Economic Action Plan

Decision sought
This paper seeks Cabinet approval of the Economic Action Plan.

The Issues

Context

1. The Welsh Government published *Prosperity for All: the national strategy* on 19 September, as a single cross-cutting strategy to inform all decision making and to provide a framework for improved cross-Governmental working. The Welsh Government made clear that a limited number of action plans would support *Prosperity for All*, including an Economic Action Plan.

2. The draft Economic Action Plan (the Plan) at annex A develops actions under seven of the 12 Well-Being Objectives set out in *Prosperity for All*:
   - Support people and businesses to drive prosperity
   - Tackle regional inequality and promote fair work
   - Drive sustainable growth and combat climate change
   - Build ambition and encourage learning for life
   - Equip everyone with the right skills for a changing world
   - Deliver modern and connected infrastructure
   - Promote and protect Wales’s place in the world.

3. The Plan contributes to the five cross-cutting priority areas identified in *Prosperity for All* of early years; mental health, employability and skills; housing; and social care. Whilst it touches all five areas, it has its strongest and most direct role to play in relation to early years, employability, and social care.

Impact

Executive Summary

4. The purpose of the Economic Action Plan is to support delivery of Prosperity for All – the national strategy for Wales. The Plan drives the twin goals of growing the economy and reducing inequality. It sets out a number of ambitious proposals that commit the Government to a major shift in policy direction in a number of key areas mobilised around a common purpose to work with business and others to build resilience and future proof the Welsh economy.
5. Since devolution, we have strengthened the foundations of the Welsh economy. Our labour market performance is strong with more people in work than ever before. Since 2011, we have supported over 185,000 jobs across Wales and have a lower rate of unemployment than the UK average. We have a record number of active businesses in Wales, and the number of new business births is the highest for over a decade.

6. Our exports and levels of foreign direct investment (FDI) continue to impress demonstrating global confidence in the quality of Welsh business, products and services.

7. Despite this, a number of stubborn issues remain such as economic inactivity, relatively low levels of productivity and uneven distribution of growth and opportunity across our regions. In addition, the fourth industrial age brings significant challenges and opportunities alongside decarbonisation of the World economy; and exiting the EU. The changing world of work presents some of the most pressing policy challenges over the coming decades.

8. The combined impact of these economic, environmental, technological and demographic forces demands new approaches. Many Welsh businesses are adapting to this change and are key partners in our approach. Universities have an important contribution, with research and development, innovation and science critical in meeting this agenda.

9. As government, we have a responsibility to work in partnership to engage these issues head on and gear our support and policies to people, business and places that need it to survive and thrive.

10. The Plan balances the need for short, medium and long term action, recognising the impacts are being felt now and into the future. It recasts the relationship with our partners as we seek greater social and long term economic benefit. Our approach will be different, will involve taking risks, but we believe these actions are entirely necessary and justified by the evidence. In return, we will deliver a strong and simplified offer to people, business and places.

The Economic Contract

11. The Economic Contract is the centrepiece of our new approach. This will frame the reciprocal relationship between Government and business and drive public investment with a social purpose.

12. We will apply the Economic Contract to our direct financial support to business. We will explore extending the contract to include our wider offer to business and the adoption of these principles by the rest of the public sector in Wales.
13. The Economic Contract will require businesses seeking investment from us to demonstrate all of the following as a minimum requirement:

- Growth potential (measured for example, by contribution to employment or productivity)
- Fair Work (as defined by the Fair Work Board)
- Promotion of health, including a special emphasis on mental health, skills, and learning in the workplace
- Progress in reducing carbon footprint

14. These will be the first stage requirement for businesses to meet before we will consider their proposals for funding. The Calls to Action will form the second stage.

**Calls to Action**

15. We will help businesses overcome key challenges of the future, changing our primary support mechanisms to focus on these Calls to Action. Any business asking for direct financial support will be required to develop proposals that respond and align to at least one of these:

- **Decarbonisation** - we want to enable more of our business base to become carbon light or free.
- **Innovation, Entrepreneurship and Headquarters** - we want to support businesses to innovate, introduce new products and services and succeed.
- **Exports and Trade** - we want to proactively support trade with the UK and rest of the world.
- **High Quality Employment, Skills Development, and Fair Work** – we want to improve our skills base and ensure that work is fairly rewarded.
- **R&D, Automation, and Digitalisation** – we want to help to develop and introduce new products, automate and digitise to remain competitive in the fourth industrial age.

