

The North Wales Economy: Scoping ‘Snapshot’ Study

Dr Alexandra Plows, Prifysgol Bangor University, June 2017 a.plows@bangor.ac.uk

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Knowledge Exchange Fellowship

This report is the result of a National Assembly for Wales Academic Fellowship Scheme funded by Bangor University / Economic and Social Research Council (ESRC) Impact Acceleration Account (IAA).

The Assembly Commission has established a new pilot Fellowship scheme to enable academics at a more senior (post-PhD) career level to spend time at the Assembly working on a specific project, where this will have mutual benefit to the academic and to the Assembly.

The objective of this specific Knowledge Exchange Fellowship project is to supplement the existing evidence base for the future scrutiny of the Welsh Government's approach to developing the North Wales economy. This project is being undertaken by Dr Alexandra Plows, Bangor University. The Fellowship project ran from 1 March 2017 to 30 June 2017.

Methodology and Caveats

The methodologies for this project are as follows:

- *Knowledge Exchange*. The report findings are underpinned by Dr Plows' existing research on the North (West) Wales economy and the impacts and implications of mass redundancies (Dobbins, Plows + Lloyd-Williams 2014; Dobbins + Plows 2016; Mann+ Plows 2015). This facilitates research impact, enabling the original research to acquire additional 'reach'.
- *Desktop research* (secondary data analysis).
- *Primary qualitative research*; interviews with a small snapshot sample of key stakeholders.

Key Stakeholders Interviewed

- Mike Learmond FSB
- Ffion Jones, North Wales Economic Ambitions Board (NWEAB)
- Nerys Bourne, Careers Wales
- Tudur Jones, Anglesey Council
- Iestyn Davies, ColegauCymru
- Rachel Bowen, ColegauCymru
- Arwel Jones, NW Wales based consultant with sustainable development expertise
- Sean Taylor, Zipworld creative director
- Paul Hildreth, University College London
- Karel Williams, Manchester University
- Simon Duffy, Centre for Welfare Reform

Methodological Caveats

- 1) Given the time constraints of the remit of this short term Fellowship, the primary data consists of soundings taken from a small snapshot sample of interviewees, who are drawn from existing contacts and trust networks built across time through previous research.

2) There is more of a focus overall on impacts and issues affecting NW Wales than NE Wales in this report; again reflecting the time constraints of the short term Fellowship which has generated this report and also reflecting Dr Plows' specific research expertise and existing contacts base. This report is not, and is not intended to be, a fully comprehensive account of the North Wales economy. Rather it is a fast track snapshot/overview which considers some specific issues and approaches.

3) There is a significant body of evidence and strategic planning from key stakeholders (such as the 2016 NWEAB *Growth Vision for the Economy of North Wales*) which are directly informing the development of the proposed North Wales Growth Deal. This report is not aimed to be a detailed assessment of the North Wales Growth Deal as it currently stands; however it seeks to both reflect these key stakeholder initiatives/plans for growth, and also to provide some 'critical friend' responses, and some alternative perspectives to developing the North Wales economy, as expressed by stakeholders.

Acknowledgements

I am extremely grateful for the time and input so generously given by those interviewed for this report and for their additional comments on drafts of this report. With thanks to Professor Tony Dobbins, Bangor University, and Iwan Thomas, NWEAB, for their comments on earlier drafts and for their written contributions to this final report. I would additionally like to acknowledge the input that Ben Stokes from the National Assembly for Wales Research Service has had in helping to shape this final report. Diolch o galon!

Executive Summary

The report firstly sets out a number of challenges facing the North Wales economy, focusing on the 'missing Mittelstand' -the lack of medium to large employers; a lack of infrastructure, including inter-regional connectivity; post Brexit economic uncertainty; a lack of quality employment, and skills gaps, including gaps in training provision. The report then sets out key initiatives in development, focusing on the North Wales Growth Deal, including planned infrastructure improvements, cross-UA partnership working ("team North Wales"), developing cross-border relationships with NW England, and significant inward investment /capital spend high tech projects, focused around the region's three Enterprise Zones (manufacturing in Deeside, energy on Anglesey and ICT and aerospace in Snowdonia). Strategic planning by stakeholders to match supply with demand is outlined in some detail; including skills and training initiatives linked to high tech energy and manufacturing, and concerted efforts to develop supply chain capacity across the region. Stakeholders are seeking to ensure a "golden thread" in the procurement supply chain, enabling local businesses and the local labour force, to benefit directly from forthcoming demand-side opportunities.

The report then provides a number of critiques of some of these initiatives as identified by some stakeholders in interview. In particular, the emphasis on infrastructure improvement in the North Wales Growth Deal was critiqued, with some interviewees firstly questioning the extent to which improving connectivity between NE Wales and NW Wales would directly benefit peripheral areas of NW Wales. Interviewees also flagged the possibility of infrastructure improvements in NE Wales catalysing displacement in NW Wales, and the potential of disruption catalysed by particular initiatives, such as the influx of construction workers for the forthcoming Wylfa Newydd. The report also identifies the challenges of matching supply with demand in the context of market uncertainty;

for example stretching timelines for the delivery of some demand –side projects presents a significant challenge for training providers and for local businesses.

The final section of the report outlines a number of alternative and complementary approaches to developing the North Wales economy suggested by interviewees, with an emphasis on improving jobs quality within the existing sectors which underpin the region’s labour market. These are; developing a “strongly indigenous” economy building on existing social, cultural and natural capital; building capacity within the ‘foundational economy’; community level economic development; and targeted support for micro businesses and self- employment.

The report sets out a number of recommendations, including a targeted ‘action research’ agenda addressing identified evidence gaps; ensuring all policies and initiatives are “periphery proof”; strengthening the hand of stakeholders seeking to ensure procurement terms and conditions can deliver for local businesses and the local workforce, including ensuring job quality; and broadening the membership and remit of existing partnerships to address the economic challenges facing the region.

Crynodeb Gweithredol

Yn gyntaf, mae'r adroddiad yn nodi nifer o heriau sy'n wynebu economi gogledd Cymru, gan ganolbwyntio ar y 'Mittelstand' coll, sef y diffyg cyflogwyr canolig a mawr; diffyg seilwaith, gan gynnwys cysylltiadau rhwng y rhanbarthau; ansicrwydd ar ôl y bleidlais i adael yr UE; diffyg cyflogaeth o safon, a bylchau o ran sgiliau, gan gynnwys bylchau yn yr hyfforddiant sydd ar gael. Yna, mae'r adroddiad yn nodi mentrau allweddol sy'n cael eu datblygu, gan ganolbwyntio ar Fargen Twf Gogledd Cymru, gan gynnwys gwelliannau arfaethedig i seilwaith, gwaith partneriaeth gan yr awdurdodau unedol ('tîm Gogledd Cymru'), datblygu perthnasau trawsffiniol â gogledd-orllewin Lloegr, mewnfuddsoddiad sylweddol/gwariant cyfalaf a phrosiectau technoleg uwch, gan ganolbwyntio ar dair Ardal Fenter y rhanbarth (gweithgynhyrchu yng Nglannau Dyfrdwy, ynni ar Ynys Môn a TGCh ac awyrfod yn Eryri). Ceir amlinelliad manwl o'r gwaith cynllunio strategol gan randdeiliaid i sicrhau bod yr elfen gyflenwi yn cyfateb i elfen y galw; gan gynnwys mentrau hyfforddiant a sgiliau sy'n gysylltiedig ag ynni technoleg uwch a gweithgynhyrchu, ac ymdrech ar y cyd i ddatblygu capasiti'r gadwyn gyflenwi ym mhob rhan o'r rhanbarth. Mae rhanddeiliaid yn ceisio sicrhau bod 'llynyn euraidd' yn y gadwyn gyflenwi o ran caffael, gan alluogi busnesau a'r llafurlu lleol i gael budd uniongyrchol o'r cyfleoedd yn sgil y galw sydd ar ddod.

Yna, mae'r adroddiad yn nodi beirniadaeth o rai o'r mentrau hyn, fel y nodwyd mewn cyfweiliadau â rhai o'r rhanddeiliaid. Yn benodol, roedd beirniadaeth o'r pwyslais ar wella seilwaith ym Margen Twf Gogledd Cymru, gyda rhai o'r rhanddeiliaid yn cwestiynu i ba raddau y byddai gwella cysylltiadau rhwng gogledd-ddwyrain Cymru a gogledd-orllewin Cymru yn creu budd uniongyrchol i rannau ymylol o ogledd-orllewin Cymru. Nododd y rhai a gyfwelwyd y gallai gwelliannau i seilwaith gogledd-ddwyrain Cymru arwain at ddadleoli gogledd-orllewin Cymru hyd yn oed mwy, ac y gallai mentrau penodol arwain at aflonyddwch, er enghraifft, pan fydd nifer fawr o weithwyr adeiladu'n cyrraedd yr ardal i weithio ar Wylfa Newydd. Mae'r adroddiad hefyd yn nodi'r heriau yn sgil sicrhau bod yr elfen gyflenwi yn cyfateb i elfen y galw yn wyneb ansicrwydd y farchnad; er enghraifft, bydd ymestyn y

terfynau amser ar gyfer rhai o'r prosiectau sy'n ymwneud ag elfen y galw yn her fawr i ddarparwyr hyfforddiant a busnesau lleol.

