's happened to it in the

last 30 years, and how, in places like Llanelli, or in Ammanford, or in Neath, one could do something to make it a better place.

[152] **Russell George:** Well, thank you, Professor Williams. This afternoon's session is fairly informal, so Members will ask questions perhaps in an informal way as well. I'll come to Jeremy Miles first.

[153] **Jeremy Miles:** Thank you. I'm interested, Professor Williams, in how the idea of the foundational economy intersects with the idea of anchor institutions in their local economies. You've written about increasing the social ask of businesses that are, if you like, dominant to some extent in the local economy. I wonder if you could—. I know you've done work in Enfield and Sheffield and elsewhere around that, and I wonder if you could articulate how that social ask plays out in practice. How do you get the ask met, if you like?

[154] **Professor Williams:** Right. I think at this point it gets a bit like a bloody seminar, really, because one needs to say that the foundational economy is several different things and, for example, there's a kind of inner core, which deals with basic needs, and there's clearly also a mundane economy around that about sofas, double glazing and all the rest of that, which couldn't be represented as basic human needs, but most of us have a sofa in our living room. If you then think about the public and the private sector, the language of anchor institutions, particularly used by class, has only ever applied to public institutions, to your local council, to the police force, whereas I think we should also think of the utilities and the supermarkets as anchor institutions, because they are all dependent upon household spending in the area, and, if we as households are giving them the money, there is, it seems to me, a social responsibility to give something back. And that was worked out in the 'What Wales Could Be' report, where we pointed out that—you know, what is Welsh Government spend? It's £5 billion, £6 billion. We calculated very roughly that there's £2 billion of spend from Tesco stores in Wales, and the question was: what are they putting back into Wales for, for example, farmers of Welsh lamb?

[155] **Jeremy Miles:** So, for example, you'd advocate, presumably—I don't want to put words in your mouth—the use of the planning system, for example. So, if you've got a supermarket that's coming to locate, you would want to use the fullest extent of the planning system to try and drive some behaviours that would support the local economy. Is that the sort of thing you have in mind?

[156] **Professor Williams:** Yes, and I think one needs to pay attention to political practicality, rather than immediately have some kind of hysterical campaign against supermarkets, because I don't think that's politically sensible. But I do think that the Welsh Government, as a regional government, is in a position to engage firms like Tesco and Sainsbury's in a conversation about, for example, their policies on stocking New Zealand lamb against Welsh lamb. Every year, in the early summer, there is a near crisis because several of the chains keep on bringing New Zealand lamb in when Welsh lamb is coming onto the market. The farmers believe, and have believed for years, that this is done as a way of driving down prices. Some of the chains behave responsibly; some of them don't. What one would ask is all chains to pay some attention to the legitimate needs of Welsh farmers who have costs of production.

11:30

[157] **Jeremy Miles:** So, at this stage in the process, it's more a question of a political conversation, if you like, rather than the minutiae of legal levers and so forth.

[158] **Professor Williams:** I think we're not at a stage where it would make any sense to think of prescriptive levers. I also think that, if you actually think about the work that has been done on public procurement, you can quickly get caught up in a world where you're looking at percentages and you're not really changing things very radically.

[159] **Jeremy Miles:** Thank you.

[160] **Russell George:** Adam Price.

[161] **Adam Price:** Very specifically on that question of percentages, I was very struck by discussion around the short supply chain. This is the idea that if you shorten the supply chain—the number of players involved—that itself is a way of driving up local value capture. In Romania, of course, two years ago now, they passed a law that requires all supermarkets to have at least 51 per cent of their purchase of fresh produce within the short supply chain and, indeed, the European Commission has not challenged that. Do you think that there's some merit in exploring this idea of the short supply chain?

[162] **Professor Williams:** Yes. I think we've got to get beyond postcode

localism, as we criticised it, and we've also, I think, got to get beyond the idea that it matters whether something is five miles one side of Offa's Dyke or five miles the other side of Offa's Dyke. I have a businessman friend who runs an engineering firm in Hereford. He really says, 'Look, we need to think about functional economic areas'. When you've parked that point, I think the next point is, 'Yes, of course'.