16. These challenges, brigaded as Calls to Action, have been carefully chosen to reflect the issues existing businesses need to respond to and which the businesses of the future will need to adapt.

**Economy Futures Fund**
17. We will streamline and simplify our approach into a single, consolidated Economy Futures Fund. We are responding to the call from business for simplicity and their expectation of partnership with government to be efficient and effective.

18. The Fund will align support to our five Calls to Action and the Economic Contract – supporting those businesses that wish to adapt to grow.

19. We recognise business is best placed to understand the global market place and the most effective interventions. For the first time, we will actively encourage and work with groups of businesses to collaborate to develop challenge proposals delivering against our Calls to Action. We will consider proposals that have a transformative effect on those businesses themselves as well as wider regional impacts on a case-by-case basis. This approach empowers the business community to drive change with bold and ambitious proposals.

National Thematic Sectors

20. To maximise our impact we need to focus our financial resources and target our proactive support. In response to the rapidly changing economic environment, including a convergence of sector boundaries, we are simplifying our approach around three thematic sectors where our proactive support will be focussed:

- Tradable Services
- High Value Manufacturing
- Enablers

21. The support we offer will be linked to the Economic Contract and Calls to Action.

Foundation Sectors

22. The Foundation Economy is the part of the economy that provides essential goods and services and plays an important role in the lives of people and communities. We will focus on a limited number of Foundation Sectors:

- Tourism
- Food
- Retail
- Care

23. We will work across government on a range of issues including skills development, new business models and infrastructure, and we will work with the sectors to develop enabling plans to address key issues.

Regional Economic Development
24. Each of our regions has its own distinctive opportunities and challenges – and we believe embracing these through more effective regional collaboration will lead to better outcomes.

25. We will introduce a new regionally focussed model of economic development. We will bring greater coherence through the work of our Chief Regional Officers who promote regional interests and issues in Welsh Government to tailor delivery on a broad range of issues. Our regional footprint is consistent with our local government reform agenda and those used by the Regional Skills Partnerships.

Childcare

26. We will implement 30 hours of free education and childcare to support working families in reducing pressures around potential barriers to employment.

Decarbonisation

27. We have set out the pathway for transition to a low-carbon economy and the steps that we will take to support businesses in respect of decarbonisation and resource efficiency, linking to the Economic Contract requirement for businesses to decarbonise.

Skills and Lifelong Learning

28. We will act to raise levels of ambition, skills and entrepreneurship. We will introduce a strategic planning system for education and skills delivery across post 16 education and bring research funding together. On entrepreneurship, we will establish targets for the numbers leaving education starting businesses and support this through high-quality advice.

29. We will publish a new employability delivery plan for Wales, simplifying our offer to people of all ages who want to gain and retain a good job. We will deliver at least 100,000 all-age apprenticeships aligned to the needs of our economy and our national and foundation sectors. We will link our actions to the Education Action Plan and improve attainment.

Infrastructure

30. We will commit to a five-year programme of transport capital funding, to drive efficiencies in the delivery of transport projects and provide greater certainty for suppliers to invest. We will set a headline target of driving 20% efficiencies across the five-year investment portfolio for new projects, equating to hundreds of millions of pounds.

31. We will lead the way in decarbonisation of our transport networks and improve the air quality of the communities they serve. We will introduce a range of measures
aimed at reducing the carbon footprint of taxis and buses in Wales to zero within ten years.

32. We will mandate regional land use planning across Wales. We will develop detailed transport models across Wales for each region and will use these to underpin decision making for land use and transport planning.

**Procurement**

33. We will introduce new levels of innovation in procurement to further increase the number of Wales based businesses, especially those headquartered here, winning business from the public sector.

