



**Y Blaid Gomiwnyddol  
Gymreig**

**Welsh Communist Party**



# **An economy for the people**

Response of the Welsh Communist Party to the Welsh Government Consultation:

*A Framework for Regional Investment in Wales*

## **What kind of regional investment policy for Wales?**

The Welsh Parliament requires the powers necessary to redevelop local and regional economies: to provide State Aid, including the ability to take shareholdings, to control public procurement, to secure comprehensive public ownership and to require sectoral collective bargaining and union recognition.

Leaving the constraints of the European Union provide the opportunity to demand these powers and for Welsh Government to begin to advocate a progressive federal structure of British governance that sees self-determination, equality and mutual aid as the foundation of the relationship between the nations of Britain.

This is the approach the Communist advocate and it informs our responses to the Welsh Government consultation:

### *A Framework for Regional Investment in Wales*

## **An economy for the people**

The Welsh Government consultation introduces debate around the relative merits of grant

aid and repayable finance viewing these as the options for ensuring public good from public investment,

We believe that repayable finance has a role within a suite of financial levers that should be made available to Welsh Government and its regional and local apparatus through a democratising approach. An economy for the people.

The framework should operate to maximise the benefit, for public good, from investments made from public funds by tying these to the national aims that have been established. The following powers will be required:

## **New enterprises in public ownership**

The power for Welsh Government, the regional bodies, local government or community organisations established to deliver the framework; to utilise these funds to establish new enterprises specifically designed to deliver national priority outcomes and to facilitate the wider work of the framework. Particular attention should be paid to supply-chain. Unblocking pent-up potential by establishing new suppliers further down the chain. This approach should also be adopted to correct the market failure in privatised public services such as in the privatised social care sector.

## **A public stake in firms relying on public support**

An option for Welsh Government to advance finance for delivery against national priorities, to private enterprise, in exchange for equity shares in that aided enterprise. The purpose would be to secure a sustainable and lasting relationship between the enterprise and the Welsh Government that ensured the enterprise acted creatively in pursuance of the national priorities as part of its on-going business as usual and not simple as a one-off project. The workforce, through their trade unions, should be engaged as partners in the co-production of such agreements.

## **Planning Agreements**

An option for Welsh Government, the regional bodies, local government or community organisations established to deliver the framework; to conclude planning agreements with the delivery bodies, be they public, private or third sector. Such planning agreements would set out the requirements that the delivery body must meet in order to qualify for the funds. This should include both outcome targets tied to the national priorities and also stipulations arising from the commitment to fair work and the horizontal themes. The workforce, through their trade unions, should

be engaged as partners in the co-production of such agreements.

## **Redirecting investment**

Welsh government should immediately begin a campaign to reallocate resources from socially useless schemes to those providing public benefit.

A starting point should be the UK governments shameful waste of huge amount of public money on the Trident nuclear submarine project.

## **Finance for public good**

Finally, the option for repayable finance building on the work to date should be included but needs to be extended. The track record hitherto is to aim repayable finance products at private enterprise. Repayable finance products should be devised for the convenient use of public agencies and a pathway for third sector bodies should also be designed. The public agencies already have the necessary governance and financial arrangements to engage with such provision as demonstrated by their existing prudential borrowing and use of Welsh Government capital schemes. In the third sector much creative potential exists but robust governance and financial arrangements need to be established to unleash it. The work currently undertaken by the Wales Co-operative should be extended

to facilitate this and a pathway (preparing a social enterprise for public funds) should be added to it.

It is important to note, however, that we do not agree that the repayable element should automatically be maximised when designing combined support packages. The chief consideration should be the likely impact on the national priorities and it is in that context that prudential considerations come into play. It is not the case that repayable finance is necessarily the route to sustainable change.

## **The right priorities**

We welcome in particular the Welsh government commitment to reduce income inequality and tackle the causes of this inequality. However, it is recognised by Marxists and an increasing number of non-Marxist economists (see for example the work of Thomas Picketty) that ownership of capital (rather than simply income from work) plays the major role in economic inequality.

We must point out that the absence of any element, within the framework, of a mechanism for tackling the unequal distribution of capital ownership is of upmost importance. Outside of the European Union the opportunity

exists to take a more fundamentally ambitious approach to overcoming inequality and material deprivation.

We have proposed above that the bodies at each of the geographical layers of the framework be empowered to begin a process of building up capital in the public sector for to be applied to the national priorities for the public good. Our proposals for new public enterprise and for the public acquisition of equity in existing enterprises are aimed at achieving this.

We therefore propose that an objective of the framework be:

To eliminate economic inequalities produced by the uneven distribution of capital by increasing the proportion of capital, deployed in Wales, that is deployed explicitly for the achievement of national priority outcomes, through public ownership and through the direction of private capital via planning agreements.