[163] There's been a lot of talk about supply chains in Wales, but one of the central points we're making is that it's an economy of short corridors: you're never going to have the supply chain for Airbus or Ford Bridgend in Wales. But, if we were to think of one step of value capture, if we were to think about what you do next, so to speak—. Take, for example, Towy Valley dairy. Why don't we have proper processing and marketing of that dairy and some agreement with the supermarkets that they would buy on sensible terms? That seems to me to be an entirely sensible policy, and it's not just Romania with supermarkets—there are all kinds of ways of thinking about the localising of production that need to be brought into Wales. There's the Japanese stuff about 'one village one product'. Well, I don't think in Wales that we'd want 'one village one product', but you can see what they're getting at in Ōita Prefecture. You'd stand in Llandeilo and you'd think, 'Well, what can we do around here? What's our resource, and then how do we add distribution and marketing to it?' I think we need to be much more imaginative about those single-step, short-run things.

[164] **Russell George:** David, I'll come to you in a second on your subject, but Jeremy first.

[165] **Jeremy Miles:** Can I just come back to that point about the anchor institutions, just to pick up on a point that came up in that exchange with Adam Price? Some of us have been thinking of the limitations, if you like, of a procurement solution to it, because you mentioned the percentages game, if I can use that language, which you referred to in your report, but would you support something like a broader duty of local economic development on public bodies, which would be a way of beginning to change some of the culture? So, it's not just about the numbers, but it's about an approach that says, if you've got a big contract to let, you could equally let that contract as three smaller contracts, which local contractors could bid for—that would be a relevant consideration. I understand that there are procurement limitations around that, but would that principle be something that you'd support?

[166] **Professor Williams:** Yes. While I think we should be asking the

supermarkets to do more, we shouldn't let local government off the hook, because it's quite clear from the evidence we've got in Wales that the local authorities are at a very variable level in terms of doing the basics, like splitting up the contracts to allow smaller people to bid, or the thing that they did in Carmarthen years ago, offering contracts that were, in effect, labour-only, so that two men and a van could actually do it. Now, all of that stuff needs to be pressed much harder.

[167] The second point is that we need to stop thinking of procurement as simply being about spot-contracting—we need to bring outsourcing into this. We need to think about how you can use outsourcing, and outsourced contracts, to build grounded firms, not offer contracts to international conglomerates, which fall over fairly regularly into stock market crisis.

[168] **Russell George:** Anything on this before I move on to David's new point? No. David Rowlands.

[169] **David J. Rowlands:** The figures show that it's only 15 per cent of our economy that goes in exports, and 85 per cent, or something like that—we can argue over figures—of the gross domestic product is actually made and consumed within the country. So, there's huge scope for us to build on this foundational economy. Can you tell me: have you looked at anything with regard to co-operatives working in this foundational economy? I'm talking about both retail and production, because co-operatives tend to be localised and tend to have that ability to create work.

[170] **Professor Williams:** Firstly, I would say, although I'm the kind of prophet of the foundational economy, we shouldn't let go of the tradeable sector—any economy has to have a tradeable sector, very clearly. One of my points about the tradeable sector is that lots of it is very mundane and not part of next-generation industries and this kind of shiny, shiny fantasy that tends to concern policy makers. So, in the tradeable sector, I would be concentrating on sofas and Admiral insurance and things of that sort, which I think have considerable capacity to generate export earnings for Wales.

[171] When we've said that, I think the whole thrust of the argument is that we need to develop the foundational. I think there what we need are grounded firms that are tied to a place by ownership, by workforce, by connection. If you're thinking of grounded firms, the obvious examples are our few successful Mittelstand firms—you know, Ifor Williams Trailers—and you can run down a list of about a dozen of them—W.R. Davies, a car

dealership based in Newtown, and Jenkins Bakery in Llanelli, which wins my prize for the world's best-grounded firm. If somebody asks me the question, I will explain why.

[172] **David J. Rowlands:** I think we'd argue about Brace's Bakery as well, wouldn't we, us from the eastern Valleys.

[173] **Professor Williams:** From the eastern Valleys, yes—that's a serious issue. *[Laughter.]* The point is that there can be several different forms of ownership of a grounded firm. It doesn't fit with big business, and people looking at spreadsheets and deciding to open and shut operations, but it can fit with mom-and-pops running a care home, it can fit with third-generation family ownership, which is Jenkins Bakery or W.R. Davies, and it can fit with co-ops. You'd want to fit different kinds of ownership into different kinds of niches, rather than suppose that one form of ownership is best. It's quite clear, for example, after the trouble with the Co-op, that one of the big problems of co-ops is that they don't have a balance sheet, and, if things go wrong, there are no shareholders to turn to. And, if there is a downside risk on a public contract, they can't quote for it. I know of friends in the co-operative movement who are in this position that they would like to bid for the contract, but the downside penalties on the contract would completely bankrupt them if it goes wrong. So, you've got to think of something in that context, like shifting towards an operating-only contract, which a co-op could do.

