



Llywodraeth Cymru  
Welsh Government

MEETING

# Council for Economic Development meeting 4 June 2020: agenda and notes

Agenda and summary of discussion from the thirtieth Council for Economic Development meeting 4 June 2020.

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## Apologies

- Sarah Jones (David Lonsdale standing in)

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- Lloyd Powell
- Huw Mathias

## Minister's Introduction and Update - METNW

Ken Skates: Welcomed everyone to the meeting.

## COVID-19 response and recovery – Andrew Slade

Andrew Slade:

- Mentioned that we are in extraordinary times and seeing a fast pace of change.
- Thanked everyone for the team effort in responding to C-19.
- As it is a new disease, the impacts of C-19 on individuals and societies is unknown – told that people of certain age, weight, under lying health conditions are more susceptible to the disease but then people who are less susceptible are also affected badly.
- C-19 doesn't survive as well in sunlight or outdoors but it likes the damp. It can live on steel for up to 32 hours.
- We are still learning about the disease and until a vaccine is available and track and trace systems in place across the globe we will need to learn live with the disease.
- Latest figures of recorded cases are up to 6.5 million worldwide and many more deaths will be out there than those that have been recorded.
- We have to deal with this in a series of phases. Across WG in the initial phases are:
  - Phase 1: Emergency response (still in this phase in some respects) in terms of dealing with PPE and consumables - to 80 million PPE items purchased, brought out of stock or manufactured in Wales alone.
  - Phase 2: Temporary Normal We are moving increasingly into second phase – living with lock down and impacts on sectors, transport, schooling, shielding/vulnerable people. A big package of support has been provided including ERF, non-domestic rates and support through Business Wales.

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- Phase 3: Project Restart - Focussing our efforts on this phase and looking at enabling infrastructure, school care, transport, other services so we can get things moving. Putting in place enabling programmes – PPE and consumables needed plus test, track and trace. There is a suite of other things included such as our economic response.
- Alongside these phases guidance and communications are extremely important.
- The recovery phase and how we move to new normal is being led by the Council General.
- Looking to create a green and socially responsive economy. Considering that if we are returning to normal what will that look like? Need to take the best of what we have learned from this process – working from home, etc.
- Want to be joined up in our project recovery with views from this group and Local Authorities.
- The headwinds we face are very severe. April figures for employment count is the biggest change since the 70s and biggest drop in GDP since World War I.
- There will be issues around unemployed and skills going forward and certain sectors and sub sectors will be particularly effected. We will be able to switch on some sectors quickly, others will take longer and others will have profound implications as a result of C-19.
- Lots of opportunities but lots of challenges too.

David Lonsdale:

- UK Govt is reportedly planning an emergency Budget next month, and the Scottish Govt has commissioned an economic recovery advisory group to report by the end of this month, presumably ahead of a similar emergency fiscal statement. Is Wales planning something along similar lines?

Andrew Slade:

- We are in the process of thinking that through.

David Lonsdale:

- Is there a sense that any activity will be co-ordinate/aligned across the

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different governments? Recognise they have their own powers but will they be aligned?

Andrew Slade:

- There has been a huge amount of contact across the different administrations. We have excellent relations with BEIS ministers.
- At the heart of UKG there has been less co-ordinated response than we saw at the start of C-19 and have a few concerns.
- We are trying to keep things joined up but devolution allows us to decide what is best for our regions.
- There's not a vast amount of difference in what we are doing across the UK but we are respecting different situations across the UK. There are some differences which we are mindful of. There is a need for this to be done in joined-up way to take a strategic integrated approach for all this to work effectively.

Ken Skates:

- Relations are generally good between us and BEIS but it often comes down to personalities. I do not get the opportunity to speak to the SoS as regularly as I would wish.

Ben Cottam:

- What is your perception and what you picking up since FM announced for retail to prepare during the next three week period? I would like a better understanding of traffic light system and clearly there's a pressure for dates (letter from Tourism businesses). The announcement yesterday re: schools means we now have a date for education but there is a frustration among businesses as they anticipate when they might reopen.

