

Creating tomorrow's economy, today

Report of the Neath Area Economic Forum

Jeremy Miles AM

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A thriving regional economy is important to us all. Whether we live in or around Neath itself, in Pontardawe, one of the four Valleys that make up the Neath constituency, or in the wider Swansea Bay City Region, we want our area to be a place where people want to come and stay to live, to learn, to work, to shop and to run their businesses. We want to project the advantages of the Neath region to Wales, the UK and to the world – and we want to help our existing businesses to grow, to flourish and to employ people locally, on decent terms.

It is with this in mind that I established the Neath Area Economic Forum at the end of 2016, to bring together a collection of participants in the local and regional economy to discuss their priorities for the economy and to articulate what they hoped to see in the Welsh Government's new economic strategy.

This report is inspired by discussions at a half day conference held under the auspices of the Forum on 5 December 2016 at Neath campus, Neath Port Talbot Group, whom I would like to thank for hosting the event, and for their generous support throughout.

The conference took the form of a series of moderated conversations amongst five groups, each with a broad spread of delegates with areas of common interest but who were also likely to challenge one another. Participants were asked to share their views on four broad areas, in each case focussing on how each issue might affect the future needs of the Neath area regional economy:

- developing the local and regional economy
- equipping and supporting our workforce
- infrastructure for our future economy
- the role of Welsh Government and other public bodies

Delegates were also given the option of submitting written evidence as part of the process.

The contributors to the Forum were drawn from a range of backgrounds, sectors and roles. Large and small businesses attended from a range of sectors including renewable energy, bus, rail, construction, manufacturing, engineering, mining, digital, food production, accountancy, legal services and retail. Housing associations, care providers, NHS organisations, local government, the voluntary sector, trade unions, the further education sector and universities were represented.

The discussions on the day were on an unattributed basis, to encourage candour and free exchange of views, and for that reason a list of the participants is not included in the report.

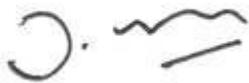
If I could summarise the one overriding outcome from the Forum it would be the hunger for a clearly articulated vision for the future economy of Wales: a robust strategy, which is adaptable and responsive to a fast changing economy, but is based on credible, clear-sighted analysis - and which is rolled out steadily for the long term.

One participant told me: *“I don’t think it is up to politicians to reinvent the wheel. I think it is up to politicians to acknowledge that this stuff works slowly [and not seek] the big wins that perhaps politicians look for.”*

The task for the Welsh Government - recognised as being very good in a “crisis” situation when difficult industrial or economic challenges arise - is to marshal those resources and that pragmatism creatively, to drive the proactive planning, the changed behaviours and the capacity-building required to meet the challenges of a changing economy.

I would like to thank those who took the time to attend and to share their views and first hand experiences. I would also like to thank Julie James AM, the Minister for Skills and Science who opened the discussions with an analysis of the performance to date of the Welsh economy – and crucially, its future potential.

I am submitting this report to the Cabinet Secretary for the Economy and Infrastructure, for consideration as part of the Welsh Government’s economic strategy review, and to the Minister for Lifelong Learning, to inform the work of the Welsh Government’s Taskforce on the Valleys. I am grateful to them both for welcoming input - and I hope the report does justice to the time and energy which the conference participants generously committed to the discussions.



Jeremy Miles

Assembly Member for Neath

15 February 2017

Managing change in the local and regional economy

The economy in Wales is undergoing significant change. Part of this is evolutionary – the fast pace of technological advances and automation. The way people work, live and interact is constantly changing. Part of it is the result of immense global shifts in the location of production and services. It is also a feature of the current political, social and economic climate. The UK's vote to leave the European Union adds a very real and urgent dimension to the consideration of Wales' economic future.

But all is not lost. The potential of an inspiring, deliverable economic vision to generate change was illustrated in the Forum discussions by the example of the Swansea Bay Tidal Lagoon, a key development in Wales' "blue economy". The scale of the project, its capacity for transformational change, the symbolic nature of its 100 year plus lifetime and its location within a resonant narrative of Wales as a nation of energy production, have all played a part in capturing the imagination and (hopefully, provided it is approved) being a catalyst for greater economic confidence in the region.

As one participant put it: *"You've got to be quite bold at the beginning otherwise you won't get people joining you on the journey."*

Nurturing indigenous business

Inward investment into Wales, from Aston Martin to TVR was strongly welcomed by Forum participants, not least given that with larger, more resilient employers often comes a wider range of training opportunities, more apprenticeships and better terms and conditions.

However, participants felt it unlikely that in the current economic context and the political climate of uncertainty in our relationship with the European single market, that we will see significant inward investment from outside the UK in the short to medium term.

A similar view was separately articulated by Prof Gerry Holtham in his evidence to the Assembly's External Affairs and Additional Legislation Committee:

"Well, in my opinion...with economic development, you should both be trying to encourage inward investment and you should be trying to stimulate your own growth companies. The pay-off to a pound spent in either of those areas has just shifted. The pound spent on trying to get inward investment in is going to have a smaller return because it's just going to be very much harder. So, I think you should be thinking certainly of a pivot towards...a domestically oriented sort of company.... You know, if we had a Welsh merchant bank you'd be bowling out there and saying, 'Look you're doing great. How could you be doing much better? What would you need to double your business?', and I'd be looking to try and orientate any industrial policy in that

direction. How do we support companies that have opportunities as a result of this situation, rather than trying to attract in other companies? You keep talking, obviously, but you don't expect to get anybody coming in much in the next year or two, I wouldn't think" (21 November 2016).