[174] So, co-ops have a place, along with family-owned firms, along with little mom-and-pop operations that last for 20 years, and we have to think about what is the niche that's appropriate for these firms, all of which are good ways of being grounded.

[175] **Russell George:** Vikki, do you want to ask your question and then move on to your subject area as well, and I'll come to Hefin after that on his subject area?

[176] **Vikki Howells:** Yes, thank you. You mentioned mom-and-pop operations there with regard to social care, and I know that that's something that you've written extensively about. Thinking on a practical level in Wales at the moment, yes, there's a great need for us to expand our social care, but I'm thinking in particular of the fact that we've also got a huge childcare pledge with the Welsh Government coming now. How transferable do you think your thinking around social care could be to us in Wales when we're

looking now to try and roll out childcare for every three- and four-year-old within Wales?

[177] **Professor Williams:** Care is exactly the kind—not just adult care, but childcare—of thing where we could be a world leader. There's all this crap about Swansea bay tidal lagoon and turning it into a world-leading industry. This is largely a fantasy, because Siemens and GE Alstom are out there, and, as soon as it becomes a big business, they will apply their production skills, their worldwide marketing et cetera to elbow into that kind of business. As has happened in aerospace—and I can give you an academic reference for this—if they want to, they can of course buy whatever you've bought in Swansea bay; they will simply pay for it.

[178] If you look at what's happened in aerospace in the UK, most of the Mittelstand firms that had technical expertise and competence have been snaffled up by somebody, because what do you do? You say, 'These guys are good at landing gear—we'll buy them'. So, I think you can park the idea of building the competitive.

[179] I'm going to come back now. So, what should you actually be concentrating on? The real no-brainer is care—it's the better part of 3 per cent of the workforce in adult care everywhere, because it's distributed according to population. If we put all of the care together, it's 5 per cent to 6 per cent of the workforce. Think of that in relation to manufacturing, for example. It's massive activity—usually pretty poorly paid jobs, pretty poorly paid jobs for ill-qualified women who spend all of their lives keeping things going with feckless partners and children. I think what we need to do is to say, 'Look, we have activities like care. How can we (a) build better jobs? How can we build grounded firms, rather than give way to anonymous chains in these areas? How can we deliver more consistent quality service? How can we say that this is being done, ideally, on a consensual, cross-party political basis, so that we rebuild trust with the voters?'

[180] That's why the whole thing about GDP is such nonsense. You pull your levers in an area of the economy to get more marketable output and half of it goes to the people in the top 30 per cent of the income distribution. You don't actually have very good levers in Wales to pull, and you've tried pulling the levers and they don't work. But, if you take something like care, you've got the jobs, which you could upgrade; you've got the grounded firms you could build; and you've got the service quality, which I think can always be improved. Do that, and you can reinvent what worked about British

Government in the 1950s and the 1960s. If you think about British Government in the 1950s, when Harold Macmillan was housing Minister, offering to build 200,000 council houses a year, in that period, government—government of all parties—was a machine that delivered benefits to the community.

11:45

[181] I was brought up in that community. I started off in Ammanford, and Ammanford in the 1950s was a place where you had a sense of a recent popular revolution, which had brought people not just false teeth and glasses—my father had a pair of reading glasses even though he never needed reading glasses—but it brought people education, it brought people housing and it brought people what was necessary to a decent standard of life. All of the parties were seen as being part of a system that delivered that. Now, what we have to do is to reinvent that system. If we want to start reinventing it, care is where we should be reinventing it.

[182] The problem of the 1940s was to make acute hospitalisation available to the whole of the population and make it free at the point of use, because after antiseptics, anaesthetics and antibiotics, they could nip you into hospital to have your tonsils taken out and that would be wonderful. The problem of the 2010s—a corresponding problem, an unsolved problem—is care. It's a double one at both ends, because we've shifted to the two-income household, so we need to sort childcare. We, of course, are all of us living much longer, so we need to solve adult care. The most immediate and direct need is for imaginative innovation in adult care because that's in a complete bloody mess everywhere. But I'm sure that childcare could be tagged on as being something that the political classes did well for the local population.

