

## Welsh Affairs Committee

### Oral evidence: [One-off session on issues in the labour market in Wales](#), HC 829

Wednesday 17 November 2021

Ordered by the House of Commons to be published on 17 November 2021.

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Members present: Ben Lake (Chair); Tonia Antoniazzi; Simon Baynes; Geraint Davies; Rob Roberts; Dr Jamie Wallis.

In the absence of the Chair, Ben Lake was called to the Chair.

Questions 1 - 59

#### Witnesses

[I](#): Kate Shoesmith, Deputy Chief Executive, Recruitment and Employment Confederation; Nigel Williams, Finance Director, Castell Howell Foods; and Glenn Evans, Managing Director, Royal Oak Hotel Ltd, and Director, North Wales Tourism.

[II](#): Vaughan Gething MS, Minister for Economy, Welsh Government; and James Carey, Senior Labour Market Analyst, Welsh Government.

[III](#): Paul Scully MP, Minister for Small Business, Consumers and Labour Markets, Department for Business, Energy & Industrial Strategy; Mims Davies MP, Minister for Employment; and Sarah Pearson, DWP Area Director Work and Health Services, Wales and National Employer and Partnership Team, Department for Work and Pensions.

## Examination of witnesses

Witnesses: Kate Shoesmith, Nigel Williams and Glenn Evans.

*[This evidence was taken by video conference]*

Q1 **Chair:** Good morning to this session of the Welsh Affairs Select Committee. We are very lucky today to be joined by three panellists for the first session to talk about the labour market in Wales. If I could ask you initially to introduce yourselves. Kate Shoesmith.

**Kate Shoesmith:** Bore da. I am Kate Shoesmith. I am deputy CEO of the Recruitment and Employment Confederation, we are the professional membership body for UK recruiters. On any given day we have 1 million temporary agency workers, contractors or freelancers working via a UK recruitment business and last year supported 1 million people to find a new permanent job.

**Nigel Williams:** Bore da. Nigel Williams, finance director, Castell Howell Foods based in Cross Hands in Carmarthenshire. We employ around 700 predominantly in food wholesale but also a food manufacturing business supplying mainly into Castell Howell. We supply across Wales and the west of England.

**Glenn Evans:** Bore da. My name is Glenn Evans. Thank you for the invitation and for giving us the opportunity to address the session today. I am the operations director of the Royal Oak Hotel Ltd. My family has had the privilege to own and personally manage the Royal Oak and Waterloo Hotels within Betws-y-Coed, gateway to the national park and the beautiful Upper Conwy Valley.

Since 1956 my family has traded all year round within the village. We are celebrating over 50 years of owning the Royal Oak this year. We furloughed 141 staff through both lockdowns, with a normal permanent complement of around 150 rising to 175 throughout the summer. This year we are about 20 staff short.

I am also a non-executive director of North Wales Tourism, representing over 2,500 tourism businesses to include hotels, restaurants, cafés, attractions, and so on. In 2019 we estimated the value of tourism in north Wales to be nearly £3.7 billion supporting over 46,000 jobs. In Conwy County alone it is around £1 billion supporting over 12,000 people. We consider that we have a world-class product.

Q2 **Chair:** Mr Evans, if I can stay with you to begin with. Quite a general question: what are the main challenges currently facing the labour market in Wales? You have touched upon a few issues but would you elaborate on them?

**Glenn Evans:** Our normal complement is around 150 rising to 175, and our FTEs at the moment are 121; 20 short of where they would be. For the first time in many years we have spent the summer restricting trade



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and services due to the lack of skills and labour. That has negatively impacted our guest experiences, as well as revenues and staff morale.

We have had to close on several occasions to protect the welfare of our team and there is a shortage of relevant skills across many departments, particularly within the kitchen. That is a particular issue due to needing adequate qualifications due to the service of food and allergen legislation. This has led to poaching, wage inflation and huge demands on the existing team as we have not been able to take the burden off them.

Access to the local workplace is difficult in rural areas with affordable childcare and reliance on public transport. There is a growing perception of over-tourism leading to local authority rhetoric for further interventions and taxation.

This year has been a dramatic seasonal increase and surge of business. There has been a rapid expansion of these businesses requiring temporary workers with a lack of infrastructure and forward planning.

There are the different regulation schemes between Wales and the UK, which have added to the recipe. The most recent example being the prospect of Covid passports. We have an inability to plan for short, medium and long term because we do not know what is coming down the line. There are delays in parts and materials. If you are looking at your utilities at the moment it is a complete lottery if you have fixed the years ahead or you are having to renew at high rates at the moment.

There is a lack of local housing for anybody who wants to relocate. While many hotels are looking to set aside inventory for live-in, that is tying up capital and inventory as lots of properties are now viable as Airbnb or second homes, which is causing further conflict in the community.

There is a perception of the industry, both to work in and its impact on local communities, that it is not a force for good or a career of first choice. There is limited scope for mechanisation without the grading of skill levels. Many operators are having to deskill or outsource elements, which is reducing rather than enhancing skills. At the end of the day, we are a people industry and we are still operating within the Welsh Government messaging of stay at home, work from home.

**Chair:** Thank you, that is very comprehensive. Mr Williams, would you care to elaborate a little bit on the situation from your point of view?

**Nigel Williams:** We have to reflect back on the pandemic and what happened during it to understand where we are now.

Castell Howell is predominantly a supplier to the hospitality industry, such as Glenn's. We also supply schools, hospitals and other catering establishments across the board.

Obviously with the lockdown back in March we were facing a situation where most of our trades had shut down overnight. It was the case then,



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as we did the furlough for the first time, to try to get to a situation where our workforce represented what the new level of trade was. Obviously there was uncertainty around the furloughing at that time, it ended in October last year, I believe. So we went through a period of consultation. Eventually, by the time we had got through that process—and if you think we have 700 employees that is a huge process to get through—then obviously the goalposts were moving as far as furlough. There was a different scheme going to come in.

Having said that—although there were only around 30 redundancies made we did find that a lot of people left the business because of uncertainties around the industry, where things were going—we ended up coming out of the second lockdown in spring this year when sales had been down as much as 70% in January, with approximately 100 fewer staff than we had the year before. I think then they are trying to replace the staff that they had lost.

Everybody is trying to do it at the same time and of course with the staycation situation where people are not going abroad, then there is this huge surge in demand that kicked in from June onwards. A situation where we found, for example, our sales in September this year were up 18% than what they were in September 2019. Even now, in the middle of November, they are not up by that sort of rate but they are still up around 3%. There is an element of inflation in there as well.

What we found predominantly, we all know about the driver situation, which is across the UK. It includes HGV drivers, which are required to drive our vans. It is mainly the class 2 for the type of vehicles we drive, rather than the articulated. We had a shortage of around 30 to 40 drivers. We found that with the rates of pay that we were offering at that time it was difficult to attract. We ended up giving a wage increase of 24% to our drivers in order to train and attract.

Also our storemen because they were in jobs where it is possible to move to similar jobs in the area. You have a large Amazon warehouse in Swansea not far from here, plus other jobs that were looking for people.

We had a situation that we had to address. We have more or less done that over the course of the summer. It has probably involved across the whole labour force a wage increase of around 8%. We have to carry that forward through into next year now plus, as Glenn mentioned, the other costs that are coming through: the food inflation, which is partly energy, is partly labour, is partly ingredients, crop situations on a global level. It is also the cost of containers.

It is the world waking up after the pandemic, it is all these pressures coming together and unfortunately what it means is we are facing this food inflation, we have these fixed wage increases that we have already committed to. Fortunately we are in a fixed contract on the electricity as far as Castell Howell Foods until 2022. Our butchery, for example, has come out of the contract recently and it found last month its electricity



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costs went up from £18,000 to £44,000 in one month. So we are facing that situation.

On top of that you have the destruction to the supply chain caused largely by the labour shortages and the HGV market with our suppliers. That is the class 1 HGV. That has a knock-on effect on the regularity and consistency of supplier products coming through, which can knock on to the service we provide to our customers.

**Chair:** I know that colleagues are keen to come in but can I ask, Kate Shoesmith, whether you have anything to add to the situation from the perspective of your own organisation?

**Kate Shoesmith:** What you have heard there are some good case studies of some of the data that we are seeing on a more nationwide level, if you like. Earlier this autumn we asked 15 of our recruitment members in Wales about what was happening in the jobs market from their perspective. All 15 of them said that the biggest concern they have right now, and what is holding back their business growth, is labour shortages. They all said that it is taking them longer to find people for the jobs that they have available and they have more jobs than they have known pre-pandemic.

We do something called a jobs recovery tracker. We look at the job adverts that are going out and are made live. We have seen a 200% increase in job vacancies in Wales since the start of the pandemic. I am talking about from the end of October all the way back to March 2020. There are simply more jobs available now. We can touch on some of the reasons for that.

It is across the board in terms of sectors. Office professionals; we have seen a doubling of demand for people working in more business roles, accountancy professionals, all of that. We have seen a tripling of requirements for people who are working in hospitality, which touches on what my colleagues were just saying. It has been going up in retail as well. It is the case that because of what we have seen in terms of that demand for workers we see people shifting roles between sectors and making clear choices.

The last thing that I will say in terms of that nationwide data is that we do a monthly survey of recruiters on what has happened in the month just gone. So we can see quickly what is happening in the labour market and it is used by commentators and others, like the Bank of England, as a forecasting tool because it reports very quickly on the jobs market situation.

In the 24 years that we have been doing a report on jobs we are seeing the highest rates of starting salaries and the highest rates for hourly pay that we have ever seen. Clearly that demand is pushing up wages.

**Chair:** Thank you, that is very useful.



**Q3 Geraint Davies:** Maybe I can start with Kate Shoesmith. You may be aware that 1.4 million of the 5 million people who are European who have registered to be British, have basically decided to stay in Europe and returned due to the pandemic. You have talked about there being more jobs and more vacancies but are these not simply vacancies and jobs being created by people leaving the country? They are not new jobs. They are holes in the job market caused by the fact that people are not able to come back or do not want to come back.

**Kate Shoesmith:** We have a number of combined things happening in the jobs market right now. Some of them are absolutely around what you might class as short to mid-term factors and some of them are longer term. If you compare the jobs market where it is now compared to this time last year, clearly you are going to see a massive difference because we had constrictions and a pandemic-induced recession.

What is interesting in terms of that combined effort with the Brexit effect, is it has exacerbated some of the longer-term trends we have seen in the jobs market. We are very aware that EU nationals did not necessarily go home when the Brexit negotiations were underway, when the EU referendum result first came in, but they did go home when the pandemic hit and they are not seeking to return.

If I can use a very particular case study. One of our members provides HGV drivers and there is instigation of the new temporary visa for HGV drivers. They called all 250 of their drivers that are EU nationals that had returned to their home country and just three said that they would be interested in that temporary visa.

We do know that some of the people that we have lost from the jobs market are simply not returning. So there is that impact. However, we are also very aware that there are some longer-term trends.

We have been talking about skills and labour shortages for a significant amount of time. In the eight years that I have worked here I have been reporting on data that talks about labour shortages. Some of this is longer term as well.

**Geraint Davies:** The Prime Minister said, "Don't worry, we do not need all these migrants, we can just drive up wages and skills and sort it out". Is he right, Kate?