There are however sectors where overseas companies are already substantial investors in Wales – steel, automotive and aerospace for example. These sectors are large employers of people including in our region and the jobs they provide are comparatively well paid and on decent terms and conditions and they support substantial supply chains. **Regardless of the likelihood of further inward investment from new foreign investors in the short to medium term, it remains imperative to support those already in Wales and making a substantial contribution to our economy and labour market.**

Despite the possible future barriers to trade with the EU, helping indigenous Welsh business to access overseas markets to export their goods and services must remain a priority. **Welsh Government should set up an industry-led body - Trade Wales - which would operate independently and with a clear remit to drive up the capacity of Welsh businesses to sell overseas, including through online channels.** Providing both a representational role to overseas buyers and a smart, mentor-led, export support function. This should be accompanied by a large-scale programme of ministerial “ambassadorial” visits to target overseas markets for Welsh exports, accompanied by key Welsh producers and suppliers. In some sectors, this is an urgent priority. More than 80% of Welsh machine and transport equipment exports are to the EU – and exports in this sector represent 25% of all Welsh exports.

The role of **higher education institutions** in our region in developing indigenous business was acknowledged.

“I think that’s part of the City Region proposal is about R&D coming from the universities and further education sector and seeing how we can commercialise the product...”

One participant described how she set up her business immediately after graduating from University of Wales Trinity St David’s, with the aid of a small loan, bespoke business advice and access to good premises. It is now a successful 3D graphic imaging business with global clients.

The Welsh Government should make use of the talents of Wales-based graduates in the regeneration of the Welsh economy, to retain skills from which the Welsh economy could benefit. **This would involve a tailored campaign, in conjunction with sector leading companies in Wales, targeting students in their final year of study with the options available to work or set up a business in Wales within various disciplines and sectors.**

The Welsh Government should actively encourage the development of Changemaker Campuses in Wales. Higher education institutions can be accredited by the global development charity Ashoka, and become part of a global network of higher education institutions which place a particular emphasis on social innovation and entrepreneurship.

No higher education institution in Wales is currently accredited, with one each in Scotland and England.

Technology

“My grandson is three and he can operate an iPhone. My partner is 68 and he can’t.”

The capacity of technology to create disruptive change (whether good or bad) is not limited to the “technology sector” but is a feature of most sectors and workplaces.

On the positive side, there are opportunities – home working, less commuting, faster and more tailored production or service delivery, online business development, the enormous potential of data. But in order to be able to take advantage of the benefits of technological change, it is imperative that digital connectivity, both fixed and mobile, keeps pace with the latest technological advances. Indeed, there is a continual need to be to meet not only the needs of today but to seek to anticipate future opportunities and create delivery structures which allow room to grow digital capacity, in a range of ways. (See below **Digital connectivity**).

In terms of regional priorities, participants envisaged support for growing new local businesses could coincide with the revitalisation of town centres, with a demand that **councils should make use of the planning regime to encourage residents to live in town centres. Further, to make use of vacant premises as digital work hubs** for people who otherwise would be commuting to work elsewhere but who could work remotely, self-employed traders or new start-up businesses looking for basic office facilities and the companionship of a shared workplace.

One participant laid down a challenge for local government:

“The Tech Hub [in Swansea]...is just a fantastic building and as an entrepreneur, as a business start-up, how it raises your aspirations...the architectural environment, the quality of the building that you’re working in is important. And talking about Neath town centre, is there a way of creating low cost business incubation space within the town centre? Because young people starting up businesses, they are exactly the kind of vibrant people that could be attracted back into the town centre and the city...”

Disappointingly, given the potential of technology to transform the local economy, there was very patchy awareness of the technology-focussed investment programme which will flow from the Swansea Bay City Deal, if it is approved.

Even major regional businesses lacked a good understanding of what the City Deal would bring, what its priorities were or the overarching vision for it. This needs to be urgently addressed, with a clear message to residents and businesses about the proposals, as part of a broader regional economic vision. **The capacity of the Swansea Bay Tidal Lagoon to capture the imagination, must be emulated in the new City Deal vision.**

There is also clearly a negative aspect to technological change. As one contributor put it - rapid technological change is *“actually going to wipe out loads of low skilled jobs”*, indeed will also replace skilled jobs in many sectors, requiring businesses to keep adapting their offer and posing a massive challenge to our labour market. One participant posed the question *“...as a small team, how do you add value to stop yourself being replaced by...software?”*

There are many sectors where it is less likely that we will be “replaced by software”, for example the “economy of personal relations” (see **The foundational economy** below). But in most sectors there is an obvious **skills challenge** to ensure that the workforce acquires new technological skills, both in terms of operating - but also for example, maintaining, high-tech equipment. There was felt to be a particular challenge in ensuring that older workers and those in the most senior roles, are adept at managing new technology.

Technological change may also increasingly lead to a **changing workplace culture**, where an openness to constantly new ways of working, of adaptability and tolerance of rapid and permanent change is particularly valued. Younger people generally were perceived to have shown a greater propensity to adopt new technology to date (not least perhaps as new technology tends to be marketed at younger age groups), and more likely to have recent experience of technology training.

This suggests that the workplace which values experience and longevity may yield to some extent to one where adaptability and capacity to innovate is more prized. This should inform our approach to skills training for the workplace.

More ambitiously, the “economic surplus” which accrues to employers from technology (usually in the form of lower wage bills) *must* be harnessed to deliver the basic necessities of life at a very much lower cost than is the case today. *This will be key to any idea of social justice in the future.*

Government at all levels should use its purchasing capacity, and its regulatory and fiscal levers to pass the benefits of technological advance to the worker and consumer, using those innovations to provide affordable energy, housing, transport, food and better skills training, healthcare and social care (see **The foundational economy** below).

Localising supply chains

“We can do it cheaper elsewhere, but that’s not how you change what’s currently happening.”

Many participants supported the aim of creating resilient local supply chains, enabling economic value to be reinvested within the region, supporting the growth of local business and generating employment opportunities, closer to home. There was however a caution about the extent to which that could be achieved quickly, and at scale.

The supply chain opportunities of the Swansea Bay Tidal Lagoon were identified as being a crucial element of the vision for the project, and there was praise for Welsh Government support in running supply chain awareness events.

The project also holds lessons for how to address barriers to participation. Some potential suppliers had identified obstacles within their business which made it harder for them to take advantage of the opportunity. Support to small businesses to participate in the commercial opportunities is critical and this will often require joint venture or partnership working, or at the very least, guidance through the tendering process.

