



Cynulliad National
Cenedlaethol Assembly for
Cymru Wales

Economic Development and Transport Committee



Economic Inactivity in Wales

April 2005

Further hard copies of this document can be obtained from:

Paul Davies
Economic Development and Transport Committee
The National Assembly for Wales
Cardiff Bay
Cardiff
CF99 1NA

Tel: 029 2089 8429
E-mail: DavidPaul.Davies@wales.gsi.gov.uk
Website: <http://www.wales.gov.uk>



Printed in the UK on paper comprising 75% post-consumer waste and 25% ECF pulp



Economic Development and Transport Committee

Economic Inactivity in Wales

April 2005



Members

Economic Development and Transport Committee



Chris Gwyther
(Chair)
Carmarthen West and South Pembrokeshire



Alun Cairns
South Wales West



Chris Chapman
Cynon Valley



Andrew Davies (Minister)
Swansea West



Janet Davies
South Wales West



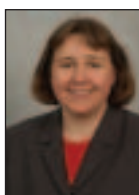
Lisa Francis
Mid & West Wales



Brian Gibbons
Aberavon



Elin Jones
Ceredigion



Lynne Neagle
Torfaen



Jenny Randerson
Cardiff Central



Chair's Foreword



Wales has made considerable progress in transforming its economy from the days when it relied on traditional industries such as coal and steel. A good number of new, high technology industries are being developed and Wales now has very successful and highly competitive companies in a wide range of sectors. However, there is room for improvement in our rate of economic activity - the proportion of people who are in work or seeking it. The reasons behind this are complex and, despite extensive research, still only partly understood. Resolving the problem of low activity rates is generally seen as one of the most pressing issues facing the Welsh economy. The Committee therefore felt it should be the subject of its first policy review.

The economic inactivity problem is complex, and the Committee was anxious to undertake a review that would lead to positive action. Consequently, while initially it sought wide-ranging views, it chose to focus its main attention on some key issues. This report presents its findings and recommendations in relation to these.

The Committee very much appreciates the evidence put to it both orally and in writing. It is particularly grateful to the people and organisations who met the Committee at the Assembly in Cardiff and those who arranged visits for us. A full list of these is given in the Annexes. Finally, I would like to record my and the Committee's appreciation of the work of the Members Research and Committee Service who have assisted and supported us in the preparation of this report.

A handwritten signature in black ink that reads "Christine Gwyther".

Christine Gwyther AM

Chair, Economic Development and Transport Committee

April 2005





Contents

	Page
Summary of Recommendations	ix
1 Introduction	1
2 Background	5
3 Overall Findings	9
4 Discussion of Individual Issues	13
Annexes	
A Chair's invitation letter to consultation	43
B Persons and organisations responding to the consultation	45
C Summary of responses to consultation	47





Summary of Recommendations

Recommendation 1

The Committee recommends that the Welsh Assembly Government analyses and presents the information already available on economic inactivity in ways that will allow a better understanding of the issues and potential solutions.

Recommendation 2

The Committee considers that the evidence in support of a 'people-based' approach to problems of economic inactivity is overwhelming and strongly endorses it as the basis for helping people into work. It recommends that programmes should focus on overcoming the internal barriers faced by individuals.

Recommendation 3

The Committee was concerned about the difficulties economically inactive people face from external barriers and particularly, the problems arising from their lack of a track record and difficulty in accessing the support available generally. It recommends that the Welsh Assembly Government be more proactive in targeting this group with the help that is available. It also recommends that the Welsh Assembly Government identify and market programmes reflecting the particular circumstances of unemployed people, and that appropriately skilled, experienced and motivated staff are made available to deliver the programmes.

Recommendation 4

The Committee was impressed by the arguments in support of the £40 work credit to provide financial assistance and incentive for those re-entering the labour market. It recommends that, subject to the findings of the pilot, the Welsh Assembly Government presses the Department Work and Pensions (DWP) to introduce such a scheme.



Recommendation 5

The Committee was impressed by the piloting of a safety net to encourage people, particularly those who have been on benefits for a long time, to take the 'risk' out of trying an alternative. It recommends that the Welsh Assembly Government presses the Department for Work and Pensions (DWP) to introduce this 'passport' back to benefits more widely, in the light of the findings of the pilot.

Recommendation 6

The Committee recommends that the Welsh Assembly Government, through ELWa as appropriate, undertakes a programme to encourage employers in the care, tourism and construction sectors to provide and support skills training for their employees through work place learning programmes.

Recommendation 7

The Committee recommends that rigorous analysis be applied to justify any particular programmes to ensure geographical issues do not reduce the accessibility of training.

Recommendation 8

The Committee recommends that the Welsh Assembly Government ensures that factors such as social and economic deprivation are taken into account in the funding system for further education so as to ensure accessibility to courses in all areas.

Recommendation 9

The Committee recommends that the Welsh Assembly Government acknowledges fully the key role the voluntary sector has to play in facilitating movement from inactivity into employment and that the voluntary sector be given more support for the work it does in offering an early stepping stone into the labour market.



Recommendation 10

The Committee endorses the approach of providing individuals with the opportunity of experiencing employment without losing benefits. It recommends that this approach should be developed to encompass and encourage community based programmes, especially voluntary projects, to encourage and facilitate the broadest possible range of work experience for those outside the labour market.

Recommendation 11

The Committee recommends that the Welsh Assembly Government develops mechanisms to ensure greater co-ordination between authorities in the development of Labour Market Intermediary (LMI) partnerships, especially in the South Wales valleys.

Recommendation 12


The Committee recommends that the Welsh Assembly Government considers the scope for Intermediate Labour Markets (ILMs) to fill the gap in the provision of transportation and childcare within certain communities. In doing so, it stresses that the provision of childcare must be of the same high quality referred to elsewhere in this report and involve people who have been properly trained to deliver it.

Recommendation 13

The Committee recommends that the Welsh Assembly Government works with the voluntary sector to develop it to fully meet its potential of reducing economic inactivity, with particular emphasis on funding and improving the image of the voluntary sector.

Recommendation 14

The Committee considers that investment in early years should be strongly targeted to children from deprived communities, and that the Welsh Assembly Government should provide funding for a children's centre in every deprived community across Wales as a first step towards universal coverage. The Committee also considers that the Welsh Assembly



Government should further develop the monitoring and evaluation framework for the future, and benchmark the effectiveness of early years provision in Wales with that of schemes in other countries.

The Committee recommends that the Welsh Assembly Government actively promotes a significant increase in the availability of child care and, particularly, target it in those areas where it is needed most.

Recommendation 15

The Committee recommends that the Welsh Assembly Government examine the scope to reduce further the burden of bureaucracy for people wishing to set up as childcare providers while still maintaining the necessary safeguards required by parents.

Recommendation 16

The Committee recommends that the Welsh Assembly Government promotes and encourages childcare provision by Intermediate Labour Markets (ILMs) where a need for childcare provision has been identified and the market cannot support private provision.

Recommendation 17

The Committee recommends that the Welsh Assembly Government considers the whole range of child care provided, including after-school and school holidays provision for older children, and investigate ways in which this can be improved to match more closely the needs of parents.

Recommendation 18

The Committee recommends that the Welsh Development Agency, or whatever replaces it in the future, works with companies to make them aware of the benefits of these facilities and to provide such incentives as are available for them to make the necessary investment.

It further recommends that the Welsh Development Agency explores ways to bring companies and private sector child care providers together to develop and expand the availability of this kind of facility in industrial areas.



Recommendation 19

The Committee recommends the Welsh Assembly Government looks for ways to develop links between community transport schemes and the private sector in order to deliver a service that more closely fits customers needs – and particularly those of people getting back into work.

Recommendation 20

The Committee recommends that the Welsh Assembly Government considers how it might provide more active support to community transport to realise indirect savings from, for example, fewer missed NHS outpatient appointments as well as through their direct contribution to the economy.

Recommendation 21

The Committee recommends the Welsh Assembly Government undertakes a thorough review of the funding options available to community transport organisations.

Recommendation 22

The Committee recommends that the Welsh Assembly Government works with community transport organisations and local authorities to consider ways through which community transport schemes might be able to use local authority vehicles when they are not in normal service.

Recommendation 23

The Committee recommends that the Welsh Assembly Government works with the UK government to develop more sensitive and more effective ways of assessing people's fitness for work.

Recommendation 24

The Committee recommends that the Welsh Assembly Government investigates ways to develop and improve medical and counselling services in relation to anxiety and depression where these are associated with long term unemployment and economic inactivity.



Recommendation 25

The Committee recommends that the Welsh Assembly Government reviews the availability of occupational health services in Wales and the way in which awareness of these is promoted to employers.

Recommendation 26

The Committee recommends that the Welsh Assembly Government, , looks at ways to make occupational health services available to small and medium sized enterprises.