**Kate Shoesmith:** There is more going on there than just thinking about what do we do to replace some of the EU nationals that have left. I just mentioned about labour and skill shortages. We have been seeing the demand for people in certain roles. We have been talking here particularly about hospitality and how we make that a career choice. That is something that is not necessarily part of the UK or the Welsh mindset. We do not necessarily see people entering into that jobs market and seeing it as something that they want to stay in for the longer term.



You might get people working on a seasonal basis; thinking about university students and others. There are a number of things that we need to be thinking about on how we are upskilling and training—in Wales we have one of the highest rates for long-term unemployment—and about supporting people back into the jobs market, which is so important and thinking about they were on furlough, how do they enter back into the jobs market. We have longer-term trends we need to deal with.

**Q4 Geraint Davies:** Can I turn to Nigel Williams then? The same sort of thing. We are talking about how this situation is different from coming out of a previous recession. Given that 1.4 million people who were working here, who did register to stay here now decided on reflection, and we have Brexit, to stay in Europe. Given the nature of your business in food manufacturing and production, and so on, which can be seasonal as well and a lot of the gaps are filled by European workers, how is this affecting you in the mix?

**Nigel Williams:** Perhaps we were not as reliant on European workers directly as some other industries or some other parts of the industry, predominantly because Castells Howell is based in west Wales. It is an indigenous company in Carmarthenshire, and therefore has grown, in the main, employment from the local community. Where we are based here sort of at the end of the M4, just at the border of Carmarthenshire and Swansea, you have access to Carmarthenshire, Gwendraeth Valley, Amman Valley, Swansea.

Having said that, we do have a cooked meats division in Carmarthen, we do have a butchery and they were European workers working in there. There are some large manufacturing companies in the area, national concerns that were heavy recruiters in that respect as well.

But what we found is that obviously the general pool of labour has been shrunk. Even though we are not employing as many directly there is a knock-on effect because the companies that are competing for labour around us are competing with a smaller pool.

Something else worth mentioning as well. I am sure Kate will be aware of this. It is the demographics around the labour force. The younger element of the 18 year-olds to 24-year-olds, there is a smaller pool of that labour than there are of the 50 to 55 year-olds that are now approaching the end of their careers. Some of them, maybe having experienced the lows throughout the pandemic, may have chosen not to come back and taken early retirement. There is a shrinking labour pool in terms of the UK working population on top of the impact that has come from Brexit.

**Q5 Geraint Davies:** Kate's suggestion that we try to use the long-term unemployed to fill the gap, is that realistic? Or, as you said, are we looking at the older workers, and a few may have voted of course for Brexit, that they perhaps get back in the labour market and fill the gaps





because the younger people are leaving?

**Nigel Williams:** We are having to address it on the ground locally by looking at not only the headline pay rate, which is clearly attractive, but the conditions of work, the perception of the industry. We are all competing with youngsters maybe who have their eye on university as they go through school as being the default. We have to change that perception, engaging more with schools, which we have started doing.

But there is clearly a smaller pool. How can we attract more people into that pool? The employment rate is very low, so it is going to be difficult to access that. Obviously some Europeans are going to come back but ultimately we have to attract people into the industry by making it a preferred place to work, one of the higher choices. Maybe pay but also the working conditions of the facilities that we have in addition to that.

Q6 **Geraint Davies:** Glenn, same sort of question. Given that 1.4 million people have decided to stay in Europe in preference to staying here, is there scope, as Kate suggested, that we can use long-term unemployed and, as the Prime Minister said, we can simply drive up wages and skills and it will all sort itself out.

**Glenn Evans:** Our current payroll costs this year have definitely leapt; they are up 15% to 20% on the year before. They were running at 25% higher. That cost at the moment is being mitigated by reduced VAT and business rates. But there are many facets to this in that the labour pool has shrunk and there are many reasons why. We saw people return to Europe. We did not see the new cohort come over. We saw some people reduce their hours. We saw people leave the industry completely. But the fact remains that in a rural area we are missing that labour source.

This year we were able to onboard 50 new starters but at the same time we lost 49. So we were plus one, having spent all summer trying to recruit from a general labour market. That poses the difficulty about looking at people who are perhaps not in employment or universal jobseekers. At one point 150 enquiries led to just one Zoom interview. That is a huge waste to the business and a cost to management and training, which is just a merry-go-round at the moment.

Also those people who want to be in work can usually find it. Those people who are out of work will have a number of obstacles coming into work, particularly within the rural area; for example, transport, childcare, accessibility, and so on. They might not live in the right place. Nigel has access to large population areas in, for example, Conwy Valley. We do not have access to large population areas but we have a huge influx of visitors thankfully, which makes our businesses viable.

To be able to flex our labour force is a critical part of meeting those demands. However the shortages have occurred, it is looking at how we replace those numbers.

Q7 **Rob Roberts:** I will start with Mr Evans as he is on a good flow, and I





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will point out immediately that I was recently at the Royal Oak. What a wonderful place with wonderful food and a fantastic setting. There is your free advertising for today. Other than wage increases, which we will come on to shortly, what do you think employees should be doing to retain and attract employees in these times?

**Glenn Evans:** A lot of mantra at the moment is about improving pay and conditions, so we have touched on pay. Then the other part is about conditions. We will upskill, train, manage and give good job security to people who want to come and work for us as a reciprocal. The hardest thing is finding the people. Some of our guys, particularly in the kitchen, want more flexible working. They perhaps want to work four days a week or they want to work three days a week. They want maybe alternate weekends off. That is all things that we want to embrace but we simply cannot take that step unless we have access to a new cohort of worker. They are simply not there at the moment. That is fundamentally going to help change the perception of the industry.

If we are here to soak up universal credit applicants it will just further taint the industry's perception that it is not a career of choice, that it is a second-class industry.

**Q8 Rob Roberts:** I appreciate that reply. On that note, what do you think the UK or the Welsh Government could do to provide support to businesses that are in need and experiencing those labour shortages?

**Glenn Evans:** The industry has suffered for years through perception. Again it is perception of how hard the industry is but it is a fantastically dynamic, lively industry to work in. I can tell you that as someone who trained as a lawyer initially and fell into the family business. It was something that was a million miles away from working behind a desk doing civil litigation.

We need positive role models at different ages that illustrate the career paths and the certainty within hospitality. That there can be rapid career growth. That does not mean that you have to spend long term, maybe three years, in a formal education environment but that you can earn while you learn. That is a positive model. The life choices and skills it can give people who are just perhaps leaving school or leaving college at 18, not sure what they want to do or if they want to work in an industry and make rapid progression into management, then hospitality is just an open door for them.

**Q9 Rob Roberts:** Mr Williams, what are your thoughts on what either Government can do to help businesses in this respect?

**Nigel Williams:** It is difficult. What we have tried to do ourselves because this is not something that is recent. Clearly the situation has got worse but attracting people into the food industry, the whole supply chain from hospitality right through distribution to the manufacturers and to the agriculture primary products as well. It is about that perception and making people think about alternative careers there. As Glenn was



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saying, you can start earning at an earlier age rather than pursuing a more traditional university career.

A lot of it is in our hands. Clearly with the Welsh Government, as we have in the past, we do our learning and skills partnerships, developing apprenticeships, frameworks that are meaningful. Things like work experience, making that a properly organised, meaningful experience; that they get a taste of the industry early on.

Something we introduced a couple of years ago in collaboration with Business in the Community was business class where we partnered with a local school and engaged with them and showed them the range of opportunities within the industry. It is not only people working in stores or butchers or drivers, and so on, you have all the professional jobs and the administrative jobs around that as well. There are a whole range of opportunities around there but we need to get that message across.

Engaging with schools and meaningful work experience has fallen by the wayside because of the pandemic. Even now we know it is difficult to get back to that because of Covid still being around, particularly in the school setting. That is one of the first things we will be embracing as we get into the new year and things get more back to normal is getting back involved with schools again.

**Q10 Rob Roberts:** It is a good point. I had a recent meeting with my local Jobcentre and I said to them, "What is it that you need?" and all of them at the same time said, "Employability skills". It was a big focus.

Turning to Ms Shoesmith, you mentioned earlier on that we currently have the highest starting wages and wage increases that we have seen for a long time. Is that a sign of wage inflation in Wales and if it is, what do you think the main sectors that are most affected by wage inflation are?

**Kate Shoesmith:** When we are looking at our salary and hourly pay rate data, first, we have to remember that much of this is—we have had a suppression in wages ever since the financial crash of 2008-09, so looking across the piece there are a number of commentators, and the economists will say that we have not seen real wage increases for some time now because of all of the different pressures.

But what we are getting is the labour shortages. They are producing an impact where it is the case that there are simply more jobs available than there are people to fill them, so that demand and supply equation means that to attract the staff people are pushing up wages and negotiating on those wages. But, as both Glenn and Nigel were saying, there is more to it than just pay that people are looking for.

When we are talking to recruiters right now they will tell us that it matters to the jobseeker about the type of company they are joining, what type of business it is, what type of values it holds. That matters more than it ever has. The flexible working arrangements that are offered



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by an organisation—particularly important in hospitality—to reflect that you may be in a situation where you are comparing what might feel like relatively antisocial shifts with somebody who is working on a 9.00 to 5.00 basis. That perception has changed quite a bit over the pandemic. We know from one of our members who recruits chefs, in particular, they were saying that there are a number of people who are making decisions that they would rather not take that time away from their family anymore.

If I can reflect quickly on the question about what the Government and the Senedd perhaps can do in partnership with business. It does need to have to be a true partnership. There is a lot that businesses can do to ensure that they are showing that there are great work opportunities, that there is a career of choice for individuals no matter what stage they are at. Whether it is somebody who is perhaps joining the jobs market for the first time or somebody who is looking to retrain and is perhaps an older worker who wants a career change.

We need to have that cross-collaboration with Government. We need a fundamental overhaul of our careers guidance system. We need a skills revolution to start to level up in terms of thinking about our training opportunities and understanding how we fund entry level qualifications in particular. So the funding being available for qualifications at level 2 and above is great, but how do we get people into those jobs in the first place? There are some good opportunities, we just need the funding available for that training.

**Q11 Rob Roberts:** My final point is on pay and conditions. In about 1998 the average pay in Wales was about the same as it is in Scotland. Twenty years later it is about 20% less. How does the picture in Wales differ from that in the rest of the UK in terms of wage growth currently?

**Kate Shoesmith:** I would need to go away and do a bit of analysis to give you some firm figures. What we do know is that it does vary across different areas. There are very different jobs markets within Wales, as you will be well aware of yourself. When we are talking to recruiters they will say to us there would be huge differentials based on sector and based on the area that you are. You have a different market from when you are talking about the Valleys versus Wrexham, for instance. It is quite different.

Recruiters are saying they are often working with the employer to think about what the specific needs are. Just to add to that, sometimes the wages are simply not the key point. If the transport is not there and you cannot get there to the role—we know of recruiters that have to put on minibuses for instance to get people to a depot site because the bus routes are not reliable—or if the childcare is not there. All of those things the employer is having to think about in order to get the people to the jobs in the first place.

**Q12 Tonia Antoniazzi:** My questions are on HGV drivers and logistics. I know



that Kate and Nigel have spoken about this so you can be brief if you do not need to expand on the answers. What factors are contributing to the HGV driver shortage that we currently have in Wales? I will go to Kate first.

