



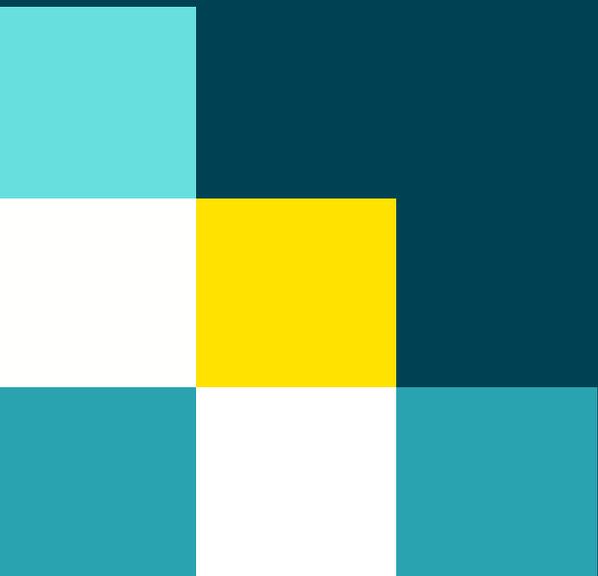
Wales Centre for Public Policy
Canolfan Polisi Cyhoeddus Cymru

Planning for Economic and Social recovery from the Coronavirus pandemic

Annex 2: Vulnerable Groups

Helen Tilley and Craig Johnson

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- Works with public services to access, generate, evaluate and apply evidence about what works in addressing key economic and societal challenges; and
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Introduction

This annex presents the conclusions of two expert roundtables convened in May 2020 by the Counsel General and Minister for European Transition to consider ways to mitigate the impact of the Coronavirus pandemic on vulnerable groups.

The annex and the report which it accompanies were commissioned by the Minister to help inform the Welsh Government's planning, but we hope that they will also be useful to public services and other organisations that are developing their own thinking on restart and recovery.

Roundtable 1

Experts participating in the first roundtable were asked to advise on the differential impact of the Coronavirus pandemic on vulnerable or disadvantaged groups in Wales and how to mitigate this by economic interventions, welfare interventions, and the development of public services, within the powers of the Welsh Government.

Overview

This pandemic has arisen in a context of uncertainty generated by Brexit, and after a period of austerity and retrenchment in public services funding across the UK following the 2008 financial crisis. Therefore, people already in vulnerable situations are increasingly exposed and the state's capacity to effectively support them has been reduced by austerity. The role of the state as a safety net is essential, both for individuals at risk of poverty and also for keeping businesses running, which may be for longer than originally anticipated.

The lack of certainty and clarity is a huge challenge. The path out of the lockdown is currently unclear, and this has implications for the recovery path of the economy and how vulnerable groups are affected. The recovery is expected to take a long time and the economy will be significantly smaller for the medium term. This however should not become a self-fulfilling assumption, as there is a possibility of a quicker return in some areas and opportunities that can be pursued. Much of the discussion on the pandemic so far has been focussed on the universal movement out of the crisis but there is a pressing need to ensure that the response is adapted to the needs of different parts of the economy and society.

The crisis will affect Wales in different ways from the rest of the UK due to its specific characteristics. To a degree Wales is protected by a greater proportion of key workers, a greater proportion of workers employed in the public sector and a higher share receiving the

national living wage. However, it also has a greater proportion of workers on low pay and people who are unable to work from home. Some sectors that are key to the Welsh economy are also particularly affected. The labour market impact is not equal and the different impacts upon people will lead to different experiences.

The crisis has changed the balance between rights, responsibilities and risk in society, which suggests a need to reframe the social contract. The Well-being of Future Generations Act (Wales) 2015 could be used to ground a clear narrative and to frame the future vision of the Welsh economy. There is the potential to collaborate with other governments emphasising wellbeing. There has been a long focus on a fair work agenda in Wales, and particularly so in sectors deemed key and foundational. The crisis presents an opportunity to implement these.

