



# TAKING THE VALLEYS FORWARD

## HOW THE VALLEYS TASKFORCE CAN BUILD

### PROSPERITY & SECURITY

Proposals by the Bevan Foundation

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## 1. Introduction

The Bevan Foundation is an independent charity that develops ideas to make Wales fair, prosperous and sustainable. We have a long-standing concern about the prospects for and opportunities available to people living in Valleys communities, not least as we have been based in the Valleys for 15 years.

We have broadly welcomed the Valleys Taskforce as a recognition of the deep-rooted challenges faced by the area and as an opportunity to chart a new and radical approach. We are pleased to have contributed to the work of the Taskforce on two occasions to date.

This short paper brings together and develops our suggestions about how the Valleys Taskforce could increase the prosperity and security of the Valleys economy and labour market. It draws on our expertise and the extensive evidence generated in partnership with the Joseph Rowntree Foundation<sup>1</sup> and University of Warwick<sup>2</sup>. We hope that this paper will provide a valuable contribution to the Taskforce's work.

## 2. Overarching principles

The Valleys Taskforce's recommendations need to form a coherent and robust package. To do so, they should be based on some key principles that run through all its work. We recommend that they are as follows:

### 1.1. Priority for the Valleys

The Programme for Government rightly says that the Welsh Government's programmes will reflect Wales' diversity. The Valleys Taskforce has the opportunity to embrace that commitment by putting forward a programme that is specific to the Valleys' needs and circumstances and gives them due priority.

We stress that giving priority to the Valleys does not create a 'postcode lottery' – the rationale for their prioritisation is that it reflects and responds to the very high levels of need and that it achieves cost-effective outcomes.

### 1.2. Credible definition

The area that comprises 'the Valleys' needs to be clearly defined.<sup>3</sup> We see the Valleys as having a smaller footprint than current local authority boundaries, roughly comprising an area bounded by Merthyr Tydfil and Blaenau Gwent in the north, Pontypool and Crosskeys to the east, Llanbradach, Pontypridd, Blackmill and Cwmafan to the south, and Ystradgynlais to the west. We do not think it

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<sup>1</sup> Joseph Rowntree Foundation (2016) **Prosperity without Poverty: a framework for action in Wales**, York. Available at: <https://www.bevanfoundation.org/publications/prosperity-without-poverty-framework-action-wales/>

<sup>2</sup> Economic and Social Research Council project 'Harnessing Growth Sectors for Poverty Reduction: What Works to Reduce Poverty through Sustainable Employment with Opportunities for Progression' Grant reference ES/M007111/1

<sup>3</sup> For the purposes of this paper, we have used statistics for the six Valleys authorities in south east Wales. This is not ideal because Bridgend, Rhondda Cynon Taff and Torfaen all include significant areas outside the Valleys proper.

credible that a plan for the valleys includes areas such as Cwmbran, Treforest, Llantrisant or Pencoed simply because of their location in local authority areas that have some Valleys coverage.

### 1.3. **New approach**

Conventional ways of regenerating the Valleys economy have not delivered improvements of a sufficient scale. To date, the focus on high growth sectors, cities and inward investment has delivered some outcomes but has sometimes resulted in jobs that are too far from home, that require skills that are not attainable for people without qualifications and which offer poor rewards. A new approach takes the Programme for Government's commitment to 'support people when they need it most' by addressing in practical ways what Valleys people and communities need.

In line with the emphasis in the Programme for Government, this approach focuses on creating and retaining high quality jobs, as well as GVA, takes into account the terms and conditions of employment as well as the numbers of jobs, and does not favour some sectors over others.

A new approach also uses a new toolkit. It draws on a whole range of interventions – taxes, loans and in-kind support as well as grants – and rewards the desired outcomes. Looked at this way, employers would be incentivised to create decent jobs, recruit disadvantaged workers and help employees to gain skills and progress rather than being supported simply because of their size or sector.

### 1.4. **Recognise diversity**

The Valleys are hugely diverse and include some of the least-deprived communities in Wales as well as some of the most deprived. Nor are all deprived communities the same: while the majority have relatively few jobs nearby suggesting that increasing the number of jobs and improving local transport are priorities, a minority are geographically close to jobs suggesting that the issue is lack of skills.<sup>4</sup>

As set out in the Programme for Government, the Taskforce should recognise the complexity within the Valleys and propose effective action that builds on the area's strengths as well as its problems.