34. We will drive through adoption of our Code of Practice on Ethical Employment in Supply Chains, fighting unfair and illegal employment practices. We will align infrastructure investment with regional development plans to maximise the impact of growth.

**Trade and Investment**

35. We will foster new relationships for trade and investment, safeguard existing relationships and promote Wales effectively on the global stage. This includes support for trade and investment by encouraging Welsh businesses to start and grow overseas sales. We will expand our international presence and work with other partners, including the UK Government and other administrations linking this to the importance of our relationships with Europe, the wider world, and the impact of exiting the EU.

**Working together**

36. Our ambitions for sustainable growth and reducing inequality require all of us to play our part. We cannot do this alone. We want to work with our partners around a common purpose using all available levers to deliver the ambitions set out in this plan, to build resilience and future proof the Welsh economy.

**Well-Being of Future Generations (Wales) Act**

37. The Economic Action Plan directly supports the *Prosperity for All* strategy and seven of the 12 Well-Being objectives. The Plan recognises that a growing, sustainable, and inclusive economy is an essential underpinning of a more prosperous, healthier, resilient, and more equal Wales. The Plan supports the five ways of working by supporting a whole Government approach and in driving collaboration with external organisations through the Economic Contract.
38. While the Cabinet Secretary for Economy and Transport has portfolio responsibility for economic development, the Plan recognises that achieving a growing, sustainable, and inclusive economy is beyond the scope of any single ministerial portfolio and requires concerted action across Government and between Government, key stakeholders and delivery partners in the public, private, and third sectors. The Plan will discussed with the Future Generations Commissioner in advance of publication.

*United Nations Convention on the Right of the Child (UNCRC)*

39. A growing, sustainable and inclusive economy directly contributes to the UNCRC and the interventions within the Economic Action Plan pursuant to the seven Well-Being Objectives contribute to Article 27 (right to an adequate standard of living) and Articles 28 and 29 (right to education and development).

*Welsh Language*

40. The Welsh Government’s obligation under the Welsh Language Standards has been taken into account in drafting this Cabinet Paper. Moreover, the placed-based focus of the Economic Action Plan will help support the thriving local and regional economies essential to supporting the target of one million Welsh speakers by 2050.

*Equality and Human Rights*

41. Certain groups with protected characteristics are more likely to experience poverty and exclusion than others. The focus of the Economic Action Plan on inclusive growth, and strong regional and foundation economies will support an inclusive agenda, ensuring that everyone and every part of Wales has access to opportunities to lead rewarding lives.

*Finance Requirements and Governance Implications*

42. This Paper and the accompanying Economic Action Plan detail key areas for intervention under seven of the 12 Well-Being objectives in *Prosperity for All*. The Plan is cross-cutting and recognises ongoing pressures on the Welsh Government’s budget due to continued austerity. Any decisions to prioritise or increase investment to deliver these priorities will need to be offset by reductions elsewhere to enable the plan to be managed within existing budgets.

43. This Plan does not seek additional financial resources but seeks to re-prioritise existing budgets. Any significant actions arising out of the Plan will be subject to the usual assessment of financial implications including the opportunity cost, and based on realistic and sensible planning assumptions of the future financial outlook. Relevant Operations teams and Strategic Budgeting have considered this advice and in accordance with FN 01/2015 have cleared it under clearance codes:
Communications and publication

44. A provisional date for an Oral Statement to Plenary launching the Economic Action Plan has been set for 12 December. Ministerial Communications are fully engaged with this work.

Recommendation:

That Cabinet agree the Economic Action Plan at annex A.

Joined up Working

45. Numerous discussions and contributions across Government have informed the Economic Action Plan. These have included the cross-government working group that was established to support the development of the Prosperous and Secure section of the Prosperity for All strategy earlier in the year, as well as more recent, dedicated workshops on a number of the well-being objectives in the Plan. The Permanent Secretary has also convened an extended Challenge Session for the Plan in mid-October. Finally, the Cabinet Secretary for Economy and Infrastructure has undertaken an ongoing programme of bilaterals with individual Welsh Ministers ahead of the Cabinet discussion on 28 November.

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November 2017