The roundtable highlighted some of the huge challenges that this pandemic and the public health response will continue to create. Some of the most significant interventions – through the tax and welfare system – remain with the UK Government. The implications of the pandemic for poverty and child poverty are substantial and existing settlements are inadequate for addressing these challenges. The relationship between the Welsh Government and the UK Government will have implications for what can be achieved in Wales and a new partnership needs to be forged, through active campaigning by the Welsh Government. There is also the potential for the Welsh Government to pursue its own objectives and to build change within the existing devolution settlement; collaborative mechanisms might include citizen assemblies and roundtables.

Vulnerable groups

Groups already in a vulnerable position as a result of social and economic inequalities will be greatly affected and at risk of even greater poverty. While the UK Government's short term support measures have partially protected many people's income, they have not provided significant help to those in poverty. There is substantial risk of scarring through long term unemployment and poverty for both individuals and communities. It was noted that the pandemic has disproportionately affected those from BAME backgrounds.

Unemployment, underemployment and the lack of state support will have big implications for child poverty. The long-term impacts of this crisis on children and young people could undo two decades of progress in educational attainment and future economic prospects. There are significant gradients in how the lockdown will affect children's educational attainment, for example through differential access to broadband - ensuring that this does not further widen the educational divide will be critical.

There was general agreement that the immediate support provided by the UK Government would be quite short term and could not be sustained at scale. Universal credit is important, particularly for single parent families. There was broad consensus that the Welsh

Government should make the case for significant investment in employment support, and try to ensure active labour market policies for those out of work. This may be in the form of job guarantees or training for the long-term unemployed.

There was discussion of the need to better understand the effects of this crisis on the large group in the middle of the income distribution. This group has the highest level of unsecured debt, and some will have had their lives set up in a way that this crisis has made unsustainable.

Further and higher education

The education system could play a strategic role in anticipating changes in the economy and developing training opportunities and incentives in response. It was recognised that apprenticeships have the potential to be an important mechanism for supporting skill development and labour market recovery. They can support the movement of workers from affected sectors into different jobs in the short term, such as health and social care or broadband and technology sectors.

There is, however, a need to ensure that apprenticeships are high quality skill-based training programmes, rather than a route to obtain cheap labour. One example is an IPPR project in London to facilitate effective apprenticeship programmes with large and small employers. To establish such a scheme, it was argued that it would be necessary to identify providers and explore conditions under which government support will be key. Suggestions included encouraging collaboration amongst providers and companies and strengthening the role of trade unions to both identify and propose methods to fill skill gaps. It may not be the case that new programmes will be needed everywhere, but that existing programmes can be expanded and repurposed. Business Wales has 30 skills and apprenticeship schemes, presenting an opportunity to increase accessibility by simplifying the structure, access requirements and application process. The Welsh Government could steer potential applicants through a simplified process.

There was consideration of the risks and opportunities for universities. The short term income loss resulting from a decline in international student numbers is expected to be substantial. Given that universities are likely to have greater capacity in the autumn of 2020 as student numbers fall, Welsh universities could be encouraged to provide further education. In addition to boosting skills, training and university finances, this could also alleviate immediate pressures on the labour market and reduce youth unemployment. Incentives such as reducing council tax for graduates to retain them in the locality and encouraging Welsh graduates to return after developing networks and skills outside Wales were discussed.

Universities could become catalysts for regional development¹. Although this would not be suitable for all parts of Wales given the geography of universities, more could be done to provide support to universities, local authorities and businesses to work in regional partnerships to encourage skills-oriented programmes. HEFCW could play a role in facilitating this.

It was also observed that the UK is behind in comparison to American universities including Harvard, who have developed online courses. There is the potential for universities to collaborate and to contribute to a combined degree².

Business support

Understanding how different sectors are affected can inform a tailored support strategy. It was recognised that some sectors, including steel, aerospace, automotive, hospitality and tourism have been particularly affected, while others including social care will need to be expanded and evaluating the jobs, remuneration, and skills and training in such sectors will be important. Regional inequalities are also likely to be compounded by these sectoral impacts, resulting in some parts of Wales being less able to 'bounce back' than others, further compounding the effects of previous economic shocks.