Mae adran olaf yr adroddiad yn nodi nifer o'r dulliau amgen a chyflenwol o ddatblygu economi gogledd Cymru a awgrymwyd yn y cyfweiliadau, gyda phwyslais ar wella safon swyddi yn y sectorau sydd eisoes yn rhan greiddiol o lafurlu'r rhanbarth. Roedd y dulliau'n cynnwys: datblygu economi 'cynhenid iawn' gan adeiladu ar yr adnoddau cymdeithasol, diwylliannol a naturiol presennol; creu capasiti yn yr 'economy sylfaenol'; datblygu economaidd ar lefel y gymuned; a chymorth wedi'i dargedu ar gyfer microfusnesau a hunangyflogeion.

Mae'r adroddiad yn nodi nifer o argymhellion, gan gynnwys agenda o waith ymchwil wedi'i dargedu i fynd i'r afael â bylchau a nodwyd yn y dystiolaeth; sicrhau bod yr holl bolisiau a mentrau yn addas i'r ardaloedd sydd ar ymylon y rhanbarth yn ogystal â'r ardaloedd canolog; rhoi mwy o bŵer i randdeiliaid sydd am sicrhau bod telerau ac amodau caffael yn fuddiol i fusnesau a'r gweithlu lleol, gan gynnwys sicrhau ansawdd swyddi; ac ehangu aelodaeth a chylch gwaith y partneriaethau sy'n bodoli eisoes er mwyn mynd i'r afael â'r heriau economaidd sy'n wynebu'r rhanbarth.

Recommendations

In the main, these recommendations should be understood as 'conversation starters'; further research or stakeholder engagement would be necessary to more accurately identify their feasibility, relevance, and exactly where responsibility for developing them should lie.

1) *"more research is needed in order to recognise the economy as it is...we don't have the policies to address [micro business, other] needs..."*

(Karel Williams).

A key recommendation is to build the evidence base; there are significant evidence gaps around the viability of the city growth deal model, for example, particularly when transposed onto a rural region. Several stakeholders stressed the need for better evidence based decision making and also a need for robust evidence of impacts in 'real time' as development projects are subsequently rolled out. Micro businesses and the self-employed, who make up the bulk of the region's labour market, are a significantly under-researched sector. Research agendas could also be developed to further explore the feasibility of further recommendations below.

A suggestion would be to develop an 'action research'¹ agenda involving academics and UK research councils, the National Assembly, and stakeholder bodies such as NWEAB.

2) Ensure initiatives and strategies, in particular the North Wales growth deal, and inward investment large scale projects, are '**periphery proof**' against the sorts of displacement/disruption impacts identified in this report. Policies need to be tailored to take the realities of the different priorities and characteristics of NW and NE Wales into account. The contested issue of the benefits

¹ Action research is broadly defined as academic researchers working directly with practitioners to develop knowledge about and where relevant, solutions to, 'real world' problems. See <https://us.sagepub.com/en-us/nam/journal/action-research#description>

of transport infrastructure at the periphery is an area where further discussion with a wide range of stakeholders on impacts and outcomes could be beneficial. Developing the remit and the membership of existing strategic partnerships such as NWEAB could help to ensure that policies are 'periphery proof'. Professor Tony Dobbins, Bangor University, has asked; *"Would a 'social partnership' approach for Welsh regions be feasible within a devolved governance context? I.e. Employers, unions, government and other interest groups get together round a table in a coordinated manner to discuss these crucial socio-economic issues"*.

3) Seek to strategically (at UK Government/ Welsh Government level) strengthen the hand of local stakeholders (such as Anglesey Council, NWEAB) who are aiming to ensure 'trickle down' positive economic impacts from inward investment; for example around procurement terms and conditions (T+Cs) such as sub-contracted worker T+Cs. Welsh Government is developing a business support package to facilitate the capacity of supply –side firms linked to the North Wales Growth Deal; further such strategic, resourced, intervention by UK Gov and Welsh Government will be necessary to enable regions and firms to capture value from investment initiatives. See also 4) below

4) Identify what can be done, in a devolved governance context, by the Welsh Government to improve job quality through public procurement rules on living wages and training provision – *'building job quality in the foundational economy'* (Tony Dobbins).

5) Ensure organisations such as Careers Wales are properly resourced and empowered by Welsh Government so as to facilitate the development of a strategically coordinated approach to supply-side skills and training provision and associated supply/demand matching.

6) Support the development of a stronger *"indigenous"* (Paul Hildreth) local economy reflecting existing micro-regional resources and strengths (human, natural, social and cultural capital) which are deeply embedded within the region.

7) Develop the "missing Mittelstand" (CRESC 2015) of medium –size firms. The CRESC 2015 report sets out a road map for developing (and defining) the 'missing Mittelstand'. North Wales firms suggested by Professor Williams as examples of 'grounded Mittelstand' firms are; WR Davies motors Newtown; Westbridge Sofas Deeside; Ifor Williams tractors.

8) Build capacity with respect to the 'foundational economy' (CRESC 2015); adding value and building capacity, both in relation to job quality and quality of service delivery, for 'everyday goods and services' including care and associated social services, and housing.

9) Support 'bottom up' community economic development, linked to 'foundational economy' sectors. Examples of existing, and possible future, community needs- led economic projects are provided in the *'Alternative, complementary economic approaches'* section of this report.

10) Where relevant, the findings, approaches and recommendations in this report should be applied to the Swansea city deal/Pembrokeshire; and to Central/West Wales where no growth deal is currently planned.

Defining Terms; North Wales

'North Wales' consists of the Unitary Authorities (UAs) along the A55 coastal corridor, from the island of Anglesey (Ynys Mon) in the North West, to Flintshire in the North East. The Wales Spatial Plan (2008) identified that different regions of Wales have extremely 'fuzzy boundaries'. 'North Wales' stretches into what has been called the 'Deep Rural' (Wales Rural Observatory 2009) of mid Wales; for example where southern Gwynedd (Meirionnydd), blurs into the mid Wales UAs of Powys and Ceredigion. The Mersey Dee Alliance reflects existing cross-border relationships linking Flintshire and Wrexham with Cheshire and NW England. 'North Wales', then, stretches and blurs across different borders and boundaries (Mann + Plows 2015) and this blurring is reflected in policy initiatives such as the Mersey Dee Alliance. Importantly, North Wales is also made up of very distinctive sub-regions, or localities, with their own local characteristics and with very different labour market and other social demographics, such as the very marked difference in the percentage of Welsh language speakers in NE and NW Wales. These differences in local characteristics are important; they present *locally-specific* challenges and opportunities.

'North Wales' could be described as a 'tale of two halves'; or alternatively, 'East, West and the bit in the middle' (Mann+ Plows 2015). The labour market of NE Wales is very different to NW Wales; essentially NE Wales is more industrial, with a strong manufacturing base, and greater existing connectivity to NW England; NW Wales is more rural, peripheral and de-industrialised, with a much higher percentage of its workforce in sectors such as tourism and agriculture; sectors of the labour market which are traditionally lower paid and precarious; namely often seasonal and/or short term. To characterise North Wales as consisting of an industrial, connected, urban North East and a rural, peripheral, de-industrialised North West is an over simplification, not least because there are significant hotspots of manufacturing and industry and associated skill sets in NW Wales, including major (energy) initiatives in the pipeline, discussed in later sections of this report in more detail. However, overall this NE/NW distinction is an important one to make and it was repeatedly made by stakeholders in interview;

NE Wales has had "*more multinational inward investment and comparatively less investment went into NW Wales*". (Paul Hildreth)

NW Wales is "*quite peripheral (at the moment)*" with fewer opportunities than NE Wales which has "*boundary opportunities*" (Ffion Jones, NWEAB)

Underemployment and a lack of quality employment, particularly in NW Wales, is a key issue (Dobbins + Plows 2014, 2016);

[there are] "*people with fantastic skill sets working in Tescos...Ten jobs on Anglesey makes a huge difference- that's not the case in Deeside...*'

(Tudur Jones, Anglesey Council).

These labour market differences between NE and NW Wales show up starkly in earnings. In 2016 the average weekly wage for full time employees in Gwynedd was £439.70 compared with £548.40 in

Flintshire (the average weekly wage in Wales in 2016 was £498.30). The labour market differences between NE and NW Wales are a key issue affecting likely impacts and uptake of economic development opportunities in the region and this issue is explored more fully in following sections of this report. It is important to note that the Welsh Index of Multiple Deprivation shows that there are micro localities (LSOAs) with very high levels of deprivation right across North Wales, so the picture is much more complex than simply one of an 'affluent NE Wales vs a struggling NW Wales'.