Section 1

Introduction



1. Introduction

1.1 Wales has made considerable progress in rebuilding its economy from the days when it relied on traditional industries such as coal and steel. We are developing an economy based on new high technology industries such as aerospace, automotive, telecommunications and renewable energy and in the service sector particularly focusing on natural assets to attract tourism. Wales now has some very successful modern industries and highly competitive companies in all sectors.

1.2 Nonetheless, despite the advances, the Welsh economy lags behind most other UK regions. This is shown by the fact that productivity in Wales, as measured by the Gross Domestic Product (GDP) per person, is below 80%¹ of that in the UK. This in turn is reflected in lower average earnings in Wales, which are only partly offset by a lower cost of living.

1.3 However, productivity is comparable and, in terms of value added per person employed, on an industry by industry basis, Wales' performance is close to the UK average. The main differences between the Wales and the UK averages can be attributed to the lower proportion of the working age population who are in or seeking work and the relative lack of higher paid jobs.

1.4 The first of these is significant and relatively easy to estimate. Using data from 2002 (the latest year for which Gross Value Added in Wales is available), if the Welsh employment rate was similar to the UK average, 85,000 more people would be in jobs and our GDP per head would increase from 79% to 85% of the UK average. The second is harder to assess, but clearly if more high value jobs were attracted to Wales, through greater research activity or the establishing of company headquarters in Wales for example, then the gap would close even further.

1.5 This review focuses on the first of these.

¹ <http://wales.statistics.gov.uk/pdfdir/rgv0404.pdf>





Section 2
Background




2. Background

2.1 While the unemployment rate in Wales and the UK has been falling over recent years, the number of people who are economically inactive, that is to say neither in work nor looking for work, has broadly remained the same in both Wales and England. However, despite recent falls, a large extent are attributable to more older women taking up employment, the inactivity rate in Wales remains above the UK average. This has historically been the case and for each unemployed person in Wales there are six and a half people who are economically inactive.

2.2 The main factor behind the growth of economic inactivity in recent decades appears to have been the weakening of the demand for unskilled labour across the developed world. This has especially impacted on people with work limiting illnesses. The consequences of the fall in demand for unskilled workers seem to have been particularly severe in the UK because of the existence of a high level of very low-skill individuals compared to other advanced economies. Inactivity appears to have persisted because those on benefits and economically inactive are not generally looking for work, while the financial incentives may be weaker for those on higher rate benefits.

2.3 Reducing this high level of economic inactivity is considered by many to be a key issue for economic development in Wales. Unemployment is strongly associated with poverty which, in itself, is related to many social problems such as crime, reduced opportunities and illness. Helping more people into jobs was one of the main issues highlighted in "Wales: A Better Country", the strategic agenda of the Welsh Assembly Government, launched in September 2003.

2.4 With slow population growth within the UK, and an increasingly top heavy age distribution, due to the 'baby boomer' generation reaching retirement age, the economically inactive could be regarded as a readily available source of labour supply and one which will be necessary to support this ageing population.



2.5 There is already a range of measures in place in Wales aimed at making an impact on helping people through the transition from economic inactivity into jobs:

- The Department for Work and Pensions (DWP) run a number of voluntary New Deal programmes through Jobcentre Plus.
- DWP has launched the pilot programme Pathways to Work in Rhondda Cynon Taff and Bridgend aimed particularly at helping those who have a limiting long-term illness.
- A range of targeted measures aimed at improving both general and occupational health for specific groups.
- A number of childcare initiatives, funded through Cymorth, which pump-prime childcare places and are targeted at particularly deprived areas.
- Programmes aimed at improving school attainment figures.
- Communities First programmes to assist the most deprived communities.
- A range of specific initiatives to overcome transport barriers run by Jobcentre Plus and local authorities.

2.6 The Government is also assessing the scope for additional action using EU structural funds where possible, and in particular are discussing with Jobcentre Plus whether action might be taken to complement the Pathways to Work project using EU structural funds.



Section 3
Overall Findings



3. Overall Findings


3.1 A summary of the responses to the consultation exercise is at Annex C.

3.2 These showed a wide range of views not all of which the Committee would necessarily accept without further evidence and support. However, what they did clearly indicate was the importance of resolving Wales' problems of economic inactivity.

3.3 In the light of the findings from the consultation the Committee considered how to go forward with its Review. The consultation highlighted the fact that the subject was wide ranging and involved a large number of complex and interacting factors. The Committee was also conscious that the underlying causal factors were only partly understood. It was likely that the Committee would be able to address only some of these in its Review and it therefore concluded that it should focus on certain key areas where practical recommendations might be proposed.

3.4 One important overarching issue was demand. Witnesses stressed that in tackling economic inactivity it was important to address both supply and demand issues - there would be no merit in encouraging and helping people to return to work if the job opportunities did not readily exist

3.5 Conversely, in presenting its paper on *Raising Economic Activity Rates*, the Welsh Assembly Government said that there were areas in Wales where very high levels of inactivity coexisted alongside a relatively buoyant local labour market. Furthermore, creating an attractive workforce within an area of high inactivity would encourage employers to enter the area, and help stimulate demand. The Committee recognises that stimulating demand in itself would not be sufficient to solve the inactivity problem. It is important to encourage sufficient demand in tandem with policies aimed at breaking down other barriers to employment, especially in communities where low demand is identified.



3.6 One theme to emerge from time to time in the review has been that, while a particular action might have some effect on inactivity, it was of limited value because it could not have a major impact on the Welsh economy overall. While, on the face of it there is logic to that kind of argument, it misses the point that there is no quick fix to the problem of economic inactivity – if there were it would have been found already. What is needed are cultural and attitudinal changes across a wide range of areas. The Committee fully recognises that in its review it has only looked at certain issues but it has done so because action in these areas will make a small but significant contribution to resolving Wales' major economic problem.



Section 4

Discussion of Individual Issues



4. Discussion of individual issues

Statistical Information


4.1 One of the themes to emerge from the consultation was the perception that there was a lack of statistical information on economic inactivity. The Committee did not investigate this in detail but was conscious that the information available tended to relate to administrative areas such as local authorities and sometimes masked smaller 'pockets' of deprivation within an area. Similarly, it was sometimes difficult to see the full picture for areas overlapping more than one authority.

Recommendation 1

4.2 The Committee is aware from its discussions more generally that the Welsh Assembly Government is engaged in negotiations with bodies such as the Office for National Statistics to enable the collection of better and more detailed information for Wales. The Committee strongly supports this work. The Committee is also aware that a lot of information is already coded to the level of postcode area and could, in theory, be aggregated to provide figures for more relevant areas. **It recommends that the Welsh Assembly Government analyses and presents the information already available on economic inactivity in ways that will allow a better understanding of the issues and potential solutions.**

Internal and External Barriers

4.3 One of the themes to emerge from the evidence presented to the Committee was the different types of barrier faced by the economically inactive people. These barriers fell into two categories. First, there were 'internal' barriers arising from the individual himself or herself such as a lack of relevant skills and low confidence. Then there were 'external' barriers, factors such as the inability to attract funding and premises for an activity which might enable individuals to become economically active again.




4.4 Potentia explained that existing government policies tended to miss the soft issues surrounding internal barriers, even though the barriers they created were often substantial. A number of internal barriers identified by Potentia while working with clients included:

- A lack of relevant skills and business experience.
- Limiting personal circumstances (especially the lack of flexible, affordable and quality childcare for self-employed parents).
- A lack of credibility within the business environment.
- Low personal and business confidence.
- A tendency to be dependent on benefits or grants.
- Overcoming the attitudes and assumptions in terms of stereo-typing and cultural differences.

4.5 Although a lack of skills had been highlighted on several occasions, as had the need to match those skills to the needs of employers, it was the lack of soft skills which was often considered to be the most important skills issue to be addressed. Witnesses identified team-working, attitudes to work and society, and basic numeracy and literacy as particularly important.

4.6 The Committee heard that people brought up in high unemployment communities sometimes had an 'unemployment mentality'. While there was a higher incidence of people on incapacity benefit in traditional mining and steel communities, a large proportion of those claiming benefits had not worked in those industries but were the following generation. Witnesses said that in depressed areas there was sometimes an expectation by the younger generation within a community that they would never work.

4.7 Barriers caused by perception and prejudice can be manifested in both employers and employees. Employees were often unaware of employment opportunities, or felt that certain jobs were not open to them, while employers often had poor perceptions of potential employees or believe that the skills they need do not exist in certain communities. In



breaking down perceptions, witnesses considered that creating, say, 50 jobs in an inactivity 'black spot' could lead to a 'knock on' effect on people's confidence and encourage far more people into work. It would be of greater long-term benefit than, creating 100 jobs spread across Wales.


4.8 The point was also made that, while there was a range of barriers to economic activity, these were different for each individual - and individuals reacted to seemingly similar barriers in different ways. Consequently, there was a need to deal with everyone on an individual basis. However, the lack of available resources meant that there could be difficulties in providing help in such an intensive way. It was also clear that if cultural barriers, in particular, were to be broken down this would require the involvement of the private as well as the public sector.