### 1.5. **Effective delivery**

Delivery on the ground is paramount. There is a strong case for a dedicated unit within Welsh Government to ensure that this new and radical agenda has impact. This is not about establishing a quasi-development agency, but about ensuring that focus on the Valleys is secured and the necessary impetus maintained. In our view, the risk of effort being absorbed into the mainstream of the Welsh Government outweighs the risk associated with creating a dedicated, time-limited delivery unit.

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<sup>4</sup> Rae, A., Hamilton, R., Crisp, R. and Powell, R. (2016) **Overcoming deprivation and disconnection in UK cities**, Joseph Rowntree Foundation: York

## **2. Spatial Priorities**

The Valleys are complex geographically and comprise much, much more than simple north-south corridors leading to the capital coastal belt. In particular, the Heads of the Valleys region is relatively self-contained, with long journey times and limited commuting to Cardiff and the M4 corridor.

The dualling of the A465 and the prospect of the south Wales Metro are transforming relationships between places, cutting travel times within the Valleys as well as from the Valleys to Cardiff and to the midlands and south-east of England.

It is vital that the Taskforce recognises this complexity through an effective spatial strategy for the area comprising:

### **2.1. Designated growth hubs**

Building on the idea of 'tech hubs' in the Programme for Government, we recommend that towns in the valleys with substantial populations in a 15-20 minute travel time; which have anchor institutions such as local authorities, hospitals, education campuses and with great strategic transport links should become 'growth hubs'. This will help to ensure that development is balanced across south-east Wales. We have recommended that Merthyr Tydfil and two additional hubs – one in the east of the Valleys and one in the west - would be appropriate.

### **2.2. Garden villages**

Making the most of the opportunities created by investment in the Metro we recommend enhancing some communities as superb places to live, through environmentally-friendly residential and other development, good transport infrastructure and great family facilities. Delivered as part of the Programme for Government's commitment to 'collaborate with house builders to deliver accelerated rates of house building', it could bring much-needed choice and new investment to Valleys communities.

### **2.3. Disconnected communities**

A small number of communities in the Valleys are disconnected from the wider Valleys area by a combination of their geographical isolation, poor transport links and the skills of their residents. We propose building the resilience of these communities through improved local transport and significant investment in skills, alongside innovative measures to build community wealth as part of the Programme for Government's commitment to develop a 'Made in Wales' approach to community assets.

## **3. More and better jobs within the valleys**

The Valleys are the economic powerhouse of south-east Wales, with nearly 300,000 employee and self-employed jobs are based there. Some of Wales' most innovative and productive businesses are based in the Valleys, and the proposed support for manufacturing will be very beneficial. Despite its strengths:

- there is a shortfall of some 67,000 jobs relative to its population of working age;
- more than one in fifteen jobs in the Valleys is non-permanent;
- around a quarter of employee jobs were paid below the voluntary Living Wage in 2015.

The approach in the Programme for Government – to foster the conditions needed to allow businesses to thrive and to create and retain high quality jobs – is an ideal starting point. As part of this, all types of economic activity should be fostered in the Valleys. Businesses which are not traditionally associated with the area, such as creative and tech businesses, should be included as well as the Valleys’ 3,000 manufacturing businesses and the foundational economy.

### 3.1. Harness the power of procurement

Public procurement has yet to achieve its potential to stimulate the economy in Wales let alone the valleys. Yet it is one of the most effective tools at the Welsh Government’s disposal, as recognised in the Programme for Government’s commitment to improve procurement policy to bring economic, social and community benefits. We suggest that public bodies should:

- **Job in a million** - Public works and services contracts let by public bodies in the valleys should be required to create a minimum of one new, decent job with training for an unemployed, under-employed or economically inactive person living in the area per £1 million of contract value.
- **Local business initiative** – public bodies have greater awareness of the social and economic impact of their supply chains, and should earmark a small proportion of their total budgets to foster the development of good quality local suppliers. This should include suppliers of services such as social care and transport.

### 3.2. Relocate public services to the valleys

The relocation of public services and publicly-funded services such as higher education establishments is a long-established development tool and should be deployed to boost jobs and signal confidence in the valleys. The Taskforce should consider:

- **1,000 job promise** - commit to locating a minimum of 1,000 new public sector jobs in the Heads of the Valleys, in addition to those already announced, either by the transfer of existing functions or when new bodies are created.
- **Living Wage** - expect all public sector employers in the Valleys to be accredited as Living Wage employers by 2020 and support local Living Wage campaigns to increase take up in the private and non-profit sectors.