Resources also remain a barrier – we heard that Business Wales provides a useful workshop on how subcontractors can bid for tenders, but a day spent out from the business on a course is a major time commitment for many subcontractors. **Business Wales should develop immersive, multi-user, modular online tools, enabling businesses to develop these skills in a shared online environment, at times and at a pace which suits them.**

A programme of events identifying supply chain opportunities and a framework for facilitating partnership working with other companies along the supply chain may provide a good model not simply for large infrastructure projects but, at a different scale - for regional trading generally.

A major buyer sounded a note of caution however, indicating that large PLCs had a propensity to procure on the basis of group-wide deals, which brought cost savings and generally also certainty of supply (though it was acknowledged that diversity of supply could be more robust to the extent it avoided the risk in the event of the failure of a sole supplier).

If they need many thousands of units a year which can be bought in bulk and cheaply often from overseas, *“we are kidding ourselves if we think we can persuade [the company] to buy 600 units a year from some small bloke in Neath, however well trained he might be and however good the quality may be”*.

However the lesson to learn from this is realism, not resignation. The question to ask is: where can local businesses genuinely add value and where are the opportunities to grow, with a different approach to procurement.

Participants identified a crucial role for the public sector, and organisations with a social remit and in receipt of public funds in supporting local supply chains and in developing an approach to procurement which proactively cultivates local suppliers (see **Role of Welsh Government and other public bodies**). **Public bodies (and ideally private companies too) should, wherever practicable, put contracts out to tender at a scale which is manageable for contractors in the region to bid successfully for the work, and procurement provisions should as far as possible be changed to reflect that.**

Access to finance and support

The value of mid-sized companies to the economy was identified as critical to robust local supply chains, as well as good training and apprenticeship opportunities. Much has been written of the “missing middle” in Wales - the dearth of companies in the 10-250 employee range. The reality is that in its absence, development of localised supply chains in the region will be hindered. Participants acknowledged the challenge of local owners selling their businesses to companies which are often based outside Wales.

The Welsh Government should have **an ambitious plan to spread employee share ownership** in Welsh companies, so that where business owners are considering selling their business, it is a realistic option for employees to take on the business, keeping the ownership local and protecting local supply chains.

Difficulty in accessing finance was raised time and again. There was a perception that it was harder to access financial support as an indigenous company than as a potential investor from outside Wales. Whatever the reality, that perception is unhelpful to domestic business confidence.

Though the availability of finance was identified as a barrier, the role of government in directly providing financial support was contested by some, other than in very limited circumstances, with many preferring that the Welsh Government act as a catalyst to facilitate the unlocking of private finance. The Welsh Government’s **new Development Bank should have as one of its aims securing for Welsh businesses “...easier access to funding at preferential rates.”, with patient capital solutions, rather than conventional loan products, reducing transaction costs and wherever possible using technology to deliver modular, convenient and interactive business training.**

We heard however that even where a local business has been identified as a potential supplier (by a retailer for example) there can be very real barriers to supplying products at sufficient scale to meet the needs of major retailers (even on a single-store basis):

“Some things are obviously stocked across the UK, some products are stocked in Wales only, some products are stocked more locally but when we are talking about supermarket volumes, we’re talking reasonably sized volumes anyway, it’s just that some suppliers, they may have a great product but we just can’t quite get them to the point where they produce the sufficient volume even for a relatively local supply”.

The absence of finance is only one factor in this. One of the barriers to investment could be overcome if the nature of the supply contract was more secure, with fairer prices, faster payment and longer term commitments incentivising investment in scaling up the operations.

What steps can major retailers therefore be encouraged to take to proactively support the growth of resilient local suppliers? Booths, a supermarket chain located in the north of England has developed a programme of supporting small scale local suppliers for their 30 or so Lancashire stores, so that around 30% of their suppliers are now local to their area. They were an early adopter of environmental standards, assessing the greenhouse gas emissions

of the entire supply chain and lobbying the UK government to adopt consumption-based emissions reporting.

Local authorities should look at the full range of tools available to them to encourage contribution to the local economy by retailers, utilities companies and similar businesses seeking to locate within their areas.

The foundational economy

“We’ve said a lot today about all these exciting jobs in new industries...but in reality the people in this area work in retail, in care, in tools, in food and drink...and it’s about making sure those jobs support a good level of wellbeing.”

We heard a plea that policy should not focus solely on high-growth or high-visibility sectors but should also be aimed at developing those sectors making up what has been called “the foundational economy” - supplying those economic and social needs where demand is localised, universal and permanent, such as childcare and social care, food, retail, energy, housing. These generally represent up to 40% of the labour market across the UK.

The Welsh Government should develop a suite of policy interventions designed specifically to support this major part of the economy. Some of them have been outlined already but there may be further opportunities, as we look again at our regulatory and regional economic support frameworks post-Brexit, to redesign them to some extent to support the development of a foundational economy which is sustainable and can provide a decent living. For example, post-Brexit support for food production and agriculture could be structured to support local food production.

There is certainly a particular role which public bodies can play to nurture the foundational economy (see **Role of Welsh Government and public bodies**), which shares the purpose of catering to basic social needs.

An obvious example relates to social care, with an imperative to pay higher wages to care workers and to design the care commissioning process in a way which nurtures operators which invest in their workforce and in the frontline service at the expense of paying a large dividend to shareholders. There are opportunities here to actively foster social enterprises or care co-operatives in certain parts of the sector, perhaps operating publicly-owned care homes.

We should also not shy away from recognising that even in this “economy of personal relations”, technology can help the workforce provide an improved service (this is of course fundamental in healthcare). With an ageing and stable population, Wales is very well placed to be a pioneer in the application of technology to improve care and the **Welsh Government should consider a match-funded Care Technology Fund, to incentivise technology and systems innovation in this sector.**

We should also look to develop further our “circular economy”, so that in addition to recycling we also develop models to help maintain, repair and reuse assets. This sector has

been estimated to have the potential to create as many as 500,000 new jobs across the UK. We should encourage this “new productivity” which does not simply respond to consumerism but which supports a different, more sustainable relationship with our assets.