[183] **Russell George:** Vikki—. Oh, sorry, are you on this subject? Before you move on to your new one, Mark wants to come in. Do you want to just finish off this subject rather than—

[184] **Vikki Howells:** No, that's fine.

[185] **Russell George:** I'll come back to Mark and then back to you. Mark and Adam, and back to Vikki.

[186] **Mark Isherwood:** Thank you very much indeed. Businesses, whether

they're for profit or non-profit—and, of course, I'm sure co-ops do have to have a balance sheet—

[187] **Professor Williams:** Yes, but they don't have shareholders that you can go back to.

[188] **Mark Isherwood:** Unless they're mutual, with a different type of shareholder, which I used to work in, but there we are. They will have corporate goals, some of which are statutory, some of which are discretionary. They will nearly all have CSR budgets—corporate social responsibility budgets—and many of them will consider their compliance with that as sufficient to make the appropriate statement in their balance sheet that makes them look as if they're genuinely engaged and supporting their communities. How do you effectively avoid turning 'ask' and 'social ask' into 'tell', with the risk that selling the benefits can move in an investment-damaging direction?

[189] You talked about unlocking resources in communities. To what extent do we need to focus on the need for a social contract so that it's two-way? We need to be working ground up in communities, building the resilience and unlocking the strengths in those communities, so that when investment and business comes in, the community is ready, willing and able to work with them to unlock everything to their mutual benefit. Potentially, that's it.

[190] **Russell George:** So, do you want to comment on that first?

[191] **Professor Williams:** Yes. I think we do obviously need to build communities. It's not a question of picking on one element in society, like corporate business, and saying, 'You do more'—we've got to build things up. On corporate social responsibility, all I can say is that it has been, in many ways, a huge exercise in doing a little and representing it as your duty done. The classic example of this is Tesco's Welsh procurement programme. There's £2 billion going through the tills. They're turning over Welsh lamb farmers every year—that's an exaggeration, but there is no clear contract with the farming community, which there needs to be. With fanfare, there's £100 million-worth of Welsh cakes and Welsh produce bought from small local firms. Now, that is valuable, but we need to be thinking of the bigger picture.

[192] I think we have really got too much into a kind of cringing supplicant posture vis-à-vis big business—you know, 'Thank you so much for coming

to us, we are so grateful. Can we please build you a bit more infrastructure?" And I think we need to say—. You know, everything in society is a two-way street of rights and responsibilities, and within that two-way street, I think people like utility companies, like supermarkets, who are taking household spend on a semi-captive basis from an area, need to be asked, 'What are you putting back into the community?' And I don't think that, in sheltered activities, to offer decent contracts to farmers would bankrupt the supermarkets.

[193] **Russell George:** Just before I come to Adam—after I come to Adam—Hefin and Vikki, just work out who wants to speak next between yourselves. It's a different topic. So, after Adam, back to Vikki. And then to Hefin. Adam.

[194] **Adam Price:** Just delving a little bit deeper into the care sector and the opportunities there. I mean, in the heroic phase of, you know, the 1945 Labour Government, and indeed the Wilson Government, Government became very actively involved in reorganising entire sectors of the economy to the extent, of course, of nationalising many of them. Is that part of the proposal here, as well as building up grounded firms, that we look at aspects of—? I mean, it could be municipalisation. It could be the creation of a national care service, as the foundation of the foundational economy in that sector. Is that what you're proposing as well?

[195] **Professor Williams:** In the heroic period of nationalisation, we had a very different, much heavier economy, and I think we adopted command and control structures with giant bureaucracies, which were, in relation to the south Wales coal owners, a huge advance, and were, and probably are, appropriate if you want to organise something like a national electricity generating and distribution system. And clearly, for example, in railways, we saw the immediate effects after privatisation of the collapse of a command and control organisation that was able to get certificated people to perform standard safety-related operations in a routine kind of way. Park that on one side. There clearly is a place for that kind of bureaucracy, but I think when we're talking about adult care, or childcare, we're really talking about the balance between co-ops, mom-and-pops, and chain businesses. And I think, there, my point would be that chain businesses have very few proven advantages.

