

From: [PMO](#)
To: [Wylfa Newydd](#)
Subject: RE: IACC Deadline 2 Submission : Local Impact Report - Economic Development - Local Employment (email 5)
Date: 04 December 2018 20:12:22
Attachments: [image001.png](#)
[image002.png](#)
[image003.png](#)
[Economic Development - Local Employment.pdf](#)
[Economic Development - Local Employment Annex.zip](#)

Please note, a number of emails will follow in relation to the LIR – we will confirm the final e-mail.

Pnawn Da/ *Good afternoon,*

Gweler ynghlwm cynrychiolaeth CSYM mewn perthynas â'r uchod / *Please see IACC's representation in respect of the above.*

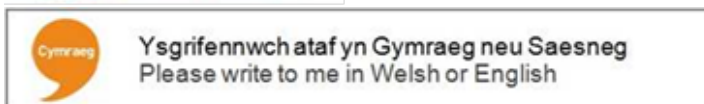
Bydd fersiwn Gymraeg yn cael ei ddarparu cyn gynted a phosib / *A Welsh version of the submission will be provided in due course.*

Cofion/ *Regards,*
Manon

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Mae cynnwys y neges e-bost hon yn cynrychioli sylwadau'r gyrrwr yn unig ac nid o angenrheidrwydd yn cynrychioli sylwadau Cyngor Sir Ynys Môn. Mae Cyngor Sir

Ynys Mon yn cadw a diogelu ei hawliau i fonitro yr holl negeseuon e-bost trwy ei rwydweithiau mewnol ac allanol.

Croeso i chi ddelio gyda'r Cyngor yn Gymraeg neu'n Saesneg. Cewch yr un safon o wasanaeth yn y ddwy iaith.

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Ynys Môn

THE ISLE OF

Anglesey

Wylfa Newydd

Local Impact Report

Chapter 3: Economic Development
– Local Employment

December 2018

PINS Ref: EN010007



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1.0 Economic Development - Local Employment

1.1 Overview of Impacts

1.1.1 The IACC is supportive of the proposed Wylfa Newydd development because of the potential short, medium and long term employment and economic development opportunities. Despite the considerable potential (quantity and quality), certainty and confidence is required to ensure the capacity and readiness of local people and businesses is increased, and there is greater resilience to manage labour displacement. The 100 year commitment made by Hitachi Ltd to Anglesey as the 'host community' is integral to securing the economic prosperity and well-being of the Island's residents for future generations.

1.1.2 The IACC established the Anglesey Energy Island Programme (EIP) ¹— which pro-actively promoted the merits of the Wylfa Newydd site and other energy related projects on Anglesey with prospective developers. The EIP was grounded in a thorough analysis² of the local economy with scenarios covering no energy developments, new nuclear build, and other developments. This exercise expressed that GVA per head in Anglesey was just 57.2% of the UK average (£20,000) and that the new build provided the potential for increased GVA of 10%-13% over and above baseline, which would be transformational.

1.1.3 The scale, range, and quality of employment and supply chain opportunities at presented by Wylfa Newydd are the overwhelming grounds for local support.

1.1.4 The positive impacts of the Wylfa Newydd Project on the labour market:

- a) Creation of a minimum 2,000 new local jobs on Anglesey and the mainland during the construction phase;
- b) Commitment to achieve 85% local employment during the operational phase, highly productive roles with salaries above national average;
- c) Potential for local people to undertake a proportion of the 1,000 outage roles;
- d) Potential to reverse the fall in working age population;
- e) Potential for GVA levels to increase significantly in the short term.

1.1.5 The neutral impacts of the Wylfa Newydd Project on the labour market:

- a) Horizon have proposed some skills and training that are limited in scale and are deemed neutral as they will only be of limited assistance.

1.1.6 The negative impacts of the Wylfa Newydd Project on the labour market:

- a) Potential for labour displacement, reducing the net additionality arising from Wylfa Newydd with inadequate mitigation to address this impact;
- b) Small-Medium Enterprises, micro-businesses and the self-employed being attracted to the Wylfa Newydd project and not being able to undertake business

¹ Energy Island Programme website ([Link](#))

² Energy Island and Enterprise Zone Reassessment of Legacy targets, Benefits and Outcomes 2012 (Annex 3A)

- as usual (domestic and light-industrial) activities to serve the needs of the local economy;
- c) Product Displacement.