There are three broad categories, each requiring different interventions:

1. Some businesses will require support while they gradually phase their return to something resembling normal activity.
2. Other, including those in the hospitality sector, will not be able to resume for some time and therefore employees should be supported to retrain.
3. Businesses connected to remote tourist areas face particular difficulties, as they do not have obvious alternative employment opportunities while restricted travel persists and are likely to face a long period of income loss. These areas will need a different type of support, such as a job guarantee scheme.

Implicit in the UK Government's support is that it is keeping businesses afloat until they are viable. However, realism was encouraged in recognising that some will not be able to return to being viable and there may be a need to let these businesses fail. In such circumstances

¹ See WCPP's report on universities' civic mission

<https://www.wcpp.org.uk/publication/maximising-universities-civic-contribution/>

² The Welsh Government has already put in place measures with the Open University and other providers to provide a free e-learning platform for skills and training. This may experience high demand in the coming months and may need additional support.

retraining grants could support labour reallocation. This could be done alongside encouraging furloughed employees to take up online training opportunities.

There is an urgent need to think of how to exit from the job retention scheme in a flexible manner to support the transition to recovery, for example moving to an active labour market policy that includes a wage subsidy scheme and retraining. This would require rethinking the balance of responsibilities between the Welsh and UK Governments, and could benefit from drawing on Wales' flexibility to use different options such as loans to SMEs and debt equity swaps.

There are some important interventions that the Welsh Government can undertake, subject to borrowing limits. There was consensus that broadband capability is an important area of investment. Broadband access, particularly in rural areas where it is more limited, now has even greater implications for economic inclusion. Investing in ultra- and super-fast broadband will be critical and it was suggested that a scheme similar in format to the cycle to work scheme could be used to aid digital inclusion. Should there be greater demand for housing in rural areas as a result of this crisis, greater broadband investment would be necessary.

Other suggestions included: reshaping the Development Bank of Wales into an economic development agency and extending its role beyond that of a funder; increased investment in business surveys (as undertaken by the Federal Reserve in the United States) to provide a nuanced understanding of where there are strengths and opportunities, where there are vulnerabilities, and also bottlenecks and challenges to be addressed; and using the Well-being of Future Generations Act to develop conditionalities for business support, for example Denmark does not support companies using tax havens.

Both the Welsh Government and the UK Government will be subject to extensive lobbying by different sectors and businesses. There was agreement that it will be important to be firm and transparent about how support will and will not be provided.

Public finances

The recovery trajectory will have implications for public finances, and the challenge of the unknown was recognised. Most agreed that the OBR analysis and forecasts were optimistic and it is likely that the recovery will take longer and the economy will be significantly smaller for the medium term. In the context of a large deficit and rising debt there are choices to be made about how to finance the debt, particularly in the context of global debt pressures. Questions include how quickly to return to a current budget balance and when and how to raise taxes. There was agreement that as austerity is not a viable path, revenue will need to be sourced from tax increases. There are likely to be reductions in tax income, loss of business rates and reductions in stamp duty revenues this year, and possibly next. The

importance of the timing of the introduction of a tax rise with political and economic objectives was emphasised.

The public finance position will influence the timing of the phasing out of the job retention scheme. The financing of this along with other welfare support including universal credit will depend on the negotiations with the UK Government.

Participants

Chair: Jeremy Miles

Counsel General and Minister for European Transition, Welsh Government
(responsible for future recovery work)

Experts participating:

Gordon Brown

United Nations Special Envoy for Global Education and former UK Prime Minister

Jonathan Portes

Professor of Economics and Public Policy, King's College London

Torsten Bell

Chief Executive of the Resolution Foundation

Paul Johnson

Director of the Institute for Fiscal Studies; Visiting Professor in the Department of Economics at University College London

Carys Roberts

Executive Director of IPPR

Elke Heins

Senior Lecturer in Social Policy at the University of Edinburgh

Steffan Ball

Chair of the Council of Economic Advisers at HM Treasury

Gareth Jones

CEO of Town Square Spaces

Meena Upadhyaya

Honorary Distinguished Professor at Cardiff University

Welsh Government: Lauren Stamp, Jonathan Price, Ian Butler, Liz Lalley, Charlie McCurdy

Wales Centre for Public Policy: Craig Johnson, Helen Tilley

Roundtable 2

Experts participating in the second roundtable were asked to advise on how to best support those groups most affected by the lockdown and the policy interventions that should be prioritised to support businesses to shape the future Welsh economy.