[196] If you look, for example, at quality ratings of care homes versus mom-and-pop operations, very few quality advantages are clear. They standardise care in a format that suits their profit requirements, so that, for example, the

people who are building homes in Wales are private equity finance chains who want to build a 60-bed Travelodge-type structure, because that covers the manager's salary as well as the cost of the capital. If you have a mom-and-pop, it's like a family farm in the Tywi valley. Everybody mucks in with loads of underpaid labour—so you can actually run a smaller mom-and-pop home. And they also, with bond finance and private equity investors, want more than 10 per cent return on capital employed. So, my answer to that is, 'Let's start thinking about how you could fund construction more cheaply, using either Government borrowing or re-plumbing the insurance contributions and the pension contributions of Welsh people, which currently go off to London and return no more than about 5 per cent. Why not take that money, invest it in low-risk things like social housing and care homes, and open up to all kinds of operators?

[197] **Adam Price:** So, the public sector could invest and, indeed, own the homes, for example, but then invite local mom-and-pop businesses to run them.

[198] **Professor Williams:** Local mom-and-pops and co-ops. I mean, again, there's a limited downside to this thing. You're doing it badly, you lose the contract.

[199] **Russell George:** Can I just check? I think I've got Hefin and Vikki waiting on new subject areas and I think I've got Jeremy and David wanting to come up with quick questions beforehand. Are they quick questions on this or is it a new subject? Is it a new subject or a quick question on this?

[200] **David J. Rowlands** I've got a quick question on what has been touched on.

[201] **Russell George:** Okay, a quick answer on that and then I'll come back to Vikki.

[202] **David J. Rowlands:** Obviously, what you're saying, Karel, touches on Keynesian economic policy really, doesn't it? I'm very much in favour of Keynesian policy where it's to build the Hoover dam and that has economic benefits down the line. But if we're talking about using it to build houses and for social care et cetera, there is a cost to the economy in general terms. How far do you think we ought to go down that line with regard to where the Government spends its money?

[203] **Russell George:** Can I just ask Jeremy to make his point? And then if you could answer the two. Jeremy will make his point and then I'll come back to you, Professor Williams.

[204] **Jeremy Miles:** The extent to which the models you're describing there, and the care home model in particular—and I suppose there are similar models in energy economy generally. That gets us to a place, doesn't it, where actually, as well as looking at interventions to increase wage levels, you're also then starting to look at interventions that reduce the cost of living for people by making care more affordable, and other basic staples more affordable? Is that part of the thinking?

[205] **Professor Williams:** Yes. Coming back, this is a country with massive underinvestment in infrastructure. It's a joke. You go to countries like Spain or Sweden and you can be in the middle of bloody nowhere—halfway up the Picos mountains or trekking through the deepest forests in Sweden—and you get a perfect 4G signal. Half of Manchester is black spots for mobile phones, and the reason for that is that we've brought people in whose model is to basically ration investment and try to get 10 per cent return on capital or more. My question is simply: wouldn't it be more sensible to say that in low-risk activities, we should socially devise, in a sense, a 5 per cent return and figure out how to finance it?

[206] In care, the difference between 5 per cent and 12 per cent, which is in the LaingBuisson model, which is the standard costing that's used for care, is £100 a week. That's with a residential home. Now, that's not the answer to everything, because in domiciliary care, for example, the capital costs are negligible. But I think we are underinvested and we'll only get out of it if we think, as a society, how to do 5 per cent investment on low-risk things.

[207] The other question—?

[208] **Jeremy Miles:** The extent to which the models you're describing are part of a broader focus on reducing the cost of living for people as well as increasing wage levels.

[209] **Professor Williams:** That's quite interesting. If you go back to the 1930s—and lots of us are reading 1930s texts these days—the most interesting book in some ways is Harold Macmillan's *The Middle Way*, which is, of course, not the Blairite middle way because on the one side, you have the hammer and sickle and on the other side you have the fasces.

Macmillan's idea was that what you and I think of as capitalism was all right for what he described as 'the production of gramophone records and fur coats', but that the mass of the populace needed to be catered for by co-ops fed by huge food factories, which would actually make everyday staples much cheaper. I think that's a peculiarly period vision in that I think the idea of the British standard loaf, so to speak, for 63p or whatever it might be, would not appeal to many of us.