## **National priorities & regional realities**

We welcome the recognition of the need for a multi-level approach based on geography but in alignment with the national priorities. We would like to emphasise the need for democratic accountability in

throughout the framework, including the levels outlined but also stretching beyond into the local community and producer levels.

We see the framework as follows:

- National priorities set by Welsh Government with scrutiny from the Senedd.
- Regional plans agreed by the elected local authorities within each region with scrutiny from the local council's overview and scrutiny structures.
- Local plans developed in co-production with residents within their communities with scrutiny from the local council's overview and scrutiny structures.
- Delivery body/producer level plans co-produced with the engagement of the workforce, through their trade unions.

Such a framework allows for flexibility at the locality end with adherence to the democratically determined national priorities.

Despite this regional framework there should also be thematic sharing of ideas and best practice and the possibility of the development of multi-locality projects.

For illustration, one example of this approach would be that a project to tackle coastal deprivation may well be appropriate to the north Wales coast (particularly Rhyl and Towyn/Kinmel Bay) together with Barry in

the Vale and portions of the Neath Port Talbot coast.

## **Community leadership**

It is vital that the residents in communities not only influence the proposals but participate in them. In particular planners should give consideration to not only supply-chain connections but also what might be called the labour supply infrastructure. One example of this is the balance of investments needed in areas where employment levels need to increase. For the long-term unemployed or economically inactive to be brought into the labour market does not only require investment to create demand for labour.

In addition, there will be a demand for childcare, facilities to support elderly and disabled people who are in need of care and finally employability support for the new entrants into the labour market such as that provided by Communities for Work and Communities for Work Plus. This will be at the local level and in addition to the investments required in the skills infrastructure through the collages and related budgets.

## **Democratise now!**

The sooner we can establish democratic control, from within

Wales, of our own regional economic policies the better. We strongly oppose any delay in the transfer of power whether this is caused by the EU or UK Government.

Democratically elected governments must be free of EU rules so that they can control the movement of capital, regulate trade, raise and invest funds in public sector industries and services, reform or abolish VAT and prevent the super-exploitation of migrant workers.

In Wales, for example, there should be no EU ban on emergency measures to maintain strategic industries such as steel, whether through renationalisation, state subsidies or import controls. Local authorities and other public sector bodies should be free to insist upon contract compliance measures that promote trade union membership and recognition, facility time, job creation, research & development, equal pay and opportunities, training and apprenticeships, disability access, pensions, use of local resources, etc.

Regional development policies which seek to direct industrial and office development into areas which need them most must once again become options available to Welsh and British governments.

## **Fairness for workers**

We note that many existing projects are required by WEFO to report on cross-cutting themes. In our experience the design of how these themes are embedded in projects has not been a fault. Rather, such themes have suffered from little attention due to a perception of their relative unimportance next to the more measurable outcomes. This has been present in both the attitude of delivery bodies, and the audit and monitoring work of WEFO itself. We therefore propose that the new horizontal themes be more explicitly linked to outcome targets at the planning stage. This is not to say that these themes should be reduced to quantitative measures alone. On the contrary delivery plans need to make clear the proposed deliverables within the themes just as they will be required to be explicit about outcome targets. Delivery bodies should then be held to account about their performance and this will mean improving the emphasis on deliverables against the themes in the audit and monitoring process.

We strongly believe that, although the commitment to fair work is mentioned numerous times in the framework consultation, it is not given sufficient prominence. A commitment to the fair work principles needs to be a horizontal

theme in its own right and to make up part of the criteria for all types of applications for financial support under the framework.

This must involve implementing the key recommendations of the Fair Work Commission report, including: drawing up and implementing a strategy which promotes trade unionism and collective bargaining; and working with unions, civil society organisations and employers to support and enhance the role of Britain-wide enforcement agencies in such matters as low pay, equality at work, trade union rights and health and safety.

Crucial to improving wage levels in Wales as elsewhere is trade union membership, recruitment and strategies for action on pay. In Britain as a whole, wages for unionised workers are 7% higher than for those not in a union; the 'union premium' for women is 15%, for men 3% and for young workers (aged 16-24) 22%. The need to recruit more young workers into unions is not only important for their own immediate and future well-being. The continuation of trade unions depends upon it. Yet only 9% of young workers in Wales are unionised. This is well below the average level of trade unionism for all ages in the private sector (17%) and the public sector (59%).

Overall, the proportion of workers in trade unions in Wales at 31% is still the highest in Britain, but nonetheless has fallen from 44% in 1995. Almost half (46%) of workers in Wales are in workplaces with no trade union presence, while fewer than one-third (30%) are covered by collective bargaining arrangements. The steep decline in collective bargaining coverage since its high point in 1980 has been brought about by successive Westminster governments' anti-trade union laws. This has been part of wider strategy to raise the rate of profit against what was a long-term downward decline until the 1980s.