**Kate Shoesmith:** One factor has been Brexit. We are aware that a number of drivers were particularly Romanian and Bulgarian. They went home at the start of the pandemic, so there has been that. We have more drivers over the age of 60 than we do have under the age of 30. A big part of the work is around how do you attract people into the industry.

When we talk to the driver recruiters they say that getting people to be interested in driving is something that they can do, and they offer things like training academies. They particularly need to support with the costs of licences because a £6,000 cost is huge. How does somebody find that in order to enter the industry? But their biggest problem is retaining people.

We were pleased that in the Chancellor's recent Budget there was that investment in roadside services because it is not good enough that if you are an HGV driver that you are in situations where the roadside services do not feel safe. We have been asking for that for some time. The retention piece is all important. How do you make sure those conditions are right for drivers?

Q13 **Tonia Antoniazzi:** I will keep with you, Kate. What impact have these visa concessions had on the situation in the logistics sector? Has it improved? What has the impact been?

**Kate Shoesmith:** I gave the number from one particular case study. It is just an anecdote from one of our members earlier about how they did not find—I have heard this anecdote time and time again. The temporary visa has not attracted people in. To be quite honest, it felt like too little too late. If we want to bring in drivers from overseas we need to think about what we are doing in terms of that communication to people. How are we selling Britain as a place to come and work and live?

Q14 **Tonia Antoniazzi:** I will go to Nigel now. I know that you have mentioned about the drivers' rates of pay with you going up 24% but what else are you seeing at Castell Howard?

**Nigel Williams:** I suppose our situation was largely resolved by the action we took, which was going back as far as April because we were anticipating the opening up. We were needing to recruit at that time. As we got into the height of summer we had largely filled most of those vacancies. The main issues that are affecting us, that were from the UK-wide manufacturers, the large food producers and the reliance that they have on class 1 HGV, and that is directly affecting consistency of products coming into us, which is having a knock-on effect on our customers.



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You are falling back then largely on what Kate was explaining in terms of attracting people into the industry. We know about the facilities, and so on. Our class of HGV drivers is class 2 so what we are looking at is attracting people to join us; initially youngsters as helpers who can work for a period of time alongside a driver and then as they get into their early 20s they can progress to a full driving career.

Our driving role has more stable hours; daily jobs 6.30 to mid, late afternoon, busier in the summer. But it does not involve the staying away from family, and so on, and the unsocial conditions that the class 1 drivers are experiencing.

- Q15 **Tonia Antoniazzi:** Do you think, Nigel, that a permanent increase in wages will be necessary to attract and retain drivers, as you have offered it for your class 2 ones?

**Nigel Williams:** The trouble is you have a moving situation there now because every industry is having to move its pay rates upwards in order to keep people; it is across every industry. You cannot just say that you have done enough and then that is it, we will be fine now. You have to constantly review it as well.

As we get into next year—obviously the inflation figures have been announced today now at around 4%—we would normally look at our pay rates again in April. We have already given rises to large parts of our workforce but there will be other parts of it then that would be due an inflationary increase, as we did last year at 2%. You have to keep on making yourself competitive in terms of that headline rate but also make sure you have everything else in place that you make yourself an attractive company to work for and then you can retain people once they are with you.

- Q16 **Tonia Antoniazzi:** That is very true. Castell Howell is very close to where I live and you are a high-profile business supporting the community and engaging with schools. That is something that makes you an attractive employer, particularly around drivers and things like that. Keep up that excellent work.

Glenn, what has the impact of HGV driver shortages been in north Wales and on your business?

**Glenn Evans:** It is definitely adding to the transportation inflation and also continuity of supply that you will get one week where you get a delivery of one product and then the next week you have to have a substitution. Then you have to re-examine your allergen information, make sure that your menus are compliant, and so on. It is something you keep an eye on but it is also just adding to general inflation.

Can I just pick up on something Kate said about training academies? That is an important model going forward for north Wales, given the important value of tourism and hospitality to the north Wales rural economy. Having centres of excellence, where we can have hospitality and tourism training



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across all different models is important. But at the moment, there is a lack of residential element to that. There is an inability to bring people from all around Wales to the centres of excellence to produce the workers. It is all right if you live within, say, half an hour of Llandrillo or Menai College but it is no good if you live down on the Llŷn Peninsula where perhaps you are exposed to a very seasonal business but you want a career or you are in mid-Wales. I would advocate, as far as Government are concerned, that is one thing they can get fully behind.

It would also help with the retention element to iron out some of the seasonality with looking at, for example, how business rates are currently formulated, which is a disincentive for companies to retain their stock through the winter. One of the best ways of retaining skills is obviously to keep them through the winter and to iron out seasonality business rates, which is a devolved matter that needs urgent reform, because it taxes success. It punishes retention of skills through the winter.

I would also advocate that the current VAT threshold is a disincentive for retention because many small businesses will just close shop. The 20% and the threshold is a double whammy when it comes to seasonality. We need those sorts of things, when it comes to Government, to have a joined-up approach. That will help raise the level of wages and then there will be more labour in the industry as a whole.

**Q17 Tonia Antoniazzi:** There are lots of suggestions there. I was going to say, Kate, to finish off with you, we have heard suggestions from Nigel and Glenn, but what steps need to be introduced to deal with these systemic issues for HGV drivers such as the poor facilities and working conditions that you have spoken about? Is there anything else that you would like to add there?

**Kate Shoemith:** We do need to think about how we ensure that people can stay in these jobs and that they see it as something that is a long-term career for them. One of the things that we are clear about is some of what is happening right now where you do get inflated wages and wages are going up—and that has to be good, given what we are saying about inflation right now—there is no more headroom for businesses to increase that salary any further.

Exactly as Glenn was just saying about what does that overall package look like for business support and how does it work so that businesses can do what they must in terms of training and paying staff properly? That has to be key. It has to be seen as in the round. It cannot just be something that is an isolated factor that is dealt with.

**Q18 Simon Baynes:** Thank you to our witnesses for your time this morning, it is greatly appreciated. I think my questions have, to an extent, been touched on so I am very happy for you to give very brief answers, if necessary. How would you describe the current situation facing the hospitality and food and drink sectors in Wales? I would like to ask Glenn Evans that first, please.





**Glenn Evans:** Every day is a challenge. We used to be able to look further afield but we come to work and during the summer season it was just attritional for the teams; relentless and without the prospect of much relief. We were desperately trying with our HR to onboard new skills continually and to see the conveyor belt of people come in and out the door was just depressing.

Yes, we have learnt lessons from our recruitment in that, that we perhaps need to be more selective, but that would have meant no one coming in the door. When you are looking at the morale of your team, they are absolutely out on their feet, and the customers are queuing at the door and you are turning them away, it is difficult not to see who is in front of you. That gives you an insight of how it was. The situation has eased but what is key now is to retain as many staff as we can, so no more bumps in the road please.

**Simon Baynes:** I will put that question to Kate Shoesmith as well please.

**Kate Shoesmith:** Just to echo what we have been saying earlier; it is a tough market right now where there are not enough people to fill the jobs. To add in terms of what we have not already said about business ability to plan, one of the things that has made life difficult has been—and we understand that with a pandemic it is hard to know what might be around the corner—making sure that any changes are communicated to businesses early. That often is key because without that we cannot plan properly.

**Simon Baynes:** Finally to Nigel Williams.

**Nigel Williams:** The situation has improved greatly, although seasonally this is traditionally a quiet time. It is going to pick up now before Christmas in the next couple of weeks. Sadly it seems that a lot of the issues that we have are going to be here for a while. There are global issues affecting the supply chain, food inflation, and the supply of products across the world impacting on us on top of the labour issues we talked about with HGV. There is a smaller pool of labour, everybody is going to have to work to attract that. This is going to be something we are going to have to work with way beyond the pandemic, it is with us from here on to stay.

We are going to have to do the things we mentioned earlier. It is going to be small steps but making sure that the pay rates are fair and attractive, the facilities are great, and marketing our industry to young people so it is a place where they really want to work.

Q19 **Simon Baynes:** Quite a few of the issues in my next question have been touched on so please feel free to be as concise as you just have been in admirable fashion.

My own background is I grew up in the hotel business. My father ran Lake Vyrnwy Hotel and my constituency, Clwyd South, has plenty of hospitality





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businesses within it, so it is an area I take a particular interest in. I do think that to an extent the sector needs to be aware of training people. This was something that in the business that I grew up in in Wales in the 70s and 80s was very good at. If we return to that, that is a good thing. I am just putting that from a personal point of view because it matters greatly to me as a Member of Parliament.

My second question is to look at why the hospitality sector has been so significantly hit by the labour shortages. I know we have touched on this, and so issues such as how considerable an impact has the pandemic had on the sector, what has been the impact of the end of free movement, and how would you encourage individuals to work in the sector?

You have commented on some of those, but are there any other points you would like to make?

**Kate Shoemith:** We know that we have to really think about what is going to attract people into hospitality as a career, and we have spoken particularly around what we need to do to think more fundamentally about our career guidance system so that it works across a partnership with schools. It is certainly not going to be the job of a teacher to explain why a hospitality or a logistics career is going to be something for them. They will know about the teaching profession but not necessarily about those other sectors.

There are some great examples of things that are happening on the ground to get businesses involved, the partnership with the Jobcentre is all important. We need to think about what is going to encourage people to stay within these roles. The overall package of what the benefits are, how does it help people who need to support their families and have other caring responsibilities. What are the retraining opportunities so there is some form of progression? Being very aware that right now sectors are competing against each other. In our industry, we are very aware of care workers, for instance. Looking at hospitality and retail as a good option because of the wages that are available, but that does not necessarily help one sector because the people are moving to another sector.

We need that overall sense of where the career pathways are and how we are supporting people to understand each of those and what is the right one for them.

Q20 **Simon Baynes:** Thank you. I am declaring an interest here that my elder daughter is embarking on a hospitality career and studying it at university. I actually hear a great deal about the training, the education within that sector, and also about how tough it could be for young people working in it. I do think there is an element that we need to improve the environment. Not only encourage them, present the career as an equal career to many others, just as they do on the continent. We also need to protect them in the early stages of their work because it can be quite trying and difficult for them. I speak from first-hand experience of this.



**Nigel Williams:** Obviously we are not directly involved in hospitality although we are a supplier into it. Clearly, the success of hospitality and its ability to attract people and to flourish is hugely important to us.

It is the things that have already been mentioned really. It is making it an attractive place to work and clearly there has been a depletion in the pool of labour available because of the European situation. Hopefully we can attract local people into these businesses and give them a meaningful career, and also to be able to keep them within their communities—often rural communities that depend on local employment—so that we do not lose people to the cities. Let us keep them at home in west Wales and south Wales rural areas.

**Glenn Evans:** It should be remembered that there were policy decisions that were made and they had to be made for the greater good. We understand that, but it was often Governments that imposed these regulations on hospitality and we just had to respond to them. We did not necessarily place ourselves in this situation but we will certainly try and get ourselves out of it.

Seasonality plays a part in the training and retention message that you were talking about and why are we not, for example, skilling our staff. One of the biggest obstacles to that is seasonality because of the stop-start nature of the tourism industry. For Nigel as well, to level out peak demand would give the supply chain a lot more sustainability. Governments can play their part in providing what they can, as in the frameworks and the taxation frameworks to iron out some of the seasonality issues even if, for example, the Welsh weather will not.