4.9 Potentia highlighted a number of external barriers faced by clients in setting up in business:

- Access to funding due to the lack of capital assets and track record to secure funding.
- Access to appropriate and reasonably priced business premises, especially for those wishing to grow or move from their home base.
- Access to business information, support and advice, especially when dealing with and accessing the plethora of business agents.
- Local economic conditions and infrastructure, especially for groups located in rural and economically deprived areas.

4.10 In helping and encouraging economically inactive people into self employment, Potentia said that as well as needing 'lifestyle' businesses (those primarily created to support the individual concerned in them), Wales had to develop 'growth' businesses which would expand and create jobs for others. Potentia also emphasised the need to target specific problem areas, focus on resolving them, and the importance of partnership working.

4.11 The Welsh Assembly Government told the Committee that the Future Skills Wales research project had highlighted the value that employers placed on soft skills. They considered equipping job seekers with



generic skills to be a key element of work-based training for people who have been out of work for a long time.

4.12 The Welsh Assembly Government also described how in some areas Jobcentre Plus had developed strong links with Communities First partnerships, and stressed the need to build upon these links in order to help target the proposed return to work package amongst economically inactive individuals who had lost contact with the labour market. Furthermore, the Committee was informed that the Welsh Development Agency had agreed that their company account managers would draw employers' attention to the help that Jobcentre Plus can offer them in recruiting staff from economic inactivity.

Recommendation 2

4.13 The evidence in support of this 'people-based' approach is overwhelming and the Committee strongly endorses it as the basis for helping people into work. **It recommends that programmes should focus on overcoming the internal barriers faced by individuals.** They should also factor in the development of soft skills such as confidence building and interpersonal skills. Efforts should also be made to encourage positive attitudes among both economically inactive people and employers.

Recommendation 3

4.14 The Committee was also concerned about the difficulties economically inactive people faced from external barriers and, particularly, the problems arising from their lack of a track record and difficulty in accessing the support that is available generally. **It recommends that the Welsh Assembly Government should be more proactive in targeting this group with the help that is available. It also recommends that the Welsh Assembly Government identifies and markets programmes reflecting the particular circumstances of unemployed people, and that appropriately skilled, experienced and motivated staff are made available to deliver the programmes.**

The Costs of Entering Employment

4.15 A particular issue to emerge in a number of discussions was the substantial costs involved in returning to the labour market. Witnesses told the Committee how the benefits trap acted as a major barrier to re-entering the workplace. The low marginal benefit of returning to work could mean that employees might earn only a small amount above their usual benefits for a week's work.

4.16 In addition to those low marginal benefits of earned income, those re-entering employment could face additional costs for transport, lunches and clothing during the first four to six weeks of taking up a new job. This could be especially problematic in situations where there was a delay in paying 'in work' benefits such as tax credits.

4.17 There was also the risk that if taking a job proved unsuccessful, the individual had not only lost benefit for that period but might also have to wait to re-qualify for support at the previous level. Potentia highlighted the Enterprise Rehearsal Project, which offered a 12-month passport back to benefits if a newly-formed business venture was unsuccessful. However, there is no similar scheme for those claiming Income Support. This meant that people risked the loss of benefits such as housing benefit and free prescriptions if they take a job for more than 16 hours per week.

4.18 The Welsh Assembly Government explained that a return to work package was being piloted as part of the Pathways to Work programme, which included an in work credit of £40 per week for 12 months. The pilot also included help for participants engaging with the range of work-preparation interventions on offer from Jobcentre Plus in that they would not lose their entitlement to claim and receive benefit or to return to benefit upon leaving the programmes. This seems to offer a very real benefit to those for whom re-entering the labour market is a particular risk, such as those suffering from ill health, or low self-esteem and depression.



Recommendation 4

4.19 The Costs of Entering Employment are a complex subject and the Committee did not consider the wide-ranging issues in great detail. However, the Committee was impressed by the arguments in support of the £40 work credit to provide financial assistance and incentive for those re-entering the labour market **and recommends that, subject to the findings of the pilot, the Welsh Assembly Government presses the Department Work and Pensions (DWP) to introduce such a scheme.**


Recommendation 5

4.20 The Committee was also impressed by the piloting of a safety net to encourage people, particularly those who have been on benefits for a long time, to take the 'risk' out of trying an alternative. **It recommends that the Welsh Assembly Government presses the Department for Work and Pensions (DWP) to introduce this 'passport' back to benefits more widely, in the light of the findings of the pilot.**

Education and Training

4.21 The match between the supply and demand for skills, and the availability of training and education, are key issues in relation to economic inactivity. In its paper *Raising Economic Inactivity Rates*, the Welsh Assembly Government said that the long-term solution was to ensure that all young people left school with the skills and confidence to succeed. Although action at each stage in the learning process is considered important, early interventions in a child's life are seen to be the most effective means of combating subsequent disadvantage and the potential to enter into inactivity in the future. This is particularly important in relation to long term action designed to change attitudes and prevent young people moving into economic inactivity in the future.

4.22 The Committee fully endorses this approach and comments further on these issues in the section on caring. Its particular focus here, in relation to skills was the help available for people whose skills had become outdated as the economy had developed.




4.23 ELWa emphasised that economic inactivity was a deep-rooted problem that was not easy to resolve, and that a segmented approach was necessary to deal with the different categories of economically inactive people. Although skills training was considered to be an important factor, it was acknowledged that this would not solve the whole problem on its own, and that multi-agency working was needed to help people re-engage with learning.

4.24 The Committee heard that the Welsh Assembly Government was running a pilot programme between September 2002 and March 2005 to test and evaluate free learning up to a first Level 3 qualification for workers employed in the Llanelli area. However, the Welsh Assembly Government informed the Committee that there was no guaranteed access to training for adults and relatively little expenditure is available for up-skilling the existing adult workforce. Training to help low-skilled workers to climb up from the bottom rungs of the employment ladder in principle appears important to reduce the risks that people slip out of employment, and to increase their earning power. The Welsh Assembly Government also said that the cost effectiveness of training of this sort is uncertain, and that the key is therefore to devise ways of supporting adult training which are well targeted and cost-effective. ELWa has been asked to undertake a review of work-based learning by Autumn 2004 and to recommend actions to improve the impact of programmes helping people move from inactivity into jobs and to progress to higher skilled, better paid jobs.

4.25 Members also welcomed the work that ELWa was doing to assess and identify the skills available in Wales although there seemed rather less information available on the skills required by industry. Nonetheless, the Committee welcomed ELWa's emphasis on the importance of considering the needs of employers.

4.26 Members welcomed the ReAct programme designed to help redundant workers gain new skills, overcome obstacles and improve the chances of returning to work quickly. This was an important part of combating long term unemployment and it was important that potential beneficiaries of the programme should be targeted as early as possible. Ideally this should be while they were serving their notice period, to encourage take-up of the programme and as smooth as possible a transition to new employment.



4.27 The Committee considered that a key issue in relation to skills was the long term requirements of the economy and equipping young people early on with the skills necessary to respond. In particular school leavers need to have the necessary formal skills to progress into future employment, and also the attitude needed for the transition into the world of work and to remain in it. They support the Welsh Assembly Government's focus on this group.

4.28 Members also considered that more emphasis should be placed on multi-agency working with the Basic Skills Agency, Jobcentre Plus and Welsh Assembly Government. The Committee welcomed the Welsh Assembly Government's assurances that the Welsh Development Agency would be able in the future to provide 'early warning' of the skills needs of new and expanding clients, thereby helping Jobcentre Plus in their targeting of those currently inactive and ELWa in the planning of learning support.

4.29 Concern was also expressed in the consultation about the need to address the low educational attainment of disabled groups and certain black and minority ethnic groups in order to prevent subsequent disadvantage.

Recommendation 6

4.30 Members were conscious that employers reported particular problems in finding skilled employees in the care, tourism and construction sectors. There is therefore a clear opportunity in these sectors for training and qualifications. **We recommend that the Welsh Assembly Government, through ELWa as appropriate, undertakes a programme to encourage employers in these sectors to provide and support skills training for their employees through work place learning programmes.**

Recommendation 7

4.31 A particular issue was that the availability of programmes was not evenly distributed throughout Wales. There was concern that sparsity and peripherality might not be adequately taken account of in the new funding system, and that this could disadvantage colleges with smaller student populations. **We recommend that rigorous analysis be applied to justify**



any particular programmes to ensure geographical issues do not reduce the accessibility of training.

Recommendation 8

4.32 The Committee was also conscious of similar problems arising from small numbers of students in urban areas where issues related to social and economic deprivation can have a negative effect on course numbers and threaten the range of options available. **The Committee recommends that the Welsh Assembly Government should ensure these factors are taken into account in the funding system to ensure accessibility to courses in these areas.**


The transition into employment: Intermediate Labour Markets and the Voluntary Sector

4.33 Given the large number of barriers faced by economically inactive people, which can be internal as well as external, witnesses expressed a need to develop programmes which provide a smoother transition from inactivity into employment. In particular, witnesses argued strongly for the involvement of a broader range of community based support networks.