Equipping our workforce for the future

Educating for confidence and aspiration

“I was speaking to a group of 15 year old girls..at an event...and the idea was to help the girls believe they can achieve. And the level of aspiration in that room was just dismal, what these girls think of their future..it was depressing how little they felt they could achieve in life...”

So much of what we heard related to creating a culture of aspiration and self-confidence amongst our young people, and much of that focussed on the role of schools in fostering the right attitudes towards personal capability, in life and in relation to work.

One of the major benefits of a clear, well-communicated vision for the future of the regional economy, is its capacity to inspire, though in some communities it was recognised that this would be set against many pupils very different experiences of work, or lack of work in their immediate families.

Many participants described how an attitude of mind was at least as important as a package of skills and qualifications. Some employers felt it was more important.

A focus on bringing a **real awareness of the world of work** and the range of available career choices into the life of the school is therefore vital. The challenge is now more profound than raising aspiration, substantial a challenge though that still is. The current careers advice provision isn't sufficient to support the increasingly complex choices and assessments students are required to make. The local economy is a fundamental aspect of the local community and the **Welsh Government should consider whether there are mandatory requirements and interventions which would help create a culture where a better awareness of the local economy is embedded into the life of the school.**

“There is a thriving digital media sector in the region but the kids don't know about it – they'd be really surprised ... We did some with with the creative industries...they said the support and the crew that was available here was as good as anywhere they work throughout the world...”

Even something as simple as a weekly half hour session with an employee, manager or business owner from a different sector would transform the understanding of most school students of the careers options available and as our economy changes, this becomes more not less important.

Other participants suggested that there may be technology solutions to the challenge, using smartphone apps to help students navigate their choices with a programme of rich video content from speakers illustrating the range of options across the local, regional, national and international economy - a sort of **“TED for teens” with information about available roles, likely earnings, progression opportunities and course options.**

A bespoke “roadshow” of speakers in schools could be created, with representation from different sectors across the ERW-regional footprint: engineers, lawyers, manufacturers, digital businesses, construction companies and so on, which would be available to work with schools and colleges in the area to mentor and enhance awareness. We heard from others that engaging the sector bodies such as Road Hauliers Association and the Federation of Master Builders might be particularly fruitful.

Releasing teachers to experience a day in the world of engineering and technology (such as through the STEM Insight programme) should be mainstream – and not just teachers in relevant subjects, but those teachers most likely to be approached by students for career advice.

One key benefit of this approach would to address **misconceptions about the work-types offered by various sectors.**

“I think we need to do more in schools to promote construction, I think career advisors don’t really understand what jobs are available in construction, they just think it’s based on trades, you got your painting/decorating, your bricklaying, your carpentry, your plastering but it’s so many other roles ... and that’s part of what we do, we go into schools and promote different job roles to children. You know, even things like legal work, communications and marketing...- they can do all of this in construction....”

This would also enable businesses to address **pre-conceptions about gender roles** in various sectors. Despite progress, women’s economic participation remains lower than men’s. Women continue to be more commonly employed in sectors that are lower paid and offer fewer opportunities to progress, such as social care, tourism and administration. They are also less likely to be represented in more senior positions. There was consensus that female students must have access and encouragement to learn about all the opportunities open to them. There is a clear place for highlighting role models in areas such as women in Science, Technology, Engineering and Mathematics (STEM). Importantly, pupils “*cannot be what they cannot see*”.

Finally, the very nature of a changing economy means that **new types of job** and perhaps sectors will come into existence, which most pupils will not know exist. In our region, exciting developments such as the Bay Campus of Swansea University may lead to innovations and job opportunities in engineering and technology that are not currently imaginable.

It is vital that we develop routes to open the minds and imaginations of school pupils - and indeed their parents - to a good understanding of the range of jobs available and nurture their aspirations for work. This cannot depend on the enthusiasm of individual staff members or even the drive of particular head teachers, it must be a mandatory feature of school life, for which all schools are held accountable.

Skills for tomorrow

The jobs of tomorrow demand the skills of tomorrow. The move to a low-carbon economy should create a push for new vocational skills training, for example, renewables installation. The reconfiguration of primary care services might create the demand for enhanced skills training in healthcare liaison training, triage, health literacy and community wellbeing development. The growth of private rental creates a greater demand for professionalised housing management services, and in turn, the demand for housing management qualifications which inspire confidence.

There were repeated calls to encourage students in school and college not to think solely in terms of the higher education route. This is much more than about giving equal validity to vocational qualifications and parity of esteem, it is about changing a culture so that young people don't necessarily perceive that higher education is the obvious route even if they feel able to flourish at university, and that they would choose a vocational route if that's the most appropriate route for their career aspiration.

A clear, integrated strategy for further education, skills training, workplace learning adult learning and higher education will be essential so that it provides a flexible, modular set of options along a trajectory of qualifications. This should encompass some provision within community settings wherever possible. One participant described offering a range of community-based learning from Return to Learn, right through to part time degrees accredited by Swansea University.

New governance arrangements for post-16 education may provide a foundation for a much more integrated approach than has existed to date.

There were particular concerns that funding cuts to adult learning budgets had made it much harder to provide support for "second chance" learners, at a time when we should be encouraging individuals to engage with education in a range of ways beyond what is currently the conventional, linear journey through school and college.

In the workplace, the Welsh Government should also help develop clear and well-understood pathways of progression from pre-apprenticeship through to higher-level skills.

There was anxiety about the effect of the **apprenticeship levy** and uncertainty surrounding potential change to what was perceived to be a generally well-functioning system in Wales. We heard from a large contractor that there would be scope for larger contractors who pay the levy to support smaller companies in their supply chain to deliver apprenticeships.

Ensuring that subcontractors are able to take on apprentices is vital but many find it a challenge. There needs to be more of a focus on supporting subcontractors, with main contractors playing their part in this, as catalysts for quality apprenticeships and workforce up-skilling along the supply chain. A key area of focus is to encourage subcontractors to commit as early as possible in the school year to apprenticeships, so maximising the time to match potential apprentices to vacancies. These observations were made in the context of the construction sector but could easily apply to other sectors.

