

Everyone better off: why Cardiff Capital Region's Growth must be inclusive

Submission to Cardiff Capital Region Commission on Growth and Competitiveness by the Bevan Foundation and Joseph Rowntree Foundation

This paper is jointly submitted by the Bevan Foundation and Joseph Rowntree Foundation, both independent charities that develop evidence-based solutions to tackle the root causes of poverty. The Bevan Foundation focuses on Wales while the Joseph Rowntree Foundation has a well-established commitment to working in and across the nations of the UK.

The Joseph Rowntree Foundation has completed a major review of evidence on what works in reducing poverty, working with the Bevan Foundation and other expert advisers. Its recommendations for the UK and for Wales will be published in the autumn. Many of the findings will be vitally important for the future of Cardiff Capital Region, large areas of which experience very high levels of poverty and disadvantage.

Growth, Competitiveness and Poverty

We welcome the Cardiff Capital Region's ambition to strengthen the growth and competitiveness of Cardiff Capital Region. The city region needs the right conditions for growth and a climate that is open for business in order to fulfil its potential and improve people's standard of living.

However, economic growth does not always mean that everyone automatically becomes better off as a result. It is often those who are already well-placed in the labour market who benefit from investment and new opportunities, while others, for example people with fewer skills, do not gain. Nor can it be assumed that the benefits of growth will trickle-down between groups of people or places, with the result that some people and places are bypassed.

We are therefore keen to see growth in the Cardiff Capital Region that is inclusive, both socially and geographically, so that no groups of people and no communities are left behind. Achieving growth that is inclusive should therefore be at the centre of the capital region's agenda.

These principles are not just a matter of social justice – it makes sound economic sense too. The payment of benefits to replace earnings or top-up low wages are a significant cost to the public purse, while the reduced spending power of people on low incomes depresses consumer demand. In the longer term, poverty is associated with many social ills such as lower educational attainment and higher incidence of ill-

health, all of which are significant burden on public spending as well as a waste of human potential. The Joseph Rowntree Foundation estimates that poverty costs the UK as a whole £78 billion a year,¹ with the cost to Cardiff Capital Region being at least £2.2 billion a year.²

Focusing on inclusive growth could be a win-win position for Cardiff Capital Region. Growth needs to be harnessed to reduce poverty in the area, and reducing poverty of itself can help to stimulate growth. As such inclusive growth successfully brings together different agendas, such as the social and the economic; people and place; prosperity and poverty reduction. It addresses both the demand and supply side of the labour market - the number and quality of jobs created being every bit as important as the skills and capabilities of local residents.

We stress that reducing poverty in the Cardiff Capital Region must be much more than a valleys – city debate. Poverty occurs throughout the area, with significant concentrations of disadvantage in Cardiff and the Vale of Glamorgan as well as in the south Wales valleys. Nor is improved connectivity, though welcome, the only solution. Despite widespread views to the contrary, evidence from the 2011 Census of Population shows that residents in all main occupational groups in valleys local authorities **already** on average travel further to work than residents of Cardiff.

Moreover, research has shown that there are different types of disconnected community in Cardiff Capital Region which, when combined with local housing market conditions, mean that different approaches are required in different kinds of area. Crucially, this research concludes that ‘physical connection is not a mitigator of poverty’.³

The Joseph Rowntree Foundation’s forthcoming strategy to reduce poverty dramatically in the UK points to increasing the number and quality of jobs, and increasing the number and quality of workers as being fundamental to change. Modelling found this twin-track approach to be especially important for Wales.

More and Better Jobs

Central to Cardiff Capital Region’s efforts to achieve inclusive growth must be the creation of more and better jobs. Developing the economy has been a priority of local authorities and their partners for many years with some success, although the total number of full-time jobs has yet to return to historic levels in many parts of the region.

¹ Glen Bramley, Donald Hirsch, Mandy Littlewood and David Watkins (2016) **Counting the Cost of UK Poverty**, Joseph Rowntree Foundation

² Based on the Wales’ ‘Barnett share’ of the UK cost being £4.4 billion and Cardiff Capital Region’s being 50% of the Wales total.

³ Alasdair Rae, Ruth Hamilton, Ryan Powell and Rich Crisp (forthcoming) **Overcoming Deprivation and Disconnection in UK Cities**, Joseph Rowntree Foundation

The forthcoming JRF strategy recommends that action should be taken by Cardiff Capital Region to:

1. Increase take up of the voluntary Living Wage

There is a powerful case for increasing the number of employees paid above the voluntary Living Wage – the amount (currently £8.25 an hour) calculated to provide a basic but acceptable standard of living. The evidence suggests that there would be significant business benefits to Cardiff Capital Region in terms of productivity, labour supply and reputation that would outweigh very modest increases in wage bills.⁴ There would be benefits to the wider economy too: for example the economic gain to Leeds City Region of moving 10,000 low paid workers onto the voluntary Living Wage in force at the time was estimated at £4 million⁵ while in Northern Ireland, modelling suggested that an increase in take up of the Living Wage could add £84 million to GVA.⁶

Our review of effective approaches to increasing uptake of the voluntary Living Wage highlighted that employer-facing action, involving business leaders, trades unions and campaigners is the most effective method,⁷ and that a step-change in take-up could be achieved at very modest cost.

2. Strategies for low-pay sectors

Important though high-growth areas such as advanced manufacturing, high skilled engineering, aerospace and science-based enterprise are, Cardiff Capital Region needs to take a whole economy approach.

