

## **IOD Wales Manifesto for Economic Prosperity: Priorities for the Fourth Term**

The Institute of Directors in Wales is calling on all parties fighting the election on 5 May to commit to priorities that will foster economic prosperity.

Since devolution economic performance in Wales has declined relative to the rest of the UK, with relative GVA per capita falling in Wales from 77% of the UK average in 1999 to 74% in 2009. While the relative decline began before devolution it is clear that successive Assembly Governments have not been able to reverse this decline. The IoD believes it is vital that the next Assembly Government adopts policies which place economic prosperity at the heart of its agenda, and commits resources to this.

The UK Budget of March 23 highlighted the need for an environment in which business can flourish and create wealth. The IoD welcomes the UK Government's commitment to work with the Assembly Government to explore opportunities for extending the new Enterprise Zone model and looks forward to early announcements by WAG in Wales.

The emphasis too on our human capital, with an increased provision for apprenticeships, is to be applauded. Investment in our young people in Wales is essential if they are to have opportunities and if they are to contribute to our future development. Developing our educational and training capability must be a key priority for the future.

The IoD welcomed the broad thrust of the Economic Renewal Programme launched by the WAG last year to help counter this relative decline in Welsh economic performance since devolution. While the reasons for this are complex there is material potential for the new Assembly Government to adopt policies that will help reverse this decline. It is too soon to assess whether the new direction signalled by the WAG in its Economic Renewal Programme will be delivered; the track record of the non-economic departments within WAG in recognising their role in promoting economic development and reversing our relative decline is inconsistent and disappointing.

The IoD in Wales identifies four broad priority areas that will help reverse this relative decline in economic performance and which should be prioritised. These complement the direction set out in the Economic Renewal Programme.

- Firstly, modernising and enhancing our infrastructure in Wales, particularly the creaking roads system. The abandonment of the highly cost-effective M4 Relief Motorway reinforced the concerns of business about the priority the WAG attached to economic prosperity. Policies and delivery programmes should prioritise east-west links, which are crucial to prosperity in both North and South Wales. The M4, A55 and A465 are the vital arteries for our businesses.
- Secondly, developing a workforce fit for the 21st century. Our skill levels in Wales are frighteningly low. While the gap has been narrowing some 14% of working age people in Wales have no qualifications compared to 11% elsewhere in the UK. And 58% of those without qualifications are not in work. And despite the economic recession almost 60% of IoD employers have recently reported that skills gaps were holding back the growth of their firms. More worrying for the longer-term is our educational performance. Since devolution education performance in Wales has been disappointing, with a gap emerging in performance at secondary level compared to the rest of the UK. In 2010 the proportion of our children achieving the expected level in maths at age 14 was 7 percentage points below England. In 2001 the gap had been 3 points. Similar trends are apparent in English and Science. International data has confirmed this decline in performance against a wider set of countries since 2000. This decline will have a long-term adverse impact on our relative economic prosperity and must be reversed. The new government must be prepared to tackle the causes of our declining comparative educational performance.

Recent research has suggested that the abolition of league tables in Wales has disadvantaged our young people, reducing qualification levels at GCSE, with the adverse effects greatest in our most deprived communities. Policies must put the needs of our young people before the wishes of the educational establishment.

- Thirdly recognising the central role the private sector can play in rejuvenating the Welsh economy and develop policies that support rather than inhibit private sector development. Policies should:
  - Reverse the regulatory burden that has become associated with devolution, with Assembly Governments seeking and using additional powers that place a burden on Welsh businesses not faced by competitors in Wales. Powers in areas such as charging for plastic bags, imposing burdens to promote the Welsh language and the imposition of tighter building regulations all have some merit. But they all impose burdens on Welsh businesses not faced by businesses in the rest of the UK.
  - Open up the delivery of public services to competition from the private sector and the 3rd sector, taking advantage of the materially greater capacity of the private sector to deliver productivity improvements.
  - Simplify public procurement, requiring all WAG funded bodies to follow a common process.

And finally, tackling the excessive bureaucracy of the public sector, significantly reducing the number of public bodies in Wales. Having 22 local authorities serving 3 million people in Wales with the inevitable duplication of management tiers and functions makes little sense. Significantly reducing the number of authorities could provide efficiencies that will help protect front-line services. The IoD is confident that businesses and the workforce in Wales have the capacity to reverse the decline in our economic performance. The next Assembly Government must ensure policies are in place which enable business to deliver.