You asked why hospitality was hit so hard. Because we are a people industry we rely on labour. Being locked up in our homes for nearly seven months was an enormous hit on my staff. The first lockdown saw a 10% increase in mental health issues. When we reopened on the second lockdown, there was a wariness about the impact of Eat Out to Help Out, which was too successful in some ways, but we saw one-third of our workforce have obstacles to returning to their previous role with us, whether it be childcare, caring, left the industry, unsociable hours, want to work less hours. Before we even opened, we had one-third of the staff with obstacles. That gives you an insight as to why hospitality is being hit so hard. Then you layer on, for example, the restriction of free movement of people, the perception that you should be working from home or from a desk.

There are a lot of things against us but hopefully with some joined-up thinking we can engage with those young people in the schools and teach the importance of food because at the end of the day food is a fundamental human need.

**Simon Baynes:** Thank you to all the witnesses for your answers.

Q21 **Tonia Antoniazzi:** Glenn, what you just said about the importance of



food is fundamental. That leads me on quite nicely to my questions because even though this is a supply chain issue and does impact on you in hospitality, and Nigel as well. I want to talk about seasonal agricultural and horticultural work. How would you suggest that the UK Government encourages domestic workers to take up these jobs that are in seasonal agricultural and horticultural work?

Kate, coming from your perspective, what are the suggestions? Would you like to see the Pick for Britain campaign reintroduced, is there something that we can be doing?

**Kate Shoesmith:** We have a partnership agreement with the Department for Work and Pensions. Basically what that means is that we have the private employment services, the recruitment businesses I work with, seeking to work in partnership with Jobcentres up and down the country. One of the things that we have traditionally done is invited recruiters into Jobcentres to speak with local claimants about what opportunities are available. When it comes to seasonal work, often the clients of a Jobcentre say the seasonal work is not necessarily of interest to them because it does not have that long-term perspective. They want to see more permanent opportunities.

We have to ensure that people understand what they can get from doing something that would be more seasonal, how that allows people to have transferable skills they can put to use in other work situations and allows them to get something on their CV so they can be of interest to more employers.

That is part of it, there is a piece there to be thinking about. You also have to think about how that helps people with their bills and their responsibilities. They have other things they need to be doing concerning their caring responsibilities. That flexibility works for some people but it will not work for everybody.

It needs to be thought about in the round. We need to maintain a seasonal work visa so we can bring people in from overseas because we do have a low unemployment rate right now. We also need to think about what we are doing to attract people to undertake this work on a seasonal basis because that is what is going to make a difference regarding those supply chains. We have noticed the difference over this last year in availability of people to do the jobs.

Q22 **Tonia Antoniazzi:** The rurality that Glenn has spoken about, the connectivity to get people to these kinds of jobs is also a great challenge. You have spoken about a seasonal visa; would you support the introduction of a 12-month visa to enable EU nationals to work in the United Kingdom?

**Kate Shoesmith:** One of the things that does feel like it is missing from our immigration system is an entry level visa. We have systems for seasonal work, for highly skilled people listed on the shortage occupation list but the salary levels there are very high. We do not have something



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that allows employers to bring people in when we can see we simply do not have enough people in the jobs market locally to fill the roles. There is a gap there and one of the things we need to have is an immigration system that really reflects the needs of employers right now.

**Q23 Tonia Antoniazzi:** Thank you, Kate. Glenn, would you like to make any comments?

**Glenn Evans:** I would echo exactly what Kate has said about the entry level. I have two young boys who I would like to visit Europe perhaps on a student visa like I did for a couple of years, and there is no reciprocal scheme at the moment.

In north Wales there is a balance with the potential conflict with local communities about bringing in lots of seasonal workers. That is already a tension and I would not want to exacerbate that. There is also a perception about quality housing that would be associated with bringing in seasonal workers. We do have seasonal workers but they are often locals who are at further education and they work with us during their school or college holidays to supplement their incomes. While our labour force rose in the summer it naturally shrinks as they return to their full-time studies.

I also think the 12-month visa as a solution does not undermine but perhaps undervalues the skills we need to give people to work within certain environments within our business. It is not just a quick fix; we want to invest in people so we need longevity of availability in order to make that investment in skills and training that hopefully will pay dividends but also will provide workers within the communities on a more permanent basis rather than just a churn every year.

**Q24 Tonia Antoniazzi:** Finally, to Nigel with direct reference to agriculture and horticultural work, how does that impact on your business?

**Nigel Williams:** We have a supply chain that varies from the local to national to global as regards the types of products we stock.

What I would suggest concerning the local availability is maybe the pool of labour available to us over the past 20, 30 years, and because of the European immigration situation, we have had to work less hard attracting local people into the businesses. We are really having to wake up to that now.

As Glenn was saying, there are opportunities with partnerships with colleges, universities. There are times of the year when school pupils are available, we have to work from within the industry to attract those people in.

**Chair:** Thank you to all three panellists for your evidence and insight this morning, it has been incredibly useful.

Examination of witnesses

Witnesses: Vaughan Gething and James Carey.

**Q25 Chair:** We begin the second panel of today's session of the Welsh Affairs Select Committee, and we are joined by Minister Vaughan Gething, the Minister for the Economy in the Welsh Government, and Mr James Carey, senior labour market analyst in the Welsh Government, thank you very much to you both for joining us this morning.

**Rob Roberts:** Good morning, Minister. We very much appreciate your time in coming to speak with us. I will start off very broadly and ask how you would describe the current challenges facing the labour market in Wales?

**Vaughan Gething:** There is understandably some commonality with labour market challenges across the UK. We have seen a recovery post-pandemic in employment rates but we have also seen a contraction in the labour market. From the information James prepared, my understanding is it is the largest contraction in the labour market since the early 1990s with significant falls in younger and older people. That is both people who are at the start of their working life, in particular students, not all of them are working in the way they were previously. Also we have seen older people leave the world of work and that is obviously a particular challenge. That is partly about as we come to the end of furlough and some of the support, some people are making choices either to work less or not to return to work at all.

We also have a particular challenge with a decrease in self-employment, down 600,000 over the UK. Together with that we have a reduction in some of the workers we would have had in particular from European countries.

We have some really particular challenges and it is why you will have seen within your own constituency work as well as national headlines, many sectors are struggling to recruit workers. Vacancies are being filled very quickly but they cannot get enough people in, keep them and invest in their skills as well. We have high profile examples, and HGV drivers are perhaps the obvious one, where you just cannot get workers in. That is both about the reality of our new relationships with Europe as well as the fact we have a particular challenge in getting people into that world of work.

From a labour market point of view, we are facing a tighter labour market than expected. In the spring we thought unemployment would be higher than it is now—you will have seen this in the forecast in both the Bank of England and the OBR—we expect unemployment to rise a little over the coming months.

We have some challenges ahead of us. For Wales in particular, one of our key challenges is how we get more people to be economically active again, to re-enter the world of work. It is why the employability strategy



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review we have and work alongside the DWP is really important for us, to give people the right support to enter the world of work.

If I have any of that wrong, James can come in and tell you so.

**Q26 Rob Roberts:** Over the past 20 years we have seen average salaries in Wales fall about 20% behind the average salaries in Scotland when they were previously about the same. How do the challenges that we have in Wales differ from those being experienced in other parts of the UK?

**Vaughan Gething:** It is about differential rates of wages because we have done well on employment and the gap with the UK has narrowed over the last 20 years or so. We do still have a challenge about the level of work and there is a regular challenge here for Wales about, not having people in work, but about the nature of that work and the pay of that work as well and growing our tax base that also means growing the number of people with higher rates of pay. It is one of our key challenges and that is something where we need to be more successful in the future. It is why we place so much emphasis on continuing to invest in skills of the workforce who are coming into the world of work, as well as people already in the world of work. Unless we can continue to invest more in narrowing the skills gap, we are unlikely to see challenges around productivity and the rate of wages improve for us.

**Q27 Rob Roberts:** I appreciate that. Prior to the pandemic, Wales had the highest poverty rate of all of the nations of the UK. In-work poverty is estimated around 14%, one of the highest in the country. About one-fifth of people between 16 and 64 were economically inactive, about 18% higher than is the case in the rest of the UK. The Open University has said that 51% of employers in the UK had to leave a role vacant due to candidates lacking skills. In Wales that figure was 20% higher again.

What are your views on the reasons for the current difficulties facing the labour market, and what can we do about it?

**Vaughan Gething:** There is a point I have made before about needing to invest in skills within our workforce. The starting position that you point to about in-work poverty, that is about the wages that are paid within work but it is also about the support of the benefit system. The usual Chair of this Committee had made it very clear that he thought it was a mistake to remove some of that support.

The way that choices were made over the last decade has had a very real and direct impact as modelled by independent commentators. The IFS are one example, there are others. We are seeing an increase in in-work poverty, we are seeing an increase in child-work poverty, that is a direct consequence of UK Government choices about how the benefit system is structured.

We will continue to place importance on investing in people to get us through where are. The levers we have in Wales differ slightly because if we are not going to compete with UK approaches, the DWP are looking





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broadly at interventions close to the labour market, people who are essentially job ready. So Kickstart and Restart do not look to get people a long way from being job ready back into the world of work. We are looking in our review to try to make sure that we have things that are complementary. It probably means the Welsh Government will be using our time and resources to invest in those people who are further away from being job ready. That means the interventions will take longer and they will probably cost more.

If we cannot address that challenge of getting people to be economically active again, the future of the economy is not a particularly bright one. There are different levers we have and it recognises a position that UK choices mean for us as well as the levers we have here in Wales.

**Rob Roberts:** I appreciate that. Do you have anything to add, Mr Carey?

**James Carey:** No, that is all right. I am fine, thanks.

Q28 **Tonia Antoniazzi:** Good morning, Vaughan. I hope you are well.

What is your response to the National Farmers Union proposal of a 12-month recovery visa that will enable the sectors hardest hit by the pandemic restrictions to train and recruit the necessary number of workers?

**Vaughan Gething:** My colleague Lesley Griffiths, who is the Minister for Rural Affairs and the Environment wrote to the Secretary of State at DEFRA at the start of September to say that we think there is a need for schemes like the one proposed by the NFU. At the start of October I wrote to the Minister of State in BEIS to re-emphasise our position that short-term visas are not the answer when trying to promote a long-term recovery.

We do recognise there have been short-term visas with limited impact in haulage, poultry, and pork. The poultry industry was saying they think everyone will get a turkey for Christmas if they want one but there may be a reduced choice. In haulage and other industries, there have been different challenges. I read yesterday that the cull in the pork industry was getting towards 20,000. There are real challenges in a waste of produce and what that means for where we are.

A longer term approach to this would be valuable for all of us. If you put to one side whatever ideological view you have, the shorter the term of the intervention the less likely it is to work, and we also need to do something how welcoming the UK is seen to be for workers in other parts of the world while, of course, looking to invest in our own people to make sure there are good careers in the whole world of farming and agriculture.

Q29 **Tonia Antoniazzi:** It is true because our previous panel highlighted this as well. The short term is the sticking plaster but it is not a long-term solution, which you have reiterated as well.