1.2 Preparation of this chapter

1.2.1 The IACC has appointed Oxford Economics (Oxford Economics provide expertise in forecasting and modelling at global, national, regional and local levels and their expertise ranges across sectors) to quantify the local economic impacts that could arise from the Horizon proposals. Oxford Economics have also previously undertaken baseline analysis informing the IACC pre-application consultation responses to the project proposals³. The work produced for the Council has been used to assess the DCO proposals as submitted and to reach the impact conclusions set out in this chapter. It has also informed the proposals made by the IACC as to further measures which could reduce **negative** impacts and increase **positive** impacts.

1.3 Context

- 1.3.1 Anglesey is a small island economy off the coast of North Wales which accounts for 2.2% of the Welsh population but only 1.75% of the country's employment. The population of Anglesey was 69,936 in 2017⁴, there were 39,996 people of working age, and 11,986 aged up to 15.
- 1.3.2 The structure of Anglesey's economy varies from the UK and Wales as a whole. Compared to Wales, Anglesey has a higher share of employment in low value-added sectors of the economy. Both the accommodation and food and construction sectors contribute significantly to Anglesey's economy, and are estimated to account for over a quarter of all jobs in 2018⁵.
- 1.3.3 Without allowing for the Wylfa Newydd project, average annual employment growth is predicted to slow to 0.7% over the period 2016 to 2030, resulting in 2,500 new jobs. Growth is expected to be driven by accommodation and food (1,200 jobs), and construction (800 jobs)⁶.
- 1.3.4 Anglesey's sectoral structure means that productivity was estimated to be only 73.5% of the UK level in 2016⁷. Productivity fell in 2016 which partly reflects the cessation of operations at the existing Wylfa in December 2015. Given the low levels of productivity, average workplace-based wages are 20% lower than the UK average.
- 1.3.5 The slow employment growth, sectoral structure and low wages are likely to have influenced migration. Although net migration from 2009 to 2017, was **positive** in all but three years, this overall trend disguises the impact on the

³ Anglesey: Baseline economic analysis update and growth scenarios, Oxford Economics, May 2017 (Annex 3B)

⁴ Taken from ONS data from Nomis ([Link](#))

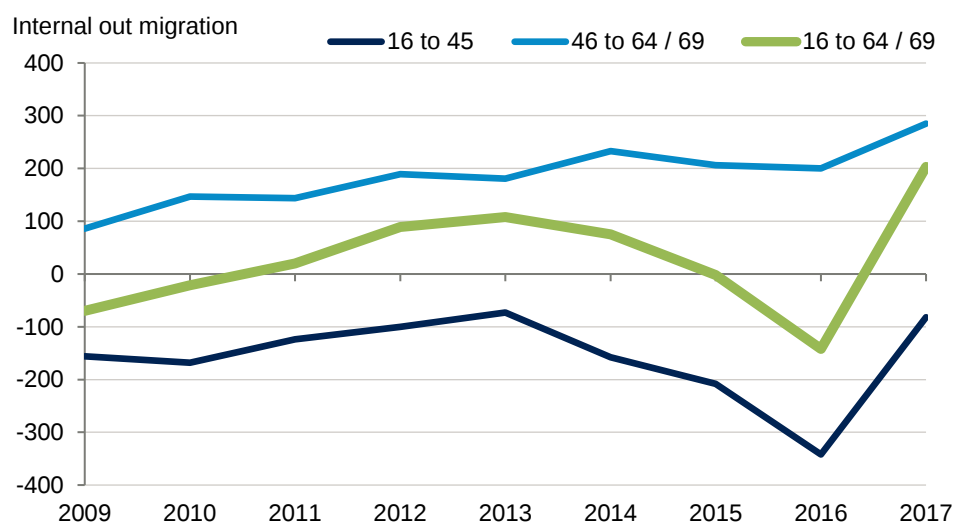
⁵ Anglesey: Baseline economic analysis update and growth scenarios, Oxford Economics, May 2017 (Annex 3B)

⁶ *Ibid*

⁷ *Ibid*

working age population. From 2009 to 2017 over 1,400 more residents aged between 16 and 45 migrated out than migrated in⁸; net internal migration for this age group has been **negative** each year since 2009. In contrast net migration has been **positive** each year for those aged 46 to retirement age, reflecting the attraction of the area as a nice place to live or retire to (rather than work). The median age of Anglesey residents (47.6) is notably higher than the Welsh (42.5) and UK (39.9) averages.

