



Llywodraeth Cymru  
Welsh Government

PUBLICATION

# Stronger, fairer, greener Wales: a plan for employability and skills impact assessment

An assessment of the labour market, policy and funding context in Wales in relation to employability.

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## **Section 1: what action is the Welsh Government considering and why?**

### **Integration**

The Programme for Government (PfG) set out the actions we will pursue over this Senedd term. Our values of social, economic, cultural and environmental justice sit at the heart of everything we do – to ensure nobody is left behind, nobody held back, through a shared commitment to ensure everyone reaches their potential.

The Plan for Employability and Skills seeks to signal clear policy and investment priorities, sharpen our delivery focus and the activity of partners, on actions over this Government term that will leave a positive legacy for future generations.

### **Long term**

We published the first set of National Milestones in December 2021, to set out our longer term goals to help measure progress, and drive a collective response across all public bodies subject to the Wellbeing of Future Generations Act.

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The new plan seeks to progress our approach to achieving a fairer Wales by:

- promoting youth participation, progression and employment
- tackling economic inequality
- promoting Fair Work for all
- supporting people with a long term health condition to work
- raising skill and qualification levels, and mobility of the workforce

## Prevention

This plan details how Welsh Government will address some of the key labour market challenges and future trends, prioritise our resources to pivot existing delivery to people and skills, and ensure system flexibility and agility to respond to change in the labour market, policy and reductions in funding.

## Collaboration and involvement

It draws on collaboration and involvement in the National Milestone consultation, Race Equality Action Plan, Action on Independent Living Framework and co-development of, and priorities set out in, the Framework for Regional Investment in Wales.

It also sets out the expectations of other parts of the wider employability system such as local authorities, employers, and post compulsory education and training providers, and our expectations of the ongoing relationship with the Department for Work and Pensions, all of whom have a vital role in working together to make best use of resources to create a Stronger, Fairer, Greener Wales.

Importantly, we will deepen the social partnership we have developed over the last two decades by putting it into law, and use it to focus on the work we need to do collectively, to achieve a fair and equitable labour market in Wales.

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## Costs and Savings

The Plan sets out our intent to pivot existing delivery and resources to target the groups that need support the most whilst maintaining flexibility to respond to change in labour market, policy and funding shifts in future and make best use of resources in future.

We can't replace the ESF funding lost through Exit of the European Union, and the UK Government's Shared Prosperity Fund is too small and too late to maintain support at current levels.

We have prioritised our budgets to smooth the transition as best we can and boost our investment in people and skills in key areas.

We recognise the significant losses in funding and provision that will emerge as European Funds run down. We continue to challenge deployment of UK funds and seek to work cooperatively with UKG to further our mutual aims, particularly by working closely with the DWP.

For stakeholders the Plan will help partners to align their activities to our priorities and, where necessary, help to ensure that UK Government funding is used in a way which supports – rather than cuts across – Welsh Government priorities.

## Section 7: conclusion

### 7.1 How have people most likely to be affected by the proposal been involved in developing it?

This strategy summarises a wide range of policy development work and consultation across Government, and draws those plans together as a set of overarching strategic objectives to further fair work and economic equality in Wales.

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It draws on collaboration and involvement in the National Milestone consultation, Race Equality Action Plan, Action on Independent Living Framework and co-development of, and priorities set out in, the Framework for Regional Investment in Wales.

## **7.2 What are the most significant impacts, positive and negative?**

Welsh Government entered the sixth Senedd term in the midst of a public health emergency, leading the COVID-19 response and critical measures to protect lives and livelihoods. Managing a pandemic has had an enormous impact on us all and on every part of our lives. It has laid bare the deepening inequalities in our society, and we expect to live with the many consequences of it for some time to come.

The actions of this Programme for Government are first and foremost, about recovering from the pandemic, whilst continuing to maximise our contribution to our longer term well-being objectives; to leave a positive legacy for future generations.

The COVID-19 pandemic induced the fastest and deepest economic shock in living memory. However mass unemployment was averted, young people entered education in increasing numbers and the crisis has - so far - led to the lowest post-recession peak in unemployment since 1975, when UK GDP fell by 2% - compared to nearly 10% in 2020.