[210] But when that is said and done, what Macmillan was pointing to was the idea that the welfare of the population depends on the availability of basic goods and services and what we've tried to do is to give people the market income to buy the goods and services and to do so when we were deregulating the labour market so they had no market power whatsoever, and at the same time to say, 'Oh, well that's terrible, so the state is going to subvent your wages', so that more than 35 per cent of households in this country receive more in benefits than they pay in taxes. The simple post-Macmillan way of saying, 'We'll give people marketable income' worked in Llanelli in the 1950s, when high-paid semi-skilled jobs were a way of diffusing prosperity. It's not working now. I think we need to think about the availability of basic goods and services, which is not solved by increasing GDP or GVA, and that's a much broader problem, as you can see, for example, with London housing. The academics I know in London—unless they're middle-aged—can't afford to live in the place.

12:00

[211] **Russell George:** Vikki and Hefin keep getting pushed back because people keep jumping in. So, I'm definitely going to go to Vikki and then it's Hefin on his subject after, and then anybody else.

[212] **Vikki Howells:** His question works better now, actually, so he can go first.

[213] **Russell George:** Hefin first, then, and then Vikki, with both your agreements.

[214] **Hefin David:** Both the publication 'What Wales Could Be' and the evidence you gave to the cross-party group on small and medium-sized enterprises a month or so ago inspired me to revisit my own understanding of social capital. Where do you think the concept of social capital fits into the foundational economy? Is that broad—?

[215] **Professor Williams:** I fundamentally, and this comes back—. I shouldn't make it so autobiographical, but one of the things that I take from a childhood in Llanelli is that intelligence and capability in our society is very broadly distributed and the English officer class usually doesn't bloody well know what it's doing. I think I would take that approach to social capital: that people have enormous amounts of capability that need to be mobilised, articulated and released. And, I think, in the end, what's so exciting about foundational thinking is you're trying to think about how you relate economy to Society and to politics. I mean, take something like—. It's an indirect answer to the question on social capital. Take something like the question of what kinds of residential accommodation we should build for older people; a question that is now closed by the 60-room Travelodge model, which is a business model decision. It seems to me that raises very interesting questions for ourselves, for our parents and for our children about what kind of accommodation we want. Do we want, for example, to segregate people in old folks' homes? Do we want to mix the young and the old? Do we want to have a whole series of different kinds of accommodation for those of us in different stages of decrepitude? That, it seems to me, is—. Those questions can only be answered in a society that has broadly based social capital and a level of political mobilisation that we don't have at present.

[216] **Hefin David:** So, would you agree with the view that I've got of microfirms: that they have a way of approaching social capital that is kind of self- organisational or self-structural in that they will—? They're not competing with each other; they build networks of mutual support and dependency that then, perhaps, negates the need to employ on a major scale. In which case it's not about employment but it's about the nature of the network that exists within a—and I think you used the words 'functional economic area'—and that functional economic area won't be a competitive community but a network of interdependent organisations that use those weak ties to social capital to, probably, avoid the necessity to employ.

[217] **Professor Williams:** It's all about networks. Grounded firms work by networks. If you think of W.R. Davies in Newtown, which is third-generation family owned, they've recently shuffled some dealerships in that the Ford dealerships went to Greenhous and then they bought another couple of dealerships. And if you listen to what—I think it's Jonathan Davies—says, what he says is, 'I went round all the dealerships when we bought them to reassure people that their jobs were okay and to say that we were going to respect them and that nobody would be turned over', so to speak. I think

that kind of thing is hugely important. If you think of Jenkins Bakery, it's not simply about microfirms, but it's about grounded firms behaving in a sensible kind of way. Jenkins Bakery: £9 million turnover; £600,000 invested last year; organised in an absolutely dead straightforward way; no debt; all equity; 20 per cent tax paid on profits; family takes very little money out of the business; 29 stores; 300 employees—more than 50 of those have worked for Jenkins bakeries for 10 years or more. I mean, the firm is a network and I think, when you're looking at microfirms—this is part of the seminar, I suppose—what someone like Davies, or someone like the Jenkins brothers would be trying to do is to turn what's inside the firm into a network, which has all kinds of advantages. With the microfirms, it's between the firms that you get the networking, but—

[218] **Hefin David:** Which is of equal value.

[219] **Professor Williams:** Which is of equal value, but what I would say is we're beginning to understand SMEs. We really understand very little indeed about microfirms, which is, of course, where the growth of employment is, and what's happening in our economy.

[220] **Hefin David:** I mean, I'm convinced it's about mutual dependency, but there we are, that's for another day. But the final question then, the political aspect: would I be right in saying that the geography of what I'm considering to be the northern Valleys tends to inhibit the development of effective networks, so that we tend to get spokes into a city hub, but we don't get networks across Valleys from RCT to Blaenau Gwent, which may be hiding a repository of very valuable social capital that isn't connecting well, or is that insurmountable?