4.34 There was a call to encourage a linear transition from voluntary to co-operative to social enterprise, and from there on to mainstream business. Moving forward in stages such as these would reduce the fears and negative perceptions associated with the risks of re-entering the labour market.

4.35 In particular, contributors highlighted the benefits of using intermediate labour markets and the voluntary sector as providing an enabling and supportive role at the community level.

4.36 The Committee heard that policies needed to focus more on communities rather than take a blanket approach, and that these efforts should be focussed on wider community regeneration and on tailoring policies to the particular needs of specific areas. Witnesses stated that outside organisations, such as the Welsh Development Agency and ELWa,



were often seen as too prescriptive in dealing with inactivity issues, and that community organisations might be better placed to help the transition from inactivity into employment.


4.37 In support of this view, Jobcentre Plus had found that it was more effective to focus specific schemes on communities and employers rather than adopt a scattergun approach. Whilst they often took the lead role in tackling economic inactivity in an area, the problem was too large for any one agency to tackle alone and increasingly a partnership approach had been adopted involving others such as the Welsh Development Agency and ELWa.

4.38 Witnesses also emphasised the important role that Local Authorities have in working at the community level.

4.39 The Committee heard about the broad range of opportunities offered by Intermediate Labour Markets (ILMs). Being closer to their communities, it was argued that ILMs had greater knowledge of the requirements of those communities and understood the barriers that those communities faced. Furthermore, it was considered that ILM projects could be targeted at the needs of the local labour market, and could provide skills in situations where the private sector may be unable or unwilling to provide training and where skills shortages exist.

4.40 Witnesses also expressed the view that training provided by ILMs, even where mainly vocational, appeared to encourage clients to adopt a broader set of skills and ones which were transferable beyond the immediate area of training. Soft skills such as team-working, time-keeping and initiative, core skills such as literacy and numeracy, and life skills such as financial management, were recognised as being potential benefits of the ILM programme.

4.41 The Committee also heard that activities and support provided by ILMs appeared to be of help to economically inactive people suffering from the anxiety and depression that could be associated with being detached from the labour market. The gaining of qualifications during the programme was considered to be especially helpful.




4.42 The potential wider benefits to society of ILM activities were highlighted, in that ILMs may help in regenerating communities, providing additional public services and contributing to environmental improvement. Furthermore, the services provided by ILMs may add to the local economy by complementing businesses in the private sector. For example, Members heard how the On Track bicycle rental service provided a bicycle rental service to tourists, thereby contributing to the tourism infrastructure within the local economy.

4.43 Although the Committee heard about the many potential benefits of using the ILM model, there were also weaknesses. There could be difficulties in recruiting suitable candidates onto the programme, as many people are at some distance from the labour market did not appear to have the necessary attributes to enter the programme. As outlined elsewhere, individuals' attitudes are a particular issue which need to be addressed. Although the hospitality industry appears to offer a number of opportunities for ILM intervention, low wages were seen to act as a deterrent, even though this was an industry that often faces staff shortages.

4.44 Members also heard that it can often be difficult to set up a sufficient number of projects, as programmes have to be devised which avoid displacing employment from elsewhere within the economy. Furthermore, the costs of running ILM projects can be high, depending upon the needs of individual clients. However, the Committee was reminded that these costs may be offset to some extent by the wider economic, social or environmental benefits offered by the programmes.

4.45 The key to the development of ILMs is in having Labour Market Intermediary (LMI) partnerships in an area which can work to bring together local agencies to develop these initiatives. However, the Committee heard that it can be difficult to build LMI partnerships, in some areas particularly those where local authorities have tended to work in relative isolation from other local authorities.

4.46 Having considered the strengths and weaknesses of ILMs, the Committee investigated further transitional routes into work, in the form of other community based organisations. In particular, the voluntary sector was seen as providing opportunities for a transition from inactivity into



employment, as work experience can be provided in a risk free and supportive environment.

4.47 The Wales Co-operative Centre (WCC) informed the Committee of how groups of co-operatives were being encouraged to work together on recycling initiatives, creating an internal market via horizontal integration.


4.48 The importance of developing a specific policy to support this kind of activity and then targeting action accordingly was emphasised by witnesses, as was the need for the public sector to use its procurement policies in a way that allowed small voluntary businesses to benefit. Witnesses also argued that it was important for systems to be simplified to enable small enterprises to access funding.

4.49 In developing businesses, the WCC stressed the fact that it was important to work in partnership with other similar organisations such as the Wales Council for Voluntary Action (WCVA), and Community Enterprise Wales, as well as the Welsh Development Agency and ELWa to raise awareness.

4.50 Work undertaken by the Welsh Assembly Government referred to in *Raising Economic Activity Rates* suggests that initiatives in public procurement need to take careful consideration of local labour market conditions and the need to target the economically inactive in order to avoid displacement. However, Welsh Assembly Government points out that there is considerable potential in requiring public sector contracts to include a training and recruitment component targeted at local unemployed and economically inactive people. A Business Procurement Task Force was being set up to make the process more open and accessible.

Recommendation 9

4.51 The Committee endorses the view that there is a need to develop routes which provide more linear movement from inactivity into employment. We were impressed by the role played by the voluntary sector in this regard and the imagination and commitment it gives to this work. We see clear value in using ILMs where potential clients are at some distance from the labour market, and where other programmes would be



insufficient to entice or compel individuals into employment. The key is for the programmes to be carefully targeted and to have regard to their costs and the risk of displacing existing activities. The Committee agrees that programmes at the community level can create a more supportive environment for those facing greater risks and with a fear of re-entering the labour market. **It recommends that the Welsh Assembly Government acknowledges fully the key role the voluntary sector has to play in this and that the voluntary sector be given more support for the work it does in offering an early stepping stone into the labour market.**

Recommendation 10

4.52 As indicated above, the Committee endorses the approach of providing individuals with the opportunity of experiencing employment without losing benefits. **It recommends that this approach be developed to encompass and encourage community based programmes, especially voluntary projects, to encourage and facilitate the broadest possible range of work experience for those outside the labour market.**

Recommendation 11

4.53 The Committee was also concerned about difficulties in developing LMIs in particular areas where authorities tended to work in isolation from other authorities. **It recommends that the Welsh Assembly Government develops mechanisms to ensure greater co-ordination between authorities in this regard - especially in the South Wales valleys.**

Recommendation 12

4.54 The Committee recommends that the Welsh Assembly Government considers the scope for ILMs to fill the gap in the provision of transportation and childcare within certain communities highlighted elsewhere in this report. However, in doing so, it stresses that the provision of childcare must be of the same high quality referred to elsewhere in this report and involve people who have been properly trained to deliver it.




Recommendation 13

4.55 The voluntary sector, like all other sectors, is not a static entity and if it is to play a part in reducing Wales' problems with economic inactivity, needs support itself for the inevitable evolution that it faces. The Committee accepted the need for greater horizontal and vertical integration between voluntary sector organisations. It also agreed on the need to streamline the process of funding the sector and generally to improve its image which in some areas does not reflect the valuable role it plays in communities. **The Committee recommends that the Welsh Assembly Government works with the voluntary sector to develop it to fully meet its potential role of reducing economic inactivity with particular emphasis on funding and improving the image of the voluntary sector.**

Caring

4.56 Early on in this Review the Committee identified childcare as an issue that needed to be addressed. In its paper *Raising Economic Activity Rates*, the Welsh Assembly Government indicated that child and other care-related problems were unlikely to be a key factor in explaining Wales' relatively weak legacy of under-performing economic activity. However, it also indicated that additional investment in the form of social care would be likely to support a continued increase in the economic activity rate of lone parents in particular. Furthermore, the Welsh Assembly Government pointed out that there was strong evidence that early interventions in a child's life was the most effective means of combating subsequent disadvantage and therefore were likely to have a major impact on the inactivity problem in the long term. Early interventions can be costly, and so it is important that they are carefully targeted. While children from the most disadvantaged homes get large and lasting benefits from these interventions, the evidence suggests that less disadvantaged children get little or no benefit.

4.57 As childcare providers, Tiddlywinks told the Committee that one of the major barriers to setting up and running a childcare service was the lack of help with start up costs and ongoing revenue support to ensure sustainability of childcare facilities.




4.58 The difficulties in registering a new project were highlighted by others. Witnesses told the Committee that new standards had meant a mass of paperwork, and some reported a lack of flexibility because the Care Standards Inspectorate had been struggling with their new role. However, there was also evidence that matters had improved more recently and that there was much more flexibility. Nonetheless, there was concern that many individuals were still put off setting up childcare facilities because of the level of bureaucracy in the early stages. Chwarae Teg informed the Committee that a Welsh Development Agency scheme, run in conjunction with the National Childminders Association, had helped people wishing to register new businesses.

4.59 The need to raise the status of childcare providers was also raised with the Committee – the challenge was to raise the quality of training and improve pay while still providing childcare at affordable levels. A related issue was raising the level of esteem held by carers to that of teachers whose role in the development of a child was no more important. Tiddlywinks explained that the voluntary sector had had huge difficulties in accessing funding for training and had received little support from Government Agencies such as ELWa.