There were calls for the Welsh Government to focus policy on progression along the apprenticeship route at the expense of incentivising an increase in the numbers of new entrants, as this had the potential to create perverse incentives in recruitment.

Focus needs to be given to the **skills progression within the workplace**. Several employers spoke about taking on employees with the right attitude to the job and then developing their core skills (this was true of both professional services firms and, for example manufacturers). Employers who had provided up-skilling opportunities for employees who had been taken on with a comparatively low skills base suggested that this had helped with employee retention and in creating a more cohesive and loyal workforce.

Developing a culture of skilling up the workforce may become an important means of **attracting employees in the face of adverse economic pressures** in our area. The potential loss of labour through tighter immigration rules post-Brexit is likely to hit our part of the world worse than more easterly areas. There will always be a huge demand and therefore better wages in London and the southeast of England, and this may cause a shift eastwards of the available workforce, with the potential to leave more westerly areas exposed to a limited labour supply. A strong reputation for upskilling our workers may operate as a draw and offset this shift.

The **role of unions in providing skills training** was highlighted, with a **call for the Welsh Government to maintain the Wales Union Fund** which has supported valuable skills training - and to explore an expanded role for unions in meeting the changing skills needs in the workplace.

One of the ways in which **technology can be harnessed to better support workers** is by helping them develop their skills. **We should aim to see widely-available online skills - tools, which are immersive and interactive, content-rich, accessible, and cheap**, allowing employees to have a tailored, modular training package, which they can use at a time convenient to them.

At a time of great change in the economy, different parts of the workforce will face different challenges. Employers should recognise the asset which the **younger workforce** represents in terms of managing change in the business, and looking to future change in particular. One participant told us:-

“In our industry, we tend to focus on the expertise of the people that are senior in the industry now, and the industry in 10 years or 15 years is going to be completely unrecognisable. And you know at our board, seven people sit around a board table, discussing... how do we get the apprentices in and listen to their views, the graduates coming through, you know the guys from the frontline actually talking to us and engaging with us about how to run the business from they see,. Basically your customers of tomorrow are the youth of today, and therefore it’s about talking with your staff, at maybe the lower level ... to understand what it is that they want ... to see how you can adapt the business going forward.”

Another participant spoke of her experience of “reverse mentoring”:

“I was first mentored by a graduate that came in and was quite brave to do it, but it’s a really helpful thing to do. And I think what it illuminates to me was basically a number of ideas and the energy that generation’s got - there’s just something we need to do to harness it, to give them a voice.”

A key factor identified was the question of skilling up **older workers**. The skills mix required in work in later life clearly include the sorts of technology and other operational skills referred to already. **There were also calls for appropriate provision to be made within skills training programmes to reflect the particular needs of older workers in managing changing work patterns** to part time, intermittent or other work patterns and to help undertake mentoring relationships, where appropriate. With customer-facing roles in particular the additional trust, which older workers may engender, can be a particular asset.

Given the need to develop the digital skills of older people both in the workplace and beyond, the **Welsh Government should explore volunteer-led models to spread digital literacy at a community level**. There are good local examples of organisations, including in Neath itself, which are providing widespread digital inclusion training, often for people who are some distance from the labour market but aiming to get into work, with modest funding and an active volunteer base, many of whom are former students on the training courses.

Supporting the workforce

Tomorrow’s workforce will face pressures, which are even more intense than those of today.

As the UK leaves the EU, there will be inevitable political pressures to weaken some of our workplace protections many of which stem from European legislation. **Wales should refuse to give up on the vision of a labour market with strong employment protections and workplace rights.**

Wales, with its legacy of heavy and extractive industries knows well the effects of work on health. Much modern employment is not as physically demanding but the nature of work in the modern economy in Wales, as elsewhere, often results in a serious impact on mental health and wellbeing. It is vital that we recognise the toll on mental health that insecure work, irregular work patterns, low pay and juggling more than one job may bring. **Just like Welsh Government has pioneered counselling services in schools it should become the norm for employers to provide access to counselling to their workforce, just as many global companies already provide to their senior management teams.**

As long-term employment gives way to a succession of shorter-term jobs for many people, the ability to look forward to see what opportunities may arise and what skills are needed to be able to take advantage of them will become more and more important. The workforce planning for the Tidal Lagoon has involved significant analyses of skills needs, mapped

against current skills provision and good communication with colleges and the Regional Skills Partnership.

One participant suggested **a local skills projection framework – a regional initiative where local employers would be supported to project over a defined period the skills profiles they expected they would need within their businesses**, as a means of planning local demand and anticipating business and technological change. Much more localised than Regional Skills Partnerships and operating more nimbly than they are able to, it was felt this would enable better anticipation of labour market opportunities for those with relevant skills and could also act as a useful resource for training providers and perhaps smaller employers in the relevant sectors.

Given the comparatively larger size of our public sector, workforce planning in the public sector will also have a significant effect on our economy. It is clear that we need a much more proactive approach workforce planning than exists to date – there is very little current evidence or planning in relation to the vulnerability of public services to immigration reform, for example. **The Welsh Government should publish an annual *public workforce needs assessment*, indicating how many more workers are projected to be required in relevant services over a given period, which would give a clear picture to guide potential employees and inform decisions about the numbers of workers we are likely to require from overseas.**

Infrastructure for tomorrow's economy

The importance of good infrastructure was recognised as vital to the economic future of the region, and participants felt that the digital (particularly mobile) and transport infrastructure of the region especially, required significant and urgent investment. In a number of key respects, we need significant investment in order to achieve a level playing field for business investment with other areas.

The Welsh Government's establishment of a National Infrastructure Commission was welcomed as an opportunity to expedite the development of critical infrastructure, on the basis of an expert, long-term view.

Digital Connectivity

Digital connectivity is vital to the economy of the future.

