

Opportunity through work

A policy programme to
champion better work and
working lives in Wales



We're the CIPD – the professional body for HR and people development. We have 140,000 members, with over 4,500 of these in Wales, who are responsible for recruiting, managing and developing a large proportion of the UK's workforce.

Our members work in HR, learning and development, people management and consulting across private businesses and organisations in the public and voluntary sectors. They are perfectly placed within organisations of all sizes to see how government policies impact work, the workforce and workplaces.

As an independent and not-for-profit organisation, we're committed to championing better work and working lives for the benefit of individuals, businesses, economies and society.

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Foreword

Our new Welsh Government faces a number of challenges, arguably none more important than boosting the productivity of the Welsh economy, as well as continuing to tackle the ongoing problem of unemployment, particularly in young people. Important decisions will also need to be made around public spending, with additional powers being devolved down to Wales, including powers linked to taxation, as well as how to allocate resources efficiently in a way that benefits both Welsh businesses and people to sustain long-term employment growth and opportunity.

This is also an important time for Welsh employers. Our labour market is changing, and employers need to keep pace with the changing world of work and new ways of working if they are to attract and retain the right talent and skills for their organisations. Employees, too, face both challenges and opportunities in today's workplaces, whether they are older workers looking to retire comfortably or remain in work, or young people looking to take their first step onto the jobs ladder. Skills development, apprenticeships, careers advice and guidance, and real work experience are all vital components that must be thought about, not only for young people, but across the age demographic.

At the CIPD, our mission is to champion better work and working lives. We've produced a policy programme which, we believe, does this and which encourages the new Welsh Government to do the same. We call upon the new government to:

Boost productivity and skills utilisation throughout the Welsh labour market – by conducting a fundamental review of skills policy, with a strong focus on employer demand for skills and skills utilisation, encouraging more workplace development and investment in skills, as well as encouraging the building of the high-performance workplaces that Wales needs in order to compete on a UK-wide and global stage.

Support opportunities that enable young people to succeed in our labour market

– by facilitating high-quality careers information, advice and guidance (IAG) with strong relationships between education and business, including the continuation of the *Jobs Growth Wales* programme and supporting SMEs in offering more high-quality apprenticeships.

Take a ‘good practice’ approach to employment regulation and policy within public services – continuing to support public sector employers, including ongoing positive outcomes relating to public service pay and conditions. Also, support the work of the Public Services Staff Commission and the Workforce Partnership Council, and use the opportunity that public service reform presents to ensure that good practice is understood and shared.



A handwritten signature in black ink that reads "Peter Cheese".

Peter Cheese
Chief Executive



A handwritten signature in black ink that reads "Ben Willmott".

Ben Willmott
Head of Public Policy



A handwritten signature in black ink that reads "Lesley Richards".

Lesley Richards
Head of CIPD Wales

‘The impact of the recession on Wales’ long-term growth potential is still uncertain.’

Challenges in the years ahead

Like all governments, the new Welsh Government faces many challenges, both expected and unexpected.

The key economic challenge facing the new Government will be to help create the conditions for productivity growth, using its current legislative powers and ensuring that the non-devolved policy areas which affect economic growth – delivered by the UK Government – work for Wales, as it is only through this that we are likely to see sustained economic growth. While growth is currently strong, labour productivity – measured by output per hour worked – is still below its pre-recession peak. Average earnings in Wales are currently £546 per week, which is one of the lowest in the UK. Regional differences, based on Wales’ local authority areas, show differences in salary being in excess of £100 per week depending on where you live in Wales. This is the main reason why average earnings have failed to keep pace with inflation since 2010.

The impact of the recession on Wales’ long-term growth potential is still uncertain. It would be unwise for the Government to assume that productivity will improve by itself without sustained investment and a supportive business environment. Investment and productivity growth are more likely in a business environment that balances short-term results against long-term capability, and that balances flexibility against the need for a degree of certainty on what governments expect of businesses in terms of regulatory requirements.

One key condition for productivity growth is ensuring that businesses can access the necessary skills as and when they need to, and we supported the previous Government’s focus on concentrating its funding on improving skills across various sectors, and would urge this to continue.

Productivity growth will create the conditions for improvements in real earnings, but there is no guarantee that real earnings will, in fact, increase or that they benefit all sectors of the workforce. In particular, the apparent lack of opportunities for training and progression for lower-paid workers is a barrier to improved living standards and social mobility.

In addition, Wales' level of unemployment currently stands at 5.5%, fractionally higher than in the rest of the UK. The problem of finding work is most acute for young people, although the situation does appear to be improving. Youth unemployment remains a particular problem in Wales, with the latest figures estimating almost 41,000 people aged 16–24 were unemployed in Wales, meaning a higher proportion of young people are unemployed in Wales compared with other nations and regions of the UK. The *Jobs Growth Wales* programme, which ensures long-term unemployed young people are guaranteed a period of employment for six months, is proving successful; however, more work is needed to limit the long-term damage caused by a period of prolonged unemployment.

