

Economy, Infrastructure and Skills Committee

Inquiry into City Deals and the Regional Economies of Wales

Submission by the Bevan Foundation and Joseph Rowntree Foundation

1. This paper is jointly submitted by the Bevan Foundation and Joseph Rowntree Foundation. We welcome the opportunity to submit evidence to the Committee's inquiry on this important subject. The Bevan Foundation is an independent charity that develops evidence-based ideas to make Wales fair, prosperous and sustainable. The Joseph Rowntree Foundation (JRF) is an independent organisation working to inspire social change through research, policy and practice.

The current position with regard to the signed Cardiff Capital Region and Swansea Bay City Deals and the next steps planned to take them forward.

2. How the 'deals' were arrived at, engagement with partners beyond local authorities and how partners might become involved in future is unclear, as are the next steps. This is disappointing given the potential scale of social and economic change brought by the deals. Now the deals are signed and the new authorities in place we hope that there will be greater transparency and engagement with a wide range of partners.

The intended impact of the City Deals and the way in which this will be governed, funded and monitored.

3. The intended impact of the city deals agreed to date is relatively narrow, comprising a target number of jobs and increased GVA. Even within this focus, the deals do not consider issues such as the quality of jobs, for example their pay and skill levels, or their location within the region, for example in the most disadvantaged areas.
4. We suggest that the intended impact should be broader to ensure that everyone and all places benefit from growth. JRF has developed a range of indicators which it is using to monitor growth in Manchester and Leeds City Deals: it includes measures of low earnings, worklessness, housing supply / affordability and educational attainment as well as indicators of output, number of businesses and of higher-skilled occupations.
5. The Bevan Foundation hopes to work with JRF to develop appropriate indicators for Wales' city and growth deals. Ideally they will be adopted by the authorities delivering the deals.
6. We would welcome greater clarity on how the impacts are to be monitored. It is vitally important that arrangements are transparent and enable accountability: this includes matters such as who is responsible for decisions, that agendas and minutes of meetings are publicly available and that there is a programme of engagement with a wide range of stakeholders and the community. Engagement with people experiencing poverty is a vital part of this.

The potential benefits offered by a possible Growth Deal for North Wales and Mid Wales.

7. The key features of 'deals' are that they cover a functional economic region, have clear, shared goals, secure significant capital investment and are delivered through interagency working. These features are good practice and we can see no reason in principle why 'deals' should not be adopted in north and mid Wales. However, the characteristics of these areas may mean that a different approach which relies less on capital investment would be appropriate.

The degree to which the growth and city deals could solve or exacerbate existing inequalities, both within and between regions.

8. There is strong evidence that increasing GVA and employment do not, alone, necessarily improve prosperity for everyone. For example, in London high levels of GVA per head and employment co-exist with high levels of poverty.
9. 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 economic growth will trickle-down from one group of people to another or from one place to another, with the result that some people and places are bypassed despite overall gains.
10. It is also feasible that growth in GVA and employment is accompanied by increases in the cost of living, for example if pressure on housing supply results in higher housing costs. The result can be that people on low- to mid-level incomes face increased outgoings and so are no better-off.
11. We are not persuaded that sufficient emphasis has been given in city deals to date to reducing poverty and inequality. We suggest that the proposals to achieve growth, such as to establish an 'arc of innovation' along the M4 and support the semi-conductor industry in Cardiff's City Deal or to focus on life sciences, energy, smart manufacturing and tech & creative industries in Swansea's City Deal, should be accompanied by explicit measures to ensure that all people and all places benefit from greater prosperity.
12. We have termed this 'inclusive growth', which we recommend should be at the centre of the city deal strategies. Our paper ['Prosperity without Poverty'](#) identified the proven ways in which inclusive growth could be achieved in Wales (see Box 1) and we strongly urge the city deals to adopt them. In particular, action needs to stimulate improvement from the bottom up, for example by stimulating growth in Wales' most disadvantaged areas and by raising skills amongst people with few qualifications, as well as to maximise economic potential at the other end of the spectrum.
13. In terms of inequalities between regions, there is a risk that the deals will compete with each other, resulting in 'race to the bottom' e.g. on wages and business incentives (including business rates). There could be unanticipated effects such as the displacement of economic activity across boundaries. This is especially important

as the boundaries between all of Wales' deal areas are 'fuzzy'.¹ There need to be safeguards in place to prevent this occurring.