Employment levels improved during 2021, however, the labour force in Wales has decreased by around 40,000 to 50,000 people, following a trend increase in economic activity observed before the pandemic. The Institute for Employment Studies analysis at a UK level shows that lower immigration explains about one quarter of the reduction, with higher inactivity explaining the rest. The Office for Budgetary Responsibility suggests some of this reduction in the labour force will prove permanent and so contribute to the economic damage caused by the pandemic.

Like most economic crisis, some groups in the labour market have been hit

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harder than others and this crisis has highlighted inequalities in the labour market for certain groups including:

- increase in inactivity by ill health or early retirement for those over 50, and in particular more women than men over 65 have left the labour market
- disabled people, Black, Asian and Minority Ethnic people and those with health conditions continue to be significantly underrepresented in the labour market, with any improvement stalling
- enduring pay gaps across groups compared to the general population in Wales for disabled people (9.9%), women (5%) and ethnic minority employees (1.4%)[1]
- self-employment reduced by 6% (12,000) compared with pre-pandemic levels

Whilst there is currently a sense of cautious optimism about the labour market and economic prospects in Wales, there are a number of risks. This is because of shortages of some key workers, supply chain bottlenecks, higher energy prices and inflation rates of up to 7%, a rate not seen in 30 years. Progress could well be derailed by higher inflation eroding incomes and spending power. There are also significant disparities between groups within this, in particular for Black, Asian and Minority Ethnic people, disabled people and single parents.

There are significant potential headwinds for the labour market posing particular challenges for policy makers, particularly around risks of business failure, the impacts of Brexit, labour market disadvantage and new COVID-19 variants that may vary in their impact on different groups in society including age groups.

Welsh Government has historically held significant policy and budgetary influence over the Employability agenda in Wales. However future influence is under threat as the UK Government uses Internal Market Act powers in Wales and the UK Government refuses to provide like for like replacement to European funding to Wales – instead funding DWP and using the Shared Prosperity Fund.

The resulting insistence on circumnavigating the devolution settlement, and the role of Welsh Government, will have significant implications for Welsh employability provision and risks the emergence of a system that is fragmented.

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### **7.3 In light of the impacts identified, how will the proposal: maximise contribution to our well-being objectives and the seven well-being goals; and/or, avoid, reduce or mitigate any negative impacts?**

The Wellbeing of Future Generations Act<sup>[2]</sup> places a legal duty on Welsh Government and public bodies across Wales to improve social, economic, environmental and cultural well-being.

Progress towards improving labour market outcomes, and improving equality of opportunity, relies on action from everyone in Wales, and in particular those public bodies and public service boards subject to the Well-being of Future Generations Act.

Until now, National indicators have operated as our measure of success. The new set of National milestones will help us understand and monitor our collective progress and whether we are travelling in the right direction, at the right pace as a nation towards achieving the seven well-being goals for Wales.

The new strategy will contribute to the following Well-being Goals:

- a prosperous Wales: an innovative, productive and low carbon society which recognises the limits of the global environment and therefore uses resources efficiently and proportionately (including acting on climate change); and which develops a skilled and well-educated population in an economy which generates wealth and provides employment opportunities, allowing people to take advantage of the wealth generated through decent work
- a healthier Wales: a society in which people's physical and mental well-being is maximised and in which choices and behaviours that benefit future health are understood
- a more equal Wales: a society that enables people to fulfil their potential no matter what their background or circumstances (including their socio economic background and circumstance)

## 7.4 How will the impact of the proposal be monitored and evaluated as it progresses and when it concludes?

The Technical Annex that supports the publication sets out the measures of success, including areas to accelerate progress, the current trajectory and monitoring and reporting arrangements.

The Plan comprises of significant number of policy interventions and programmes that each operate monitoring and evaluation.

We will continue to assess the impact of Welsh Government programmes and their alignment with the priorities in the Plan in particular, ensuring the needs of those with protected characteristics and shared protected characteristics are met and that any barriers to access training or support, and attainment levels are identified and mitigated, thus ensuring they are prioritised for support. We will develop further actions to mitigate any gaps; including reviewing incentives and intervention rates to aid the recruitment of all disadvantaged people into the labour market.

[1] To note differing data time series for groups as follows: Disabled People is for 2018, Women is for 2021, Ethnic Minority is 2019

[2] [The Well-being of Future Generations | GOV.WALES](#)

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