

Council for Economic Renewal

5th October 2015

Wales TUC Paper for

Agenda Item 4b

The Role of Reserved Contracts in Addressing Economic
Disadvantage



Better 
Jobs
Closer to
Home



Swyddi 
Gwell
Yn nes
at Adref

A new focus for Better Jobs, Closer to Home in the South Wales Valleys

Wales TUC has welcomed the work undertaken by the Welsh Government to secure additional powers to regulate public procurement in Wales and the opportunity it represents to improve employment opportunities where they are needed most.

Prior to this agreement, Welsh trades unions have worked positively with Welsh Ministers to develop progressive and ethical procurement policy in Wales.

In addition Wales TUC has advocated the development of a codified industrial policy for the whole of Wales which delivers a government wide approach aimed at creating good jobs, backed by sustainable investment.

The cumulative impact of deindustrialisation, globalisation, recession and austerity has been felt most severely in the South Wales valleys. On a consistent basis, key measures of productivity and deprivation reveal that too many communities in the valleys are paying an unjust price for economic failure. While a deeply unbalanced UK economy has compounded the problems faced by these communities, greater recognition is needed that unless the valleys prosper, Wales will not.

The Wales TUC's *Better Jobs; Closer to Home* campaign is now calling on the Welsh Government to prioritise the creation of quality jobs within valleys communities to support the fight against poverty and disadvantage.

This action would also serve as a contribution towards the pursuit of securing decent work as set out in the 'Prosperous Wales' goal within the Wellbeing of Future Generations Act. This stated goal aims to bring about:

'an economy which generates wealth and provides employment opportunities, allowing people to take advantage of the wealth generated through securing decent work.'

With the objective of providing employment for disadvantaged workers, a new approach would help to fulfil the statutory obligation placed upon Public Service Boards to develop and deliver wellbeing plans for communities facing the greatest challenges.

As a matter of priority, Wales TUC is calling for the use of the new regulatory procurement powers to reserve contracts for organisations which have, as part of their mission, objectives to support the integration of disadvantaged workers into decent and secure employment.

In addressing the long term problems facing valleys communities, government at all levels should look to more innovative solutions which priorities better jobs closer to where people live and have important caring responsibilities. While investment in infrastructure and skills is essential to supporting our economy, without wider intervention it is insufficient for the task of ensuring that deprived areas become successful once more.

Reserved Contracts and Tackling Disadvantage

The definition of a 'disadvantaged worker' as set out by the European Commission (see Appendix B) reflects some of the longstanding labour market problems faced by valleys communities including youth and long term unemployment. Appendix A highlights some of the key indicators of disadvantage alongside the impact of welfare reform across the South Wales valleys.

The Procurement Policy Statement published earlier this year proactively committed the Welsh Government to:

Issue updated policy guidance on ethical procurement issues including but not limited to:

- *the opportunity to reserve contracts for suppliers with a workforce of 30% or more disadvantaged workers*

And further stated that the 'public sector will':

- *Provide leadership on procurement best practice*
- *use a whole life costing approach to procurement decisions, taking account of the long-term impact.*
- *Be pro active in managing suppliers, considering the whole supply chain*
- ***Identify areas of expenditure which can be reserved for suppliers with a workforce of 30% or more disadvantaged workers.***

As the Welsh Government is now delivering more strategic procurement via measures such as the National Procurement Service and the Wales Infrastructure Investment Plan, significant contracts could be reserved to pilot this approach.

The National Procurement Service's future pipeline includes the following procurement activity which could be considered for allocation:

- Construction and Facilities Management
- Corporate and Business Support Services
- Fleet and Transport
- ICT
- People, Services & Utilities

The contracts within each area of activity have varying timescales with preparation and tendering stages running between now and 2018. Pilot projects could be identified at an early stage to test the concept of reserving contracts purchased at a Wales level to help tackle poverty in the valleys.

The Wales Infrastructure Investment Plan (WIIP) contains significant spending commitments across the South East Wales region. While a good deal of this work is already committed, this expenditure should be considered for inclusion in a pilot scheme.

Across the five valleys local authority areas alone, WIIP investment between 2014 – 2020 is worth £628 million. While it is clear that many of these contracts would not be appropriate for the reserved contract approach, this spending should be considered in any pilot approach.

EU Structural funds and Wider Investments Opportunities

The European Structural Funds Programme 2014 – 2020 provides further opportunities to identify expenditure best suited for the delivery of reserved contracts. As most of the available funding has yet to be committed, there is sufficient flexibility to consider reserving contracts to support the overall objectives of the programme.

Furthermore, this intervention fits well with the objectives and spirit of the Economic Prioritisation Framework (EPF) which emphasises the need for structural funds to complement the Welsh Government's overriding economic strategy which includes tackling poverty. Wales TUC has consistently supported the approach determined by the EPF and believes it has greater significance as welfare reform will remove at least four times more than the amount invested by the structural funds programme across West Wales and the Valleys.

Beyond the NPS, WIIP and European Structural Funds, wider investment opportunities should be considered for the valleys regardless of the procurement regulations. The South Wales METRO for instance could place its headquarters at a valleys location to ensure that the largest possible economic benefit is realised in this area.

Public Support for Better Jobs; Closer to Home

Recent polling undertaken by Wales TUC reveals the overwhelming positivity felt by people living across valleys communities when asked about their local area. This is coupled with a clear recognition of the need for better jobs in the area.