Another challenge is the impact of technological change upon jobs. This is an area where there is much conjecture but few concrete pointers. However, if the impact of technological change is as great as some expect, and if past history is any guide, the adaptation period could be highly disruptive.

A longer, and potentially more disruptive (or disrupted), working life means that Wales needs to make 'lifelong learning' a reality for everyone. Young people need to gain the 'learning habit' and never lose it, and those in later life must have the appetite and opportunities to adapt to changing demands and make what could be big changes in their skill-sets. It is acknowledged that curriculum changes, via the *Donaldson Review*, and a focus on skills funding through traineeships, apprenticeships, work-based learning and the further education sector are helping to tackle this issue. There does need to be a continuing culture change, especially in the secondary sector, about offering wider skills training and focusing young people at an earlier age into specific areas to meet growth industries.



Mark Beatson

Mark Beatson
Chief Economist

'At the CIPD, our mission is to champion better work and working lives.'

Our calls to the Welsh Government

Skills

At the heart of addressing Wales' low productivity level and the associated high proportion of low-skilled and low-paid jobs in the economy is the improvement of how skills are both developed and utilised. The previous Government secured investment in certain growth industries, such as digital media. However, more work is needed across the skills and education sectors to work with employers to highlight high-demand and growth industries. This can ensure that appropriate training is provided earlier that would equip Wales with a workforce capable of meeting the demands of a changing Welsh jobs market.

The CIPD believes there needs to be a much stronger policy focus on the workplace, to drive productivity and to improve the co-ordination of policy-making across government departments.

The CIPD welcomed the establishment of the previous Government's Public Services Staff Commission. The focus on ensuring public services are able to feed their views, experiences and insights into the Government's decision-making process around developing workforce policies is a positive step forward in addressing the skills needs of public sector employers across Wales.

We call on the Welsh Government to:

- Create a Welsh Workplace Commission, a non-governmental body with the aim of helping employers to raise standards of people management and advise government on employment relations.
- Ensure that the Welsh Government Partnership Council for Wales and the Public Service Staff Commission have a clear focus on helping public sector employers raise standards of people management.
- Ensure that the skills policy of the new government has an increased focus on employer demands for skills and skills utilisation.

Young people

Youth unemployment is still a key issue in Wales. However, there have been steady falls in the number of young unemployed people and a real trend towards greater employer engagement with young people. The *Jobs Growth Wales* programme has seen a significantly higher retention rate than the UK Government's equivalent jobs programme; however, youth unemployment remains higher in Wales than in most other nations and regions of the UK.

This change in employer behaviour is particularly true when it comes to apprenticeships: Wales is leading the way in the UK, with apprenticeship success rates standing at 84%, significantly higher than in England, where it is 69%. We urge the Welsh Government to maintain the direction of travel regarding apprenticeships, and we welcome the fact that the programme benefits from cross-party support in Wales. We would also urge the new Government to invest further in increasing the level of apprenticeships in Wales, and use the money raised through the Apprenticeship Levy in Wales so that it benefits Welsh employers. A complete overhaul of current policy would, in our view, jeopardise the progress that has been made so far and would likely damage employer support for apprenticeships. However, there does need to be a focus on helping more small employers invest in apprenticeships.

We also need more support and targeted provision for young people making the transition from education to work. *Careers Wales* and the previous Government's focus of working with people aged under 25 was a further positive step in addressing the skills gap and ensuring young people understand what employers' expectations of them are. A more joined-up approach between the careers services and secondary schools, linking in with further (FE) and higher education (HE), would help improve opportunities for young people trying to gain employment. More direction could be given to secondary schools to ensure joined-up working between careers, FE and HE to improve career and academic choices of young people following full-time education. More advice and guidance in schools, particularly around vocational routes, are needed to ensure that young people do not miss out on apprenticeships, traineeships and other vocational opportunities.

We also believe that some extra 'brokerage' support at local level will be welcomed by both schools and employers to help address some of the difficulties that both sides can encounter in creating these important relationships. The new Government should recognise the importance of access to local labour market information, so that young people have a better understanding of the jobs available in their immediate area, alleviating skills mismatches.

Local connections between employers and young people, such as those made by the CIPD's *Steps Ahead Mentoring* programme, demonstrate how effective face-to-face interactions can be in boosting employability. Particular support needs to be provided to SMEs, which are rightly seen as the 'engine room' of our economy and yet struggle with youth engagement.

We call on the Welsh Government to:

- Resource schools sufficiently to meet young people's needs for adequate, objective careers information, advice and guidance.
- Provide extra advice and support to SMEs about the business benefits of taking on young people, especially as apprentices, alongside funding support for those employing apprentices.
- Continue placing employers at the heart of the apprenticeship system, engaging employers of all sizes.