Are you confident that a 12-month visa would be sufficient? It seems not but it is meeting the immediate challenges. How are we going to build a labour market and that capacity moving forward?

**Vaughan Gething:** A 12-month visa is more likely to have people who want to do it. If you are going to work somewhere else, and because of the changes about now being a third country as far as most of the rest of Europe is concerned, the shorter term and seasonal work is a lot less attractive. We know that is a problem. It will be a problem not just in meat industries but in food processing and arable industries as well. The food and drink industry in Wales, the one that has grown significantly in the last decade, is a real success story for us.

Again, there is a challenge about whether we are prepared to have a different and a grown-up conversation about both the value and the impact of immigration as well as needing to do more to invest in the future of our own workforce from within the UK. Given the way these industries have relied on workers coming in primarily from other parts of Europe, and the fact there is not a groundswell of people from Wales or the rest of Britain thirsting to get into those jobs, we have a real challenge. If we are not going to do something about immigration, we have to face the reality that those industries will not have the workforce they need and that will have a real impact on food production and also their economic viability.

I am not particularly sanguine about the position we are in at present but I think a grown-up conversation—not just between the Welsh Government and the UK Government but all four Governments in the UK—could lead us to some points of agreement, but it does mean that there has to be a move away from what is a very direct and obvious ideological view on immigration: it would have to change.

Q30 **Tonia Antoniazzi:** On that point—sorry to keep going, Chair—you have just said now for all four devolved Governments to sit down and have this conversation with immigration. Will you be initiating that? What approaches have you made to the Home Office to have that conversation, and what support do you need in doing that?

**Vaughan Gething:** We have directly asked the agencies and Departments we engage with on this. That is what Lesley Griffiths has done, also what I have done. We would like to have a conversation that looks at the reality of what it means for businesses and for employment, and what it means for local economies. We could do that in a way that was sensible and grown-up and I think we could come to some answers. At the same time we would be investing in the skills of our own workforce.

One of the things that Lesley Griffiths and I have done is invested in the way that food production is now in many ways advanced manufacturing as well, so investing in new facilities to add value to what we are doing within the industry. We have still got to be able to collect and use the



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produce in the first place, and the shock that the system has had from our changed relationships and choking off a previous source of labour is not one that is finding itself to be an easy transition. That is before we get into the issues about moving those goods around. You will have heard lots of evidence already about the challenges of HGV drivers themselves getting in and out of the UK and the challenges at borders when more requirements come into the way that produce can be moved, in particular, meat and plant produce.

The challenges we have now are not going to stay stable because the environment will have to change as our relationship continues to progress with the rest of Europe. That is an issue for ports in Wales, it is also an issue for borders in other parts of the UK too.

**Dr Wallis:** Welcome, it is good to see you this morning, Minister.

Following on from some of the answers you have given already about the communication you have had with UK Government Ministers, what discussions have you had with businesses? Could you also expand on some of the communications you have had with the UK Government regarding the measures needed to support the labour market in Wales?

**Vaughan Gething:** I know you are going to hear from Paul Scully later, and I have had a number of conversations with him—including before the re-shuffle took place—about the sorts of things that we could do and the sorts of challenges that exist across the labour market in a number of areas of the UK.

There is engagement around the tourism sector, retail. Pretty much every sector where you have heard headline reporting of labour force challenges, we have looked to engage in conversation at ministerial as well as official level. There are a good number of meetings that do take place between Ministers. I think it would benefit though from a more regular and reliable pattern for us to be able to share what we think we are seeing in our challenges and the way different policy interventions around the UK are working.

When it comes to business conversations, I have regular conversations with businesses. At the start of this week, I had a meeting with main business groups within Wales and, indeed, a few weeks previously I had a conversation with them as well. We had a roundtable to discuss the pressures in getting through the winter trading period, the challenges that the pandemic still provides in terms of the workforce, and the measures we may need to take to keep people safe while at the same time keeping businesses open and trading. It will not surprise you to know that the challenges in the labour market were part of that discussion, as well as what we can do for this crucial period for many businesses in the run-up not just to Christmas but the very first part of the new year, the settlement we have and how we need to understand the challenges we have, and how the regular conversation we have with them about what we can do, as well as others, is a real strength. That is



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alongside the regular engagement with a number of fora, like the Wales Automotive Forum, Technology Connected, Aerospace Wales, and the Welsh Contact Centre Forum. There are regular engagements that we have.

I would say that relationships between the Welsh Government and business groups in Wales are as good as they have ever been and the way that we have had to work together during the pandemic has strengthened that relationship with a greater understanding, I think, between both sides.

- Q31 Geraint Davies:** It is good to see you, Minister. Leading on from one of your earlier questions, you may be aware that of the 5 million people from the EU who have registered to stay here, something like 1.4 million have now returned to Europe because of the pandemic and have decided not to come back. We have also heard from the Office for Budget Responsibility that the Brexit deal is likely to lead to something like an £80 billion reduction in the size of the UK economy, something like 4%. Do you think we should perhaps be thinking again about more freedom of movement of workers, as opposed to everyone, and possibly more convergence with product standards so that we can get better access to our biggest market and stop such constraints on the labour market?

**Vaughan Gething:** The starting point, the reality, is that our biggest market for trade outside the UK is on our doorstep. For Wales, we trade more with the European Union as it now is than other parts of the UK. About 60% of our trade goes to the European Union. In contrast, about 6% goes over to the Pacific partnership that the UK Government have opened trade talks with about potential accession. You have a very different value in the way that we trade, so having relationships that work with our European partners is really important for us, much more important than relationships with other parts of the world, practically, for the number of jobs we have.

The form of leaving the European Union is one that the UK Government have chosen and in making that choice they have caused the challenges we now see. These were predicted by the UK Government themselves, to be fair, in their own impact assessment. My view is that we should take an opportunity to ask whether this is really the future that we want, with all of the additional challenges it has, or can we have a different relationship where we recognise the value of particular sectors of work in the UK economy, including public services, and have a more grown-up conversation? There would be a willingness to have that grown-up conversation here in a way that we could continue to trade effectively with European partners as well as look at the impact on the labour market and where our workers come from and what that means for the communities that we live in and that you and I have the privilege to serve.

- Q32 Geraint Davies:** We have heard a lot about new jobs, but would you agree with me that a lot of these are job vacancies because people are



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not there to fill them, they are not necessarily all new jobs? Do you agree with the Prime Minister's analysis that if we massively limit migration we can drive up wages and productivity, or is there instead a risk perhaps of more imports and more inflation and a not very helpful output?

**Vaughan Gething:** In terms of the starting point of what is happening with the rebound in jobs, a number of those are lower-wage jobs that are being filled again in the labour market. It is not necessarily that there are new jobs, there are jobs that people have left that are being refilled. I think that is a fair point.

We are obviously seeing some new jobs being created but, as I said, when the labour market has shrunk as it has done, then it is not surprising that there are challenges in each area, and well-advertised challenges, too. The idea that stopping immigration automatically means there will be wage growth and greater productivity, I do not think the two necessarily follow. If you have competition for workers, then it is entirely possible that you will see wage growth. That does not guarantee that you will then see an increase in productivity. Most economists agree that increases in productivity are driven by an increase in skills and innovation. That does not necessarily follow from having more migration or less migration; it is a different form of intervention. I think it is wrong to conflate the two and I don't know a single credible economic voice that I have heard that says that by stopping immigration into the country you guarantee increased productivity; far from it.

Q33 **Geraint Davies:** Turning briefly to what the Welsh Government can do in the current circumstance, can you give your assessment of the success and effectiveness of Working Wales and the Parents, Childcare and Employment initiative in enabling individuals to gain skills in employment? Are there any other schemes that you are planning to push forward to help the labour market?

**Vaughan Gething:** We have schemes: Communities for Work, Communities for Work Plus and, as you mentioned, the Parents, Childcare and Employment programme. We think they have made a real difference in helping people into the world of work.

Since Communities for Work began in 2015, over 66,000 people have been engaged and received employment support, with over 27,000 entering employment. These are people who are further from the labour market, they are not necessarily people who are job ready. That is work that we have done that has been funded by former European funds as well. We are looking at people who are economically inactive and long-term unemployed. The focus is both people over 25 as well as younger people who are not in education, employment or training. As I said before, if we cannot get those people active it is a big challenge for our economic growth potential in the future.

When it comes to Parents, Childcare and Employment, that is £21.5 million, again part funded by former European funds and the Welsh



Government. We did that in partnership with the DWP. Again, that has been targeting parents who are not in education, training or employment and those adults who are economically inactive over the age of 25. In the evaluation that we published last year—and if the Committee does not have it, we will happily make it available to you—the reality is that people who went through that found that it was genuinely useful for them to re-enter the world of work or to get closer to the world of work as well. The childcare fit was a really important part of being able to do so. Crucially, that is an intervention that mostly assisted women to re-enter work because 95% of people who were engaged in that programme were women. We recognise that that has been a helpful intervention and one of the ones that we want to carry on with.

With what we are doing in the future, Working Wales is going to be the gateway for the young person's guarantee. It is going to hold the ring on getting people to the right place. You will hear more about Jobs Growth Wales Plus, again aimed at young workers, and you will hear more about ReAct Plus when I manage to launch that in the new year as well, to try to understand barriers to employment and how we gather together the different interventions in a way that makes it much easier for the individual who wants to get back into the world of work or enter the world of work for the first time to have the support and advice that we would want for them to do that successfully.

**Q34 Geraint Davies:** Finally, we know that Wales by virtue of its demography is older and, in fact, its gross value added and wages are lower. Health is slightly worse, partly because of the industrial history and so on. Given that there has been a reduction of 1.4 million in the number of people from Europe who now say they will not come back, and given that there has been historic underinvestment in, for instance, our rail infrastructure versus the rest of the UK, which to a certain extent explains lower productivity, is Wales in danger of suffering more from the sudden shrinkage in available workers from the EU who are now choosing not to come back after Brexit?

**Vaughan Gething:** Of course, it is a risk, and the risks multiply and add on to each other. It is hard to say there is one risk more than others, but the challenges of levelling up, where the Budget sets out that we will not get the full allocation—there was a clear manifesto pledge. It is on page 44, if you want to re-read the Conservative manifesto from 2019, that every nation will get at least what it had before, and the Budget sets out that that will not happen. That is a really big challenge for us because that is hundreds of millions of pounds each year that will not be coming into Wales to broadly support the challenges that we recognise, to support employment and to support the skills agenda. To be fair, this Committee has recognised that the way that rail infrastructure has been used is a real problem for Wales. HS2, despite the well-trailed reductions in that programme, is still a net negative to the Welsh economy so it does not work for Wales, yet there is no consequential in the way that has been provided to other parts of the UK.





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All of those things add in to each other and mean we have less tools and less resources to be able to invest in a way that across the politics of both the Welsh Affairs Committee and, indeed, the Chamber in the Senedd you want to see successful interventions run. One of my big concerns is the skills agenda and apprenticeship funding in particular. Nearly a third of apprenticeship funding came from former European funds. If we do not get replacement funding, we will have the awful choice of either reducing our apprenticeship programme, which no one campaigned for, or we will have to find that significant money from other parts of the Welsh Government budget and that means we can do less in other areas, too. There are very real challenges in a number of areas that we face.