Challenges Facing the North Wales Economy

Lack of a Welsh Mittelstand /Lack of Supply Chain Capacity

There is a 'missing Mittelstand' (CRESC 2015) of medium to large enterprises, across North Wales but particularly in North West Wales. The percentage of micro businesses employing 0-4 employees is high across the entire North Wales region but is particularly high in NW Wales, with Anglesey at 70 percent in March 2016. There is also a marked difference between percentage levels of self-employment in NW Wales as compared to NE Wales; for example, Gwynedd at 15.8 percent compared with Wrexham at 7.8 percent in September 2016. It is worth noting that *all* rural areas of Wales have high percentage levels of self-employment, the reasons for which are under-researched; however, it is *possible* that 'necessity entrepreneurship' (Acs 2006) is part of the picture. 'Necessity entrepreneurship' refers to people having to develop their own employment opportunities, in places such as NW Wales where the labour market provides insufficient 'churn'.

The gap in the local labour market means the NW Wales region in particular lacks resilience when additional economic shocks occur, such as de-industrialisation and associated redundancy. In Anglesey, redundancies at Anglesey Aluminium (AA) in 2009 saw the 500 redundant workers having to 'make do and mend' (Dobbins, Plows and Lloyd-Williams 2014). The concept of 'make do and mend' relates to research findings which showed that redundant Anglesey Aluminium workers were finding new work in the region, but this employment was, for the majority, work which was less well paid and of a lesser quality than their previous roles. Ex-AA workers faced a paradox of being highly skilled but underemployed. Some workers re-trained but there were insufficient quality job opportunities, as these quotes from ex AA workers interviewed in 2012 about their current work post redundancy highlights;

"...when the chicks come onto the farm I put them into the sheds and then you go round each farm helping the manager and the foreman. Then you pick the dead up that have died overnight and do a bit of general maintenance"...

('Geraint', ex AA worker)

"[a] few have found work [locally] but everyone I spoke to, they are not happy in the job... I will do anything, I just want to work...I will try for any kind of work"

('Dewi', ex AA worker)²

The predominance of micro businesses and self-employment, particularly in NW Wales, presents an important issue which stakeholders are highly alert to and are proactively addressing; namely, a

² Interviewees quoted in publication Dobbins, Plows + Lloyd-Williams 2014 *Make Do and Mend After Redundancy at Anglesey Aluminium*

current lack of capacity in relation to the ability of such micro businesses to be able to benefit from forthcoming economic growth opportunities. An example given by Tudur Jones, Anglesey Council was the construction opportunity provided by the new nuclear power station on Anglesey, Wylfa Newydd; while Anglesey has a “*strong and willing*” construction sector,

‘it’s a huge leap for them to be ‘nuclear-ready’ [for Wylfa Newydd supply chain opportunities] with demonstrable competencies such as ISO standards. We need to be on a par with the capacity and capabilities of firms in the Midlands/ NW England...’

(Tudur Jones, Anglesey Council).

Stakeholders note that micro businesses have

“barriers, practicalities, to expanding...they want reassurances, certainty, and funding...its taking the risk, (there are some) entrepreneurs who will take the risk that inward investment opportunities are coming [take a capital spend risk] ... However, there are also some who would question why they would take that risk when they’ve got a comfortable business ...”

(Ffion Jones, NWEAB)

It is possible, therefore, that micro businesses across North Wales could miss out on incoming opportunities because of lack of capacity with regard to ‘scaling and skilling up’; without targeted help. It should be emphasised that stakeholders have long been aware of this and are strategically addressing the issue. Initiatives to address supply-side capacity are outlined in the following section of this report.

It is important to emphasise that there are questions around whether the micro businesses in the region are *willing* as well as able to ‘scale up’; local sustainable development consultant Arwel Jones makes the point that;

in the main the employment profile of North wales is micro- that’s the reality- they are family and lifestyle based, quite hard to reach.... Quite a few of them don’t want to grow...

These issues are discussed in more detail later in this report.

Lack of Infrastructure

“We need infrastructure ...unless you develop a new model, we are reliant on existing ones”

(Arwel Jones).

Several stakeholders made the point that a lack of infrastructure capacity, including site/premises and transport links could affect the delivery of planned major investment projects. Infrastructure improvement is central to the 2016 NWEAB *Growth vision for the Economy of North Wales*, discussed in more detail in the following section of this report. Examples of infrastructure improvements identified by interviewees included:

- Broadband- ‘superfast broadband’ has made a difference in North Wales but there are still gaps in provision.
- Transport- improved integrated transport links
- Pylons (across Anglesey) essential to improve input into national grid- this is in development although there is also local opposition to the scheme.

- Site and premises improvements

However, several stakeholders argue that the focus on infrastructure, particularly transport infrastructure, maybe misplaced. They argue that transport improvements are important but it depends on the context, such as where and what sort of business you are. Arwel Jones notes that transport/infrastructure improvement can

“cut both ways...could actually exacerbate an outflow of capacity...it depends what the infrastructure is connected to...infrastructure doesn't necessarily take you anywhere...[when] there are more efficient nodes elsewhere...”

(Arwel Jones)

This potential for transport connectivity /infrastructure improvements to 'cut both ways' and potentially catalyse displacement was made by several interviewees. This is an area of significant disagreement between those who felt that there was little evidence to show that transport infrastructure brought economic benefits, and could in fact exacerbate out-migration/displacement, particularly at the periphery; and others who are developing and driving strategic initiatives on the basis that investment in transport infrastructure is key to developing the region's economic potential. This quite contentious issue is returned to in the following section of this report.

A shared area of agreement amongst all interviewees was that micro- regional transport connectivity between villages in rural areas needed investment and improvement to ensure students and those on low wages can easily and reliably access higher education training, placements and work. This is essentially around the lack of integrated and reliable local transport links within rural peripheral localities-particularly, a lack of buses (reliability, availability, affordability), and the costs of running a car in a rural area. These are

“very local needs- village to village transport is missing...e.g. getting to work for some of the region's major employers in Llanberis such as DMM or SIEMENS”

(Ffion Jones).

Improving internal infrastructure within the region could also help support local businesses, including tourism. Sean Taylor from ZipWorld gave examples of lack of inter-regional infrastructure connectivity including a lack of rail services to Blaenau Ffestiniog, (one of the ZipWorld sites) on a Sunday; and bad bus connections to Bethesda (another ZipWorld site) from other villages in the region. He gave an example of a tourist in Menai Bridge who had to get a taxi to Bethesda; staff gave him a lift back afterwards.

Brexit

Brexit continues to be the great “known unknown” in terms of its potential impacts on the North Wales economy. There is an identified need for trade and supply chain pathways to be “as frictionless as possible” (Theresa May, Jan 2017); however all stakeholders and businesses are operating in a period of ongoing uncertainty around key issues including trade and customs tariffs, loss of EU structural funding, and the status of EU citizens currently living and working in Wales. The potential for a “softer Brexit” following the outcome of the June 8th election is an important

consideration; in the interim, the political uncertainty remains itself an important factor impacting on the economy and the day to day decisions businesses have to make.

“Businesses don’t like uncertainty...small businesses are resilient, they’ll rise to challenges, but when the landscape changes very quickly, they don’t like it”

(Mike Learmond, FSB)

Some stakeholders expressed concern that economic uncertainty caused by Brexit could have an impact on planned inward investment.

“we can’t just rely on “whizz bang” schemes which might never come to fruition especially in a post Brexit climate of uncertainty “

(Arwel Jones).

NE Wales is possibly more vulnerable than NW Wales to the potential for large companies like Toyota relocating because of an adverse Brexit trade tariffs deal; or even simply because of the costs of operating under the ongoing uncertainty around this issue. Toyota has most of its supply chain in central and eastern Europe:

if there are trade barriers then that will add to their cost base... [this] could have an adverse impact- it’s difficult to say-certainly NE Wales is more vulnerable than some other areas”

(Paul Hildreth)

Iestyn Davies notes that *‘targets have changed, priorities have changed since Brexit’* and asks whether current economic policies/strategies have adapted to this. Similarly Karel Williams, Manchester University, states that the 2016 *Growth Vision*

“...fails to take account of a post Brexit economy in an increasingly protectionist world...NWEAB growth assumptions of 2.8 percent on which their strategies are predicated, are unrealistic...at best we are looking at 1-2 percent growth”

(Karel Williams, Manchester University).³

Market uncertainty/volatility in the context of planned inward investment is discussed further in the next section of this report.

Perhaps the overarching Brexit risk for NW Wales is the loss of EU structural funding and CAP payments to farmers, including the impacts of a likely ‘multiplier effect’; namely the negative

³ The 2016 Growth Vision was published before the vote however; NWEAB stakeholders have pointed out that the 2017 updated version will have a more up to date view on the implications of Brexit

impacts on subsidiary businesses and services, of the loss of EU funded projects and programmes (Plows 2017). Stakeholders argue that

Wales must have replacement funding from UK sources after 2020 and at levels equivalent to what Wales would have otherwise received through the EU to help address Wales' long-term challenges....