Overview

The response to the Coronavirus pandemic can be seen as both an economic emergency for 2020 and also as an opportunity to shift to another paradigm by investing in systems and institutions which will provide the foundations for a more sustainable and resilient future. The Welsh Government's role is to provide immediate support while also enabling the development of new mechanisms and ways of working for the future. Ensuring that short term support facilitates movement towards longer term goals and builds on the specific characteristics of Welsh society and economy will be important. For example, it provides an opportunity to think about the future of work and to embed the Well-being of Future Generations Act. Taking this opportunity to develop a resilient economy that responds to the specific nature of Welsh society and demography while aligning with Welsh values will place Wales in a strong position should the pandemic return.

The crisis has highlighted existing inequalities in society and how the economy does not work for certain groups of people. Existing inequalities have been exacerbated as a result of the Coronavirus pandemic, and while immediate support has needed to be broad and comprehensive, some sectors and groups will continue to need greater support than others. Considering how policies impact groups differently can offer a clearer perspective on the unequal outcomes that are likely to result. Adjusting policies in response to the crisis provides an opportunity to adjust the value attributed to different types of work. Ensuring that the key sectors in the Economic Action Plan are both the right ones and support the future vision of the Welsh economy is important, as well as outlining tangible steps for firms to meet, such as on the gender pay gap.

Vulnerable groups

Concern was expressed about young people, particularly those aged under 25 who are typically the hardest hit in recessions. There will be young adults with resources and talent coming out of college or university who will be very restricted: they cannot travel, they will struggle to find work and they may be living with their parents. There is a risk that their skills and capabilities will be wasted and developing a strategy to prevent this happening will be important.

Remote working may result in increased labour market participation amongst disabled workers and those with caring responsibilities (predominantly women). However, organisational stereotypes will not automatically change as a result of the lockdown, with negative implications for equality. Furthermore, there is a risk that remote working reinforces existing patterns of inequality as the capacity to work from home is unlikely to be evenly distributed. There is a need to equalise remote and flexible working so that it is not mainly requested by people with caring responsibilities or difficulties travelling to a workplace; and there remains a need to ensure contractual equality. The gender pay gap is expected to be exacerbated given the greater prevalence of women in low paid and furloughed industries.

The vital role played by charities and the third sector was acknowledged. One participant spoke of how their organisation had received increased requests for support from charities, including homelessness organisations and foodbanks as existing vulnerabilities have been exacerbated and funding streams lost. While some linkages have been created with local authorities and groups such as the WCVA, it was felt that charities should be an ongoing area of concern for the Welsh Government as they play an important role in delivering public services.

Exercise and transport have changed in response to the Coronavirus pandemic, but some groups will be less able to respond to the changes than others. People with disabilities and mothers with children were highlighted as groups not supported by the existing infrastructure, for example to take children to school, or for carers to travel to work.

Education and training

Through education and training there is the opportunity to make adjustments that will move the economy away from prevailing patterns of inequality. Formal education and training have a part to play, but it is also important to motivate people, particularly those from disadvantaged groups or communities, to see a different future for themselves that would allow them to make a bigger social and economic contribution. This also applies to gender inequality. It was suggested that gendered patterns of employment and the gender pay gap could be reduced by encouraging female students into particular sectors. This would have longer term implications as evidence from women is increased, their evidence heard, and they are involved in making key decisions.