Figure 1: Internal out migration, Anglesey, 2009 to 2017

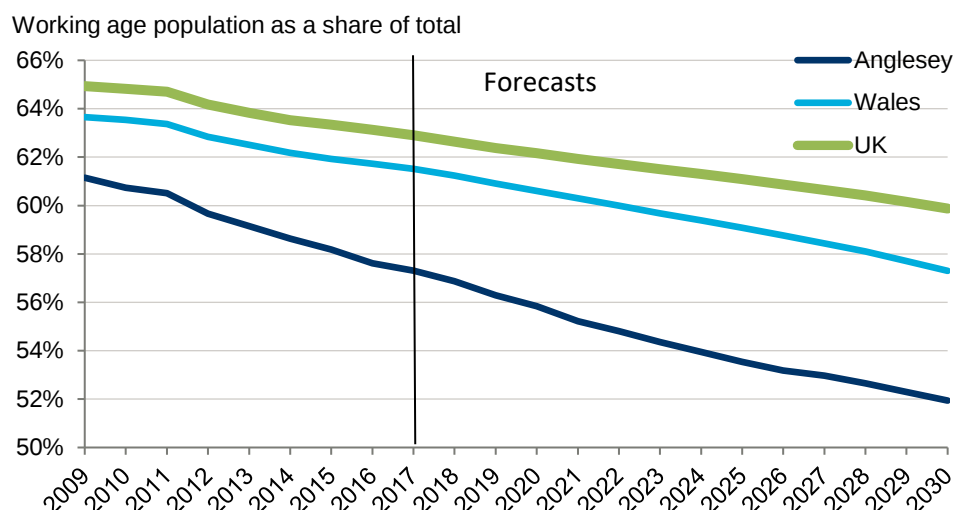


Source: Oxford Economics

1.3.6 The number of working age residents has been falling, and is forecast to continue. It is therefore important for the economic health, and for the ability of the Anglesey economy to grow, that the number of young people leaving the Island is slowed and that working age people are attracted into the economy. To help close the wage and productivity gap, jobs which are created on the Island need to be well paid and attractive to higher skilled candidates, including professionals. The large demand for jobs at Wylfa Newydd could assist in creating an inward draw of high skilled people to Anglesey.

Figure 2: Working age population as a share of total population, 2009 to 2017

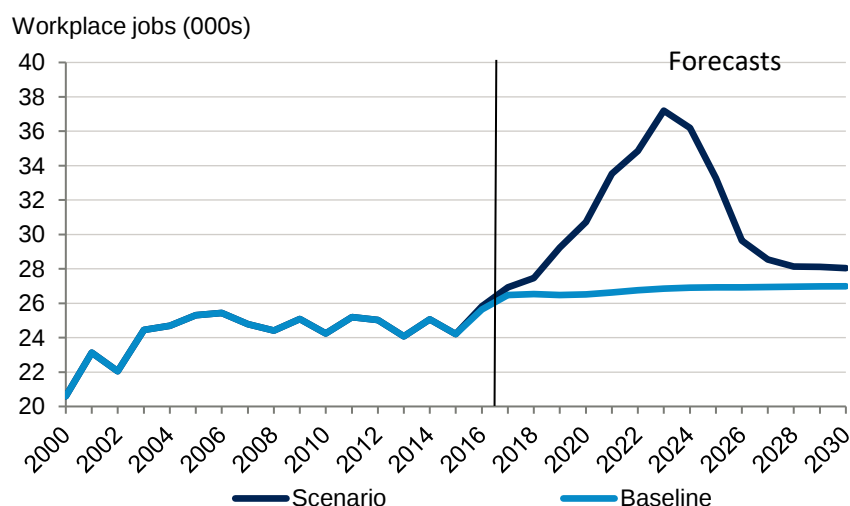
⁸ *Ibid*



Source: Oxford Economics

1.3.7 The IACC recognises that the Wylfa Newydd project will offer significant opportunities for the local economy, not just at peak construction, but over the course of the construction project and once operational. It is estimated that the volume of labour required to develop Wylfa Newydd each year of construction will have a significant impact on headline economic variables. Both workplace employment and GVA levels are dramatically higher from 2021 to 2024 and the profile of future workplace jobs and GVA in Anglesey is heavily influenced by the profile of labour required at the nuclear new build.

Figure 3: Workforce jobs estimates, Anglesey 2000-2030 (PAC 3)



Source: Oxford Economics

1.3.8 Note: the above forecasts were produced in 2017 and hence are different from those discussed in the Context section.

- 1.3.9 However, if the investment is to be truly transformational and have a long-term impact then the proportion of jobs taken by local labour needs to be maximised, not just at peak, but in every year of construction and operation.