Welsh Government White Paper, *Securing Wales' Future* (Jan 2017)

However, it is far from certain that this replacement funding is guaranteed⁴. Despite the ongoing uncertainty, local stakeholders in NW Wales are pushing ahead; Brexit is “*a huge unknown*”- but it’s currently “*business as usual*” –“*we are progressing a number of [EU funding] opportunities...*” (Tudur Jones, Anglesey Council). This includes Anglesey Council working with WEFO to progress Morlais, a tidal energy scheme already benefiting from EU funding.

Other potential negative impacts of Brexit on the North Wales economy and labour market identified by stakeholders include impacts of any loss of EU regulatory safeguards on vulnerable labour force sectors. It is possible that particular sectors are more at risk, such as care, food, farming, retail, construction; all sectors which are major employers in NW Wales in particular.

However some interviewees had a more positive reading of Brexit and opportunities it might present. Ffion Jones asked

“Has it has been to our disadvantage to have this [structural] funding...[in NW Wales] as the EU has filled the gap... it may force UK+ WG’s hand to invest...”

(Ffion Jones, NWEAB).

Iestyn Davies suggested that Brexit could potentially facilitate the negotiation of better terms and conditions for workers, for example through procurement regulations; or at least that Brexit presented an opportunity for such negotiations. The potential for Wales to set procurement terms through devolved powers was also identified by Plaid Cymru AM Adam Price in a recent National Assembly debate on the Economy and Brexit;

We could actually devolve powers over procurement. We will now, outside the European Union, be able to use public money to support local procurement, not just within the public sector but among consumers and also within the private sector...⁵

Other

In interview, stakeholders raised a number of other key challenges facing the North Wales economy, summarised very briefly below.

⁴ The February 7th 2017 vote on Plaid Cymru’s amendment to Article 50, which called for continued levels of EU funding for Wales after Brexit, was defeated by 330-267, a Government majority of 63

⁵ <http://www.assembly.wales/en/bus-home/pages/rop.aspx?meetingid=4295&assembly=5&c=Record%20of%20Proceedings#477959>

Lack of quality employment

Underemployment, a lack of quality jobs, and ‘bad deals’ for workers such as short term and zero hours contracts was raised repeatedly by interviewees; see also Dobbins, Plows+ Lloyd-Williams 2014; Plows 2016; Dobbins, Davis and Plows 2016; Felstead et al 2015. Jobs quality and underemployment is reflected firstly in low wages as discussed in the previous section, and is discussed further in the ‘alternative, complementary economic perspectives’ section of this report.

Skills gaps

The 2016 NWEAB *North Wales Regional Skills and Employment Plan* sets out in detail identified skills gaps, particularly skills gaps in the context of forthcoming/projected economic opportunities, for example in high tech engineering, manufacturing, energy and digital sectors. In this context interviewees also identified current gaps in education and training provision, noting that education *“has not kept up with economic changes”* (Ffion Jones). A key issue raised was the lack of quality apprenticeship opportunities, particularly in NW Wales. While acknowledging the provision of a number of high profile /high flying apprenticeship places (such as Horizon/Gwrp Llandrillo Menai nuclear apprenticeships), Nerys Bourne from Careers Wales noted that

“There are some great apprenticeship opportunities for young people in the region, however, we need to support smaller employers in providing further opportunities, especially in some of the growth sectors”.

(Nerys Bourne)

The bulk of local apprenticeship offers are in admin, hairdressing, retail sectors. Skills gaps in the region, identified gaps in strategic provision, and skills and training issues generally, are discussed further in the following section.

Funding cuts and impacts on service provision

A specific example given was the impacts of Careers Wales budget cuts and impacts to services and knock-on effects, particularly in relation to career support and resourcing;

“Careers Wales is committed to ensuring that young people in schools are getting up to date information about opportunities. Last year we held several high profile events where employers came along to talk to young people about apprenticeships and other opportunities. Getting the message out to young people is crucial. This year Careers Wales will put more resource into schools – to ensure that young people are aware of opportunities and developments within the labour market.”

(Nerys Bourne).

Health challenges

Rachel Bowen (Collegau Cymru) flagged the issue of the amount of people in the region currently economically inactive because of long term health issues/chronic conditions.

Demographic Shifts

Interviewees flagged challenges around the outmigration of the young due to [perceived, actual] lack of opportunities; and the in-migration of retired people in particular localities (eg Llandudno, Benllech on Anglesey).

Opportunities for jobs and growth; Strategies and Critiques

North Wales Growth Deal and Capital Spend Inward Investment Projects

All 6 North Wales UAs have agreed to the North Wales growth deal⁶, which in essence aims to develop partnership working across the North Wales region, and encouraging the development of cross-border economic flow to NW England; Ken Skates has talked about an ‘arc of prosperity’ linking Holyhead to Leeds/ the Northern Powerhouse. The details of the North Wales Growth Deal have yet to be firmed up but it is clear that transport infrastructure, particularly the ‘metro’ for North East Wales, is at the centre of current plans, as outlined in the 2016 *Growth Vision*;

...the region has been working tirelessly via the NWEAB and cross-border partners to promote the needs for improved transport infrastructure across the region to promote better access to skills, employment, and supply chain opportunities regardless of domicile, and postcode. This includes electrification of all of the North Wales rail line; improvements to key highways within the regional road network; improvements to the public transport system; establishment of regional transport hubs, and new train stations at key economic and employment sites; and general improvements to the infrastructure so that it is all connected.

(Iwan Thomas, NWEAB)

Stakeholders think the Growth Deal could help with regard to political and economic ‘clout’; It’s a

“new way of working...we need to be more like the private sector...they don’t recognise [UA] borders...” (Tudur Jones).

A number of stakeholders were of the opinion that this approach could help a “parochial and inward-looking” NW Wales become more outward-facing. Partnership working is seen as potentially facilitating additional ‘clout’ because all UAs and different agencies are ‘speaking with one voice’; It is clear that the stimulus of the Growth Deal has already catalysed a significant amount of regional partnership working; “Team North Wales”.

Economic leaders across the region are agreed on a collaborative approach, and are driving the work collectively on a singular regional approach to the Growth Bid - this is supported by regional leaders and key politicians, and is to be further developed and promoted as an inclusive approach that delivers "Team North Wales". The Growth Bid builds on the work of the NWEAB partners to promote a move away from a fragmented approach in terms of delivery and economic planning, to one of a single regional "Team North Wales" approach, that involves and supports all applicable partners. The removal of traditional organisational and administrative boundaries is already evident, and will be further challenged positively by the aspirations and developments within the Growth Bid...

⁶ See evidence presented to the Assembly EIS Committee , 25th May 2017
<http://senedd.assembly.wales/ieListDocuments.aspx?MId=4204>

(Iwan Thomas, NWEAB)

Linked to the North Wales Growth Deal plans, a substantive package of inward investment/ economic development initiatives are planned, set out in the 2016 NWEAB *Growth Vision*, many of which are well developed /under way (such as Parc Adfer, Deeside, HMP Berwyn prison; Anglesey's 'Energy Island' including Wylfa Newydd). The 2016 NWEAB *Growth Vision* sets out a very comprehensive 'roadmap' of capital investment projects and developing specialist clusters, cross border partnership working, matched supply side skills and training investment. The *Growth Vision* has a focus on high tech specialist clusters across the North Wales region linked to the themed Enterprise Zones (manufacturing in Deeside, energy on Anglesey and ICT and aerospace in Snowdonia). On Anglesey, the energy theme has been promoted by stakeholders for a decade around the "Energy Island" concept, with a mixed offer of biomass, marine, wind, solar and nuclear energy projects at various stages of development.

Iwan Thomas from NWEAB notes that there are

...new employment opportunities...spread across all of the region, not just in one particular area e.g. Health & Social Care requiring 500 new jobs per annum; 3,000 new jobs expected in the tourism sector over next 10 years; 10,000 new jobs created within the wider construction industry by 2022... there are exciting developments within the economy in sectors that we know are growing - Creative & Digital being one of many examples... within a 10 mile cluster of Parc Menai at Bangor, there are scores of IT based companies trading globally; also the cluster of Opto-electronics based companies within and around the St Asaph Business Park in Denbighshire is another example. We also have established global electronics and STEM focused companies such as SIEMENS in Llanberis...North Wales currently has the most significant of all the Enterprise Zones in Wales at Deeside - with the zone hosting over 9,000 employees at global firms such as Airbus, Toyota, and TATA, in addition to regionally based companies looking to expand via apprenticeships and training; all of which has a positive effect on regional supply chains and skills & employment developments.