**Q35 Rob Roberts:** Very briefly, Minister, I just wanted to confirm that the amount you mentioned that was coming from the EU is less. Surely the amount that is coming from the UK Government into Wales in addition to the run-off funding that is still coming from the EU for the next couple of years, as well as the levelling-up fund money that has been announced over the last few weeks, means that Wales is actually going to get significantly more than it has done in the past, along with the announcement in the Budget that it is now going to be getting the biggest block grant in the history of devolution. It is not really quite correct to say that Wales is going to be losing out over the next few years, is it?

**Vaughan Gething:** No, you are factually wrong. This is not a matter of argument or the way you want to see it spin, it is just as a matter of fact wrong. With the European programmes, if we were still within those we would get £375 million per year and that would not be affected by the run-off. The run-off for the programme still being there, we would have access to the first tranche of £375 million a year already within this year. In Wales we should have been able to spend that money within the first year of those programmes arriving. If all of the money that had been announced in the Community Renewal Fund programme was spent within Wales within this year, and it won't be, we would still have a shortfall within this first year of more than £200 million. That is a revenue budget of a medium-sized authority like Monmouthshire that we are losing out on.

When you look at what the Budget sets out, the Budget sets out that in the next year the levelling-up fund envelope is going to be around about £400 million for the whole of the UK. There is no chance of Wales getting £375 million out of that £400 million envelope. You can see that what has been built in for a number of years to come is that there simply will not be the ability to match the manifesto pledge on the manifesto that you stood on as a Conservative candidate in 2019. It is simply unavoidable as a matter of fact that there is a reduction in moneys and you cannot add up what is there and say we are getting more than we otherwise would have done.



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The other problem you face with the Budget settlement is for this next year, in the first year of the CSR settlement, there will be an increase. There is then a significant tailing off. We face very real challenges in having real growth in where we are. When you look at the real terms growth in our revenue budget from the settlement, it just about keeps pace. There is just a small amount of growth of that three years. Our capital budget falls in cash terms and we will be at least 11% short by the end of the three-year programme. That, of course, could be more significant if we continue to see inflation in capital costs, which is a challenge across the UK.

I understand there are times when there are different views in how people perceive things, but as a matter of fact it is undeniable that Wales is losing a significant sum of money as a direct result of the choices. It is plain and clear that the manifesto pledge from 2019 is not being met.

- Q36 **Dr Wallis:** Thank you for your responses on that, Minister, but is it not the case that we are waiting for details of the shared prosperity fund, which is the main flagship fund that will replace the EU funding? The community renewal fund and the levelling-up fund are in addition and supplement those. When we see details on our shared prosperity fund, if the situation changes will you correct the record?

**Vaughan Gething:** I am not sure if you have read the Budget, but in the Budget it sets out that the next stage of shared prosperity will be £400 million in the next financial year. It will build up to be £1.5 billion across the whole of the UK in the third year. The Budget sets out that the manifesto pledge, which again you stood on, will not be met. I appreciate that there are different politics around this, but you just need to look at the facts set out in the Budget and they do not meet the manifesto pledge. It does mean a significant reduction in funds available to Wales. It does not matter what your opinion is because those are the facts that are set out in the Budget.

- Q37 **Dr Wallis:** In your response to the question from the Member for Delyn, you said that the levelling-up fund would be £400 million next year. Now you are saying it is the shared prosperity fund. Can you clarify which fund it is you think will be £400 million next year?

**Vaughan Gething:** It is set out that the shared prosperity fund that will take forward the levelling-up agenda will be £400 million in the next financial year.

**Dr Wallis:** I will move on, Chair, but I believe those are different funds.

**Vaughan Gething:** The Budget sets out that the replacement of the former European funds will be £400 million in the next year for the whole of the UK.

- Q38 **Tonia Antoniazzi:** There may be some things that I am going to cover that you have responded to, Vaughan, but one of the questions I asked of the previous panel was about the Pick for Britain campaign. There are



lots of initiatives that will encourage people to get into work, which we have seen. I wanted to know what the Welsh Government are doing to encourage domestic workers to take up work in sectors associated with low wages and low skills, such as the agricultural sector. Are you supportive of things like the Pick for Britain campaign and what are you doing in Welsh Government? It is a difficult area getting people to jobs in rural areas where we need people to be doing this seasonal work.

**Vaughan Gething:** There is a real challenge here, isn't there? It is not the aspiration of the Government to get people into low-wage, low-skilled jobs, but it is what we do to make sure that the work is attractive and what we do with the challenge of the wage rates that are available for that work. My understanding is that it is not necessarily the wage rates that drive people away. People just do not want to do the work. It is the nature of the work that some people do not want to do, and that is in many ways the biggest challenge we have.

How do we advertise real opportunities and real opportunities that match the ambitions of this Government and others across the UK to move people to higher wage, higher skilled jobs? Yes, I want to see employment roles filled, but I want to see decent work that is made available with fair conditions and fair rates of pay. We have advertised and we have looked to promote opportunities in different areas. We have campaigns together with tourism and retail, and there is always a conversation to be had with my colleague Lesley Griffiths and the rural economy about how we advertise roles that are available for people to make use of and to want to then go and further progress in the world of work as well.

**Chair:** Thank you very much. I thank the Minister and Mr Carey for their evidence in that session. Diolch yn fawr iawn i chi. I will call that session to an end before starting the third session. We have the Ministers here present so if you are ready we will progress to the third panel. Diolch yn fawr iawn i chi, Gweinidog.

## Examination of witnesses

Witnesses: Paul Scully MP, Mims Davies MP and Sarah Pearson.

Q39 **Chair:** Thank you very much. I will start the third panel of today's session of the Welsh Affairs Select Committee. I am very pleased to welcome Minister Paul Scully and Minister Mims Davies as well as Sarah Pearson, who is the area director for Work and Health Services Wales and National Employer and Partnership Team at the Department for Work and Pensions. Forgive me if I got that title wrong, Sarah. Thank you very much to the three of you for attending. I understand that we will need to be quite brief now to make sure that things end by 12.15 pm. That should not be a problem at all. Could I turn first to Mr Geraint Davies to ask the opening questions of this session, please?



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**Geraint Davies:** Can I turn to Paul Scully first, perhaps, and simply ask how significant the end of free movement was from the EU to the UK in terms of explaining the current shortage of workers in the agriculture and food sectors in Wales and in the UK, of course?

**Paul Scully:** Predominantly, the labour shortages have been down to the pandemic. When you have a situation in which you close down the economy, it is like a big machine that you are turning on. It is sputtering and starting. This time last year there was media speculation that unemployment was going to be between 7% and 12% in the various margins of predictions, and we are actually at 4.6% across the country, which is just above the prepandemic level. It is the exact opposite problem that we are having.

Clearly, we know that there are people who have gone back to their country of origin in the EU, have perhaps been on furlough and returned there. The situation in their own country may have changed. Their personal situation may have changed, just as people's situations in the UK have changed. They have reassessed what they want to be doing in terms of their work. There are some structural issues around various sectors that we need to address long term as well.

Q40 **Geraint Davies:** My understanding is that there is something like 1.4 million people who have registered to stay in Britain, who have gone back to Europe during the pandemic and now have decided they do not want to come back into Brexit Britain, as it were, and it is having a significant impact on the amount of people who are in the agricultural business in terms of picking crops and processing food as well. Do you recognise that as a problem?

**Paul Scully:** I recognise the estimates but I don't recognise that they do not want to come into Brexit Britain. There are a lot of different factors. I know that we were on different sides of the original debate and I do not really want to be reopening the Brexit debate itself. None the less, as I say, there are people domestically and European citizens who have reassessed what they want to be doing themselves.

I will give you one great example, not a Welsh example, where a hotel in another part of the UK opened, brought 500 people off furlough, and 250 of them resigned overnight, on day one, because they were working in an Amazon depot. People have been reassessing what they want to do. It is not necessarily because of Brexit Britain or anything else. It is what suits them. Of course, in other countries, economies have been moving in different directions and people have made those personal choices.

Q41 **Geraint Davies:** Would you accept, though, that if 1.4 million people have now exited the labour market, obviously the people who are left will have more choices, it will drive up wages, and we will have shortages in key areas, whether it is haulage or care workers or whatever? That is an inevitable truth. How long will it take, do you think, for us to have a situation or will it happen that that will drive up wages and skills? We are



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not really seeing that, we are just seeing wages going up and shortages of people, aren't we, without increases in productivity and so on?

**Paul Scully:** I think what you are finding is that some sectors are reporting that things are starting to stabilise. Clearly, we need to make sure that people are not panic buying and all these kinds of things, which has additional pressures on supply chains and staffing issues, as we have seen earlier with the fuel issue. We have seen wages go up. I think that is a good thing in many ways because we are talking about having a high-wage, high-skilled economy. In the Plan for Jobs, the approach we have is that the domestic solution is the correct solution in the medium and long term in upskilling our workforce to go along with those increased wages. None the less, clearly we need to be leaning in to make sure that we are tackling this particular short-term issue to get the transition to that high-paid, high-skilled economy that we all want.

Q42 **Geraint Davies:** Mims Davies, what are your thoughts about how we are going to cope with 1.4 million people who said they wanted to register here and now are going to stay in Europe? How should we cope with that in terms of immigration, the labour market and shortages of people?

**Mims Davies:** Good morning, Committee, Chairman and Geraint. We must not overlook the talent we have down the road, and that is really important. As someone who lived near the prison in Swansea for many years and knows that some people are still there and have not seen that progression and that opportunity of their wages going up, it worries me. It should not be that where you start is where you finish. The reality is that we need to be moving those people into work and seeing opportunities.

I am pleased that at the Liberty Stadium just within this last month we have had employers attending there to get those local people into work, from the DVLA, Amazon, Swansea Council, Admiral, the football club, and John Raymond Transport in terms of HGVs. We have had real activity there. In fact, we have seen 600 jobseekers there with 60 different employers. I am not necessarily sure that if you live next to the prison you know those opportunities are there or wider.

I think it is important, yes, that we get those people back who have that right to work and stay in the UK and have those connections and those skills, but if people have wanted to make different choices, then, as Minister Scully alluded to, some people have had health changes. They may have ended up being carers. They have reassessed whether they want to be away from family or friends. There is lots going on in this labour market, but what we do know is that in reality in Wales we have too many people who are still not seeing that progression opportunity, which is why DWP is working with those sectors, particularly in hospitality and other areas that matter in Swansea. People cannot and must not be overlooked, and that is why outreach on this is so important.

Q43 **Geraint Davies:** In terms of agricultural and food sectors, they have



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seen a particular bite because there are less workers from Europe, in essence. You kept mentioning the prison for some reason. Is your suggestion that somehow people from prison should do that? Or are you just saying that people who are not working at the moment should go and pick crops from Swansea? Is that what you are saying?

**Mims Davies:** With the changed labour market, where it is an employee's market, it is brilliant. You have loads of choices out there, as you describe, whether it is agriculture, hospitality or HGVs. The reality is that we cannot overlook anyone because we need those people in those sectors. I don't like this job snobbery about the fact that it is okay for some people to do some jobs and it is not okay for others. It is called the ABCs; it is any job, better job, career. We are going to help people to progress.