[221] **Professor Williams:** Well, if you talk about fashionable ideas, one of them, undoubtedly, is the idea of agglomeration. Even places like Wales, which have no proper city regions by any strict academic standard, must be forced into the model of the city region, where the idea, of course, is you add infrastructure and skills and they will all travel to jobs in the centre. This rather abstracts from the practicalities, because, you know—or rather, I think it adopts a classically middle-class point of view, because the middle class is always concerned with, 'How much time will the new infrastructure save me on the journey?', whereas the working class is always asking, 'What's the fare?' I think the infrastructure and skills thing has very limited leverage to produce a radio hub-and-spokes structure, and that is particularly so in Wales, where the central issue is you don't have large, high-income, £35,000

per capita value added per head places like Milton Keynes or Edinburgh. And I think if you did have those urban areas, it would be more credible to try to connect the Valleys. As it is, with small, low-income urban areas, and the Valleys out there, I think you've got to figure out what you do with and in the Valleys, which I think is the point you're making, Hefin, rather than actually suppose that connection to some outside will solve the problem.

[222] **Hefin David:** No, within, yes.

[223] **Russell George:** Vikki, do you still want to pursue your line of questioning?

[224] **Vikki Howells:** It's a totally separate point, but, yes, I'm keen to pursue it.

[225] **Russell George:** Okay, I'll come to Adam, and then back to you. Adam.

[226] **Adam Price:** On this spatial dimension, I'm wondering: do you feel that in some ways we seem to have imported wholesale the obsession with the city as the engine of economic growth, you know, the work of people like Ed Glaeser and Richard Florida, which is wholly inappropriate to our geography and our social make-up, and actually could exacerbate the feeling of towns and communities, outside those sort of gilded centres, being left behind? As a contrast to that, I have to reference that 100 years ago Ammanford did feel like its own centre, and this was reflected across many towns across Wales. So much so, when Emma Goldman, the famous American anarchist, fled the Soviet Union and wasn't allowed back to the United States, she did the obvious thing and married a man from Garnant. [*Laughter.*] So, are we in danger with a city region approach of actually losing that sense of vitality from places like the northern Valleys, the central Valleys, the western Valleys and elsewhere?

[227] **Professor Williams:** Yes, I think one of the problems with the kind of world we live in, is we've all become victims of fashion and importers of policy fashions. You could be unkind and say smart specialisation is an EU policy fashion, but if you look at irrelevant and inappropriate policy fashions, I think I agree with you: the idea of the city, as propounded by people like Ed Glaeser, is not very relevant to Manchester and its problems, and it's grotesquely irrelevant to the problems to post-industrial south Wales.

[228] I think, because, in a sense—. The fundamental thing that's wrong

with the agglomeration theory is that it supposes that somehow or other putting things together, in some mysterious way, generates high productivity and dynamism. Whereas, I think if you look at places like Ammanford, they have a very particular problem, which is not related to an absence of dynamism, it's in relation to the collapse of long-distance economic relations. It's to do with the collapse of what were classic export industries that could consolidate revenues from all over the world. Anthracite coal would be the classic example of that.

[229] The question we now face is: well, the old export staples are gone, what do we do with Garnant and Ammanford and Neath? I think there is no one simple answer, because the economy is heterogeneous, so you have to do—. You know, that's one of the problems with GDP thinking is that there's one generic set of things you should do. The answer is: you've got to do three or four different things for different economies. You've got to experiment, you've got to mobilise people politically, and I think that's a very interesting challenge. If I could say, I think Wales is particularly well placed at present to actually take up that challenge. It's quite interesting how foundational thinking in Wales is actually ahead of where it is in Westminster or in other places. I think that's because, in a sense, you have a key intermediary element, which is the Assembly Members. I'm not here to flatter you, but what you have is—

[230] **Russell George:** We don't mind that. [*Laughter.*]

[231] **Professor Williams:** You don't mind that. Right, that's fine. [*Laughter.*] But if you think of the 'Tristram Hunt represents Stoke-on-Trent' kind of comedy, so to speak, what you have is people from different parties who are grounded in particular communities, have different kinds of experiences of tertiary education and employment, but are coming together to think about the specific problems of their community, which is why you would immediately see that Glaeser on the city is not relevant to Garnant and Ammanford. I think that's the edge you've got, and if we could get beyond thinking foundational economy, and talking foundational economy in the next stage to doing foundational economy in areas like adult care, in areas like food, supermarkets and things of that sort, I think Wales could be a world leader in that kind of innovation of policy, which had, coming back to Jeremy's point, welfare implications for the population. What would you want to be proud of? That we have adult care arrangements that people from all over the world would want to come and see would be really nice.