(Iwan Thomas, NWEAB)

The NWEAB *Growth Vision* sets out the following major regional projects and investments spread across North Wales:

1. Wylfa Newydd, Anglesey
2. Orthios Biomass Plant, Anglesey
3. Land and Lakes, Anglesey
4. Advanced Manufacturing Skills+ technology Centre, Flintshire
5. HMP Berwyn, Wrexham
6. Northern Gateway, Flintshire
7. Warren Hall, Deeside
8. Parc Adfer Energy Recovery facility, Deeside
9. Trawsfynydd Nuclear Modular reactor
10. Llanbedr Space Port
11. Colwyn Bay Tidal Lagoon.

The NWEAB *Growth Vision* notes that the last three projects are ‘currently speculative’, an important caveat. Uncertainty relating to inward investment is discussed later in this report in more detail.

Many stakeholders are understandably “bullish” and optimistic about these projects, which are described as being “*significant opportunities*” for the region’s economy and labour market, with positive impacts on employment and for developing supply chain opportunities, with an anticipated “peak” around 2019 when construction on a number of key NW Wales projects is forecasted to be well under way. There is a great deal of optimism from the stakeholders most closely involved with strategic planning and delivery of these initiatives, who have built additional capacity as a result of learning from the economic shocks of the recession, de-industrialisation and associated mass redundancies:

there is a sense of real opportunity for change and growth in the region [which] is aspiring to grow...The impacts and implications of mass redundancies of the past has resulted in the growing, aspirational economy that North Wales is today... there has been a real positive turn around in the economy. Partly due to the change in national and international economy, but also better ownership, smarter thinking, aspiration to seek out opportunities and collaborative approaches regionally. We have now gone past that era of mass redundancies and are now in a growth and opportunity era.

(Ffion Jones, NWEAB)

Focusing on Anglesey specifically, Anglesey Council/NWEAB supply chain development officer Tudur Jones identifies several of the core schemes as making significant progress, with the specific focus on energy, linking to human and natural capital assets the island has in this domain; these include the new nuclear plant, Wylfa Newydd. The Orthios biomass plant, on the old Anglesey Aluminium site, has “*funding in place*”, with 21 people already employed on site, and a proactive focus on employing ex Anglesey Aluminium workers who know the site. Planning applications are nearly finalised, and a thousand construction jobs are envisaged by 2019. The Morlais tidal energy scheme is “*progressing really well*”. National Grid and associated infrastructure development are also progressing.

Matching Supply and Demand

Stakeholders are focused on developing supply chain and supply side key skills to match these forthcoming demand-side opportunities. A number of strategic and well planned supply/demand matching initiatives are in good stages of development, specifically supply chain capacity building, and high tech skills training investment, such as the Coleg Llandrillo Menai /Horizon Energy Centre on Anglesey. Stakeholders are seeking to ensure a “*golden thread*” (Tudur Jones, Anglesey Council) running through North Wales supply chains with the aim of ensuring that major projects have a positive ‘trickle down’ impact on the local economy/suppliers.

Supply chain capacity development

A key objective for stakeholders is to identify

-“how are very small SMEs going to be part of that supply chain... [there is a need for] support for them so they don’t get left behind...”

(Tudur Jones)

Reiterating issues raised in the previous section, interviewees identified the current lack of supply chain capacity and a potential future lack of labour force capacity, as key reasons why the region could potentially miss out on inward investment opportunities. This is why developing supply-side capacity to match anticipated future demand is at the core of stakeholder strategies to capitalise on investment. Stakeholders such as NWEAB and many of the interviewees who have contributed to this report, have long identified the need to develop micro business/ supply chain capacity so as to benefit from inward investment opportunities. Stakeholders identify that there are *'pockets of expertise and innovation right across North Wales'* (Arwel Jones) which can benefit; from niche firms, to individuals with key transferrable skills in the energy and technical sector, including workers at the existing Wylfa A nuclear power station.

There has been a proactive, pre-emptive, concerted effort to identify firms which might 'scale up', to identify their needs, and provide resources and support. For example, Anglesey Council staff are leading on supply chain capacity as part of the NWEAB partnership. They are currently conducting a gap analysis study with Welsh Government which will feed into a business support package across all sectors of the supply chain (including ancillary services- facilities- management, catering, security). There will be additional funding to support this from WG- this will also *'feed into the North Wales growth deal'* (Tudur Jones).

Procurement and tendering are at the centre of support measures, as stakeholders seek to ensure that opportunities from 'tier 1 big players' such as DU construction, trickle down to ensure local companies can play a part in supply chain opportunities and guarantee workers' terms and conditions. Several stakeholders note the potential for strengthening procurement agreements to ensure good terms and conditions for sub-contracted workforces, for example in relation to pay and contract terms, although it is unclear to what extent these can be guaranteed under current procurement rules. However this is seen as an area of potential improvement and gains;

- *"there's scope to [upgrade, strengthen] T+C's of procurement and target aid, welfare..."*

(Iestyn Davies)

Importantly, stakeholders aim to develop supply chain opportunities not just in construction/energy/manufacturing sectors, but also in *'subsidiary/ancillary services and sectors'* (Tudur Jones). An example provided was food processing/production; as a result of developments like Wylfa Newydd, there will be

"huge numbers that want feeding...why be importing food that could be grown here...there is capacity for building a food supply chain here on Anglesey"

(Tudur Jones).

Tudur Jones identifies a need to educate growers and producers about this potential demand. These issues are returned to in the report's final section 'alternative economic perspectives'.

To reiterate an important caveat raised earlier in the report (and acknowledged by those involved with delivery), other stakeholders wonder whether the focus on developing supply chain capacity in the micro business sector in particular is realistic/ viable; it is certainly ambitious. Arwel Jones thinks it's a *"bit of a naive assumption"* in the context of the reality of micro businesses as they currently

exist, that they would be able to scale up, and be able to cope with volume and demand, be competitive in the face of global competition and indeed competition closer to home. A number of interviewees expressed the hope that NW Wales businesses could be part of a supply chain benefiting from NE Wales growth; but also noted the lack of current supply chain capacity and a need for capacity building- so there is much uncertainty as to whether this model will deliver; uncertainty of delivery is a recurring theme.

Skills and Training

North Wales stakeholders, particularly the HE and FE sector working with NWEAB and with others, have been strategically focused on ensuring that supply-side skills and training can meet anticipated demand, particularly in relation to identified skills gaps and the need to build labour force capacity through HE and FE provision. Previous initiatives by these stakeholders have also focused on skills/training to build labour force capacity, such as the EU-funded *Shaping the Future* programme, which provided opportunities for workers being made redundant at Wylfa A nuclear power station, to 'skill up for the future' (Dobbins and Plows 2016).

The NWEAB 2016 *Regional Skills and Employment Plan* provides a detailed overview of the range of tailored training and skills provision on offer or in development; there are some excellent supply/demand matching skills and training initiatives. Examples of strategic demand-side matched initiatives include the NE Wales advanced manufacturing training centre; the Energy Centre on Anglesey (Gwrp Llandrillo Menai); and European Social Fund (ESF) funded projects aimed at building on current leadership and management capacity of firms, succession planning and upskilling. These include the Regional Leadership & Management ESF project, the North Wales Business Academy. Careers Wales and Betsi Cadwalader are currently undertaking joint working identifying skills gaps. Stakeholders interviewed are very positive and supportive about all of these investments and initiatives, although there are identified skills/supply side challenges; including a lack of apprenticeship places discussed in the previous section, and a need for coordinated, strategic planning around the pipeline of supply of labour coming through from schools, FE, HE, training and eventually into employment; and the challenges of this task facing education and training providers.

According to the NWEAB audit of STEM activities carried out in 2015 there is a huge range of (free) extra-curricular employer engagement activities that education providers can access and take advantage of, however evidence from the NWEAB [Audit] shows that there is little coordination, much duplication of effort, confusion of offer and limited joined up thinking of these activities to have the desired sustained impact they are ambitiously aspiring to achieve, such as increasing the number of girls and women into science and engineering or being equipped with real demonstrable work-ready soft skills or employability skills.

(Ffion Jones, NWEAB)

Arwel Jones also identifies potential on Anglesey for a possible national training centre on health+ safety in the workplace- and also training on calibration- coming out of an existing skills/culture /legacy of nuclear energy, tapping into the existing capacity in the labour force.

Importantly, stakeholders also identified a need for transferable skills and 'soft skills'. Several interviewees make the point that its transferrable and soft skills which employers currently want and which are useful for employees- the high tech skills are 'all well and good' but in terms of current demand, they are not needed right now;

There is an assumption that high tech skills will trigger demand- but when you talk to employers, they want people who have social skills, life skills, that they can then train up to suit their needs....they don't necessarily want highly skilled high tech employees – they need well rounded ones

(Arwel Jones).

The same point was made by Sean Taylor of ZipWorld. He noted that the rapid growth of ZipWorld meant that they needed need new roles and new skill sets, some of which are very niche, such as social media, a financial director, and project management. He also made the point that his staff need "soft skills" and that Zipworld needs "all rounders"; Zipworld instructors need to have people skills, and all staff need to be able to multi task.

