



Llywodraeth Cymru  
Welsh Government

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# Agenda item 3: improving fair work through Welsh Government financial support

Improving fair work through Welsh Government financial support.

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## Decision required

SPC Members are asked to:

- I. agree that measures to promote fair work through Welsh Government grant support to business should be considered by social partners.
- II. decide if an SPC Working Group should be established for the purpose described in 1, or if engagement arrangements with social partners in Economic Policy would be preferred.

## Issue

1. A paper to inform next steps and respond to proposals for the engagement of social partners in the development of measures to improve fair work through Welsh Government financial support.

## Background

2. At the July SPC a paper tabled by TUC Cymru made proposals for a working group to consider the use of financial support to ensure fair work outcomes from public spend in Wales. Proposals included contractual requirements as conditions of grant funding (described as 'red lines'), expansion and standardisation of the Economic Contract, and a review of implementation.

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## Improving fair work

3. A structure that engages social partners to advise Welsh Ministers about improving fair work outcomes from our support to business would be a timely next step.
4. Subject areas and themes raised in the July SPC paper correlate with aspects of a recent Welsh Government commission to externally evaluate the Economic Contract, the flagship agreement between Welsh Government and grant funded businesses to support the economic, social and environmental well-being of Wales. A summary of the current programme objectives is attached at Annex A for background information.
5. An interim evaluation report is in the process of being finalised and the research is considered sufficiently advanced to inform the planning of improvements in the programme.
6. The commission includes an assessment of implementation and review processes, and an international comparison of what other similar governments are doing to encourage responsible business practices including, but not limited to, the use of conditionality. The final interim report will draw key conclusions about the current programme and make provisional recommendations for the Welsh Government to consider.
7. In response the Welsh Government will consider how the programme can be improved and explore more focus on discrete areas that reflect our policy priorities, including fair work outcomes, implementation and standardisation.

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## Working group remit and constitution

8. Section 8 of the Social Partnership and Public Procurement (Wales) Act allows for the SPC to establish relevant subgroups. The remit and constitution of any subgroup is a matter for the SPC.
9. Proposals in this paper are limited to Welsh Government business grants within the remit of the current Economic Contract, prompted by an evaluation of the current programme and the proposals set out in the TUC Cymru paper. It is acknowledged that this responds in part, but not fully, to the broader ambition set out in the July SPC submission.
10. The SPC may decide that a working group should be established for the broader purpose of providing advice to Ministers about improving fair work outcomes through Welsh Government financial support or public spend. In those circumstances, it is proposed that the subgroup work is sequenced to consider fair work in Welsh Government grant support to business, currently delivered through the Economic Contract, as a starting point. The advice would then inform Ministers' policy response to the evaluation of the Economic Contract.
11. An alternative option to an SPC working group would be to engage business representative organisations and trade unions by making arrangements through the Economic Policy Division. There are longstanding arrangements for engagement of social partners on matters of economic policy, and members of the SPC may prefer that these issues and the formation of advice to Ministers is integrated into those arrangements.
12. Organisations typically engaged on matters of economic policy are included at Annex B for the purpose of informing SPC discussion about subgroup membership.

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13. It is proposed that a first activity for the Working Group would be to consider the interim report of the evaluation and to discuss the findings and recommendations with Old Bell 3 and Cwmpas, commissioned to evaluate the Economic Contract, and authors of the interim report.
14. Officials in economic policy are content to facilitate an SPC working group or other arrangement, on matters of economic policy, working with the SPC Secretariat.
15. A final interim evaluation report is expected shortly and is likely to be within any timeframe the SPC would wish to establish for an initial round of working group meetings.

## Limitations

16. Separate consideration will need to be made of financial support arrangements that are outside the scope of this paper. Should a subgroup be established with a broader purpose similar to that outlined in paragraph 10, then the SPC would want to consider the management of membership and sequencing of a workplan to ensure that appropriate organisations and Welsh Government officials are engaged for each policy area, at the appropriate time.

## **SPC Members are asked to:**

- **agree that measures to promote fair work through Welsh Government grant support to business should be considered by social partners.**
- **decide if an SPC Working Group should be established for the purpose described in 1, or if engagement arrangements with social partners in Economic Policy would be preferred.**

## **Next steps**

17. If members agree that a Working Group should be established, then the next steps would be for the SPC to nominate a chair or co-chair (one worker and one employer representative on rotation) from amongst its membership. The SPC Secretariat would then work with the chair/s on the composition of the working group and its terms of reference.

## **Annex A: The Economic Contract**

### **Background**

The founding principle of the Economic Contract (the EC) is that it is an agreement between the Welsh Government and the businesses Welsh Government support to create resilient organisations that offer an attractive place to work.

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It is typically promoted as a commitment to provide public investment that prioritises the social and environmental needs of Wales whilst building a more resilient and prosperous wellbeing economy, and often described as our ‘something for something’ approach.

Through the EC businesses demonstrate the contribution they will make to these principles and the Welsh Government sets out the support it will give in return. Since 2019 the flagship vehicle for the EC has been the Economic Futures Fund (EFF), a consolidated fund of grant schemes across creative production funding, innovation, tourism and core support for SMEs, amongst other flagship schemes. The EFF was launched alongside the Economic Action Plan (EAP). The EAP was underpinned by a principle described as investment with a social purpose. The EC is not limited to these funds and other support schemes use either an EC or apply EC principles.

## **More recent programme and policy changes**

In 2021 a refresh of the EC introduced new pillar names bringing more overall shape and direction to the policy around economic sustainability, fair work, decarbonisation and wellbeing.

A programme of development associated with the refresh aims to progress and improve our application of the principles underpinning the Economic Contract. Next steps associated with the refresh programme included an evaluation of the programme, and a further intention of strengthening arrangements to include standardised indicators (or metrics), with longer term ambition for extension of the EC into new areas of business support and the development of lighter touch elements to be proportionate to different levels of support and to business composition.

There is a continuing emphasis on the development of the EC that runs through the policy frameworks which follows the EAP. The Economic Mission (published

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in 2021) includes an undertaking to evolve, expand and strengthen the Economic Contract in the pursuit of social value, emphasising engagement with social partners, which is consistent with key programme government commitment, also to ‘strengthen our economic contract.’

Additionally, there are two related wellbeing goals, published alongside the Programme for Government, that emphasise fair work, sustainability, and a stronger, greener economy as progress is maximised towards decarbonisation and our national indicators which measure progress against our Wellbeing goals.

In Autumn last year the Welsh Government published ‘Priorities for a Stronger Economy,’ to update the economic mission in line with our current financial and economic circumstances. The four national priorities identified in the paper emphasise a just transition and green prosperity, a platform for young people, fair work, skills and success, stronger partnerships for stronger regions, and growth.

Finally, the Social Partnership and Public Procurement (Wales) Act 2023 legislates for a system of social partnership and a Social Partnership Council with participants appointed under the Act by the First Minister that includes business representative organisations (BROs) and trade unions. It also seeks to strengthen procurement arrangements and drive social value outcomes from public spending.

## **Annex B: Economic policy and social partner engagement**

Social partner organisations that are typically included and engaged in matters of economy policy are listed below:

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## Business Groups

- CBI Cymru
- FSB Wales
- Make UK

## Trade unions

- TUC Cymru
- Unite
- GMB
- Prospect
- Usdaw
- CWU
- Community

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