Ian Price:

- Mike Cruddock said from a business perspective we don't know whose right/wrong but the closer you can do things together the easier it is for business. Northern Ireland mentioned 16 July for re-opening leisure and hospitality and

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is this something WG is considering? Would be helpful to have dates so they can start taking bookings. Interested in your thoughts on tourism and hospitality.

Ken Skates:

- Businesses are already ramping up activity re: opening up. Perception of differences doesn't reflect the facts and in England subject to CV being under sufficient control.
- UK review is on the 16th and WG is on the 18th so not much difference in timescales.
- In terms of Tourism the dates announced so far are 4 July in England, 18 July in Northern Ireland – my preference would have been to have a single date. The UKG have the ability and freedom to do this – I would have preferred a coordinated approach for one of the most sensitive areas in terms of economic activity who share space and where different households mix
- We will be looking at what can be done after the next review period. June 18th is the next review date and then if we can look at hospitality and tourism after that but we will but we need to be guided by the R number, otherwise the dates are purely aspirational and we don't want to raise expectations in terms of businesses being fully prepared to open and then the virus isn't where we need it to be.

Andrew Slade:

- The traffic light system is one of the reasons why, through Project Restart, that we cannot only marshal activity but we need to make sure guidance and messaging are in place. All of this is dependant on the passage of the disease and one of the things that is difficult is that we've used headroom under R1 – if you move from 0.8 to 0.9 there will be a lot more people dying.
- There is a lag of between 2 to 3 weeks in terms of getting data through to show the effects of the virus.

Martin Warren:

- Transport – I wonder if we are going to get people coming to shops and work

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in the interim period?

Ken Skates:

- In brief we will need to make sure we get journeys better – looking at staggering shift patterns, pre-booking seats and potentially only allowing pre-booked tickets on rail (can't do this the same for buses).
- As long as the 2m distancing is in place we will only have 50% of activity.
- Capacity will be 10% to 20% compared to normal and we will need to encourage businesses/employers to stagger hours and maintain home working/remote working if possible.
- If the distancing rule moves to 1m it will make a big difference.
- However, it will cost more in terms of subsidy and there will be a reduction in the amount of space available because of the distancing rule.
- We want to encourage people to use public transport but it needs to be in a wellmanaged way.

Derek Walker:

- Recovery phase – can you provide any more information/thinking and what will it look like in terms of priorities, economic measures, approaches, ways of working?

Ken Skates:

- Not all of this is in my portfolio and we will be co-ordinating a cross-government approach.
- Jeremy Miles is co-ordinating.
- We are using the principles of green growth/fair growth, investing in skills, and promoting well-being.
- There will be obvious consequences – renewable energy schemes, social housing, low carbon, skills development (level 3+), doing work alongside what UKG are doing. I don't want to carry out the work in isolation.
- A lot of external engagement required in terms of employer groups, sharing ideas that could be implemented.
- We are in the process of collaborating, identifying best ideas, distilling them and then we come up with a recovery strategy.

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- The way we have adopting social partnerships is impressive and plans for recovery will carry the fingerprints for Wales.

Ifan Glyn:

- Additional borrowing powers - Would that be a nice to have?

Ken Skates:

- It is not absolutely vital, but to recover in the best way possible it would be.
- Additional borrowing will allow us to recover faster and gives us an additional tool to respond to the virus and recover from it sooner in a stronger fashion.

Joe Allen:

- We published research on recovery in Wales and where we see the need for greener investment and infrastructure and a dual prioritisation in those two areas.

Ken Skates:

- There is an important point around guidance. We are working through sector specific guidance which we plan to publish in the next week or so.

Paul Slevin:

- Should England step away from Wales with respective dates, when you get to pubs, hotels, etc it will be more difficult to police in terms of people crossing the borders to use the pub for example.