In Neath constituency, the rollout of superfast broadband (i.e. 30 MB plus) is now at almost 93% of premises (by comparison, only around 70% of premises in Wales are on the gas supply network). Much of this existing infrastructure is capable of accommodating 80MB in due course, and some of it can already reach 300MB.

The Welsh Government's target is to reach 96% by mid-2017 and assurances have been given that the target will be met. The final 4% must be reached as quickly as possible after that. We should support community broadband initiatives, which have succeeded elsewhere, in order to close the coverage gap in some areas – including providing clear guidance to community groups and intelligent financing arrangements.

We heard of the experience of a digital company based in Swansea where good digital connectivity enabled them to compete for business worldwide and which had enabled the business to develop from scratch in the Swansea Bay area. However, for many businesses in semi-rural areas, coverage is still a major issue. Many areas in receipt of European Convergence funding were prioritised in the Superfast Cymru broadband rollout but many pockets of semi-rural areas, where we want to encourage business to locate, still suffer from lack of connectivity. The next stage of superfast broadband rollout must prioritise these areas.

The issue of patchy **mobile connectivity** was also highlighted as a drawback to business investment, recognising that only one in three indoor premises in Wales have a full choice of 4G providers. Mobile phone signal is not even reliable along many stretches of the M4 corridor (both in Wales and England).

The Welsh Government's forthcoming mobile connectivity plan will be eagerly awaited. **The Welsh Government should take the boldest possible approach to planning laws to support**

mobile infrastructure – the topography of the Neath area region, as much of Wales, poses particular challenges, which is likely to require access to proportionately more masts to achieve a comparable level of mobile coverage to England, for example. Conversely it will also be imperative to persuade the UK Government and Ofcom to apply all possible levers to require network operators to share infrastructure, in order to minimise impairment to the landscape.

Wales and the rest of the UK will need to put in place new regional funding support arrangements after we leave the European Union. Whilst we should certainly look at how **land owned by the Welsh Government, local authorities and other public sector bodies can be used to locate digital infrastructure**, we should also consider **how public funding for land management can be linked with locating mobile masts and other digital infrastructure**, so that funding is aligned to the broad public interest.

Several participants welcomed the opportunities that should accrue to the digital infrastructure of the region as a result of the City Deal investment focus on technology. The UK government should move quickly to approving the City Deal so that investment can begin.

Transport

Transport is vital to our economic prosperity generally and to individuals' ability to participate in the economy.

We heard a story of a young man who had lost confidence due to a failed job placement which had broken down as a result of his having to depend on bus transport from the top of the Neath valley into Neath and then onwards to catch a train to Cardiff. The difficulty of making the journey work had led to him losing his job and set him back on the road to sustainable employment.

Several participants however indicated that short distance travel around the region was actually harder than longer journeys.

The topography of much of the region and the distribution of communities lends itself to a solution based mainly on bus travel, though there is a case for re-assessing the contribution light rail could make in some parts of the region (there is an existing network of small stations). The essential requirement is a region-wide integration of bus and rail and many participants further noted the importance of connecting the western Valleys with the transport infrastructure of Cardiff and the eastern Valleys.

The converse of increasing bus travel is that it should be as environmentally sustainable as possible. Welsh Government should look again at its incentives in this area. Both Scotland and England have contestable Green Bus Funds to meet the additional cost to the successful operators of an enhanced environmental specification. In Wales, the Welsh Government currently promotes higher environmental standards mainly through Voluntary Welsh Bus

Quality Standards. It should look at a better mix of carrot and stick – perhaps tying rigorous environmental standards and innovation to eligibility for Bus Service Support Grant.

There was recognition that bus routes struggled to be viable even at some key times, but this example neatly illustrates the urgent need to find a joined-up transport solution, where the benefit to the exchequer of having people in work (taxes raised, social security saved) can be translated into creating a viable (or supported) transport network.

The Welsh Government is pursuing a strategy to enhance the bus users' experience. An ambitious strategy would be to offer a **New Deal for Bus Users**, with a government commitment to road infrastructure upgrades (for example bus prioritisation technology at junctions and traffic lights, stronger planning regime for park and ride and mandatory bus access specifications for new housing developments), in return for more sustainable fleet by the bus operators. Again this may require imaginative solutions negotiated with the UK government, where gains to the exchequer accruing as a result of increased bus use are used to offset the investment required.

Regional working, with collaboration between all layers of government may offer some solutions. The current City Deal proposal for the Swansea Bay region does not however include a transport component, focussing instead on stimulating new jobs growth, with the expectation that in turn this will support an upgrade of a transport system.

What the region ultimately needs is a Swansea Bay Region Integrated Transport (SBRITE) -**an integrated public transport service made up of bus, rail and light rail, offering sustainable, flexible and affordable transport, with through-ticketing and a multi-hub structure, that will be central to ensuring that all parts of the region are able to take full advantage of the opportunities which the City Deal could bring.** It will also be essential to connecting the economic investment at a regional level to the realities of most residents' every day lives and to ensure that there are practical advantages both for those who commute to work and for those who use the transport network for non-work travel.

Perhaps the **next stage of City Deals**, bringing UK, Welsh and local government together as partners, could look imaginatively at how some of the savings can be tied to transport investment in a virtuous cycle.

In the meantime, there was a widespread recognition of the problem of road congestion in the region. For businesses, which were engaged in transportation along the South Wales corridor, the pressures on the M4 in particular were identified as a major issue, with one participant describing conditions as 'chaotic'.

Local employers should be actively encouraged to develop staggered work days and home-working (or remote work-hub) arrangements, to reduce pressure at peak times. Nevertheless, though it may represent a challenge to the Welsh Government's environmental priorities, it was clear that our road network required substantial investment, with bus and cycle lanes provided for, alongside a major upgrade in particular of bus infrastructure and integrated travel arrangements.

The **delays to electrification of the main rail line** west of Cardiff are not acceptable. The competitive disadvantage which a non-electrified rail line, under-capacity and poor rolling stock presents, as against high-speed rail developments in parts of the UK were identified, at a time when there was likely to be increasing internal competition within the UK for business location, (if not competition with overseas markets). We all look forward to a significantly improved service following the letting of the new franchise.