4.60 Witnesses also raised concerns about the lack of male childcare workers, who along with female childcare workers, provide valuable role models to children.

4.61 Members heard that there had been an increasing demand for Welsh medium nurseries from both Welsh speakers and learners who wanted their children to be educated in Welsh medium schools. The recruitment of bilingual staff was proving to be a difficulty, and part of the reason for this was seen to be the lack of bilingual training for care workers.

4.62 Chwarae Teg told the Committee that they had strong evidence that parents of children with disabilities or special needs wanted their care to be mainstreamed wherever possible, although this required special skills amongst care workers. Some examples of good schemes existed, such as the Step-to-Step scheme in Neath Port Talbot which provides mainstream care for children with special needs from birth to 16. However, no recognised qualifications exist for carers in this area, and salaries could not




compensate for those additional skills. This is an area the Committee sees as a priority. It recognised the higher costs of providing training for carers for children with special needs. Mainstreaming might also be helped by incorporating this kind of specialised training, perhaps as a module of normal carer training.

4.63 Witnesses told Members that while a lot of childcare was provided 'informally' (i.e. through family and friends) it was felt that there was a need and opportunity to support this. Concern was also expressed about standards and the risk that informal arrangements could drift into illegal ones.

4.64 Chwarae Teg said that, while much of the public debate about childcare provision centred on day-care nurseries, there was also a severe lack of registered childminders, particularly in rural areas and the South Wales Valleys, which already suffered from a lack of day-care facilities. A particular concern was the fact that the areas which needed these facilities most were generally the poorest areas and those where existing provision was least. Chwarae Teg suggested that there was a need to find a range of solutions for individual families and to do this it was necessary for the private, public and voluntary sectors to work together.

4.65 The Wales Co-operative Centre informed the committee that there were currently three child care co-operatives in Wales, and that co-operatives rely on a certain number of children using the service to be successful. As was the case for Tiddlywinks, the lack of start up funding and tight profit margins caused particular difficulties for co-operatives to provide childcare facilities.

4.66 The issue of 'wraparound' care - care before and after school and during school holidays was raised. Witnesses stated that very little progress had been made with this. Members heard at an early stage in the review that there was strong evidence that After-School Clubs and Holiday Clubs raised academic attainment levels as well as soft skills. Tiddlywinks added that they offered this care through its Breakfast and After School Clubs and demand was extremely high. They emphasised the increasing need for different patterns of childcare as work patterns change to accommodate '24 hour opening' and shift work.



4.67 A number of possible solutions were put forward to Members. The Committee heard that flexible working arrangements, such as part-time and flexible working hours can help people in caring for others. However, although large firms can often offer assistance in flexible work patterns and other care issues, it was not so easy for Small to Medium Sized Enterprises (SMEs), and this potentially created a bigger problem in the valleys where there were proportionally more small firms.


4.68 The Committee was told that the provision of child care facilities near to the work place was a particularly valuable form of support. For some parents these were attractive because they minimised the time they were apart from their child and ensured they were close at hand if needed during the day. There was also evidence that this kind of facility was valuable to employers as a means of retaining high-quality staff and, in many cases would more than repay the investment involved.

4.69 The Committee welcomes the attention that the Welsh Assembly Government has brought to this issue following the launch of the Committee's review and the formation of the Childcare Working Group led by Dr Brian Gibbons.

4.70 The Committee's own conclusions are that there is clearly a need to increase the number of childcare opportunities in Wales, especially in valley communities and that there is also a need for a new and more flexible approach to provision. However, the key message received was that there is no simple solution and a particular concern was the need for the public, private and voluntary sectors to be encouraged to work together to meet this need.

Recommendation 14

4.71 A coherent programme of pre-school early years intervention is likely to have the greatest impact on economic inactivity in the long term. The Committee welcomes the Welsh Assembly Government's recognition that there is substantial potential, and a strong case, for increasing funding for a coherent programme of pre-school interventions. In particular, the Committee welcomes the Welsh Assembly Government's acknowledgement



that its commitment to open one children's centre in each local authority will not address total need.

4.72 In light of this, the Committee feels that investment in early years should be strongly targeted to children from deprived communities, and that the Welsh Assembly Government should provide funding for a children's centre in every deprived community across Wales as a first step towards universal coverage. The Committee also considers that the Welsh Assembly Government should further develop the monitoring and evaluation framework for the future, and benchmark the effectiveness of early years provision in Wales with that of schemes in other countries.

4.73 There is a clear need for a significant increase in the availability of child care. **The Committee recommends that the Welsh Assembly Government actively promotes this and, particularly, target it in those areas where it is needed most.** While this is not only something to be undertaken by economically inactive people, there is an opportunity here to provide long term employment for economically inactive people providing they have, or can achieve, the skills needed to deliver high-quality care. In addition, through their work, they will provide opportunities for others to go on to become economically active. The Committee noted with interest the Community Focused Schools Childcare pilot being carried out in Torfaen and hopes it will yield some valuable information on this issue.

4.74 There are a number of obvious areas where the Welsh Assembly Government might help with this. Firstly, with financial support for setting up and running a small business, particularly in poorer areas where the affordability of childcare is a major concern. Secondly, with help in meeting the additional and very necessary requirements of the regulatory regime operating within this sector.

Recommendation 15

4.75 Alongside these, while the Committee was informed that the burden of bureaucracy has reduced more recently, **we recommend that the Welsh Assembly Government examines the scope to reduce it further while still maintaining the necessary safeguards required by parents.**

Recommendation 16

4.76 The Committee was very impressed by the work and enthusiasm of the voluntary sector in this field and **we recommend that the Welsh Assembly Government promotes and encourages childcare provision by Intermediate Labour Markets (ILMs) where a need for childcare provision has been identified and the market cannot support private provision.**


4.77 The opportunities for both the voluntary sector and ILMs should also be considered in providing training for carers within the childcare profession.

Recommendation 17

4.78 There is a clear need to look imaginatively and flexibly at the way in which childcare provision meets parents' needs. Wraparound care is clearly of great value to parents – but also to the children as it avoids their being handed from one person to another during the day. There is a further need to encourage facilities that work through the medium of Welsh. **We recommend that the Welsh Assembly Government considers the whole range of child care provided, including after-school and school holidays provision for older children, and investigate ways in which this can be improved to match more closely the needs of parents.**

Recommendation 18

4.79 One of the demands from parents is for childcare to be linked to the work place and, although the Committee did not undertake any research in this regard, it was disappointing to be told that few private sector companies offered provision. **The Committee recommends that the Welsh Development Agency, or whatever replaces it in the future, works with companies to make them aware of the benefits of these facilities and to provide such incentives as are available for them to make the necessary investment.**



4.80 We recommend that the Welsh Development Agency also explores ways to bring companies and private sector child care providers together to develop and expand the availability of this kind of facility in industrial areas.

4.81 A much more complex area relates to the needs of disabled children and those with particular needs. The Committee did not examine this in great detail, but considers this a particular area to which the Welsh Assembly Government should attach priority.


Transport

4.82 Committee Members were concerned at the start of the review about the barriers to working presented by a lack of transport, particularly in rural areas and the valleys. These problems can be more acute for individuals working alternative shift patterns or travelling to industrial estates sited out of town. Transport problems can be further exacerbated by the inability to move house – particularly for people trapped in low value houses in relatively isolated areas.

4.83 The Community Transport Association (CTA) emphasised to the Committee that the needs of communities have to be understood for transport schemes to be successful. They saw community transport schemes as an important way of addressing weaknesses in public transport provision and a need for flexible routes to be developed.

4.84 The CTA spoke of the difficulties in providing community transport and the need to rely on voluntary drivers, especially where transport was required for those working unsociable hours. Nonetheless, it was stressed that most drivers were paid workers, and that this benefited the community further in terms of local employment. They also considered funding to be a major barrier to setting up schemes, because it needed to last for three to five years to be effective.

4.85 The need to create partnerships was raised, in particular the need to work with the government to develop enterprise in the community.




4.86 The view was also expressed that the remedy went wider than the provision of public transport, and that there was a need for creative solutions such as car sharing and cycling. In developing solutions, witnesses were mindful of the constraints of satisfying green transport policies.

4.87 Merthyr Tydfil County Borough Council explained how it ran a project aimed at both transport for the economically inactive, and at young people lacking skills, confidence and with low employment prospects. The scheme included leasing vehicles to individuals to travel to employment that was not accessible by public transport. It also enabled young people who had had poor school opportunities, or were on the fringes of crime, to participate in a practical educational programme in repairing and maintaining vehicles for the scheme. Welsh Assembly Government, the Youth Justice Board and Objective One funding currently supported the scheme but in the longer term it was hoped that local health boards and social services might buy into it.