### 3.3. Stimulate Enterprise and Innovation

The long-term solutions for the Valleys rest in creating decent jobs in thriving businesses. Building on the commitment in the Programme for Government to stimulate innovation and growth, we suggest incentivising businesses to achieve proven benefits for the local community. The approach should use new tools such as devolved taxes, outcome-based rewards (e.g. savings on benefits from recruiting

and retaining a young person who is Not in Education, Employment or Training) and tiered-grant rates.

- **Three new EIZs** - should be established across the Valleys at locations with business growth potential e.g. Merthyr Tydfil, Bargoed, Maesteg as well as Ebbw Vale, incorporating the proposed 'tech hubs'.
- **Incentivise sustainable jobs** - support the creation of sustainable, decent jobs, based on recruitment of people resident in the valleys (e.g. via tapering support for employers' NI contributions) and not job creation promises.
- **Foster innovation and growth** – effective support for innovation and expansion and in particular to encourage e-commerce and e-working in existing and new businesses.

#### 4. Help people into decent work

Some 59,000 unemployed and economically inactive people in the six south-east Wales valleys authorities would like a job but do not have one. Some will find work relatively easily but a minority will need support to find and retain paid work.

To reduce the unemployment and economic inactivity rates to the current Wales rate by 2021, assuming no change in the population of working age some 11,000 people will need to move from worklessness to having a paid job, equivalent to 2,500 people a year. This will require a dramatic step-up in successful placements and effective linkages with job creation.

We welcome the Welsh Government's commitment in the Programme for Government to reshape employability support. The scale of the challenge in the Valleys means that additional provision is needed – based on evidence we recommend the following:

##### 4.1. Create one-stop job shops

One-stop job shops would bring together the plethora of employment support services under a single banner, cutting out current duplication and filling in the gaps in provision. The services would be available to any valleys resident who wants to find a job or progress at work. It would combine a work-first approach, often most effective for those who have been out of work for some time, with a career-first approach, often appropriate for people with higher-level skills or seeking a change in direction.

A job shop would bring together all provision – DWP, Welsh Government, Careers Wales, local authority and third sector – into a single, seamless service. It would provide outreach services to disconnected communities and include high quality careers information, advice and guidance.

The type of support should be tailored to an individual's circumstances and reflect their distance from the labour market (rather than their personal characteristics). For example:

- **Minimal support** - access to job search skills resources (proven to be highly effective), careers information, advice and guidance, access to work placements and apprenticeships,

and specialist support for self-employment.

- **Moderate support** – skilled work coaches providing personalised and ongoing support with job search, support to meet basic skills needs, access to education, training, work placements and volunteering. Incentives should encourage employers to recruit people who need moderate support.
- **Intensive help** - specialist support for people furthest from the labour market including disabled people and people with long-term health conditions. This should include short- and long-term opportunities to work in an intermediate labour market and eligibility for a higher rate of wage subsidy.

#### 4.2. Recruitment Grants

Employers should be encouraged to recruit and retain people resident in the valleys who are some distance from the labour market through wage subsidies and training grants. It is vital that the assistance supports the recruitment of those with greatest barriers to work rather than those needing minimal support. Unemployment or age in themselves are not sufficient criteria for eligibility.

We envisage two levels of assistance reflecting the support needs of the recruit: a lower rate for those with moderate needs and a higher rate for those needing intensive support.

The scheme should be flexible to take account of the circumstances of individuals, e.g. some disabled people prefer to work part-time to manage their condition.

#### 4.3. Sector Skills Centres

Sector skills centres provide a jobs boost for people in sectors with large volumes of vacancies. The offer of sector-specific pre-employment training, work experience and a guaranteed job interview, linked to a genuine vacancy, have very positive benefits for participants who are out of work.<sup>5</sup> The centres would link planned investments in the Valleys with people looking for work.

## 5. Conclusions

The Programme for Government recognises that Wales in the 21st century is diverse and complex, and that that the Welsh Government's programmes need to reflect that diversity and complexity.

The Valleys Taskforce has the opportunity to embrace Wales' diversity and complexity by delivering a new approach that will transform the fortunes of the Valleys. This approach must have ambitious targets - to create tens of thousands of decent jobs, to help many hundreds of people out of unemployment and economic inactivity and to improve the pay, conditions and prospects of those in work.

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<sup>5</sup> Green, A. et al (forthcoming) Harnessing growth sectors for poverty reduction: the role of policy, PPIW.

The recommendations in this paper, taken together and delivered effectively and at scale, have the ability to change lives. They have the benefit of being based on sound evidence of what works, start from the needs of people who live and work in the Valleys, and could well generate economic, social and environmental benefits that far outweigh the costs.

We hope that the Valleys Taskforce will consider them very carefully.

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