1. 4 Policy position

- 1.4.1 Supporting growth and regeneration as a means of transforming the local economy is one of the main strategic objectives of the Anglesey and Gwynedd Joint Local Development Plan (JLDP) (adopted July 2017). The JLDP recognises that the Wylfa Newydd Development provides the opportunity to maximise socio-economic opportunities for local business, sustainable employment opportunities for local people (including a sustainable network of associated development) and in developing a skilled and well-educated workforce.
- 1.4.2 Based on the issues raised within this chapter, the following criteria from policies in the JLDP are of particular relevance:
- 1.4.3 Criterion 9 of Policy PS 9 Wylfa Newydd and Related Development requires a pro-active approach to procurement, employment and education, training and recruitment in order to maximise employment, business and training opportunities for local communities in both the short and longer term.
- 1.4.4 As a means of maximising the socio-economic opportunities which will arise from the Wylfa Newydd development, the JLDP allocates and safeguards a range (size and location) of employment sites (Strategic Policy PS13: Providing Opportunities for a Flourishing Economy and Policy CYF 1: Safeguarding, Allocating and Reserving land and Units for Employment Use) and facilitates opportunities to improve the workforce skills and education through a supportive policy for the extension of or new higher/further education facilities (Policy ISA 3: Further and Higher Education Development).
- 1.4.5 Issues raised in this paper in relation to the impact on the labour market, displacement of the workforce, and impact upon the wider economy suggests that additional information and measures are required in order to better align with the expectation set out in criterion 9 of PS 9. The principles contained within the JLDP relating to maximising opportunities presented by the Wylfa Newydd development; ensuring that the development provides a **positive** driver for the transformation of the local economy and communities in Anglesey and delivers sustainable employment opportunities; and contributes towards improving the quality of life and wellbeing of existing and future generations are further supported and emphasised within the Wylfa Newydd Supplementary Planning Guidance (GP1 Supporting the Anglesey Energy Island Programme and Anglesey Enterprise Zone; GP2: Local Jobs and Skills Development and GP5: Tourism).

1.5 Impacts and evidence

Construction phase

- 1.5.1 The creation of a minimum 2,000 jobs across the North Wales region and across a range of skill levels represents a **positive impact** in the short term. The rise in local job opportunities could also go some way towards reversing the fall in working age population that has occurred in Anglesey since 2008. The additional jobs, upskilling, nuclear experience and general investment in the Island will also result in a **positive impact** on jobs and skills.
- 1.5.2 The IACC's support for Wylfa Newydd is predicated on the creation of a broad range of direct and indirect jobs, from support services to highly skilled technical and professional roles for local people currently in work, underemployed, leaving school, college and university, prospective returnees, the long term unemployed and young people 'Not in Education, Employment or Training' (NEETs).
- 1.5.3 The DCO application (Community Impact Report⁹ and Planning Statement¹⁰) provides more information on the local job opportunities. Approximately 2,000 (22%) home-based workers would be employed during the peak period of construction from the Daily Construction Commuting Zone (DCCZ), which would deliver a rise in employment. It suggested that the local labour rate for those living within 60 minutes to site (i.e. within the Key Socio-Economic Area of Anglesey and Menai Mainland), is only 17% (1,521) and the figure for Anglesey residents is even lower at 14% (1,256). The IACC believes that these figures are unacceptably low and does not secure delivery of the claimed benefits of the project for the Island.
- 1.5.4 Given the background work on the demand for and supply of skills in Anglesey and Gwynedd which was undertaken at the end of 2017, the IACC believes that with adequate investment in education, skills and training across all levels, between 2,000 – 2,250 (22% - 25% of total) local jobs could be secured within the Anglesey and Menai Mainland area alone, without significantly increasing the risk of labour displacement.
- 1.5.5 Therefore, Horizon's current figure of 17% local labour (Mon and Menai) is too low, and does not ensure that local people, businesses and supply chains can fully capitalise on the job opportunities presented by Wylfa Newydd. Consequently, the measures Horizon are proposing to provide, and secure local labour are not ambitious enough. The **positive** impact of the creation of jobs is therefore less significant than it could be due to the concentration of local labour in lower skilled and therefore lower paid jobs. These jobs do not enable the maximisation of the potential benefits of the project by local people and therefore reduce the overall **positive** impact for the host communities.