4.88 The Welsh Assembly Government's report "*Raising Economic Activity Rates*" suggested that that improvements to public transport could be expected to make only a modest contribution to reducing inactivity. It was important to develop links with local authorities and transport operators to ensure that the needs of job seekers are being addressed, through for example the provision of adequate public transport services on key commuting corridors.

4.89 The Committee acknowledges that, given the high levels of inactivity within inner city and valley areas, it is unlikely that transport in itself represents a major barrier to employment. However, it is also aware that relatively small obstacles can prevent transport being available and that this can have a huge knock on effect for individuals within communities. Although poor transport services can arguably be considered to be more an issue of social deprivation, this aspect cannot be looked at in isolation. Such problems have much wider implications to society, can contribute to the cycle of disadvantage and in turn lead on to continuing economic inactivity problems. While there are often calls for 'rural proofing' of transport services because of the difficulties faced by sparsely populated



areas, the Committee is conscious that there are equally serious transport issues in the South Wales valleys. Community transport is already having an impact on these and the Committee would like to see this developed further.

Recommendation 19

4.90 There are some simple ways to improve the way in which transport can facilitate people getting to work such as reviewing the timing of services - in some areas bus services finish too early in the day to be used by those commuting to and from work. Where commercial considerations prevent much change in these, consideration should be given to co-ordinating the timetables of public transport to those within the community transport. **The Committee recommends the Welsh Assembly Government looks for ways to develop links between community transport schemes and the private sector to deliver a service that more closely fits customers needs – and particularly those of people getting back into work.** The Committee noted with interest the pilot work now being undertaken by the Welsh Assembly Government into personal Travel Plans as an approach to these issues.

Recommendation 20

4.91 The Welsh Assembly Government should also have regard to the wider economic benefits of an effective transport system and the role that can be played by community transport in this. Helping people travel to hospital and surgery appointments, via community transport, can save on wasted NHS costs resulting from missed NHS outpatient appointments and can also help people get back into employment sooner. In addition, community transport schemes themselves can be an important source of employment in the local community. There is therefore a genuine benefit to the Assembly Government in the development of these schemes and financial savings will result from them. **The Committee recommends that the Welsh Assembly Government considers how it might provide more active support to community transport to realise these indirect savings.**

Recommendation 21

4.92 One specific area where the Welsh Assembly Government can help is in relation to funding. This is a major concern for community transport organisations – particularly consistency of funding. Alternative funding arrangements need to be considered to provide a more secure long-term basis for this sector. Clearly this is an issue that can only partly be relieved directly by the Welsh Assembly Government through means such as Service Level Agreements and Communities First funding. Private company partnerships and/or sponsorship could also assist with funding concerns. **We recommend the Welsh Assembly Government undertakes a thorough review of the funding options available to this valuable sector.**


Recommendation 22

4.93 One imaginative suggestion, which would allow greater availability of community transport, was that local authorities should allow community transport schemes to use their fleet of vehicles when they were not in normal service. This seems a valuable and sensible way to utilise these resources **and we recommend that the Welsh Assembly Government works with community transport organisations and local authorities to consider how this might be achieved.**

Healthcare

4.94 A key feature of Wales' high level of economic inactivity is the large number of people who are not working and long term sick. It was suggested that the Committee might consider doctors' attitudes to 'signing off' people from work, and whether there were issues here that had a bearing on economic inactivity.

4.95 The British Medical Association (BMA) told the Committee that the factors behind the large number of people absent from work due to ill health were complex. They included the time individuals might have to wait for hospital treatment or investigations, the reluctance of employers to allow employees back to work on light or reduced duties, and the levels of chronic illness in particular areas of Wales. Furthermore, there were difficulties with the Department of Work and Pensions' (DWP) capacity to



assess sick people and, in fact, roughly only one third of those referred to the DWP were actually assessed. A major improvement would come simply from increasing the number of occupational health specialists.


4.96 In relation to the number of people being transferred from unemployment benefit to sickness benefit, the BMA said that there was a greater stigma attached to unemployment than being long term sick.

4.97 The Committee heard that the robustness of the local labour market had a major effect on economic inactivity, as some companies were able to offer alternative, lighter jobs to help people back into work but others were not. Furthermore, in areas where a variety of employment was available, people had more opportunity to find new employment that matched their situation. Similarly, while larger companies often had the capacity to offer more flexible arrangements and opportunities to people who might otherwise fall into inactivity, the number of such companies was often low in areas of high inactivity.

4.98 The BMA commented that public health officials were in many respects in a better position than GPs to promote preventative health measures because the key factors in improving occupational health were better housing, education and exercise. These were outside the range of GPs' responsibilities and expertise. Nonetheless, they agreed that better occupational health training for GPs might contribute to an overall improvement in the processes of getting people into work.

4.99 However, GPs are not trained to any great degree in occupational health, and there is often limited time and capacity for doctors to deal with employment issues at any depth in surgery. There is therefore limited scope for GPs to affect the ability of economically inactive people to move into employment. Nonetheless there is a role for them to play with others in improving Wales' economic inactivity levels. There is a clear need for greater preventative healthcare, often at the most basic level of housing, education and exercise, to enable people to improve their own situation and to prevent individuals from entering inactivity.

4.100 The Committee welcomed the Welsh Assembly Government's proposals towards the end of the Review that it was planning to pilot the




delivery of health advice through a comprehensive return to work package. The Committee further welcomed proposals aimed at improving the health of those people with a work-limiting illness as well as helping those people who are at risk of falling out of employment due to health related problems. These proposals involved research into GP practice, better information for GPs, and outreach in GP surgeries.

4.101 General Practitioners are clearly in a difficult position. On the one hand, they have a confidential relationship with their patient based on trust. On the other, they have a responsibility for certifying that on medical grounds someone is unable to work. The problem arises not so much when signing someone off – but when there is doubt or disagreement about whether the individual is able to work. This is at the heart of the problem with long term sickness. In many ways the issue arises from an attitude that classifies people simply as fit or unfit for work – when, in reality, in moving from being out of work due to ill health back to employment, there are a series of stages to be gone through. Often what is needed is a phased return to full activity in which confidence and skills can be rebuilt. The Committee feels that a more sensitive approach to these issues will bring benefits both to individuals and to the economy generally.

Recommendation 23

4.102 A clear issue that came through in the review was the need for greater ‘occupational’ expertise to be brought into the process of assessing people’s fitness for work. **The Committee recommends that the Welsh Assembly Government works with the UK government to develop more sensitive and more effective ways of assessing people’s fitness for work.** These should include provision for people who have been classified as unable to work to be reassessed by an occupational specialist at regular intervals to ensure that if there is scope for them to return to economic activity, the opportunity is not missed.

4.103 There is also a clear need for the DWP to increase its capacity for occupational health professionals to assess sick people and provide the necessary expertise and advice to help them in their return to work.



4.104 This should include improving the working relationship between GPs and the DWP and a clearer understanding, particularly by patients, of their respective roles. This would prevent the perception on occasions by some patients that they have been sent by the DWP to see their GP simply 'to get a sick note'. A simple referral form might be developed, to be completed by the DWP to make it clear to the patient, and the GP, that the referral was for the GP to examine the patient not simply to 'sign them off'.

4.105 Alongside this, better occupational health training should be considered as a part of GPs' training, although the Committee recognises that, given the intense training schedule already faced by GPs, this might not be easy to achieve.

Recommendation 24

4.106 The issue is not simply a medical one. There is clear evidence that anxiety and depression are strongly associated with long term unemployment and economic inactivity. To address this there needs to be greater investment in the availability of treatment for this, both through medical and counselling services. **The Committee recommends that the Welsh Assembly Government investigates ways to develop and improve these services.**

Recommendation 25

4.107 There is also a need for greater use of occupational health specialists within communities and business. With support and flexibility it is often possible for businesses to retain the services of skilled and experienced staff who are unwell or incapacitated in some way. The problem is that businesses often do not know how to cope with temporary difficulties of this kind and the Committee would urge employers to consider the use made of these and the benefits that might result from the use of specialist services and expertise in this area. **It recommends that the Welsh Assembly Government reviews the availability of occupational health services in Wales and the way in which awareness of these is promoted to employers.**



Recommendation 26

4.108 A particular issue arises in relation to small and medium sized enterprises who might not have the resources to provide a comprehensive range of occupational health services to their employees. Nor do they have the range of jobs to enable a phased return to the workplace for those who have recently been unable to work due to sickness. This lack of preventative healthcare and lack of opportunities to return to work means that there is the risk that workers may fall more easily into inactivity. Bearing in mind that small and medium sized concerns make up the bulk of employment in Wales **the Committee recommends that the Welsh Assembly Government, looks particularly at ways to make occupational health services available to small and medium sized enterprises.**





Annexes



Chair's invitation letter to consultation

Bae Caerdydd / Cardiff Bay
Caerdydd / Cardiff
CF99 1NA

Eich cyf / Your ref
Ein cyf / Our ref

12 December 2003

Economic Inactivity

1. The Economic Development and Transport Committee has chosen for its forthcoming policy review to look into the high level of economic inactivity in Wales. At the Committee's meeting on 22 October they discussed a paper prepared by the Welsh Assembly Government (EDT2 05-03(P3) Raising levels of economic activity), which sets out the background to the issues and discusses some of the underlying factors and policy considerations.