Regarding the provision of specific high tech courses for forthcoming opportunities, Ffion Jones makes the point that

"you can't guarantee that jobs will come....whereas broad technical training can provide transferable skills for both the current regional employer needs and future opportunities in North Wales"

(Ffion Jones, NWEAB)

This crucial issue of skills matching in the context of uncertain future demand is discussed further below.

Critiques and Caveats

A number of criticisms and caveats were made by interviewees regarding the Growth Deal and the related investments and initiatives outlined above. A number of stakeholders voiced concerns about the lack of evidence for the growth deal model, in relation to cross-border working relationships; the focus on infrastructure and skills; the 'city deal' trickle down approach; and the evidence base for 'cluster' approaches. Further concerns were raised around the potential for these approaches to have negative impacts; displacement and disruption, particularly at the periphery. These concerns are set out below.

Lack of evidence

"there's a disconnect between these big schemes and peripheral economic wellbeing...the jury's out on city deals and growth deals; there's patchy evidence at best...no data to say its contributing positively..."

(Iestyn Davies, ColegauCymru)

I'm a sceptic about enterprise zones... As the 'What Works' Centre points out, there is limited evidence that they create additional jobs and growth...there may be more of a displacement effect and in any case, other locational factors may be more important..."

(Paul Hildreth, University College London)

“there is no evidence whatsoever that increasing [labour force] skills and developing infrastructure will help the regional economy”

(Karel Williams, Manchester University)

“The Northern Powerhouse is a good brand, a hook...but a lack of tangible investment...how will it actually translate in terms of opportunities for Anglesey and North Wales”

(Tudur Jones, Anglesey Council)

Evidence gaps consistently raised by interviewees include:

- Cross-border economic partnerships: ‘best practice’, ‘what works’, pitfalls.
- The viability of the ‘trickle down’ effect of inward investment and infrastructure development to local suppliers, local economy, the periphery;
- Whether infrastructure and skills investment actually delivers sustainable and evenly spread economic growth and quality employment;
- The ‘what, why and how’ of micro businesses and self-employment which make up the bulk of businesses especially in rural (North) Wales; there is a need to find out more about what they need/want, particularly in regard to their willingness and capacity to ‘scale up’;
- Impacts of Brexit on current/planned initiatives and policies; additional uncertainty

Several stakeholders emphasised the need to develop robust approaches to ‘real time’ evidence of impact; to

‘capture spend, [develop] reporting mechanisms for capturing impact in the local economy’

(Tudur Jones).

Uneven Benefits

It is the view of a number of interviewees that the key proposals of the North Wales Growth Deal are more likely to deliver enhanced economic development for NE Wales than for NW Wales. Firstly this is an issue of existing capacity and connectivity; stakeholders note that Flintshire/Wrexham is already *“more aligned”* with Cheshire, Warrington, as embodied in the Mersey Dee Alliance (MDA); NE Wales UAs *“already work with Manchester, Liverpool”*; this cross-border work is *“business as usual”* for NE Wales. While the hope is that improving connectivity will provide opportunities which penetrate to the peripheral areas of NW Wales, several stakeholders felt that the benefits were realistically more likely to accrue to NE Wales.

“On a certain level its already happening- the Mersey/Dee Alliance – Wrexham/Flintshire- they are currently able to access cross border relationships...[there are further developments of cross border schemes which are] aspirational at the moment... I think some of the NE industries/

chamber of commerce [are more likely to] see the opportunities... our work is to encourage these opportunities to all employers regionally and encourage regional participation”

(Ffion Jones, NWEAB)

For example, in terms of infrastructure, a number of stakeholders felt that there are “*real benefits*” with regard to improving transport connections between NE Wales to Manchester/Crewe (NW England).

NE Wales is near enough to NW England for infrastructure improvement and capacity building to make a difference- but this won't necessarily help NW Wales....

(Paul Hildreth)

Several stakeholders felt that it is uncertain and unproven, that cross-border growth and development in NW England/ NE Wales will stimulate or facilitate supply and demand side capacity in peripheral NW Wales, to any significant extent.

“I don't think that you get trickle down/spin out to the periphery...culturally and politically that's very difficult to do... its wishful thinking [that the periphery will benefit]...capital infrastructure accrues capital to areas which are already strong”

(Rachel Bowen, ColegauCymru).

“ we want to grow the whole of North Wales as a region [of Wales] rather than suck people into the NE ...we shouldn't rely on [cross border growth] as the only growth deal for N Wales...there's a danger of hype which could turn the NW Wales population off. There are regional opportunities which are immediate and current”

(Ffion Jones)

The labour market differences between NE and NW Wales outlined earlier in this report were identified as central to some interviewees' concerns about the North Wales Growth Deal as it currently stands:

“With the first draft of the [North Wales growth] bid, it was not clear that the local partners were focusing sufficiently clearly on distinctive locality-characteristics within NE/NW Wales (e.g. as entities, labour markets, industrial characteristics etc.) Rather, the emphasis appeared to be on pitching for big infrastructure projects. There is a risk of viewing the growth deal through an ‘urban lens’; as another Cardiff, Swansea or adjunct to the Northern Powerhouse, rather than seeing the area as needing its own distinctive holistic and place-based differential approach.

(Paul Hildreth, University College London)

Displacement

“the idea that development trickles out to the periphery is true...but it also leaks out of the periphery”

(Karel Williams, Manchester University)

This observation by Karel Williams is important as it contradicts the views expressed by some stakeholders in the previous sub-section that there is no evidence for ‘trickle down’ economic benefits to the periphery. However it also reiterates the point, made by Arwel Jones quoted earlier in the report, that such development can ‘cut both ways’. Several interviewees raised concerns that NW England and NE Wales investment projects and cross-border capacity growth, while designed to simultaneously boost capacity in NW Wales, could actually have the opposite effect and could catalyse displacement in NW Wales. Peripheral areas could lose human and financial capital- which could “bleed out” from Wales; this is agglomeration essentially.

“the problem with agglomeration is that it doesn’t happen equally around the region...does North [West] Wales have the human capital to win the agglomeration battle?... Liverpool/Manchester is a massive gravitational force pulling things in...dark matter...pulling resources in rather than sending resources spinning out...its where the financial capital, and consequently the human capital, lies...it’s a myth that there are no casualties...”

(Iestyn Davies + Rachel Bowen).

Rachel Bowen noted that other big infrastructure schemes have promised similar regional trickle down, such as the London Olympics- but there has been ‘little delivery’.

Whether transport infrastructure improvements will provide economic benefits to NW Wales or not is therefore a contentious issue; there are significant differences of opinion between stakeholders on this issue.

Disruption

Potential disruption as a result of capital investment was identified by a number of stakeholders in terms of micro-level displacement; several stakeholders identified that there is a risk of other local companies losing capacity as their workers leave and move to big projects in their immediate locality; “Energy Island” projects such as Wylfa Newydd, for example, could mean a lack of available builders to deliver day to day small scale construction needs. Anglesey Council identifies the need for a “production line” to produce a trained and available local labour force, to mitigate future displacement impacts of personnel loss from other businesses on the island as construction projects get under way.

Several stakeholders identified wider potential social/ community, cultural and economic disruption as a result of major capital investment schemes. A key issue very much on the radar of many stakeholders, including those most closely involved with planning and delivery, is the likely disruption caused by a major influx of construction workers when construction projects such as

Wylfa Newydd move to the delivery stage. Stakeholders particularly identified impacts on the housing stock on Anglesey, and potential impacts on local services and also the Welsh language.

Inward investment can disrupt areas...you are not going to get the supply of labour from the local labour market...the construction labour force in particular is highly mobile...you will always see movement in/out of areas with big projects..."

(Iestyn Davies)

It should be stressed that the potential for such disruption on Anglesey has been identified by stakeholders such as Anglesey Council, and also by Horizon nuclear power. Horizon are currently in a third stage of public consultation about Wylfa Newydd, and have recently (May 2017) proposed a more 'compact design' of the nuclear power station, meaning the number of anticipated construction workers will come down from about 10,000 to approximately 8,350. Horizon have also announced a package of measures specifically focused on addressing potential social, community and language impacts; and initiatives, including investment in local schools, focused on enabling local people to uptake forthcoming employment opportunities.⁷

Inward Investment Uncertainty

"we've had decades of this 'wild west Klondike' model where venture capital moves in, moves on/out....that model is not viable...."

(Iestyn Davies)

we are far too dependent on one decision, set of circumstances... [inward investment projects are] high tech but also high risk...

(Arwel Jones)

"-It's always 'jam tomorrow'...we have to keep moving and developing the economy irrespective of these big projects..."

(Mike Learmond, FSB).