⁹ Examination library reference APP-435

¹⁰ Examination library reference APP-406

- 1.5.6 The scale of labour required to deliver the nuclear new build is significant (9,000 at peak), however 7,000 of those jobs are expected to be taken by non-locals. Thus, a significant amount of the economic and labour market benefits arising from Wylfa Newydd will not be realised by Anglesey and North Wales residents, and, consequently, there will be a substantial leakage of the construction phase wages and experience. In addition, it is presently assumed the bulk of supply chain contracts will be awarded outside of North Wales. Consequently, there is a risk that the project will not have the desired, sustainable, transformational impact locally, which is one of the primary reasons why the IACC and many local residents support the Wylfa Newydd development.
- 1.5.7 Horizon states that during construction much of the employment will be via the supply chain. If recruitment processes by Horizon or its supply chain do not ensure that local labour opportunities are delivered, opportunities for local residents will not be maximised. Unfortunately, without sight of the Supply Chain Action Plan IACC and local business cannot form an adequate view on the supply chain opportunities. The impact on Supply Chain is discussed in further detail within the Economic Development – Supply Chain Chapter.
- 1.5.8 In addition to the above, information provided by Horizon suggested that the bulk of jobs going to non-locals will be the higher skilled and higher paid engineering and managerial jobs. **Whilst the job creation at Wylfa Newydd represents a positive impact to the local economy, the IACC feels that the magnitude of the impact falls short of being transformational.** For example, over a third of ‘local’ jobs at peak construction will be in “site services, security and clerical staff” roles. IACC would like to see more of the higher skilled roles made available to local workers, and by extension measures put in place to help achieve that.
- 1.5.9 Horizon is understood to be working in collaboration with education providers in North Wales, however it is unclear how many new places will be made available in subjects related to the construction of Wylfa Newydd, as Horizon builds local skills. While IACC are encouraged by the operation of the apprenticeship programme, the £1m investment in the new Engineering Centre at Grwp Llandrillo Menai, up to £500,000 committed to Cwmni Prentis Menai, the sponsoring of courses for the long-term unemployed and engagement with schools, the Council would like to see evidence of how the training will build over time to meet labour demand. For example, how many places will be made available by subject and year, in higher education and further education. The strategy and interventions must support school leavers, those employed, those unemployed, those inactive and ex-pats leaving elsewhere. A summary table is provided in section 8 to demonstrate the mitigation measures that must be secured to maximise local employment opportunities during the construction phase.

Operation

- 1.5.10 The 850 operational new jobs will bring a major long term **positive impact** to the Anglesey economy. Aside from the employment itself, these jobs are likely to be highly productive. These highly productive jobs are also likely to provide

above average wages, which should go some way towards improving the gap between average wages in Anglesey and the Welsh average (both resident and workplace measures). Furthermore, resident wages in Anglesey have been consistently higher than workplace wages since 2003, indicating that Anglesey residents can earn higher salaries by commuting elsewhere for work. Securing as many of the operational jobs at Wylfa Newydd as possible could help push up workplace-based wages and provide higher paid local job opportunities for residents.

- 1.5.11 The IACC supports Horizon's commitment to achieving 85% local employment when Wylfa Newydd is operational; however the Council believes this should be a minimum target. IACC's support for Wylfa Newydd has been predicated on the creation of these highly skilled, well-paid, long-term jobs for local people. The success of the project locally will be determined on whether this is achieved.
- 1.5.12 The IACC also submits that clarification is required on how a person will be defined as 'local'. The IACC requests that a definition is adopted which acknowledges that workers who have resided on Anglesey only for a short period during construction in order to work on the project and who have no pre-existing local connection are not 'local' for this purpose. The definition of local should encompass the pre-construction resident population and those with a local connection returning to or relocating to the Island but not simply any person whose address at time of application is given as with the Key Study Area (KSA). The IACC wish to ensure that the 85% target during operation is taken up by current local residents, or former residents attracted back, who are more likely for example to speak Welsh; thus making a **positive** language and cultural contribution.
- 1.5.13 Further detail and certainty is required on how this target is to be achieved (for example whether there is significant investment in apprenticeship schemes and up-skilling of local people), by when, and what strategies will be implemented. It is noted that operational jobs are created over the construction period and therefore the capability and skills are gradually built up. The strategies, programmes, resources required need to be defined, agreed and secured. Without this detail, only limited weight can be given as the mechanisms are not secured.
- 1.5.14 This principle also applies to the additional 1,000 workers required at outage periods once the plant is operational. There is currently very limited information on the skill-set required to undertake these posts to understand whether the local population has the capacity and capability to fill the roles¹¹. If they do not, the impacts of hosting a temporary workforce of up to 1,000 workers on the host communities requires to be undertaken separately from that for construction. It is not appropriate to consider that impacts will be simply less than construction

¹¹ The IACC would argue that the capability and experience is likely to exist locally given previous nuclear activity at both Magnox North sites Wylfa A and Trawsfynydd.

as many of the construction period mitigations will no longer be in operation and separate consideration of the impact of temporary influxes of workers on communities is required. It is not considered that the ES submitted adequately considers these impacts.

- 1.5.15 A breakdown of the occupations and skill sets required for these 1,000 jobs is required to inform a proper assessment of local labour availability. The associated investment in education, skills and training to maximise local uptake can then be appropriately planned. Clarity is further required on if these 1,000 jobs are only required at outage periods, if they are temporary in nature, part-time or full-time. Without this information the impact of the creation of outage roles is assessed as **neutral** as the potential benefits and impacts cannot be fully established.