2. The Terms of Reference for the Review will be:

To consider:

- i. the high levels of economic inactivity in Wales and the factors underlying them;*
- ii. the policies to raise economic activity levels being pursued by the Welsh Assembly Government and other agencies;*

and to make recommendations for the development of policy in this area.

3. The Committee would welcome written submissions of evidence from interested parties in relation to these issues. When it has considered these the Committee may invite further oral evidence.

4. Should you wish to contribute, written submissions should be sent, bilingually if possible, by e-mail to Economic.com@Wales.gsi.gov.uk or in hard copy to:

Paul Davies
Economic Development and Transport Committee
National Assembly for Wales
Cardiff Bay
Cardiff
CF99 1NA

to arrive by Friday 6 March 2004.

5. As part of the National Assembly's commitment to openness, we will place copies of written responses in the National Assembly's libraries and will make them available to the public on request. Please indicate if you wish your response or any part of it, not to be made publicly available.

6. Please feel free to pass this invitation on to anyone else you feel may have an interest.

7. If you need any further information please contact the Committee's Clerk John Grimes on 029 2089 8225 or its Deputy Clerk Sian Wilkins on 029 8029 8224.

I look forward to hearing from you.

Yours sincerely



Christine Gwyther AM
Chair, Economic Development and Transport Committee
Cadeirydd, Pwyllgor Datblygu Economaidd a Thrafnidiaeth

Website: <http://www.wales.gov.uk/keypubassemecodevtran/index.htm>

Persons and organisations responding to the consultation

- 1 Leslie Stowe
- 2 Wales Council for the Deaf
- 3 Brecon Beacons National Park Authority
- 4 Wayne David MP
- 5 Communities First, Gurnos & Penydarren
- 6 Community Enterprise Wales
- 7 Bridgend County Borough Council
- 8 Wales Co-operative Centre
- 9 Rail Passengers Committee
- 10 Commission for Racial Equality
- 11 Wales TUC
- 12 Wales Tourist Board
- 13 Neath Port Talbot Young People's Partnership
- 14 North Wales Economic Forum
- 15 Blaenau Gwent Borough Council
- 16 Regeneration Directorate, Carmarthenshire County Council
- 17 Gweini
- 18 Stephani Mok
- 19 Disability Rights Commission
- 20 National Charity and Membership Organisation in Wales
- 21 Carers Wales
- 22 Citizens Advice Bureau
- 23 ABPI
- 24 Menter a Busnes
- 25 Wales Council for Voluntary Action



Summary of Responses to Consultation

1. The Committee launched a consultation on 12 December 2003 and received 27 written submissions. These presented a wide range of views on the factors underlying Wales' low level of economic activity and from these a number of themes emerged.

Statistical Evidence and Research

2. There was a perception among certain respondents that there was a need to improve the collection of statistical information on inactivity, to indicate more clearly the degree to which people are able or willing to re-enter the labour market. There was also a call for more research into the underlying reasons for inactivity, and for that research to be centrally collated.

3. Furthermore, it was noted that not all reasons for inactivity are negative. Some 'investment' activities, such as childcare and education, can have positive benefits, while there may also be cultural or personal reasons for people choosing not to enter the workplace. Although students were often excluded from inactivity statistics to make allowance for this particular group, it was felt that there may be scope for better identifying other groups for whom employment is neither desirable, nor practical.

4. The Committee was aware of the great deal of research being undertaken aimed at understanding and tackling the inactivity problem. Although there may be some scope for refining the collection of data on the inactive, there appeared to be a perception among some respondents that insufficient research was being undertaken. Hence it might be beneficial for the Welsh Assembly Government to increase awareness of the work that is being undertaken, and to consider if the current mechanism for collating this research can in any way be improved.



Local and Community Factors

5. A theme common to the consultation exercise was that centrally driven programmes were considered to be less effective than those tailored to the individual and the needs of communities. Inactivity was often seen to be a local problem, dependent upon local conditions and the particular attributes of the individual.


6. It was considered that there were wider benefits to come from tackling inactivity at a community level, in that disadvantaged communities can be regenerated through activities aimed at economically inactive people, while communities could offer many opportunities to help the economically inactive with the transition into the labour market. Respondents reported that community based capacity building could provide opportunities for individuals to gain confidence and learn a wide range of skills, and could offer a gradual shift for individuals from being inactive to being active.

7. The need for complementary agencies to work together was raised, and that programmes should be supported by government agencies such as Careers Wales and Job Centre Plus to help equip residents with the necessary skills, contacts and attitudes to re-enter the workplace. Furthermore, it was suggested that community based programmes could be placed within the remits of Assembly Sponsored Public Bodies (ASPBs).

8. However, it was also reported that Communities First partnerships may not be best placed and equipped to tackle inactivity, and it was considered that Communities First and European funding programmes might be insufficiently focused. It was also noted that although concentrating on specific locations can help to focus resources, it may also lead to the neglect of other areas and individuals.

Community Regeneration

9. It was reported that community projects could help to regenerate communities, while building confidence and providing direct opportunities for employment and training. Furthermore, it was considered that



community involvement can create "brokerage" links between employment and training opportunities, and local people.

Volunteering

10. A number of respondents expressed the opinion that there were benefits in using the voluntary sector to help economically inactive people into jobs. Volunteering was considered to be a cost effective mechanism which complemented and enhanced other sectors, with many voluntary organisations having experience of delivering government training programmes and being well placed to advise and support unemployed volunteers back into paid work. It was also reported that volunteers can gain the skills and knowledge to enable employment in other fields, while having an opportunity to gain experience and try different activities.


11. A lack of confidence was regularly identified as a constraining issue in re-entering the labour market. Respondents expressed the opinion that volunteering activity offered participants the opportunity to build confidence, develop work and social skills, and make contacts thereby offering a step back into employment. However, concern was raised that rules regarding undertaking voluntary work while claiming benefits were unclear, and that benefit officers may not be fully aware of them.

Social Enterprise

12. Social enterprises were seen to provide a mechanism which could support individuals into work while providing benefits to the wider community through increased employment, wealth and regeneration. Since social enterprises have explicit social aims as well as economic goals, it was considered that they can provide a more supportive environment to the economically inactive, while offering work-based training opportunities.

Intermediate Labour Markets (ILMs)

13. ILMs are a network of diverse organisations that provide temporary wage-based employment, usually to the long-term unemployed, and mostly deliver jobs and services to disadvantaged individuals or communities. Their



primary focus is on improving employability through providing training and personal support.

14. ILMs were considered by respondents to have a number of advantages in that they can be used to target the most disadvantaged, build bridges between the inactive and employers, provide waged work development, and offer a broad spectrum of opportunities and transferable skills for people.

15. Further benefits were considered insofar as ILMs can link in with other agencies to provide community regeneration and environmental benefits, while scope exists for accessing European funding for ILM projects.


Education and Training (Skills)

16. Respondents expressed the view that there were fewer employment opportunities for workers with lower skills and qualifications. In particular, certain minority groups and the disabled were seen persistently to under-attain in school and in obtaining vocational skills, which had repercussions when these people wished to enter into employment. It was suggested that negative early learning experiences led to a perpetual cycle of negative experience and disadvantage, and that training providers were not geared to understanding or addressing the needs of those furthest from the Labour Market.

17. Respondents suggested that the formal education system could be improved through the provision of more information before taking GCSE options, by offering vocational as well as academic courses, and by providing more support for those facing the transition from education into work.

18. The Committee was asked to bring to the attention of the Minister for Education and Lifelong Learning the matter that attainment of qualifications by disabled young people is still unacceptably low.

19. It was also suggested that vocational and adult education could be improved through more on the job training (including an expansion of the



modern apprenticeship programme), the provision of training packages to employers, and the expansion of work experience programmes.

20. Furthermore, a lack of 'soft skills' was regularly cited as an issue which needed addressing, in particular social skills, team building and confidence building.

Transport

21. Respondents highlighted the social exclusion problems that physical distance from the labour market can create. There were a number of calls for a cheap, reliable and comprehensive public transport network. It was felt that lower cost transport is necessary to make some lower paid jobs more attractive, and subsidised transport was seen as one way of helping economically inactive people back into employment.

22. The view was raised that if the public transport network were to be improved to enable opportunities to be accessed by economically inactive people, then the transport system needed to be improved for all sectors of society in order to increase demand, and thus stimulate supply. Tackling congestion, extending free bus passes to the rail network and improving the quality of services and facilities were a number of suggestions made to achieve this aim.

23. Problems with public transport were seen to be particularly acute for certain sectors of society such as the disabled or those travelling during antisocial hours. Although there were few suggestions of how their transport needs might be addressed, one possibility was for individuals to be helped with driving test and driving licence costs.