More broadly however, a **note of caution was sounded about the transformative potential of major transport projects**. As one participant put it bluntly in relation to the Metro, that whilst the greater connectivity which it would bring was to be welcomed *“One of the risks I think we run is that we’re trying to inject exciting new concepts into often sterile economic environments...so in [parts of the valleys] there is not a lot a economic vibrancy there at the moment. And there needs to be a kind of seedbed there before we start overlaying exciting projects onto it...”* and that without that “seedbed” the impact of easier connectivity could be perversely to further polarise the Cardiff and Valleys areas.

Welsh Government should look closely at **developments in technology which connect transport users in remoter areas to the public transport network**. There are pilots in parts of Wales where apps on transport users’ smart phones calculate real-time journey times and send a request to local taxi or community transport operators to “bid” for the passenger’s home-to-busstop journey. They also deliver to operators valuable data about the demand for potential routes rather than simply the popularity of existing routes. This could develop into a platform for creating a small scale community-based vehicle sharing economy.

Childcare

“[Childcare] is not as accessible to people as it should be...in Neath Port Talbot for some ages [the cost is] the equivalent of the entire wage of the woman going back to work.”

Participants noted that an effective childcare system needs to deliver for children, parents and employers and the best way to ensure this is to consider childcare as a crucial element of our economic infrastructure. The availability of adequate childcare is critical to enabling women in particular to play a full part in the labour market. Participants spoke about the loss to the economy of the skills and education of a significant part of the female workforce due to unaffordable childcare.

Many were looking forward to seeing how the Welsh Government’s planned expansion of free childcare would improve provision. Several participants were sceptical about a policy of expanding childcare mainly in a school setting, preferring instead the continuity and flexibility of a social enterprise or community setting:

“You want that continuity for your child so if you’re going to be in an educational establishment for just one year when your child needs it for three years you don’t want to be moving them around...you want them with a provider that can take them to the school [you want your child to go to eventually]..so you want to be able to make your own childcare arrangements...”

Participants from the third sector indicated that they felt childcare policy seemed to be increasingly oriented at school settings and urged the advantages of a mixed model including third sector provision. Amongst other factors, it was noted that direct funding of third sector providers avoided the risk to funding that non-statutory local authority provided services face.

Energy

The development of the Swansea Bay Tidal Lagoon has placed a focus on energy production and distribution capacity in the region and what that means for the regional economy. We already have a number of other key energy projects including wind energy, photovoltaic technology and pioneering European Union – funded energy distribution and storage research. The City deal with its emphasis on the “internet of energy” as one of its priorities for investment will underline the importance of energy to the region.

Participants highlighted concerns about the resilience of the National Grid as the energy sector moves towards greater use of electricity and less on gas, and the further challenge of building a road vehicle charging network at scale.

This together with the pressure of energy costs, and the need for local authorities and communities to identify new sources of funding and revenue streams suggests that we should look at how local and regional government can play a role in energy provision, in partnership with local communities.

Several different models exist, from simple bulk buying, to establishing a local arm’s-length Escos (energy services company) to full generation and supply. City authorities in Nottingham, Bristol and Swindon are already taking advantage of these opportunities. The Welsh Government is already supporting community energy projects but with the advent of regional collaboration between authorities, the time is ripe for a **policy review to identify the scale of the opportunity and to remove barriers to action in this area.**

Business premises

There is an appetite by small businesses and sole traders to be able to co-locate in suitable premises. A strength of the previous Technium model was identified as the beneficial impact on a young business of being in a well-run and resourced physical environment.

Nowadays many new businesses will flourish with flexible arrangements to locate in a relatively basic, open-plan shared space, with access to utilities, fast broadband, and the companionship of other businesses in the same situation.

Local authorities should look to use planning powers and disused real estate to develop pop-up work hubs for sole workers or new start-ups, ideally in a town centre setting.

Housing

There was acknowledged to be a shortage of housing across all types and tenures.

As indicated earlier, we heard that this was matched by the very real possibility of a shortage of skilled workers for housing expansion, if the planned infrastructure developments across the UK are all realised in a similar timeframe.

There are business pressures with very real consequences on the housing market. One participant said that there was a relative absence of large volume house building the further west into Wales one travels, which was based essentially on the margins that developers can expect in local housing markets.

Authorities in the Midlands have developed a shared-risk model with housing developers, which guarantees land availability at a discounted value, and planning approval, in return for a profit share on sold properties and covenants in relation to the workforce and supply chain. These types of innovative models should be explored further, given the importance of distributed housing.

A future City Deal could perhaps align the interests of UK, Welsh and local government by linking the freeing up of land for affordable housing development with a sharing of the cost savings accruing to the UK government on the housing benefit bill. There were calls for local authorities to be especially proactive in dealing with planning and other considerations, in a bid to attract the developers they need to meet current and projected local housing needs.

Role of Welsh Government and public bodies

Welsh Government business and financial support

Though some voices wanted to see the Welsh Government take a strategic funding role to support indigenous business looking to expand, this was a contested view and there was a recognition that pressure on resources would in any event mean less support in future. We heard that applying for financial support can perversely involve very substantial costs to a business. One participant told us his company had spent £140,000 in costs and management time applying for a grant. Another reported waiting 18 months to secure £25,000 funding.

Some reported a lack of clarity about what funding might actually be available, and for what purpose. That uncertainty tended to mean that applicants felt they were missing an opportunity in not applying, even where the prospects for success might be limited: *“...if I was told there were no grants ever again, full stop, then I would be on a level playing field, but if I am told there are grants available, I may spend a long time trying to get them [because I feel my competitors are doing so as well], and then find I don’t qualify...”*

With regard to the Welsh Government’s role in providing business support, there was a perception that the amount of time spent in engaging with Business Wales is often disproportionate to the support available. Some mourned the passing of Business Connect, which provided direct mentoring and where advisors seemed to have a much greater awareness of the individual business needs.