12:15

[232] **Russell George:** We are short of time, but I'm going to say to Vikki: you've waited, so don't feel under any time constraint; go ahead with your line of questioning.

[233] **Vikki Howells:** Thank you very much, Chair. We've been taking evidence recently here in committee about the role of women in the economy. The gender pay gap stands at 15.7 per cent by most measures here in Wales, with 29 per cent of women earning below the living wage, compared to 20 per cent of men. Given the predominance of women in part-time work and in the care professions especially, both of which feature heavily in your work, to what extent do you think that a focus on the foundational economy could provide potential differential benefits for the female workforce?

[234] **Professor Williams:** I think this is absolutely critical. I think the gender thing is important and the fact of the matter is that care work, in particular, is women's work and it's not properly recognised, trained or paid. What I would like to see is something other than—. I have a lot of respect for the living wage movement and, I suppose, George Osborne meant well when he mandated a higher wage, but what I would really like to see is the redesign of adult care, so that we properly trained our workers, so that they were paramedics and para-social workers, and that, in that world, we could justify paying them more than men.

[235] **Russell George:** If the Cabinet Secretary, Ken Skates, phoned you up and said, 'Professor Williams, I'm writing my economic strategy this weekend. I don't know where to start. Can you give me some pointers?' What would you say to him?

[236] **Professor Williams:** That there are three underlying objectives in the economy: objective 1 is good jobs and grounded firms—not jobs; good jobs and grounded firms; objective 2 is quality foundational services in things like care; and objective 3 is rebuilding political trust between the voters and the politicians. You've got to think of all of those things together. So, he's Minister for the economy and the question is: how could he contribute to those three objectives? And I think what he should do—. This comes back to the report. I thought, before we wrote in the report, what first steps would you take? You'd start out, I think, with care, and maybe with childcare as well as adult care, I don't know—see it as not simply being a kind of social thing,

but an industry that you could economically and socially and politically reengineer. So, I think, if you want the good jobs, the grounded firms, the quality services and the political trust, start with adult care.

[237] And then the other one I would do is agriculture and food processing. Build grounded firms in those areas, because we've got the two things: on the supply side, we've got the resources of dairy and meat, and we've got the urban demand, and there's a chance to deal with the intermediaries and the supermarkets. I think, if you started out on those things—adult care and food processing—bearing in mind the underlying objectives, and thought of it not as having the answer in your back pocket, but as being a learning opportunity to experiment and innovate—and they won't all succeed—I think that would, you know, make life more interesting as well for the expert and political classes.

[238] **Russell George:** Well, thank you, Professor Williams. That's been a really fascinating session. My only last question is: at the beginning, you talked about that, every eight years, you change what you do, so what are you going to do next?

[239] **Professor Williams:** It'll be the care home next. [*Laughter.*] I stumbled into this from going back to Llanelli, and a friend of mine, who was chief executive of Vion, which was then Britain's largest meat processor, just before he was sacked and the whole empire was dismantled, said, 'Karel, you've got to do the mundane'. And it's expanded in all kinds of directions. I think one of the things it would be nice, particularly for the cross-party group, to do, would be to talk to some businessmen who are actually involved in the mundane. Because I think—. It's quite interesting: the foundational economy is kind of post left/right division kind of stuff, because it's actually backed by people who are sensible in all kinds of positions in society. If Hefin were to get on to me, I could give you the names of a couple of people, one with £1 billion turnover and another with 40 employees, who'd both talk about the importance of the foundational economy.

[240] **Russell George:** Thank you, Professor Williams, and we'll send you a copy of the transcript from this morning. Have a read over it, and, if there's anything you want to add, then let us know.

[241] **Professor Williams:** Diolch yn fawr.

[242] **Russell George:** Diolch yn fawr. Thank you very much. That brings our meeting to an end this morning.

*Daeth y cyfarfod i ben am 12:21.
The meeting ended at 12:21.*