Employee relations

The previous Government's positive relationship with both employers and trade unions ensured limited disruption to workforce relations in the public sector, compared with in England. Their work to reform public services, following the publication of the *Williams Commission*, has led to a process being set out by the Minister for Public Services to reform local government in Wales and improve wider public services.

In December 2014, then Minister for Public Services Leighton Andrews AM commissioned research into the use of zero-hours contracts in public services. The research found that there were varied circumstances in which zero-hours contracts are used across public services, and highlighted specific concerns about the use of such contracts in contracted-out public services, in particular in relation to domiciliary care. The research found also that banning such contracts would lead to undesirable results, prompting the use of 15-minute contracts, or forcing public bodies to use more agency staff.

We urge the Public Services Staff Commission and the Welsh Government to consider our research in this area as they develop guidance on what are called 'non-guaranteed hours'.

Our research finds that the majority of zero-hours workers in the UK are as satisfied with their jobs as other workers, and having no minimum set hours suits their individual circumstances in most instances. These findings are reinforced by data from the Office for National Statistics that show only a minority of zero-hours workers want more hours or are looking for a new job with more hours. It is of course important to ensure that people on these types of working arrangements are not exploited, and the CIPD called for, and now welcomes, the UK Government's legislation banning exclusivity clauses. In what can often be a very polarised debate on the issue of zero-hours contracts, it must be understood that many people value flexibility for a whole range of reasons, such as study, fluctuating health conditions, childcare and eldercare responsibilities, or because they are moving towards retirement.

The nature of work is changing and employers increasingly need to provide flexible working arrangements if they are to attract and retain the right people.

In the CIPD's view, the UK's current employment rights framework and flexible labour market is working well and does not need to be tampered with. Evidence shows that the quality of working life in the UK compares well with that of our European counterparts, with a higher level of permanent jobs than countries such as Spain, Italy and France.

Debating whether the UK is over-regulated or under-regulated takes valuable attention away from the real issues, which are how to reduce the number of low-paid and low-skilled jobs and how to boost productivity through a focus on driving up the quality of leadership, management and HR capability within organisations.

We call on the Welsh Government to:

- Create a Welsh Workplace Commission, a non-governmental body with the aim of helping employers to raise standards of people management and advise government on employment relations.
- Invest in providing good-quality low-cost and no-cost HR support for small businesses at a local level to raise their ambition and encourage them to invest in skills and their leadership and management capability.

Diversity and inclusion

Recent developments, such as the extension of the right to request flexible working to all employees and the introduction of shared parental leave, are positive steps forward which can encourage the use of greater workplace flexibility and, over time, help break down gender stereotypes over caring responsibilities.

The previous Government's equality duty, as a result of the Equality Act 2010, ensures that public bodies must consider how they can '*positively contribute to a fairer society*' through eliminating unlawful discrimination, advancing equality of opportunity, as well as fostering good relations; this is to be welcomed. However, much more still needs to be done to help disadvantaged groups access the labour market and remove barriers to progression.

Many more employers, including in the public sector, need to embrace flexible working in order to meet increasing demand from different parts of a multigenerational workforce. Younger people will likely demand a greater work-life balance. At the same time, older workers will need and demand more flexible routes into retirement, looking to work fewer hours, rather than simply seeing retirement as a full stop to their working lives. We acknowledge that the previous Government invested heavily in the *Flying Start* programme, which helps and supports parents back into employment, including providing training opportunities to reskill and re-enter the job market. A welcome development was also the Childcare Plan, launched in 2013 – *Early Years and Childcare Plan: Building a brighter future* – which sets out early years and childcare over the next ten-year period, with a specific *area* on supporting families and parents, including with childcare.

Our research into flexible working shows that most flexible working is still restricted to part-time working or flexi-time – unless you are a manager, in which case you are more likely to have access to arrangements such as working from home, or other forms of remote or mobile working. Practices such as job-share, term-time working, mobile or remote working are still the exception for most employees. Many business leaders are still suspicious of flexible working, perhaps because of workplace cultures where managers judge productivity based on a 'bums on seats' approach, and many managers are not yet equipped with the skills required to manage flexible workers.

The previous Government set out that public services within Wales, or those bodies carrying out public functions, must consider how they positively contribute to a fairer society. The aims of these duties are to be welcomed. It also developed a programme to support more women, people from black and ethnic minorities, and people with disabilities to enter senior roles across the public sector in Wales, including elected office, and to apply for public appointments.

We call on the Welsh Government to:

- Review the quality of business information, advice and guidance available to small businesses to enable them to tap into the necessary support to help them create more flexible workplaces.
- Develop a national strategy on childcare, aimed at delivering improved access to good-quality, affordable childcare within ten years.
- Launch a flexible working campaign across Wales to highlight the benefits of flexible working to employers to increase the range of flexible working opportunities available to more people.

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