Table A

How do you feel about the local area?			
BASE: All Respondents	332	Sentiment	% of total
Happy to be here	170	Happy to be here	51.20
		Satisfied	35.54
Satisfied	118	Frustrated	17.47
		Positive	34.64
Frustrated	58	Despairing	7.83
		Disillusioned	9.94
Positive	115	Proud	26.51
		Ambivalent	2.11
Despairing	26		
Disillusioned	33		
Proud	88		
Ambivalent	7		
Other (please specify)	4		

Table B

How do you feel about work in the local area?			
	Total	% of total	Ranking
BASE: All Respondents	332		
There's not enough work	196	59.04	2
There are not enough well paid jobs	164	83.67	1
People have to travel too far for work	145	43.67	3
We need more ways for people to gain skills locally	117	35.24	4
Too many jobs don't offer enough hours of work	81	24.40	5
Too many immigrants take local jobs	58	17.47	6
Employers are too exploitative of workers	49	14.76	7
All the work is in the public sector	29	8.73	8
There's plenty of work	18	5.42	9
Other (please specify)	14	4.22	

Appendix A

NB: The labour market element of the statistics in the below tables is taken from the most recently available (March 2015) information on StatsWales. The statistics on lone parents are sourced from the 2011 census.

• Blaenau Gwent

	Blaenau Gwent (%)	Wales (%)
Overall unemployment rate	10.8	6.8
Youth unemployment rate (16-24)	30.8	18.9
Adults with qualifications below level 2*	20.5	13.5
Long term unemployed	10.8	6.7
Lone parent not in employment	49.4	41.5

*Stats Wales December 2014: <https://statswales.wales.gov.uk/Catalogue/Education-and-Skills/Post-16-Education-and-Training/Lifelong-Learning/Qualification-Levels/highestqualificationlevelsofworkingageadults-by-regionsofwales-qualification>

Welsh Index of Multiple Deprivation 2014

Local Authority Lower Super Output Areas within most deprived ten per cent (%)

<i>Overall deprivation</i>	23
<i>Income</i>	17
<i>Employment</i>	23.4
<i>Education</i>	27.7

Welfare reform impact

Loss per working age adult - £700

• Merthyr Tydfil

	Merthyr Tydfil (%)	Wales (%)
Overall unemployment rate	6.8	6.8
Youth unemployment rate (16-24)	23.7	18.9
Long term unemployed	6.8	6.7
Adults with qualifications below level 2*	16.3	13.5
Lone parents not in employment	43.5	41.5

Welsh Index of Multiple Deprivation

Local Authority Lower Super Output Areas within most deprived ten per cent (%)

<i>Overall deprivation</i>	22.2
<i>Income</i>	16.7
<i>Employment</i>	25
<i>Education</i>	25

Welfare reform impact

Loss per working age adult - £720

- **Torfaen**

	Torfaen (%)	Wales (%)
Overall unemployment rate	8.2	6.8
Youth unemployment rate (16-24)	25.9	18.9
Adults with qualifications below level 2*	16.6	13.5
Long term unemployment rate	8.2	6.7
Lone parent not in employment	42.2	41.5

Welsh Index of Multiple Deprivation 2014

Local Authority Lower Super Output Areas within most deprived ten per cent (%)

<i>Overall deprivation</i>	5
<i>Income</i>	10
<i>Employment</i>	8.3
<i>Education</i>	10

Welfare reform impact

Loss per working age adult - £590

- **Caerphilly**

	Caerphilly (%)	Wales (%)
Overall unemployment rate	9.7	6.8
Youth unemployment rate (16-24)	18.5	18.9
Adults with qualifications below level 2*	15.7	13.5
Long term unemployed	9.5	6.7
Lone parent not in employment	44.2	41.5

Welsh Index of Multiple Deprivation

Local Authority Lower Super Output Areas within most deprived ten per cent (%)

<i>Overall deprivation</i>	12.7
Income	10
Employment	16.4
Education	15.5

Welfare reform impact

Loss per working age adult - £640

- **RCT**

	RCT (%)	Wales (%)
Overall unemployment rate	6.5	6.8
Youth unemployment rate (16-24)	32.6	18.9
Long term unemployed	6.5	6.7
Adults with qualifications below level 2*	16.0	13.5
Lone parent not in employment	46.5	41.5

Welsh Index of Multiple Deprivation

Local Authority Lower Super Output Areas within most deprived ten per cent (%)

<i>Overall deprivation</i>	16.9
Income	14.9

Employment	20.8
Education	16.2

Welfare reform impact

Loss per working age adult - £670

Appendix B

'Disadvantaged worker' means any person who:

- (a) Has not been in regular employment for the previous 6 months; or
- (b) Is between 15 and 24 years of age; or
- (c) Has not attained an upper secondary educational or vocational qualification (International Standard Classification of Education 2) or is within two years after completing full time education and who has not previously obtained his or her first regular paid employment; or
- (d) Is over the age of 50 years; or
- (e) Lives as a single adult with one or more dependents; or
- (f) works in a sector or profession in a member state where the gender imbalance is at least 25% higher than the average gender imbalance across all economic sectors in that Member State, and belongs to that underrepresented gender group; or
- (g) is a member of an ethnic minority within a member state and who requires development of his or her linguistic, vocational training or work experience profile to enhance prospects of gaining access to stable employment;'