Displacement

- 1.5.16 The **positive** impact through job creation is currently reduced by the potential for labour displacement effects which would have a **negative** impact on the Island's overall economy and damage the construction sector and other sectors during the construction period.

- 1.5.17 The definition adopted by Government when accounting for displacement from public investments / interventions accounts for both the change in market share and the increase in demand for certain types of labour in a local market. The English Partnerships "Additionality Guide" states:

"Displacement arises where the intervention takes market share (called product market displacement) or labour, land or capital (referred to as factor market displacement) from other existing local firms or organisations."

- 1.5.18 That guidance also notes:

"In terms of factor market displacement, an intervention may result in an increase in demand for construction workers. If these are in short supply, the result may be in delays to this or other interventions or an increase in costs".

- 1.5.19 The IACC wish to maximise local take up of Wylfa Newydd jobs but are mindful that there could be a trade off with potential displacement, **unless** appropriate steps are taken to boost the supply side of the economy. The risks of displacement are not consigned to construction related jobs.

- 1.5.20 The effects of major projects displacing local workers is apparent in the example of Sizewell B, the most recently completed of the UK's nuclear power plants. A review of the economic benefits of the Sizewell B project undertaken by Glasston (2015) found that, during the early years of the project, approximately 600 employees annually were drawn to the site from local employers. Taking into account that the peak workforce associated with Sizewell B was just over 5,000 – compared with between 8,000 and 10,000 at Wylfa Newydd – and the more ruralised and remote location of Anglesey (with a reduced latent supply of labour within commuting distance) the impact of displacement could be much higher in the case of the Wylfa Newydd project.

- 1.5.21 A major challenge for the existing labour market within the construction sector across Anglesey and North Wales, will be to demonstrate they are prepared and ready to promote their competencies to work on a nuclear new build such as Wylfa Newydd as currently the majority of the construction sector in North Wales serves domestic and light-industrial needs and not major construction projects.
- 1.5.22 The CITB 2018 Construction skills gap analysis for Wales has identified that there is a potential shortage of occupations in North Wales where forecast demand is likely to exceed current employment. The following occupations are identified as: Construction trades supervisors, Plant operatives, Plant mechanics/fitters, Labourers, Logistics, Civil engineering operatives, Non-construction operatives, Civil engineers. In addition to the occupational gap analysis CITB analysis of Welsh Government training data indicates that there is limited training provision in North Wales in some Construction related occupational areas:
- a) Roofers, Floorers, Glaziers, Building envelope specialists, Specialist building operatives, Scaffolders
 - b) Plant Operatives
 - c) Plant mechanics / fitters, Steel erectors / structural
 - d) Labourers
 - e) Civil engineering operatives
 - f) Civil engineers, Architects, Surveyors
- 1.5.23 Therefore, within the construction industry, there are serious concerns should existing workers in the above sectors be attracted to Wylfa Newydd as there are already shortages in the business as usual scenario and coupled with lack of training available it will be very difficult to backfill these occupations.
- 1.5.24 Wylfa Newydd will absorb local tradesmen, and construction professionals as well individuals that could, or do work, in the hospitality and facilities management sector (e.g. food preparation / catering / cleaning services). Furthermore, with limited spare capacity in the local labour market (without intervention), and Anglesey's peripheral location and relatively low-wage economy (and often seasonal work in the tourism sector), these effects will be magnified. Consequently, it is considered that Horizon's Environmental Statement underestimates the risks of displacement and as such the limited mitigation measures proposed are insufficient. As currently proposed the project will lead to a **negative** impact on existing businesses and services through displacement of their current workforce and lack of people with appropriate skills to backfill these positions.
- 1.5.25 The hospitality and facilities management sector at Wylfa Newydd of which a high proportion of staff HNP predicts will be from the local population could, for example, have a **negative** effect on Anglesey's tourism and social-care sectors (and other sectors) in respect of displacement. , Tourism accounts for a significant proportion of the Island's economic activity and is necessary to maintain long term economic health of the Island¹². In these sectors which are

¹² Please see tourism chapter of the IACC LIR

often low-paid and an increasing amount of zero-hour contracts there are already existing labour shortages and therefore a vulnerability to losing staff to the Wylfa Newydd project. As, at present no mitigation is proposed to address this and the impact has been assessed as **negative**, however appropriate mitigation could render the impact on this area neutral or **positive**. Labour displacement in the tourism sector is considered further in the Tourism LIR chapter.