Ian Price:

- Newport buses – would be good to roll out elsewhere. Interesting chat with DWR if social distance could be reduced to 1.8m they could increase capacity by 33%. Small changes can have a big impact.

Ken Skates:

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- I have raised this with the Chief Medical Officer and hoping we can reduce the 2m but we would need to do this with UKG.

Emma Watkins:

- We are hoping to send guidance this side of weekend on retail so colleagues can look at it. We would like to share some guidance and are looking to do this over next few days. We will probably bring some of the guidance to the Social Partners next week.

## Economic overview – Jonathan Price

Jonathan Price:

- The economic consequences are uncertain.
- There will be an unprecedented collapse of GDP in the current quarter and also in employment. Don't look at the depth of this recession but concentrate on the length of it.
- Uncertainty is what we need to be focusing on. We have only got experimental data for April but this shows a spike up in the claimant count rate, approximately doubling in one month.
- Vacancy data shows a plunge in vacancies which is equivalent to the 2008 recession. However, there is limited data for Wales.
- ONS business survey shows the impacts in Wales look a little worse but the differences are relatively modest.
- If we step back from most recent data and look at prospects. Bank of England and ONS have given scenarios for a short, sharp epidemic. Predicated on lock down of a three month period. This shows the plunge in GDP then a rapid rebound in Q3. Early 2021 we see GDP back to the sorts of levels that were expected before. This is a rather optimistic scenario.
- For unemployment it takes to about 2023 to 24 for it to get back to where it was. So there's a lag between GDP and unemployment.
- If you look at the pessimistic scenario which takes a prolonged outbreak in the current year it shows a drop in GDP of about 10% and recovery by 2024 with employment much beyond there. Similar to the 2008 recession.
- If we look at sectors and where impacts might give the most shock almost all

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sectors are affected – health and social activities are the only ones that are up.

- Need to stress we shouldn't read too much into these impacts as they are immediate, rather than longer term and are probably going to be modest compared to scale of impacts.
- Spatial impacts – various attempts to see what it might look like on a map. Pattern is likely to change as we move forward. Supply chains blur the information.
- If later in the year international travel restrained but local travel relaxed it could have a positive impact.
- There is a lot of uncertainty over the future trading relationships with EU which will compound problems caused by the virus.
- Spatial effects can be overplayed.
- Differential effects across the labour market – initial impacts focused on certain groups. Particularly younger people, low earners, people with low qualifications, women more than men, and typically for people who are in temporary or self employment,
- We have data specific to Wales which confirms that position.
- What is concerning is that the lessons from previous recessions conclude that these groups are the ones that suffer each time the economy takes a downturn. Previous recession shows the negative impacts focused more strongly on people with low qualification levels.
- For the initial impacts there is a lot of evidence that have scarring/lasting effects. Jonathan Porter released research the other day setting out the scale of potential impacts of these scarring (2 to 5 yr impacts).
- The immediate impact from unemployment means that health (particularly mental health) can deteriorate which feeds back into worse employment outcomes for the long term.
- Immediate loss of organisational capital but these tend to recover over time.
- Long term impacts will be in terms of education and short and long term impacts for investment.
- Good news is these are amenable to policy interventions that governments can reduce/eliminate the effects.
- Scarring on individuals can effect them for the longer term and particularly affect young people entering the employment market during a recession. There are measures a government can take to mitigate these circumstances.

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- To date, job losses have been looked at. Looking forward there is a need to consider those entering into the labour market and also access to skills and infrastructure. We will need a renewed focus on labour market interventions.

Ian Price:

- Are you considering what happens after furlough stops?

Jonathan Price:

- Furloughing is a UKG scheme and in my view, they have announced an extension to October so in principle a progressive removal of the scheme with greater protection for those sectors unable to re-open and encourage the reduced hours working (which they have announced) is what needs to happen.
- In other words there needs to be a flexible end to furlough.
- We need to consider job creation. What has ceased to happen over last few months is the lack of job creation and there is a need to supplement the furlough to shift towards active labour market over time.