The degree to which the growth and city deals co-ordinate with Welsh Government strategy

14. The Welsh Government's economic strategy is keenly awaited. Its Programme for Government includes 'prosperity for all' as a key commitment - if the growth and city deals are to co-ordinate well with the Welsh Government's strategy then the city and growth deals will need to ensure they include active steps to ensure growth is inclusive alongside boosting GVA and employment.
15. It is also important that there is clarity between the various actors about roles and responsibilities in order to avoid confusion amongst businesses and the public, possible duplication and conflict.
16. We hope that the Welsh Government's strategy will, when published, provide a clear direction, robust framework and common purpose in the city and growth deal areas.

We would also welcome comparative views on approaches taken by other growth deals and regions across the UK.

17. In Leeds City Region, JRF is involved in 'More jobs, better jobs' partnership, which has to date considered how best to use the combined purchasing power of anchor institutions,² how to capture the of major capital developments,³ the role of housing and planning policies in inclusive growth,⁴ and how to improve progression from low-paid jobs.⁵
18. It is important that city and growth deals in Wales build on the learning from other parts of the UK.

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¹ For example 6,400 people commute between Bridgend (in Cardiff City Region) and Neath Port Talbot (in Swansea City Region). This cross-boundary commuting is nearly twice the number as commute from Merthyr Tydfil and Blaenau Gwent to Cardiff (all within Cardiff City Region). (Stats Wales (2016) '**Detailed Commuting Patterns in Wales by Welsh Local Authority**' <https://statswales.gov.wales/Catalogue/Business-Economy-and-Labour-Market/People-and-Work/Employment/Commuting/detailedcommutingpatternsiniwales-by-welshlocalauthority>)

² Team at Leeds Beckett University and York St John University (2017) **Maximising the local impact of anchor Institutions: a case study of Leeds City Region**, JRF.

³ Newby, L. (2017) **Connecting major development to jobs, skills and poverty reduction in Leeds City Region**, JRF

⁴ Team at Sheffield Hallam University and University of Sheffield (2017) **Tackling poverty through housing and planning policy in city regions**

⁵ Green,A., Sissons,P., Ray,K. Hughes, C. and Ferreira, J. (2016) **Improving progression from low-paid jobs at city-region level**

BOX 1 – KEY ELEMENTS OF AN INCLUSIVE CITY DEAL STRATEGY

1. Better Jobs

- **Developing sector strategies for low-paid industries** to boost their productivity.
- **Actively encouraging employment practices that reduce poverty**, including increasing take up of the voluntary Living Wage; job security and good quality part-time work; providing training and opportunities for progression and adhering to best practice to eliminate discrimination.
- **Taking action against exploitation** e.g. forced labour, pay below the statutory minimum and bogus self-employment.

2. Local jobs

- **Incentivising growth in disadvantaged areas in Wales**, through area-based economic development initiatives e.g.:
 - **New Enterprise Zones** which use local planning powers and financial incentives to encourage job creation and employment of people at risk of poverty;
 - **Designating ‘growth poles’** at strategic locations to counterbalance the emphasis on cities.
- **Ensuring all people and places benefit**: via fast, frequent and affordable public transport especially to ‘disconnected’ communities.
- **Accelerating the use of public procurement**: local anchor institutions can use their purchasing power to secure more and better job opportunities for disadvantaged workers and other local benefits.
- **Refocusing Welsh Government business finance on inclusive growth** so that the main criterion is job quality, and not business size or sector.

3. Supporting people to get into work

- **The proposed employability programme** should bring together the Department for Work and Pensions’ Work and Health Programme and devolved provision and offer services tailored to people’s distance from the labour market rather than their age or benefit entitlement.
- **Specialist support and an Intermediate Labour Market programme** should be offered for those furthest from the labour market.

4. Boost Skills

- **Better Apprenticeships**: to improve the quality as well as quantity of provision, including linking funding to outcomes, including accredited learning and an apprentice charter of standards and support.
- **Enhanced provision of adult learning**: focusing on raising low-level skills or qualifications through enhanced adult skills provision.
- **Increase participation in essential skills learning**: step up activity so that all adult literacy, numeracy and digital skills needs are met by 2030
- **Good Quality Advice**: independent, expert careers advice, guidance and support should be available in schools, colleges and for adults.