24. A further suggestion was made that goods train lines should be adapted to take passenger trains. Although this is an idea that could be re-examined, the Committee has been informed on past occasions that there may be large, perhaps prohibitive, costs involved in upgrading goods lines to take passenger trains.



Childcare

25. Respondents reported that there was a lack of affordable childcare facilities in Wales, and that jobs within the childcare sector were associated with poor pay and a poor job profile. Furthermore, it was considered that the current tax-benefit system made it difficult to combine work and bringing up a family.


26. A number of recommendations were proposed to alleviate the perceived problems regarding access to childcare:

- Social enterprises could offer childcare provision to provide both childcare, and work opportunities for economically inactive people.
- Although investment in existing initiatives (such as New Deal and Sure Start) had increased, further investment was needed.
- Initiatives need to be supported by long term funding, and extended to less deprived areas.
- The benefits of childminding as an attractive self-employment opportunity, offering flexible working hours, transferable skills, and training prospects without the need for prior qualifications need to be promoted.
- The current tax and benefit regime needed to be revisited to assess whether or not it supports a return to work for parents.

Healthcare

27. Respondents felt that there was scope within the healthcare sector in Wales to deal more proactively with inactivity. A preventative educational health care programme was suggested, as was the need to enable those with existing conditions to have access to treatments that would enable them to better contribute to the economy.

28. Occupational health services and rehabilitation treatments were considered to be valuable methods of facilitating the return to work for sick or injured people. It was also considered that GPs should be encouraged to



play a more pro-active role in encouraging people to rehabilitate and take up employment and training opportunities.

Sickness and Disability


29. A number of respondents suggested that, in the past, many older workers were encouraged into sickness and disability benefits or to take early retirement, to reduce unemployment totals.

30. Respondents also reported experiences of additional barriers in returning to work for those with physical and mental health problems. It was reported that disabled people risked losing social services support by taking jobs. Furthermore, in some cases and especially for those with fluctuating conditions who may lose their 'floating funding' from their local authorities, taking up employment could result in them losing their housing. In addition moving to take up employment could be a problem because of the need to organise health and independent living support in the new location. Such barriers, and a relatively low wage economy, were seen to make the transition from incapacity related benefits into work a particularly difficult process for this sector of society.

31. Barriers have also been encountered in the workplace, in the form of discrimination and prejudice. Respondents emphasised the need for governments to act to reduce prejudice towards employment of the disabled and to increase their self-esteem and work readiness.

32. Contributors also reported that individuals who become economically inactive through physical impairments often develop mental health problems after a period of inactivity. It was suggested that it would not take much to get many individuals with mental health problems back into work if the right conditions and suitable support were present. This would require greater awareness of the needs of individuals with mental health issues and the effects of stigmatisation and discrimination.

33. It was considered that advisers from all agencies need to be able to form a trusting relationship with clients suffering from mental ill health, and that community of interest businesses or ILMs in particular can help people



back into work. For those who have been unemployed for a particularly long period of time, cognitive based therapy was proposed.

34. However, the further point was made that there was a need to recognise that those unable to work through disability still often contributed to society through voluntary work, informal care and other forms of influence within the community.


35. The relationship between disabled people and government departments also came under criticism. Government initiatives were seen to have focused on new benefits claimants rather than on long-term Incapacity Benefit claimants. Furthermore, it was considered that Job Centre Plus Personal Capability Assessments can be poorly conducted.

36. It was proposed that successful pilots aimed at engaging disabled people with work should be extended to other areas and individuals, and that there should be continued support for those disabled re-entering the workplace. There were further suggestions that there was a need for greater continuity in support regimes, and that a strategy of providing technical support in the home for disabled people wishing to engage in the world of work should be devised. Finally, it was proposed that the Committee should call on Welsh Assembly Government to ensure that disabled people and employers in Wales are aware of their duties under the Disability Discrimination Act.

Carers

37. According to respondents, people caring for children or the elderly at home faced a number of specific barriers in taking employment opportunities. Responsibilities carried by many carers meant that they were unable to combine paid employment with those responsibilities, and carer's obligations often prevented them from accessing the training needed to re-enter the labour market. Furthermore, the stress and social isolation that resulted from a substantial caring role made carers lose confidence in their own abilities.

38. Where employment opportunities did arise, many carers faced the benefits trap, especially when taking the costs of replacement care into



consideration. In situations where carers did find employment, it was reported that many carers chose to work reduced hours or forgo taking on more demanding jobs.

39. Respondents reported a shortage of 'replacement' care services in Wales, and called for a significant and sustained investment to increase the availability of high quality, flexible, appropriate and affordable care services. Furthermore, the Welsh Assembly Government was called on to implement a pledge to abolish charges for services to disabled people.


Tax, Benefits and Income

40. The benefits trap was highlighted on several occasions as a particular problem in preventing economically inactive people from participating in the labour market. The benefits trap occurs where poor people are discouraged from working or getting a better job because any extra income they earn will be largely taken away in taxes, lost benefits and other costs associated with taking up employment such as the costs of travelling to work. It was suggested that the benefits trap needed to be better understood, and that solutions to it needed to be customised. Again, the particular barriers faced by those with physical and mental disabilities were highlighted, as they may be more likely to experience, and remain on, lower rates of pay once in employment.

41. Increasing the minimum wage and raising the personal allowance for income tax were two suggestions for reducing the effects of the benefits trap. Furthermore, it was suggested that the benefits system should be reformed so that people can maintain the safety net of benefits while trying new ways of working and upgrading skills.

Government Agencies and Strategies

42. Some respondents questioned the effectiveness of the Jobcentre Plus model in ascertaining, and providing for, the short and long-term needs of economically inactive people. Concerns were raised about Jobcentre Plus systems of dealing with people who were considering work as an option and also about advisers' awareness of the circumstances and support needs



of clients when out of work. It was suggested that Jobcentre opening hours should be extended.

43. The view that government bodies should better co-ordinate at all levels was raised, in particular at the UK level. The Welsh Assembly was called upon to force economic inactivity to be at the fore front of priorities for local authorities and their partners, and to take steps to engage Small to Medium sized Enterprises (SMEs) in the employment of economically inactive people.


Information and Support

44. Respondents said that more general information and support for the inactive was needed, to include:

- An appropriate blend of information, advice, guidance and counselling.
- Specific learning provision.
- Support to enable an understanding of how the world of work had changed, and how to adapt to the new labour market.
- Support to improve individuals' abilities to manage their financial situation, and increase awareness of their employment rights.
- Easier and cheaper Internet access, and access to computers for economically inactive people.

Ethnicity

45. A number of specific problems were recognised as particular issues for the black and minority ethnic (BME) population in Wales. Fewer skills and lower educational achievement, spatial factors, and poorer health were seen as underlying factors influencing economic activity rates amongst BME communities. The high cost of housing in Cardiff was also seen to reduce the incentive for some to look for work, as earned income would most likely be insufficient to enable people to buy their own house.



46. Lower educational achievement amongst some BME groups was highlighted as a particular issue, and a systematic sharing of good practice based on evidence of what works in successful schools with strong records of tackling ethnic under-attainment and discrimination was called for. There was a further call to focus on particular ethnic minority groups that had significant low attainment problems by ensuring that schools' processes aimed at parental engagement take ethnic specific factors into account.

47. If, despite new programmes, new data sources revealed persisting and disproportionate attainment gaps between ethnic groups, the Welsh Assembly Government was called upon to factor ethnicity into education targets. Furthermore, where differential achievement between ethnic minority groups was a serious concern, Estyn was called upon to identify this as a weakness of the school in its summary report to parents.

48. The Assembly was also called upon to review the effectiveness of Objective 1-3 programmes related to inactivity amongst ethnic minorities, and to carry out community development work in a way that was culturally acceptable to communities.

Agriculture and Tourism


49. Low demand associated with seasonality was considered to be a specific problem affecting the tourism and agriculture sectors, which in turn affected demand for labour within these sectors. Tourism was seen as an area which provided opportunities for entry level jobs, and the development of new and transferable skills.

50. Respondents called for programmes aimed at lengthening the tourism season, diversifying the tourism trade, and encouraging local procurement to increase demand for agricultural goods.

Other Factors

51. Various other views were offered by respondents. These included:

- Personal Choice - For some economically inactive working age people a job was neither desired nor deliverable.

- 
- Age - People from their mid-forties onwards felt 'left on shelf', while for younger people there was a lack of appealing jobs.
 - Personal Aspects - A criminal record, drug and alcohol abuse, pregnancy and early parenthood, sexuality, and a lack of aspirations were seen as personal factors which impacted on the individual's ability to engage with the labour market.
 - Homeworking - New technology, such as broadband, enabled individuals to undertake employment in the home while offering flexible arrangements, especially for those with caring responsibilities. Opportunities to support high value employment in the home should be encouraged.
 - Public Procurement - There needed to be greater support in implementing public procurement initiatives.
 - Working Conditions - Poor working conditions and working environments can act as a barrier to entering the labour market.
 - Contract working - Employers were using agencies to fill vacancies rather than creating long term employment opportunities.