1.5.26 Anglesey's social care sector is already experiencing a dearth of suitably qualified applicants and there is an ageing workforce and high levels of staff turnover. As such, mitigation must be identified to address these issues upfront to allow experienced staff to be retained and to attract new workers to replace workers that may leave to work on the Wylfa Newydd project. These are defined on page 27 of the IACC's 'Social Care: Review of Displacement in the Local Labour Market'¹³.

1.5.27 The potential for large projects to pay a wage premium is apparent within the economic literature¹⁴. Large firms have been found to have the ability to pay more, with the more productive nature of activity at Wylfa Newydd compared to wider economic activity locally suggesting that there will be a requirement to deliver higher wages. Furthermore, large companies such as Horizon have the ability to share excess profits with workers, hire more qualified workers and substitute high monitoring costs with wage premia.¹⁵ Therefore, the existing evidence suggests that there is potential for the Wylfa Newydd project to attract workers based on the wage premia that it can offer – before taking into account the potential for more secure employment, sociable hours and reduced stress than workers would experience in some other sectors.

1.5.28 The IACC considers that displacement has not been given appropriate consideration in the application documents. Survey evidence (provided by Jacobs) from Sizewell B that showed one in ten responding firms reported the nuclear new build left them with hard to fill vacancies. The likely level of displacement in Anglesey is likely to be higher given the size of the economy, geographical factors and remoteness from large pools of labour and limited access to alternative job markets. Additionally, unemployment in Anglesey was close to record low levels in 2016¹⁶. Given the limited spare capacity locally in the labour market, and the scale of well-paid construction jobs that will be created at Wylfa Newydd, the Council are concerned Anglesey businesses (and those across North Wales) could experience displacement of labour. This loss of experienced labour could be compounded by higher costs (through recruitment) and a deterioration in competitiveness. As such, The IACC

¹³ Social Care: Review of Displacement in the Local Labour Market (October 2018) (Annex 3D)

¹⁴ AECOM Wage inflation and displacement evidence Final report (Annex 3E)

¹⁵ The Establishment-Size Wage Premium: Evidence from European Countries (2005) - ([Link](#))

¹⁶ Anglesey: Baseline economic analysis update and growth scenarios, Oxford Economics, May 2017 (Annex 3B)

considers that there could be higher levels of displacement in Anglesey than are experienced in other locations.

1.5.29 In an attempt to assess the risk from displacement an analysis, in so far as possible, of whether the supply of local labour matches the demand across Anglesey and Gwynedd, when factoring in the needs of Wylfa Newydd, has been undertaken. There is likely to be a shortfall in the supply of labour qualified to NVQ 4+ in STEM subjects and NVQ level 3 construction and engineering subjects. The estimated demand is for 600 NVQ 4+ STEM graduates per annum up to peak level of employment. However only around 200 will be provided from Bangor University, and therefore there will be the conditions for displacement of STEM related labour from existing firms. There could also be the conditions for existing firms to struggle recruiting STEM graduates in the first place. There is also an estimated annual demand for 300 NVQ 3 construction / engineering graduates. While there are currently 330 graduates in construction and engineering subjects, a proportion will stay in education, some will not enter the labour market and others will leave the area.

1.5.30 It is important to recognise that training is required across the economy (not just in STEM subjects) and across skill levels, as Horizon will require a wide variety of different roles and services. The IACC require investment in education, skills and training across a variety of different subjects to increase the local labour pool and minimise the impact of displacement.

1.5.31 Recent evidence¹⁷ shows that Welsh businesses are struggling to fill vacancies. The impact of the Fourth Industrial Revolution and Brexit is widely expected to worsen skills shortages in the Welsh labour market. Additionally, there is evidence from other major infrastructure projects which demonstrates that the higher salaries paid and better working conditions by such projects will attract labour from local employers who can subsequently experience difficulties with staff recruitment, retention and artificial wage inflation. The Hinkley pay offer represented a 36% premium on the minimum pay rates of the National Agreement for the Engineering Construction Industry (NACEI)¹⁸, which was already above average Anglesey earnings for four out of the six pay grades. As wages on Anglesey are already low, the issue of displacement is genuine, and remains of concern to the Council and local businesses. A similar pay-deal on Wylfa Newydd raises the potential for wage inflation on the Island and the displacement of workers from existing productive activity on Anglesey. **This could have a negative effect across all sectors and levels of the Anglesey workforce as all will be attracted to the greater salaries and benefits on offer.**

1.5.32 There are also a range of construction projects planned or on-going in North Wales (e.g. housebuilding, schools improvements, Bluestone, National Grid, Menai 3rd Crossing, etc). Therefore, the potential for skills gaps during the construction period of Wylfa Newydd will be greater than if the nuclear new

¹⁷ The Open University Business Barometer ([Link](#))

¹⁸ AECOM Wage inflation and displacement evidence Final report (Annex 3E)

build was built in isolation. Horizon have not provided any assessment of the cumulative effects of these projects on the demand for and supply of labour. Clearly the risk of labour displacement is greater once these additional projects are also considered. Such skills gaps and hard to fill vacancies could adversely impact the delivery and costs of other construction projects. This has been omitted from Horizon's Environmental Statement / assessments.