Nisreen Mansour:

- We are in favour of economic stimulus and job creation programmes. There needs to be support for key projects (e.g., Tidal Lagoon) to help boost the economy. Recognise all parts of Wales are affected. All Wales de-carbonisation scheme is welcomed. I also welcome the Minister's comments in terms of boosting Jobs Growth Wales. The focus needs to be on those people who are already disadvantaged.

Robert Lloyd Griffiths:

- You mentioned measures can be taken to mitigate the worst case scenarios. Are we planning for worst case? Pro Act and Re Act were put in place years ago and the private sector worked closely with WG to address these problem areas. Are we going to work together again?

Leigh Hughes:

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- On the impact of the numbers presented, has any work been done on what impact that will have on public sector employees as well as private sector? Need to look at transitional learning and employment.

Martin Warren:

- What about Brexit and the impact of that?

Jonathan Price:

- In terms of scenario planning, we are looking at the adverse scenarios. In many respects we are dependent on what the UKG decide to do. Our borrowing powers are limited and we must remember any borrowing has to be repaid.
- We will be largely depending on the scale of the response the UKG chooses to make. We will be able to complement that to some extent but the scale of the impacts will mean we need the macro economic policy levers that WG doesn't have.
- Personally keen on transferable skills – people often neglect the fluidity of the labour market and our ability to forecast what sector skills will be required is limited, so transferable skills are increasing important (non-cognitive skills) and interventions to build on those is also important.
- Brexit is adding fundamentally to the risks. Uncertainty is in itself economically damaging. Uncertainty of Brexit will compound the difficulties we face. A no deal scenario will prolong the uncertainty. If we can remove uncertainty around the future trading relationships that will be a good thing.

Joe Allen:

- Are WG undertaking any specific research looking at what Welsh employers are planning to do as the JRS is withdrawn?

Ken Skates:

- Around 80% of businesses have relied on JRS. We have invaluable intelligence from employer organisations including from IoD and what is clear is that a lot of businesses will struggle to make a contribution towards wages

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as JRS is tapered away.

Robert Lloyd Griffiths:

- The Minister is right, business have no cash in the bank to contribute to Furlough and this will cause issues. Offered to pass a paper to Emma Watkins for circulation.

Ben Cottam:

- There is a keenness for businesses to get up and running but need sufficient market in place. Members are finding it difficult to plan due to the uncertain trading environment.

Ian Price:

- Two people I spoke with yesterday were making redundancies and removal of JRS will compound these problems. As the scheme was so generous upfront it has created reliance.

Emma Watkins:

- My team are looking at similar schemes elsewhere and what happened when they are removed. If any social partners could share things with us in confidence it will help in terms of our thinking. Continuing to lobby UKG and a cliff-edge on furlough so if you can share intelligence it will be helpful so we can feed through to UKG.

Paul Slevin:

- Bigger crisis than just furlough as order books are low and ongoing capacity will be affected.

## **Employability and skills: recovery planning – Andrew Clark**

Ken Skates:

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- A paper had been circulated prior to the meeting.
- There are three pillars - one concerns return to work then restarting, then re-skilling. A lot of work on returning to work has been undertaken in terms of developing guidance, working with counterparts across the border to make sure our actions are integrated and not duplicated.
- Developing a campaign to direct people to Working Wales (WW) as a single point of contact.
- We have developed packages for working adults and also young people.
- COVID-19 has accelerated dramatically the move towards digitalisation and the uptake of digital equipment, home working practices and move towards automation.
- We want to extend the personal learning account pilot to learn new skills to stay in employment. Re-skilling for people to move to different sectors will be important.
- We will prioritise support for young people, disabled people, etc and continue our focus to help the long term unemployed. We are looking at new ways to stimulate demand to ensure we support jobs that are fit for the future and will be doing that through WBfG and our Economic Contract.