Many stakeholders are hopeful and positive that planned inward investment and major schemes will deliver for the region, but some also emphasise that such approaches are vulnerable, particularly in a time of economic uncertainty, including the ongoing Brexit uncertainty discussed earlier. They note that current infrastructure /capital spend/ training priorities are predicated on 'big employers' delivering within predicted time scales. An important caveat raised repeatedly by several interviewees is that inward investment is market-dependent and therefore leaves regions such as North Wales vulnerable to changes and fluctuations in the market. Globally mobile firms can relocate, causing mass redundancies, as happened at Anglesey Aluminium in 2009 (Dobbins, Plows + Lloyd-Williams 2014). Discussing inward investment in NE Wales Paul Hildreth notes

⁷ <http://www.bbc.co.uk/news/uk-wales-40013117>

‘uncertainty around reliance on multinational employment...there are big issues/question marks around how ‘embedded’ inward investment is and how deep it goes, how advanced it is...’

(Paul Hildreth)

This market uncertainty has meant there are significantly stretching timeframes for delivery of major infrastructure projects- in particular Wylfa Newydd, currently running at least ten years behind schedule. Some previously planned high profile schemes linked to the Energy Island initiative, such as the Rhiannon wind farm, have been ‘mothballed’ entirely ⁸.

“there’s been so much talk of investment opportunities...the talk has been going on for so long, that some of the clients are [now] quite sceptical... we need to ensure that we keep up the momentum and that we as a region are ready for the developments when they come. .”

(Nerys Bourne, Careers Wales)

This issue of stretching timelines has already had an adverse impact on supply side planning, firstly at an individual level- what courses should an individual take and when; or when a small business should invest in capital spend machinery, or hiring and training staff. For example, workers at Wylfa A nuclear power station undertaking training courses (funded under the *Shaping the Future* project, discussed further below) related to the projected opportunities of the Rhiannon wind farm, quit these courses halfway through when the windfarm scheme was shelved in 2014. The challenges of matching supply in the context of stretching timelines for demand-side initiatives are also macro structural, with stakeholders tasked with the challenge of identifying what courses to put on and when; and how to ensure quality employment for an over qualified and under employed labour force in the interim period, who are having to ‘make do and mend’ (Dobbins, Plows + Lloyd-Williams 2014). These are the ‘*people with fantastic skill sets currently working in Tescos*’ identified by Tudur Jones at the start of this report. The risks of capital investment to meet future demand-side opportunities are perhaps particularly severe for micro businesses, who have little in the way of slack to take up any margin of error.

This uncertainty has negative impacts on well thought out supply/demand matching initiatives, such as HE/FE training programmes linked to specific initiatives, and on individual training choices. Arwel Jones gave the example of the Wylfa/ Trawsfynydd nuclear workforces, currently being made redundant in cohorts during the period 2010- present, who had access to the *Shaping the Future* training programme which provided funds of up to £15 000 per worker to retrain for forthcoming opportunities in the region. Workers had their expectations raised that jobs would be there for them once they’d “skilled up for the future”. Arwel Jones provided anecdotal accounts of redundant workers now under-employed despite these skills, noting that many are now disillusioned. This has also been the key finding of the academic research which underpins this Knowledge Exchange Fellowship; this research found that;

- Many Anglesey Aluminium (AA) workers were having to “make do and mend” (Dobbins, Plows + Lloyd-Williams 2014) following redundancy in 2009.

⁸ <http://www.bbc.co.uk/news/uk-wales-north-west-wales-28580683>

- Wylfa and Trawsfynydd worker being made redundant and with access to significant retraining/upskilling opportunities, particularly *Shaping the Future*, are, broadly speaking, currently in the same position as the AA workforce before them (Dobbins + Plows 2016).

Essentially the findings of this research provide an evidence-based critique of Human Capital Theory which underpins much economic development policy. The research identifies the problems underpinning a policy emphasis on supply side capacity-building when demand-side provision is market forces led and uncertain.

Cluster critique

Concern was also raised by several interviewees about the assumption of Enterprise Zone ‘clusters’ being the right way to grow the North Wales economy and whether this model will deliver across the region.

“official policy is obsessed with clusters and high-tech...whereas what we need to do is build ‘grounded Mittelstand’, ‘smart Mittelstand’ firms”

(Karel Williams)

There was general consensus that the Enterprise Zone clusters on Anglesey (energy) and Deeside (manufacturing) do tap into significant existing capacity, resources and human capital. Karel Williams notes that high tech clusters “look most plausible” in the Wrexham/Flint area. However it is unclear whether, despite the best efforts of stakeholders, enough local supply chain capacity can be built to properly exploit the opportunities of ‘big fish’ inward investors; this relates to both NE and NW Wales. Paul Hildreth of UCL has been studying medium/large firms in NE Wales and their links to local suppliers. He notes that

“there appear to be no Michael Porter type clusters in NE Wales - I don’t find any evidence of clusters in that sense, beyond the existence of clustering relations in aerospace and energy...There is little evidence of supply chain relationships with local firms in the area outside these two sectors. Most [large firms] are ‘stand –alone’ plants, branch firms... In this context, I am not sure that the segmented nature of the economy is fully appreciated”

(Paul Hildreth)

This strikes a perhaps relatively unheard, or certainly under-heard, note in relation to the capacity of the NE Wales economy; it should be stated that this analysis was challenged by other stakeholders within the NWEAB partnership, who pointed to NE Wales cluster strengths in key employer groups such as the Mersey Dee Alliance, North Wales Business Council, Cheshire and NW Chamber of Commerce, and the Deeside Industrial Park Forum.

As discussed earlier in this report in relation to the ‘Missing Mittelstand’, the challenge to develop supply chain capacity in NW Wales faces a much greater uphill struggle than NE Wales; an issue well understood by those at the sharp end, who are seeking to develop micro and SME local business capacity to enable them to exploit inward investment opportunities. There are additional concerns

raised about whether the initiatives being planned will translate into sustainable high quality long term job opportunities for local people;

...the jury's out on whether they will actually generate many jobs...

(Arwel Jones)

Several stakeholders additionally questioned whether the rural area of Snowdonia, the site of the third North Wales Enterprise Zone, was a good fit for the reality of the labour market on the ground. Karel Williams stated that the rural UAs of NW Wales

...don't look like high-tech energy clusters to me...supply chains [in this area]...should be focused around lamb production...

(Karel Williams)

Iwan Thomas acknowledged that

Snowdonia is sadly under-performing, but its rurality and sparse population does now allow fair comparison therefore with the cluster of employers seen elsewhere... Yet potential expansion around the airfield site has exciting opportunities that will have an impact on a Wales wide and UK basis as well as locally/regionally...

(Iwan Thomas, NWEAB)

Alternative, complementary economic approaches

Interviewees identified a number of alternative and complementary economic approaches to developing the North Wales economy, some of which, such as the potential to develop tourism and agriculture sectors, are already a significant focus of strategic attention and are also included in the NWEAB 2016 *Growth Vision*. Time constraints relating to the short term nature of this Fellowship mean that these initiatives are not developed in much detail beyond some basic 'signposting'. It should be emphasised that many of the suggested initiatives and approaches, such as the 'Foundational Economy' and focusing on job quality within existing core regional labour market sectors such as care, agriculture and tourism, have been presented in some detail to recent hearings of the EIS committee by a number of stakeholders including the Bevan Foundation and the Joseph Rowntree Foundation.⁹

A "Strongly Indigenous" Economy building on Social, Cultural and Natural Capital

"I'm a local guy...I want to create a legacy for the region..."

(Sean Taylor, ZipWorld)

"we know the kinds of activity that will persist...the kinds of economic activity that are geographically bound...welsh language tourism, green infrastructure..."

⁹ <http://www.senedd.assembly.wales/documents/s63480/EIS5-14-17%20p1%20Bevan%20Foundation%20and%20Joseph%20Rowntree%20Foundation.pdf>

(Iestyn Davies + Rachel Bowen)

[North Wales has] *“environmental credentials...we are not an industrial powerhouse, but we have an extraordinary landscape....there is an opportunity to develop the image of North Wales; successful businesses do (re)locate here for lifestyle reasons...*

(Arwel Jones)

Several interviewees recommended supporting/developing a stronger *“indigenous”* (Paul Hildreth) local economy reflecting existing resources and strengths which are deeply embedded within specific micro- regional areas. The CRESC 2015 report, *‘What Wales Could Be’*, also stresses the *‘continuing importance of grounded firms’*. The recommendation to support the development of ‘grounded’ and ‘indigenous’ firms is essentially about building on existing local strengths, and focusing on what the labour market actually currently consists of, re- emphasising the predominance of micro firms across the region; what’s working, what’s thriving; identifying the existing human, social, cultural and natural capital, and *“capturing value”* (Paul Hildreth). This also taps into several interviewee comments that ‘locally grown’, ‘grounded’ small firms would be less likely to be mobile and relocate as a result of negative market conditions, as globalised businesses such as Anglesey Aluminium historically have (Dobbins, Plows & Lloyd-Williams 2014).