For some people, getting into that first job, getting on to that employment ladder, is really difficult. It might be basic maths and English that is holding them back or confidence. It may be the fact that they have had a stay at the MoJ. We absolutely should be moving those people into those sectors and into the workforce. One of the best things I have seen as Employment Minister very recently is employers reaching out not only for people leaving prison, who normally they would be overlooking, they are looking to support those people into the labour market. They are also coming forward and helping people from Afghanistan who are looking to settle here. In fact, there are more people than ever getting the chances to get those skills and opportunities that perhaps they may not have felt before.

I do not think we should be saying there is a particular job that is right for anyone. We need those programmes, as we heard earlier in terms of Pick for Britain, to get people into those seasonal and outdoor roles. They can be perfect for some people and obviously not right for others.

Q44 **Geraint Davies:** In terms of low-skilled agricultural jobs that are seasonal, picking fruit at particular times, historically we have had the situation where maybe groups of people have come over and they have gone from place to place in Britain according to the seasonality of those products and then perhaps have returned home having saved some money. That lifestyle is quite a difficult lifestyle for someone, for instance, with a family who is settled in Swansea, as we are talking about here. Would you accept that it is not that easy to fill some of these? It is not as easy as to say there are going to be people out there; there are, in fact, a lot of vacancies and a lot of jobs. There are choices, so a lot of people may not choose to do those particular jobs because it is not very convenient, is it?

**Mims Davies:** I would take issue with the fact that those are low-skilled jobs. They are not. If you talk to people across the farming sector, they absolutely are skilled. For example, if you go into viticulture, the wine industry, we have courses now to bring people into that picking and pruning lifestyle because it is much more difficult than what people think.





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That is why technology in agriculture can help in this. I certainly think that if the Welsh Government can look at using more technology in this, it will be helpful as well to try to rule out some of those least attractive parts of the job. The reality is they need to be done because we need the food to be produced, and with the environmental agenda we want them to be produced closer to home with less food miles and all of those reasons. I know that this week DEFRA has released £27 million for English farmers to look at technology. I would like to see that happening in Welsh Government. I know they are following more of the common agricultural policy at this current time, but I think technology will help in that matter.

The other point, Mr Davies, if I may, in regard to universal credit and seasonality, it works very well with that fluctuating seasonal role. If they are moving around with the seasons and with the work, and quite often people have very settled patterns on that and we are able to do that if hours are lower or indeed crops are lower so therefore hours and income is reduced.

Finally on the point in terms of seasonality, we are seeing in Wales, particularly in hospitality, less seasonality. People are choosing to holiday and stay year round. Some of the tourism where you would see that ebb and flow is less so. That is why, for example, the work that DfE is doing at the moment on apprenticeships, which can be shared between different employers where there is seasonality, will help people to go into those sectors and maintain those sectors.

**Q45 Geraint Davies:** Finally, obviously the Prime Minister said that if we have a constraint on migration we could drive up wages and skills but in the case of agriculture production if we drive up wages and costs and we have an open market, will we not simply end up importing products from abroad because we cannot drive up the wages sufficiently given that there are other choices because there is a shortage in the labour market overall?

**Mims Davies:** I believe—talking to Sarah this morning—we are working with Food Skills Cymru, we are working with the hospitality sector, we are working with national butchers, everybody who needs skills. Now, let us be honest, most people think that maybe butchery is not particularly skilled. As you go in, not so, but it is very skilled.

**Q46 Geraint Davies:** But if we drive the wages up, is my point, we will basically just increase imports because people can buy cheaper products because our wages are then too high.

**Mims Davies:** If we drive people into the starter jobs and progress, and there is a progression of commission report which DWP will be responding to shortly with that ABC approach—the any job, better job, career approach. It also looks at things like transport, childcare and other things that might be holding people back from getting into the sector. As you say, without enough people again those wages go up. Butchery is a really



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important area, which, of course, we have reflected and brought people in when needed on those on visas. The reality is—again, with my local agricultural college and I know we are doing this with DWP—we are working with those national butchers, those large chains, those people that do large food supply, to help them to bring people into that sector. That is working. It is that sort of answer that is going to be dealing with what is not a quick fix.

If I could just make one point in terms of filling vacancies. In England we have a sector-based work academy programme, it is a slightly different process in Wales because it is devolved. We do not have the ability to have that six weeks of training and learning. We do have the Wales Skills and Employment Pathway, which we developed at DWP with employers to give people those six weeks of training and learning.

One thing we do not have is the data on the outcomes of jobs in those sectors so we need to do some more data sharing and understanding there. The difference between England's programme of SWAPs and the Welsh equivalent is that there is not a guaranteed interview at the end of the training. We see in the rail, construction or hospitality sector if you do that up to six weeks of training or learning where you get a certificate on knife skills or you can do cocktail making if you are going into hospitality, there is all different skills and training that you can learn on these programmes. The difference we are seeing with SWAPs in England is that you get a guaranteed interview with that employer at the end. We are working really hard with the employers to get that guaranteed interview but if Wales employers could offer that as part of the programme and Welsh Government could push for that, that would be very helpful.

We see in areas such as hospitality, rail or construction where they get the cards, get the learnings, they very often get the job and that is the difference we are seeing in Wales.

**Q47 Geraint Davies:** Thank you. Paul Scully, how important is it still to attract overseas labour to fill vacancies and why was the increase in seasonal worker visas not sufficient to meeting labour demands in summer 2021? What further flexibilities would you like to see? For instance, a bit more freedom of movement of workers perhaps.

**Paul Scully:** Could I just correct the record? I think I said that unemployment was 4.6%, it is actually 4.3%.

**Mims Davies:** I did not want to correct you but I needed to.

**Paul Scully:** So the plan for jobs is obviously a little bit better than I first stated.

**Q48 Geraint Davies:** Presumably that is because we have removed all of these workers so there is less unemployment. You would not get very high unemployment if you moved the workers, would you? On the visa issue then, what is your view on what happened for 2021 in terms of the



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seasonal worker visas and what is the plan to try to make it easier for people to work here, given the shortages?

**Paul Scully:** We obviously extended the seasonal workers' pilot up to 30,000 visas available, allowing for people to come from the EU or non-EU countries for six months. That will continue to operate in the edible horticultural sector and that has the highest dependency on seasonal labour and it ensures that we can keep our critical food supply chains maintained.

They are increasingly based on the success of the pilot so far but it is not designed to meet the full labour needs of the horticultural sector. The workforce space will complement the workers that are already resident in the UK and looking to take up farm work during the busy harvest months. Additionally, on top of that, in the run up to Christmas we have also announced temporary visas to 4,700 food haulage drivers who have been arriving from late October—they are going to be leaving by 28 February next year—and 5,500 poultry workers, who again have been arriving from late October and are able to stay up until 31 December.

We have a highly resilient food supply chain. We continue to work to make sure that our farmers and growers have the support and workforce that they need and DEFRA are working with the Home Office to ensure there is a long-term strategy for the food and farming workforce beyond 2021. But just simply by looking at visas as a panacea—there are labour issues across Europe, there are labour issues across the world—as a sole result that is going to sort out the issue, that is not necessarily the case because you cannot guarantee that anyone will come because you throw open visas. There needs to be a complement of solutions.

**Q49 Geraint Davies:** Within Europe there is quite a lot of movement in the single market, which means the situation is slightly less acute. As you are saying, there are other factors in play. How were the figures of 5,000 and 5,500 visa concessions for HGV drivers and poultry workers calculated by the Government? How did they get to that figure, do you know?

**Paul Scully:** We listened to the concerns from the sector. We spoke to the sector, we have spoken to a number of businesses and business representative organisations in helping us derive those figures. We know that Christmas is a particularly important time for farmers and food producers and we know that we need more workers on the farms to meet that seasonal demand and it reflects that. It is a temporary emergency measure but those figures were based on those conversations.

**Q50 Geraint Davies:** Are you confident that these visa concessions will be sufficient to ease the current issues in logistics in terms of moving stuff around by HGV in the agriculture and labour markets? Have we done enough in time or do we need to do more?

**Paul Scully:** Clearly we will continue to monitor how effective these temporary emergency measures are. We will continue to work with our key stakeholders and other Government Departments. It is important



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that we do have a cross-Department approach to this with DWP, with BEIS, with the Home Office and other Departments to make sure that we are addressing the situation and responding rather than reacting so we can be ahead of the game. Part of my role I suppose is BEIS because a lot of the delivery levers are with the Department of Work and Pensions, with Minister Davies and others. I speak to the Chamber of Commerce in Wales, the Institute of Directors in Wales, the food and drink sector and representatives there to really get the views and the response—

- Q51 **Geraint Davies:** On being ahead of the game, we have heard that, I think, 20,000 pigs have been slaughtered because they cannot be taken to abattoirs and taken on to supermarkets to sell in time. That number may rise to 100,000 killed pigs that are not consumed and, in fact, may be incinerated I suppose. Can you, hand on heart, say we are going to avoid 100,000 pigs being slaughtered that are not then eaten by people?

**Paul Scully:** To be fair, I talked about having a cross-Government approach and I think you will need to speak to a DEFRA Minister to go through the example of pigs. I cannot claim to be a pig expert.

- Q52 **Rob Roberts:** Just to pick up on something that Minister Davies mentioned earlier on about less seasonality. I completely agree the holiday parks in my constituency have said all the same things, that because they have not been allowed to go abroad people have got a taste for staycations and it seems that they are now well placed to capitalise on that more all year round demand rather than it being so seasonal. The experience in north Wales certainly reflects that.

Going back to attracting overseas labour generally. How important do you think overseas labour will be, appreciating that unemployment is only at 4.3%, in terms of resolving labour market shortages? Is it something that we can deal with domestically?

**Mims Davies:** Wales's unemployment level is 3.8% so we are doing brilliantly well. There is only one part of the country that is still behind prepandemic levels, which is London. That, of course, is based around tourism, aviation and all the things that mean that many people are enjoying their trips to Delyn and wider. However, our universal credit in work search group is still 50% higher than prepandemic in Wales. Of course that does not mean that everyone is out of work, they may not be getting enough hours, they may not be getting enough money in, so higher wages and higher skills and more opportunities is actually welcome for people in Wales. I am not going to sit here and tell you as the UK Employment Minister that I think the answer to our skills and our shortage of needs is changing our immigration policy per se. I do not want people overlooked in Delyn or Bridgend or Swansea because it is the easy go to. We know that long term that has baked in challenges across sectors and, as Minister Scully has just said, the reality with the pandemic and the fact that we have turned the economy back on all globally, all at once, everything is shooting upwards.



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There is a race for skills and we need to be part of that race. I absolutely want to make sure that wherever you live, whatever your postcode is, no matter whether it is a devolved Government or a UK Government that you are getting those skills and those opportunities through the lifetime skills guarantee to progress. I am afraid it has been too acceptable to allow people to be sitting there and be overlooked. We should not want that for any of our constituents.

I think there is a balance here about working and being pragmatic, as Minster Scully said, around butchery, around the pig slaughter, around the challenges with seasonality and, for example, reacting to the poultry needs, particularly where animal welfare is concerned. The go to should not be get someone off the shelf from elsewhere. We have great, amazing, talented people. Let's take Kickstart as an example, we have over 11,000 jobs in Wales available. Nearly 5,000 young people have started in Kickstart roles. Many of those young people when you meet them have challenges, confidence, difficult backgrounds, things going on in their lives. Generally, their CV, even if they had one, would be overlooked.