Andrew Clark:

- We won't be developing brand new initiatives but utilising what we have in place and what we know works.
- Our intention is to reach out with two prong approach – businesses via Business Wales and individuals via working Wales.

Robert Lloyd Griffiths:

- Skills agenda is hugely important. Remember skills of directors who can learn how to run a business in a better way and this will be hugely beneficial and I am happy to work with you on introducing ways to upskill directors.

Ken Skates:

- Learning for leaders is great and thank you for the offer.

Ben Cottam:

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- Couple of questions around capacity and are we confident we have the capacity for the employer interface with the skills market to match the scale of the challenge? Whether we have the capacity for apprenticeship for this task.

Andrew Clarke:

- In terms of capacity, we are hoping we will be able to assist about 10% of the likely rise in redundancies. History has shown it is usually around this figure that look for help. However, we have never seen this situation before so we will have to monitor it.
- The Careers Wales advisers in Working Wales are well versed in what's in the marketplace.
- One intervention which we don't have is a comprehensive database and we will be working on that over the next couple of months.
- Business Wales is also anticipating increase in traffic but at the moment we think we can managed but we can't guarantee this.

Joe Allen:

- Can we get a clear idea of the scale of interventions and what expansion has been discussed in terms of Jobs Growth Wales? We have comments to feed in and would like to know the timescale for us to feed in going forward.

Ken Skates:

- The scale depends on the ability to draw down additional resources from WG Treasury. We will be putting forward a request in the next couple of days for additional resource. Once we have the confirmation we can share the benefits of increased resource.

Leigh Hughes:

- We have had a brief conversation with Andrew Clark. The proposals are not new, they represent the many projects already in place. The RSPs support the wage interceptors but there is a need to ensure employers don't abuse the scheme and good governance arrangements will be required.

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- The only concern is the terms of the additional layers which could cause confusion – e.g., the proposal for regional employment response groups and we have already got the Regional Partners so does it need the re-establishment of another group? From people and businesses there are a lot of names and products – in the period coming we need to keep things simple and efficient.
- Andrew Clarke: Business Wales and Working Wales will provide one place to go and should make things simpler. If we are going to face massive redundancies then the regional response groups will replace the taskforce rather than setting one up for each employer which we won't have sufficient time for.

Shavanah Taj:

- Not convinced we will be able to do better and deliver jobs for all sectors of the economy. I think we need to be more creative. We are pleased that the Regional Response Groups will be re-established but labour market intelligence will be key to those groups. As far as these are concerned there is a need to ensure the people are reflective of the communities and they have the reach to ensure that we see gaps in plans and use the wider networks. Apprenticeships are going to be important and WG established a good apprenticeship scheme that won an award. It was always intended to look at this again and replicate for the public and private sector.

Ken Skates:

- We are determined to do whatever is necessary to build back in a fairer, greener and stronger economy and society. Now we have regional teams across Wales and officials are routed in their communities and work closely with counterparts in local authorities. We are in a stronger position this time than we were in 2008. We need to ensure we don't revert to things we have done in the past.

Ken Skates:

- Thank you for contributions will be in touch re: next date. Stay well and keep in touch with ideas/suggestion you have.

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# Actions

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## Covid Response and Recovery

Emma Watkins

We are hoping to send guidance this side of weekend on retail so colleagues can look at it. We would like to share some guidance and are looking to do this over next few days. We will probably bring some of the guidance to the Social Partners next week.

Action completed and the retail guidance was issued in June.

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## Economic Overview

Robert Lloyd Griffiths

The Minister is right, business have no cash in the bank to contribute to Furlough and this will cause issues.

Offered to pass a paper to Emma Watkins for circulation.

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## Employability and Skills

Robert Lloyd Griffiths

Recovery Planning Skills agenda is hugely important. Remember skills of directors who can learn how to run a business in a better way and this will be hugely beneficial and I am happy to work with you on introducing ways to upskill directors.

Minister: Learning for leaders is great and thank you for the offer.

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