Furthermore the Welsh Parliament must achieve the power to legislate for the establishment of Wages Councils in low-wage sectors of the economy.

## **Living language**

As Communists we welcomed the Welsh government's vision for a million Welsh Speakers by 2050 but recognise the need for a significant increase in effort and organisation if we are to attain even this goal. We need an ambitious plan to promote the Welsh language beyond the Welsh government's welcome target, so that Welsh becomes a majority language in Wales once again, alongside English. The right of Welsh speakers to use their

language must be upheld as a human right and, especially in predominantly Welsh-speaking areas, all major private as well as public sector bodies should make provision accordingly.

To embed the promotion of the language in to the economic framework It will be necessary to set explicit targets at a regional level (which must be justified to an appropriate national body) for development of the language as part of any proposed investments.

It is essential that a level playing field is established to ensure that Welsh language requirements apply to all those in receipt of aid via the framework including the third sector and private enterprise.

There must also be a recognition that increasing capacity in the two languages will require investment in and of itself. We suggest that such investment (in line with our principles for all other investment) is tied to explicit agreed outcomes.

## **Getting it right**

Much of the Welsh Government consultation concerns the internal mechanisms and resources required to administer the distribution of public funds.

The knowledge and infrastructure required to plan and manage as well

as monitor and evaluate should be priorities if the framework is to be a success. As such it is not simply a matter of training a central team in the techniques of the Treasury's Magenta Book. Academy Wales should be utilised to lay on a new programme of training for employees in the public, private and third sector to ensure that proposals are properly drafted and planned in the first instance. High quality evaluation and monitoring can help us to learn from mistakes and to replicate success but training in planning is needed to maximise the chances of success from the outset. The public, private and third sectors are not currently used to working collaboratively in a co-operative way. The current environment is characterised not so much by 'healthy competition' as by diversionary time-consuming conflict. The private sector is not currently required to operate as part of a framework for the common good and will understandably require direction to adapt. Equally the public and third sectors are used to a planning environment that is very short-term and despite progress made in outcomes focus and the sustainability principles of the Wellbeing of Future Generations Act, they are not experienced in working in a multi-year stable

funding environment because such has not existed.

## **Measuring the progress**

We suggest that the following measures be adopted:

1. The current value of capital deployed to explicitly further the achievement of national priority outcomes. Nationally and disaggregated regionally, locally and by delivery body. Where a delivery body is a public agency, private or social enterprise in receipt of framework funds.
  - a. The relative size of this capital as a proportion of the total annual capital deployed within Wales.
2. The annual revenue deployed to explicitly further the achievement of national priority outcomes. (Nationally and disaggregated regionally, locally and by delivery body.)
3. ILO unemployment and economic inactivity (Nationally and disaggregated regionally, locally and down to LSOA level)
  - a. The number of jobs (FTE) created as a direct result of framework funding. (Nationally and disaggregated regionally, locally and by delivery body)
  - b. The number of people in jobs supported by the framework by Equality Act 2010 characteristic.

4. Income profiles showing median income, and income deciles.
  - a. Nationally and disaggregated regionally, locally and down to LSOA level
  - b. by Equality Act 2010 characteristic.

## Appendix

This appendix is for the convenience of the Welsh Government consultation staff and will not be included in the published version of this document.

Question 1: What are your views on a model where:

- strategic, pan-Wales initiatives are co-ordinated at national level; and
- designated regional bodies design and deliver their own programmes of investment aligned with national-level policy? [See here](#)

Question 2: Do you support our proposals for some investments to be led by the community in which the activity takes place? [See here](#)

Question 3: Do you agree that we should continue to increase our use of repayable finance where this is viable and, where it is not, that models of combined support that maximise the repayable element should be developed? [See here](#)

Question 4: What are your views on our plans for the transition period? [See here](#)

Question 5: How best can we integrate the horizontal themes of equality, sustainable development, gender mainstreaming and the Welsh Language into investments delivered at national, regional and local levels? [See here](#)

Question 6: How best can we increase the use of the Welsh language through our proposals for regional investment, and ensure it is treated no less favourably than the English language? [See here](#)

Question 7: What are your views on the proposed delivery model for the strengthening of partnerships, co-operation and trade across borders, within the UK and with international partners?

Question 8: What do you think of the proposed strategic objectives across the four investment priority areas? Are there other objectives that should be considered? [See here](#)

Question 9: Which indicators do you think should be used to measure progress towards achieving the proposed strategic objectives? [See here](#)

Question 10: What are your views on the approach described above?

Question 11: Should the capacity to deliver the monitoring and evaluation proposals above be prioritised? [See here](#)

Question 12: Do you agree with the proposal outlined for development of monitoring and evaluation at the regional and local level? [See here](#)

Question 13: We have asked a number of specific questions. If you have any related issues which we have not specifically addressed, please use this consultation to address them. [See here](#)