I heard the Committee heard earlier that perhaps some businesses do not want their businesses full of people who have been on universal credit. May I say to this Committee, that is unacceptable for any sector where we have needs because we should not be overlooking people. The reality around Kickstart is people have said—

Q53 **Geraint Davies:** Nobody said that. Did anyone say that to this Committee? I don't recall.

**Mims Davies:** My understanding there was a perception around universal credit claimants, that they were not necessarily—

**Geraint Davies:** This is something that has been made up, it wasn't evidence here.

**Mims Davies:** Well, it is what I have heard from earlier in the Committee and if that is not the case, I will correct it. But I would like to make the case that many people on universal credit have not ever needed the help of DWP before and the converse of that is many people remain on universal credit because they have never had the chance or opportunity to progress.

Kickstart has been transformative—just this week 100,000 people getting opportunities, 10,000 in the south, in my area. When you meet those young people, they are very often the people with the least amount of family support, the lowest amount of confidence, plus 18 months maybe sitting in the bedroom wondering what on earth will become of them. When you speak to the employers who have given them the opportunity, they say it has been the best thing ever. It has opened up their eyes to doing recruitment differently. It has brought people into those entry-stage jobs that they have found difficult to fill. More importantly, they



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have learned so much about young people and their community and what is going on in their lives as a result of what is going on here. I do take issue with the answer is visas. The answer is a mixture of training and skills and supporting people who are down the road to progress.

**Q54 Rob Roberts:** Thank you. Before I come on to Minister Scully, to finish off that point, you will be aware, Minister, that I had a recent meeting with my local Jobcentre and they all clearly said that the missing link was employability skills. What can the UK Government do in conjunction with the Welsh Government—education being a devolved issue, obviously—to make sure that those employability skills filter through so that it is not such a big issue?

**Mims Davies:** On the ground, our JCPs are absolutely battling. I know Flint and Mold in your patch do a brilliant job. In fact, Iceland, for example, in the Flint area has reached out to Jobcentre Plus to work with us for the first time. Minister Scully was talking about hospitality and his outreach that he does. Through the national employer partnership group that Sarah heads up as well our work in Wales, we had 24 more employers join us and work with Jobcentre Plus and DWP because they recognise that it can fill their gap. People do overlook DWP. They do not realise that you can advertise for free on Find A Job. But on that basic level, it is absolutely right that local schools work with Skills Wales, work with Jobcentres and use that devolution and that local knowledge of councils. I know we have recently seen it in Bridgend in the good doctor's constituency, working with the town centre, having people coming into geared-up jobs fairs where people actually are. Go and find those people. You need to be out, talking to the people who feel overlooked, and help them with whatever is holding them back.

**Sarah Pearson:** Minister, if I could just come in, the other point I will bring out is about the regional skills partnerships as well. DWP is a key member of the regional skills partnerships in each of the Welsh districts, so we make sure that we are there, part of those skills conversations, understanding where we need that economic growth and where we need to develop those skills. That is embedded in the work we do with the Welsh Government, led by the DWP Wales skills and employability pathway. We are linked in with the Welsh Government to make sure that we develop the skills that we need now and for the future under the banner of DWP Train and Progress and use some of the funding from the DWP through the Flexible Support Fund to help remove barriers and to help people move and develop the skills that they need.

**Mims Davies:** Thank you, Sarah. DWP Train and Progress is where you can train for up to 12 weeks into a key sector and be supported to do that, similar to what you can do around a sector-based work academy and the like. As Sarah has just described, we are unpicking that on that local level.

**Q55 Rob Roberts:** Minister Scully, to finish off on overseas labour and looking a little bit, perhaps, longer term, we have lots of vacancies in the





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whole of the UK in health services as well as the lower-skilled things that we may have covered already. I shall be putting in an amendment to the Nationalities and Borders Bill to make it slightly easier for people to come in from overseas to work in our NHS, for example, because those things take a long time to train.

How important is it that we are able to attract those people from overseas while we fill the gaps in our own training to fill those vacancies ourselves over time?

**Paul Scully:** It is an interesting point. Immigration plays a role, clearly, in our employment market. No one is denying that. We do not want to have it as a first resort, which for the last few decades has been the case in certain sectors and certain companies. The mix of solutions is the right way to do it.

We want to change—and our immigration plans are—to having a fairer, wider immigration system that allows the brightest and the best, with the skills that we need and the skills that we are looking for, whether it is in the public sector or whether it is in the private sector. It should not matter where they come from. It is not just about the freedom of movement from the EU. It should be wider afield, whether it is America, Australia, Bangladesh or India. If they have the right skills, if they fill in those gaps, if they want to settle in this country, that is absolutely there.

But we want to make sure that that is not at the expense of a domestic workforce that can be trained up to have that high-skill, high-wage economy that we all want.

**Mims Davies:** If I could just quickly add to that, Sarah will know this intimately because of the work that we do with WeCare Wales. This is exactly what we do with the Regional Skills Partnership work that she was just describing to get people into those entry-level jobs and progressing into those sectors. We do that day in and day out at the DWP. There is a fine balance here. You cannot sustain your workforce if you rely on people from Nepal. It takes a long time to get there and back and to go and see their families. There could be a big gap. The reality is we do need people down the road in Flint and Mold to want to do those jobs and have those skills as well.

**Paul Scully:** Clearly, we do not want to be stripping away talent from Nepal. We do not want to be increasing the youth unemployment in Spain, which often is at about 30% or 40%. But we want to get that balance right.

Q56 **Dr Wallis:** If I can ask Minister Scully first, how confident are you that the measures currently in place will be sufficient to solve labour shortage issues in the long term?

**Paul Scully:** We want to make sure that employers make that long-term investment in the domestic workforce instead of relying on their labour from abroad, as we have always said. We have been encouraging all



sectors to make employment more attractive to domestic workers through careers options and training, as you have heard from Minister Davies. We have seen that change. We have started to see some shift in the structural issues around particular sectors as a result of that call. That is where the Plan for Jobs is making sure that companies retrain, build new skills and get back to work. The Kickstart scheme that you heard about from Minister Davies is creating those vital jobs. We will continue to monitor how effective this is, but it is starting to show results. We need to get through this bit where we are transitioning to that high-skill, high-wage economy.

**Mims Davies:** I want to point out one of the key issues in terms of filling gaps is people understanding and being willing to transition into new sectors. We have seen an interesting economy during the pandemic where we have seen a Covid economy. Minister Scully exemplified it earlier and we have seen it in my own constituency with people who normally work at Gatwick are working in the pandemic economy, delivering and helping with food services. For example, 1,000 people have gone into the local NHS and have been part of the Jobs Army and all of the support around that. People have been willing and able to move across. But then for some people in their sector, the rug has been taken away and it has been a great shock for many people. It takes a while to get your head around, "Actually, I will not go back to doing what I did before. It is not there. It is not likely to happen".

We have had different projects through the Plan for Jobs that have made a real difference. One is JETS, which is around six months unemployment, extra and over to doubling the work coaches that we have. In fact, of course, additional Jobcentres have opened in Wales as well. Two have already opened, one in Wrexham and one in Cardiff, other ones coming in Swansea, Newport and Colwyn Bay and Rhyl. We have 150 youth hubs for the under-25s. As I was mentioning earlier, sometimes quite chaotic or problematic things, skills or other things, could be holding back our young people in terms of confidence. We have eight of those already lined up, one of them working only virtually.

The point around JETS is that at six months that unemployment is starting to bite for those people who did not expect to be there. In Wales, we have had nearly 10,000 people starting on that programme, which has worked in terms of transitioning into those areas where we need people and helping them to recognise how to get into those sectors. Quite often you think your CV is great and you have everything going for you, but six months later it is biting and it is difficult. Working with providers, with mentoring circles, with digital interventions and with practice sessions about interviewing, we have seen incredible outcomes. In fact, yesterday I heard that some people on some of our programmes have gone on to well-paid work as a result of recognising how to transition into those sectors.



This is about confidence all across your career path, giving people from that starting point of their working life to all the way through to the 50-plus interventions that we have as well to help people to transition and move into those growing and changing sectors. What we need post-pandemic is different to what we needed 10 years ago. Many people are working in jobs now that did not exist 10 years ago and we will see similar going forward. We need give confidence and support to our workforce, no matter where they are, no matter what their skills are, so that they can be adaptable to that changing need that our employers have.

**Q57 Dr Wallis:** If I could ask Minister Scully two quick things, first, what role do you think automation will have in the agricultural and food sectors going forward? Do you think it could become more important than seasonal workers?

**Paul Scully:** Yes. We recognise that the technology has a potential to replace certain tasks. Robotics, autonomous systems and the like are likely to be used to automate some of the more physically onerous tasks, dangerous tasks and repetitive tasks, but that does free up the workforce then to move into other, newly created—as Minister Davies says—quality jobs. Advanced robotics requires highly skilled workers and that will enable us to upskill the workers in itself.

We have to make sure that we get the full benefit of technology and automation. That is why DEFRA is leading on a review of automation in horticulture, both edible and ornamental sectors, and that will work alongside the extended and expanded seasonal workers pilots. They will report back in 2021, this year, with findings and recommendations and helping us to inform a range of policy decisions from 2022 onwards.

**Q58 Dr Wallis:** Great. Finally—and usually answers are quite long on this but I appreciate time is tight—what contact have you had and what discussions have you had with the devolved Administrations on how to support the labour market in the UK?

**Paul Scully:** For a number of months while Minister Zahawi was out jabbing the nation, I was covering local growth for him. We now have a substantive replacement in Minister Rowley. I had regular quad meetings with Minister Gething and representatives from Scotland and Northern Ireland and we continue to work at official-to-official level and Minister-to-Minister level to make sure that we exchange thoughts about what is happening in each corner of the UK. Also, beyond those conversations, it is important that we continue our work with things like the FSB, the Chamber of Commerce in Wales, the Institute of Directors in Wales and the Food and Drink Wales Industry Board. Those sector conversations are so important and we will continue with those as well.

**Q59 Dr Wallis:** In the final few seconds left I would ask Sarah Pearson to



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come in on that first question I asked about how confident you are that the measures currently in place will be sufficient to solve the labour shortages issue in the long term?

**Sarah Pearson:** Thank you very much for the question. We are working across all of the sectors in Wales to look at the outcomes and we work incredibly closely with the Welsh Government as well. Part of the work that we have done is making sure that our provision is aligned across all of the offerings that we have. For example, we have worked to make sure our young people offering is aligned, mapping out a customer journey for our young people. We work incredibly closely with the Regional Skills Partnership. At an operational level, we have a great working relationship with the Welsh Government.

I am confident that we have all the connections there to make sure that we look at all the sectors and making sure that we do not just look at those entry-level jobs but also look at progression as well, getting people into work and—going back to what the Minister said around ABCs—and making sure that we do it. We are doing all of the right activities to make sure that we drive the right outcomes within Wales, working closely with the Welsh Government and doing that.

**Dr Wallis:** Thank you. It is nice to end on a confident note.

**Chair:** Thank you very much, Dr Wallis. Thank you to Minister Scully and Minister Davies, as well as Sarah Pearson, for joining us for that final panel. Apologies to colleagues that we were not able to ask any further questions, as is always the case in these things. Thank you very much.