In terms of developing the skills to match the future needs of the economy, there is a challenge associated with maintaining the flexibility to respond to emerging needs and ensuring that education and training provision can fulfil the future vision of the economy. One expert voiced the need for the Welsh Government to respond flexibly to the demands of both employers and students and to be able to adjust further education funding awards in response; noting that funding awards given last year are now inappropriate.

Welsh universities are facing a significant reduction in income with concerns over their survival. The crisis has exposed existing challenges, for example how the reliance on numbers of overseas students results in a high carbon footprint. The higher education sector faces a tension between UK funding, overseas funding, and training Welsh head teachers to prepare pupils to ensure Welsh applicants. Rebalancing the funding for universities could support a rebalanced economy. One proposition was that universities deliver apprenticeships to use the spare capacity and to generate funding. A specific challenge faced by academics is the difficulty of publishing research on Wales in high ranking journals, with negative implications for careers and subsequent research funding.

For those still in school, inequalities in adjustments to learning and examination were discussed. While adjustments have been made to GCSE and A-level examination processes, the vocational education system has not yet developed adaptations as, in general, face to face assessment and training is needed. This is both an economic and a wellbeing issue for those concerned.

Policy interventions and business support

The discussion considered opportunities that the pandemic and resulting economic crisis may present. Policies should support the type of high streets people want to see and areas of work that support health and wellbeing, with a greater recognition of the importance of small businesses. Increasing tax rates for larger companies that are located outside of towns and cities and increasing support for the foundational economy and small businesses could support the recovery of smaller companies.

Some of the experts reflected that the potential for the transformation of the Welsh economy since devolution had not been realised as the main tax and welfare systems remain in the hands of the UK government, and as a consequence the tax levers remain relatively low and welfare payments similarly so. Recognising that the policy levers available to the Welsh Government are restricted as the tax, benefit and financial systems are reserved matters, there are some limited opportunities to achieve the Welsh Government's policy objectives. However, the Welsh Government should urgently push for greater borrowing powers to act on devolved matters in an emergency situation. Some experts argued that tax powers should be used more aggressively in the future.

Implementing more of the Review of Digital Implementation report by Professor Phil Brown was suggested. The report recommendations included creating innovation clusters across Wales, an AI institute, a new skills framework, and substantially increasing funding to support areas of the foundational economy to improve their digital infrastructure and skills. Research by Cardiff University suggests that broadband access is not the primary issue for businesses; it is digital capacity and ability.

Ensuring distance between employees is likely to be more challenging for some manufacturing businesses than for others. Some businesses cannot operate at a distance from each other, nor can they provide well ventilated spaces, pointing to risks and challenges in terms of business closures, job losses and automation. Therefore, the move towards automation without substantial job losses might require targeted support for some organisations.

Understanding the economic context for business success is important. Businesses only survive if they can competitively produce goods and services that people want to buy, and the Welsh Government has a role to provide an infrastructure that is pro-business. This might be realised through support for digital connectivity and transport, and incentives to encourage manufacturing to align with a green economy vision.

The structure of financial support for businesses was recognised as having an impact on the agency of companies. Were the Welsh Government to provide equity rather than grants this could facilitate a shift to businesses driving the agenda rather than mainly being recipients of funding. The question of whether capital could be made available for companies to be sold on as cooperatives was also raised. Related to this, the move to develop partnerships between business, government and civil society was suggested as a method to better use talents in different sectors of the economy.

The challenge facing the tourism sector in different parts of Wales was recognised: the sector may rebound next year, but it may take longer. There are obvious long-term opportunities as rural parts of Wales could offer safer holidays than overseas travel or more densely populated parts of the UK, but realising this when the industry has been greatly affected will be a challenge.

Participants

Chair: Jeremy Miles

Counsel General and Minister for European Transition, Welsh Government
(with responsibility for future recovery work)

Experts participating:

Pippa Britton
Sport Wales

Cerys Furlong
Chwarae Teg

Professor Calvin Jones
Cardiff University

Professor Dylan Jones-Evans
University of South Wales

Michael Plaut OBE
Formerly Chair CBI Wales

Tegid Roberts
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Judge Ray Singh
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