A quarter of Cardiff Capital Region's workers earn less than £10 an hour in all local authority areas except Monmouthshire.⁸ In some sectors, such as social care, retail, hospitality and arts and entertainment, low pay is widespread, and these sectors provide – and are likely to continue to provide - large numbers of jobs. The distribution, hotels and restaurants sector alone provides nearly 1 in 5 jobs (18.2%) in Cardiff Capital Region.

Sector strategies which focus on developing low paid sectors are just as important as those for higher paying sectors. Supporting them can help to drive up productivity, increase pay and improve prospects, enhancing business success as well as helping to reduce poverty and, equally importantly, raising Cardiff Capital Region's GVA.

⁴ Bevan Foundation (2016) **Fair Play: the Living Wage in Cardiff Capital Region**. Bevan Foundation

⁵ Joseph Rowntree Foundation (2014) **Connecting growth and poverty reduction - more jobs, better jobs in Leeds City Region**

⁶ Cited in Bevan Foundation (2016) op. cit

⁷ Bevan Foundation (2016) op. cit.

⁸ Annual Survey of Hours and Earnings 2015, via NOMIS

3. Strong local economies

We recognise and welcome the capital region approach. Spreading growth geographically throughout the region is fundamental to Cardiff Capital Region's long-term success.

First, overlooking the very considerable potential that exists throughout the region will reduce the likelihood of achieving the City Deal's objectives. Not all the achievements to date nor potential for the future are confined to the southern part of the region – there are considerable successes in the heads of the valleys for example.

Second, many people will continue to want and seek job opportunities relatively close to home, notwithstanding the benefits of improved public transport, for reasons of time, cost and managing other commitments.

Supporting strong local economies within a wider regional framework will therefore be critical. While there have been numerous regeneration programmes across the area which have made some difference, few have been of sufficient scale to transform local economies. Evidence suggests that linking local regeneration programmes with business support and activities targeted at disadvantaged jobseekers can help to reduce poverty, for example:

- providing tax breaks (including local taxation) for job creation;
- harnessing the potential of local anchor organisations, such as local authorities, further and higher education institutions and hospitals to drive local growth by using their budgets, expertise and networks;
- use procurement, including significant infrastructure investment, to generate local employment and training opportunities and to stimulate local business growth;
- adding local value campaigns (e.g. Totally Locally);
- developing models of business ownership that retain local value (e.g. co-operatives).

More and Better Workers

A great deal of public policy in Wales to date has focused on labour supply, and in particular encouraging and supporting people who are out of work to find and retain employment. With Cardiff Capital Region having historically low levels of economic activity and with employment remaining the best (if not guaranteed) route out of poverty, a focus on labour supply should continue to be an important theme.

However, the JRF's work has identified a number of ways in which public sector interventions in labour supply could be substantially strengthened, improving help for people into work and going more widely. The key recommendations are:

1. An integrated employment and skills framework

JRF recommends that services and programmes to help people into work should be more focused on reducing poverty than simply helping people to exit the benefit system. We also recommend that services should reflect more effectively circumstances and opportunities in the local labour market. A key element in our proposed approach is a more tailored, personal approach enabling intensive support to be offered to those furthest from the labour market, including disabled people and those with long-term health conditions.

To make this work, we welcome the co-commissioning and devolution of the new Work and Health programme to Cardiff Capital Region, so that provision can be better aligned with the needs of jobseekers and with conditions in the local labour market and other support services.

As part of this, JRF recommends that all basic skills needs should be met by 2030, requiring a doubling of participation in programmes for digital skills, literacy, numeracy and language. Cardiff Capital Region urgently needs to address how skills providers can support progression at work, not least to meet the in-work conditionality in Universal Credit.

2. Dramatically improved childcare

High-quality early education and family support can protect children against the negative impacts of poverty and improve their development, and enable parents to make a fuller contribution in the workforce. Although there is a childcare strategy for Wales, provision in Cardiff Capital Region is fragmented (geographically and across the age-range), information is patchy, and costs and the quality of provision vary.

We recommend that Cardiff Capital Region should increase and enhance the supply of affordable childcare in the area. We envisage that the current plethora of schemes and entitlements should be replaced with a single system in which in the longer term would mean that all two- to four-year-olds would receive 15 hours of free childcare per week, including in the school holidays. Parents would pay for additional hours of care on a sliding scale.

3. Helping young people move successfully into work

Evidence shows that young people's transition into further training or work is a critical moment. Action that could be taken to reduce poverty in Cardiff Capital Region include:

- Improving access to and the quality of careers advice, including specialist advisers;
- Improve the quality, range and sustainability of apprenticeships available and ensure young women, people from minority ethnic groups, disabled young people and care leavers have access to them.

4. Anti-poverty initiatives

The City Deal refers to the possible pooling of interventions that seek to address poverty, such as Communities First. Our strong recommendation is that the whole of the Capital Region's strategy should be geared towards addressing poverty. While small, place-based interventions may have a role, they are not of sufficient scale or breadth to make a significant difference.

Conclusions

Cardiff Capital Region has considerable potential for growth, and has ambitious employment and GVA targets. To achieve growth that is socially and economically sustainable in the medium- to long-term, its strategy should put inclusive growth at the centre.

Our forthcoming proposals to reduce poverty in the UK are based on a unique review of 'what works'. They provide a strong, evidence-based approach for Cardiff Capital Region's strategy. We urge the Growth and Competitiveness Commission to put inclusive growth at the centre of its approach and to incorporate our proposals into its recommendations.

For further information please contact:

Dr Victoria Winckler
 Director
 Bevan Foundation
 145a High Street
 Merthyr Tydfil CF47 8DP
 Tel. 01685 350938
 E victoria.winckler@bevanfoundation.org

www.bevanfoundation.org