North Wales has significant social, cultural and natural capital which is already generating significant employment opportunities. The challenge is to improve job quality. Tourism and agriculture, traditionally sectors of the labour market which are seasonal and low paid, have the potential to provide better quality employment, for example for skilled, specialist workers in the newly emerging and highly successful ‘adventure tourism’ market, and in heritage tourism. The NWEAB Growth Vision recognises the importance of tourism for the region and its economic potential. Visit Wales also has a strategic vision which draws on the region’s heritage and environmental resources. Sean Tylor, ZipWorld’s creative director, notes that North Wales’ USP is

“the geography and topography....it’s one of the most beautiful places...people are coming to North Wales anyway- we’re getting them to look at North Wales in a different way....we’ve created our own niche....like surf Snowdonia has”

(Sean Taylor, ZipWorld)

The region’s environmental richness can be termed its natural capital. It should be stressed that the employment potential of this natural capital is not limited to tourism. Green energy, including community level energy generation schemes, and several schemes linked to the Energy Island initiative, also tap into the region’s natural capital; the Anglesey tidal energy pilot project Morlais being a key example. Environmental management, linked to the region’s unique ecology, biodiversity and associated designated environmental status (protected coastlines, Areas of Outstanding Natural Beauty) also provide employment and have further employment potential, for example linked to farming, environmental /habitat management, and carbon capture. Arwel Jones, who has expertise as a sustainable development consultant, suggests that the region could further build on assets – natural capital, residual skills in the labour force- to develop earth and water

sciences; outdoor tourism; and environmentally –based wellbeing/health initiatives, linked to the 2015 *Wellbeing of Future Generations Act*.

Agriculture is deeply rooted within the NW Wales economy, and like tourism, is traditionally low paid with low job security. Several stakeholders identified the potential to develop all aspects of the sector ‘from gate to plate’ to improve the job offer. Food production was identified as a key aspect of a ‘strongly indigenous’ economy, for example on Anglesey- capitalising on its natural capital; its potential is reflected in fact that the ‘Gorau Mon’ food cluster, one of a Wales- wide food cluster scheme supported by Welsh Government, is already up and running. Stakeholders have also identified the potential for inward investment supply chain opportunities on Anglesey relating to food production, for example to feed the anticipated influx of construction workers for Wylfa Newydd. Karel Williams has recommended developing supply chain capacity around welsh lamb production. Sean Taylor from Zipworld has identified significant potential for catering businesses to serve the tourism sector, stating that catering needs to be more ‘high-end’; he feels it has been undervalued, seen as a low wage area, which needs to have more of a focus in terms of skills/training provision. Food production initiatives are discussed further in the ‘community level economic development’ sub section below.

The region has significant additional social and cultural capital assets, including the Welsh language as a cultural capital asset, particularly in NW Wales. This is not only part of a USP for tourism, but also facilitates the development of relationships between firms at the micro –level, in particular contexts/sectors. Paul Hildreth notes that for sustainable economic development

Building social networks and institutional relationships locally in urban centres, together with excellent local communications infrastructure, may be more cost effective than more expensive strategic transport investment. However, it may depend on what firm, which sector.

(Paul Hildreth).

Paul identifies that there are “clutches” of firms already in the right location for them” ; such as the cluster of Welsh language media/IT/art and culture firms in Aberystwyth and Caernarfon, which also benefit from the presence of the local universities; and the Mold financial sector as another autonomously developed cluster of capacity developing out of existing social capital. These can perhaps be viewed as “organic indigenous clusters”.

Building Capacity within the ‘Foundational Economy’

Several stakeholders advocated building capacity in the ‘foundational economy’ (CRESC 2013); adding value, both in relation to job quality and quality of service delivery, for ‘everyday goods and services’ including care and associated social services, and housing. Care and social services are again sectors where low pay and insecure working terms and conditions, including zero hours contracts, are endemic. Karel Williams notes that the adult care sector accounts for 3 percent employment across North Wales;

...Why not focus on helping North Wales develop into a leader in adult care, with a focus on quality services and good jobs?

(Karel Williams)

Detailed evidence relating to the concept of the foundational economy has recently been discussed by the Welsh Assembly¹⁰ and has also been submitted to the EIS committee (March 2017)¹¹. Several interviewees, while not discussing the concept of the 'foundational economy' directly, made similar points about the need to develop both jobs quality and quality of provision in core sectors such as care, which are at the heart of community needs. Arwel Jones discussed the potential for 'shared integrated services- multi use buildings', providing the example of *Hen Blant Bach*, a successful pilot project in Caernarfon bringing pre-school age children and old people together. Mike Learmond from the FSB notes that businesses providing food, shelter, care and basic services often get ignored because 'politicians like shiny new things';

'we ignore the foundational economy at our peril....look at the core of businesses that keep our economy going....the dull and boring ones that everybody needs..'

(Mike Learmond).

Community Level Economic Development

The potential for developing capacity within the 'foundational economy' links closely to another issue raised consistently by a number of interviewees, namely that local/regional economic development should be community/ needs- led; -a 'bottom-up' approach.

"Economic development and social/community cohesion must be seen as going hand in hand: economic development needs to be embedded within a community..."

(Arwel Jones).

[there is] a need to develop resilience in local communities- better community development models are needed...

(Iestyn Davies + Rachel Bowen)

Clearly the 'foundational economy' sectors, discussed in the previous section, are at the heart of such community needs- led provision. Arwel Jones suggests that rather than "whizz bang schemes", there is a need for "small thinking"; small and achievable schemes, providing an example of the potential for schemes/initiatives which provide good quality food at affordable prices for local communities. Additional recommendations for community-level economic development provided by interviewees include:

¹⁰ <http://www.senedd.assembly.wales/ieListDocuments.aspx?CId=401&MId=4253>

¹¹ <http://www.senedd.assembly.wales/documents/g3788/Agenda%20Wednesday%2015-Mar-2017%2009.20%20Economy%20Infrastructure%20and%20Skills%20Committee.pdf?T=0>

- Facilitate interconnectivity *within* micro localities; Infrastructure (bus service investment) at a very local level facilitating interconnectivity within particular localities (“*village to village*”) needs strategic resourcing and would make a big difference, for example for young people and those on low incomes being able to get to training and work.
- Additional WG integrated and resourced support is needed to ensure the sustainable growth of community enterprise/community energy projects, for example Ogwen energy community hydro electric scheme. WG schemes such as Renew Wales which are developing community social capital to facilitate the development of ‘green’ projects at grassroots level are a good model for developing capacity in this sector; issues such as planning permissions and a lack of capital funding for start- up remain significant barriers to uptake however. In particular, business rates charged by local authorities are negatively impacting uptake and success of community energy schemes.
- Look at ‘what’s worked’ in terms of rural community economic development from Rural Development Plan and other EU structural fund programmes; for example, Ceredigion council’s RDP funded successful business start up initiative Ysgol Fenter; and Menter Mon community /economic development initiatives.

Targeted support for micro businesses and self-employment

It is worth reiterating the fact that micro businesses employing 0-4 people, including the self-employed, make up the bulk of employment (between 65 percent and 70 percent) in the local labour market across the North Wales region. The FSB in Wales has a well -developed understanding of the types of micro businesses who are FSB members and the challenges facing them. Mike Learmond from FSB flags a key concern, that the average age of a small business owner in Wales is 57.

‘most don’t have a credible succession plan in place...we could lose successful businesses over the next few years....this is a time bomb we need to be aware of

(Mike Learmond)

There remain however significant evidence gaps around the needs and long term objectives of micro businesses and the self-employed (Dobbins, Davis and Plows 2016). As previous sections of this report have identified, building capacity in this sector to enable small firms to benefit from forthcoming demand-side opportunities, is a key supply-side strategic goal for North Wales stakeholders, and the focus of considerable effort and initiatives. This is an acknowledged challenge;

“we need to grow and develop the businesses that we have...how do we use large firms and local government procurement to develop supply chain capacity?”

(Mike Learmond)

Clearly some small businesses will be seeking to uptake growth opportunities and are in a position to benefit from specific supply chain and joint tender/procurement opportunities. Others, perhaps especially those in non-target sectors, may simply be content to ‘tick along’. Scaling up can cause problems and certainly involves risk, as discussed in the previous section; several stakeholders note that “*some small businesses choose not to grow*” (Arwel Jones). Karel Williams notes that

“...we need to start out on the journey of figuring out what policies are relevant- such as business management training for micro businesses”

(Karel Williams).

Targeted support can only succeed when there is a significant understanding of the sector. The wide range of circumstances, business types and long term objectives of micro businesses and the self-employed is an under-researched area, which given the predominance of these businesses in the region’s labour market, (and across all of Wales), is an important potential site for research. The issue of the ‘gig economy’ and associated ‘false self -employment’, namely those individuals on zero hours contracts and others working for firms who are registered self- employed , is a key factor and links to issues of job quality and terms and conditions of employment made in the above sub-sections. ‘Foundational Economy’ sectors such as care, tourism and agriculture, which are key employers in the region, are particularly prone to precarious working conditions of this sort.

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