Mentoring and more direct support to facilitate funding applications would be welcomed, as would targeted financial support for specific procurement-related training needs. In addition, the Welsh Government should look at introducing **a transparent regional structure to its economic support with not only local contact points but also regionalised decision making**, so that the range of business and financial support could more closely respond to regional economic need and reflect local strategies.

The **confusing plethora of economic development bodies** was noted. The Welsh Government has of course indicated its intention to rationalise these, which is very welcome. **It would be helpful if the Welsh Government could in due course provide one comprehensive route map of bodies, remits and roles (with a focus on explaining the differences between bodies) to help navigate the new structure.**

Local authorities

Looking beyond the business and financial support functions of the Welsh Government, participants wanted to see local authorities funded to provide better procurement support

on a regional basis, with a particular remit to support smaller businesses engaging in tenders within the region.

There was an appetite for a more local or regional focus generally for economic development activity, so as to better reflect local needs. Neath Port Talbot council was singled out by one participant for its work in supporting businesses to access grant funding and importantly, in being proactive in fostering connections between local businesses in an effort to maximise local trading and creating a network of businesses in related sectors.

On a strategic level, local authorities **should have robust local and regional economic strategies, reflecting overall national priorities set out in the Welsh Government's new economic strategy.** These should be living documents against which decisions are routinely measured and for which authorities can be held accountable in a real sense.

They should have access to data on all public expenditure (from all levels of government) within their boundaries so that they can see the totality of public intervention from health and education spend to social security on a post code basis, enabling them to devise granular economic development plans and maximise the impact of all public and private expenditure in their area.

All councils should also be required to identify local anchor companies, to regard as fellow stewards of the local economy and should include within their economic regeneration strategies plans to engage with those anchor companies in developing local economic resilience (around procurement, community investment, recruitment and training) – with clear asks of anchor institutions to collaborate in doing so. Increased collaboration between local authorities as well (for example through the Swansea Bay City Region) was welcomed.

Public bodies in the local economy

The role of public bodies - be they local authorities, NHS bodies, Welsh Government itself, or bodies such as universities, registered social landlords and care providers – should be better recognized not solely as providers of public services, but as major economic actors in the local economy.

In Cleveland, Ohio, city-wide public bodies collaborated to support the creation from scratch of co-operatives, employee-owned and social enterprise businesses, which took on contracts to supply various services to the public bodies. The Cleveland Model required more than a transactional approach to procurement, where the price, the contract terms or even the community benefit (narrowly understood), drove the decision. Instead, through positive collaboration, and a long-term vision of the benefits above all else of local supply chains, public bodies were able to stimulate the creation and development of new, local providers based on social value.

In our discussions, the example was given of the possibilities of collaboration between local housing associations to establish a modular housing production facility through a joint

venture. This would require a clear policy commitment from the Welsh Government to stimulate demand, coupled with a positive remit to collaborate between the RSLs to create a new, major manufacturing business. There was a realistic recognition that there may be many obstacles and that the key would be to focus on the overall objective of collaborative procurement, over any short-term obstacles, but this presents an imaginative and forward-looking opportunity provided we can put the policy and commercial foundations in place.

The Welsh Government’s review of public sector procurement offers an opportunity to re-imagine the role of the public sector in developing the local economy. It should also consider what policy interventions if any are required to encourage this type of local supply chain co-commissioning arrangement.

Social value clauses in procurement contracts are often *“too woolly..they need to be far more specific and measurable”* but whilst imposing clearer obligations on community benefits is welcome, the governing principle should be that **all public services should have - as a core part of their remit - the proactive development of local economies**, with a duty to collaborate with other public services in order to achieve that and to help create and support local suppliers wherever possible.

The Welsh Government should devise a collaboration framework, which can support major buyers in coming together, pooling resources and seeing themselves as having a role in cultivating the long-term local interests of the community. Indeed, any body in receipt of Welsh public funds should be required to have regard to the principle of collaboration in developing its local economy.

All local authorities and public bodies should operate social value accounting models which gives a transparent view of all expenditure in the local supply chain of the organization and the social value added through spending decisions. The New Economic Foundation devised the LM3 system, which many third sector organisations and some public sector organizations already use to show social value expenditure.

Conclusion

Wales is not looking for a magic bullet, but it is looking for a new economic strategy which is based on an inspiring but realistic vision for Wales' future, which is bold and based on credible, clear-sighted analysis.

The aims of the new economic policy should be clearly focused –to nurture indigenous businesses, to shore up the foundational economy, to support sectors making a major contribution at present to the economy such as steel, aerospace and automotive and develop those sectors of potential high growth and high value where Wales has or can have a particular competitive advantage.

Working towards a fair and prosperous Wales after Brexit will require imagination and a drive to use all the levers of government creatively. This report includes a number of asks. I highlight the following as the Welsh Government looks at how to regenerate our Valleys and how to tailor our economic strategy for the new realities:

- A strong community-based childcare offer and a fully-integrated education strategy, from statutory, to further and higher education, workplace learning and adult learning
- An overhaul of Business Wales and a major upgrade of the Welsh Government's business export support
- Focus support on the foundational economy
- Set up Care Technology Innovation Fund for childcare and social care
- Focus on developing resilient local supply chains
- A new duty on public bodies to collaborate and a local economic development duty
- Workforce mental and emotional wellbeing counselling programmes in large companies
- Government to publish public workforce needs assessment to support skills development and guide overseas recruitment
- Commitment to the best possible coverage and the fastest possible mobile and fixed digital connectivity, including backing community broadband programmes
- Develop local renewable energy networks in partnership with local government
- Integrated, green transport investment on a shared risk and reward model between local, Welsh and UK government including a New Deal for Bus Users

The Neath region and Wales generally has many enviable assets, not least its immensely resourceful people. Now is the time for the Welsh Government to be the most creative and visionary it has ever been - and for all of us living and working in the region to step up to the plate. Economic renewal is not just a task for Government, it's a responsibility of us all.