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Paul Davies MS
Chair, Economy, Trade & Rural Affairs Committee
Senedd Cymru
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Dear Chair

I was grateful to the Committee for the invitation and opportunity to attend the session on 30th September to discuss some of the issues facing smaller business in Wales during what is clearly a testing time. We are pleased that the Committee chose to use what I know is restricted time to understand these issues.

During the session, the issue of Welsh Government's Economic Contract and the forthcoming 'refresh' of that contract was raised and at the request of Carolyn Thomas MS, I undertook to provide the Committee with FSB perspectives on the Contract and what we'd indicated we'd like to see reflected.

For context, when the Contract was launched by Ken Skates MS during his time as Minister for Economy, FSB was supportive of the 'something for something' approach which Welsh Government was adopting in some areas of support. We feel it is reasonable that in return for certain forms of business support, there can be an expectation of the development of positive behaviours and practices whether for the environment, communities or workforces.

One of the challenges surrounding the Contract has been the understanding of businesses as to its purpose. In our experience, there have been very different interpretations among business as to the purpose of the Contract and indeed, also on occasions, different interpretations among officials and agencies. Furthermore, the Contract hasn't been supported to-date by a clear narrative or messaging as to its purpose and the change it is trying to drive. The refresh is an opportunity to correct that and outline clear purpose.

To some extent the terminology is confusing in that unlike most contracts businesses will be familiar with, the Contract doesn't have any binding legal status. It has traditionally reflected a raft

of measures and activities which should or could be undertaken by business in return for support rather than the range of activities to which Welsh Government and its agencies commit to in supporting that business. Getting better clarity on that should be part of the refresh and the subsequent communication of the Contract.

We have also consistently made the point about the proportionality of the Contract – proportional both in terms of business size as well as proportional in terms of the support sought. There are two examples in this respect.

Within the element of the contract which focuses on Fair Work for instance, it is important to reflect a number of ways in which employee voice can be reinforced. While we encourage employers to explore engagement with formal representation such as through Trade Unions, this is not necessarily appropriate for all businesses or their employees. We feel that the Contract needs to recognise the landscape of different engagement structures. It is important that the contract is used to guide businesses on a journey whether it be on Fair Work or in other areas such as decarbonisation for instance.

With regard to proportionality of support, we have made the point that the expectation of change should not be out of proportion with the level of the support being offered by Welsh Government. We share a hope with Government that the Contract could be used to drive positive change, but it's obviously important that the onus on the business should not make it less attractive than seeking that support elsewhere – particularly with regard to funding support - or we will lose the value of that relationship and driving those behaviours. Effectively, Welsh Government needs to demonstrate itself as a 'partner for growth' in terms of the relationship.

Because of the substantial support administered by Welsh Government to businesses over the last 18 months under interventions such as the Economic Resilience Fund, many more businesses will now be subject to the Economic Contract. We are not aware of the collation by officials of particular areas of action by businesses under the contract or what the intelligence gathered tells us about where businesses currently are regarding the themes covered within the Contract. However, this would be helpful to understand where support is needed and to better understand how businesses perceive the relationship they have with Welsh Government under the Contract.

The Contract is not on its own as a tool which seeks to help promote positive behaviours and change within business. The Good Business Charter is an initiative of the Good Business Foundation and is supported and promoted by FSB and other organisations. We have asserted previously that it would be helpful to have some 'read-across' between the Contract and the Charter to ensure that if a business adopts the Good Business Charter, this can be recognised within the Economic Contract. Not to do so seems to duplicate and miss an opportunity. We have not yet had confirmation from Welsh Government on how they see the contract interacting with something like the Good Business Charter.

One of the challenges for the Contract in the future will be ensuring it remains targeted at particular behaviours and desired outputs. The more Welsh Government seeks to leverage the Contract to gain outcomes for a range of policy areas, the more unwieldy and perhaps confusing the Contract may become. However, we are confident that the Contract is currently suitably targeted.

We welcome the approach taken by civil servants in developing the Contract and conversations we have with them have been productive and positive. The refresh of the Contract provides an opportunity to understand how it will be used in the context of economic recovery from the Pandemic, the drive to decarbonization as well as developing the Welsh economy.

However, for it to be successful, businesses need to be clear about what Welsh Government is offering within the Contract and that has to be seen as an attractive partnership. In the forthcoming refresh, there needs to be clear messaging on what the Contract is (and what it is not), the intention of the Contract and what is expected of businesses as well as the positive offering of Government.

I hope this note is helpful and we look forward to working with the Committee further as Welsh businesses seek to recover from the Pandemic.

Yours faithfully

A handwritten signature in black ink, appearing to read 'B. Cottam'.

Ben Cottam
Head of Wales, FSB