1.5.33 It is important to recognise that training is required across the economy (not just in STEM subjects) and across skill levels, as Horizon will require a wide variety of different roles and services. **The IACC require investment through a substantial and flexible skills fund to increase the local labour pool and minimise the impact of displacement.**

1.5.34 Whilst the creation of jobs is a **positive** impact in isolation, labour displacement will result in dilution of labour, skills and experience in existing businesses resulting in a **negative impact** from displacement.

1.5.35 Should the local economy experience displacement, then affected businesses will suffer from:

- a) **Higher costs:** businesses will have to pay the costs of recruitment and training;
- b) **Reduction in capacity:** local businesses may have to delay projects, miss deadlines or even forgo projects given the loss of productivity capacity;
- c) **Loss of experience and productivity:** it is likely the affected businesses will lose experienced labour. If there is displacement, it will be more difficult to replace ex-employees with the same level of experience. Local companies may have to rely on newly graduated / trained individuals that will still need on the job training and more day to day management. With lower levels of experience it might also be difficult to win work and deliver the same high quality service / product.

1.5.36 Depending on the severity of the above risks, local businesses operating on the margin may be forced to close. In sectors such as construction, the local capacity may return as the demands for construction labour fall back in the latter years of the project. However if the risks of displacement impact sectors such as hospitality, then the effects could be longer lasting. Given tourism in Anglesey relies on repeat visitors, any adverse impact on the quality of service in the sector, may have grave consequences for the future.

1.5.37 There is a need to recognise that displacement is going to be an issue during the construction phase, with effective and appropriate measures secured in the DCO.

Product Displacement

1.5.38 There could also be product displacement. The Wylfa Newydd project will require considerable amounts of raw materials such as sand, concrete and bricks. It will also require equipment and tools. The IACC has not seen any analysis of how demand for construction related supplies across North Wales

may be affected, the impact this may have on other projects, including for example, delivery of housing. Wylfa Newydd also has the potential to use up much of the capacity in the supply chain for local products such as foodstuffs. Again, no analysis of this impact has been produced. In the absence of any assessment and with no figures provided by Horizon to undertake such assessment, **the IACC are unable to determine if this is a negative, neutral or positive impact.**

1.5.39 For more information on product displacement see Annex 5B of the Tourism LIR chapter.

1.6 Gaps in Information

1.6.1 The IACC have consistently raised the importance of maximising local employment, mitigating against potential displacement and maximising supply chain opportunities from PAC1 in 2014 through to PAC3 in 2017 and continue to do so following the submission of the DCO. It is disappointing therefore, that employment at the construction phase and displacement of labour has not been given the prominence and protection it deserves in the DCO documentation. There remain outstanding details in the DCO information which have limited the full consideration of the labour market, skills, displacement and economic impacts.

1.6.2 Whilst the construction workforce profile data helpfully splits out jobs by broad category, by site, and trade breakdown, it does not set out qualification levels required for all jobs. For example, the IACC is uncertain how the future demand for labour would look if split by qualification level and subject (e.g. X number of STEM graduates, y number of electricians at NVQ level 3, etc). Consequently, there is not a clear understanding of what additional training is required from higher education and further education to meet demand by Horizon. While IACC and its partners have undertaken their own analysis of the demand and supply of skills, the lack of data on skill levels required and likely future commitments to extending training at both further and higher education level mean the analysis has had to rely on economy averages.

1.6.3 Linked to the above there is also insufficient information on the requirement for additional skills in the immediate supply chain and not having sight of the SCAP does not enable the IACC to draw its own informed conclusions.

1.6.4 In the Jobs and Skills Strategy¹⁹, Horizon notes its approach to skills planning will be demand led, focusing on employment opportunities and drawing on up to date labour market forecasting. However, it goes on to say that the requirements of the project are still being worked through. Therefore, the Strategy doesn't provide the level of detail required or expected at this stage.

1.6.5 In addition, the IACC were hoping the Jobs and Skills Strategy would have considered how sectors outside engineering and construction would be affected by Wylfa Newydd. For example, there is likely to be significant demand

¹⁹Examination library reference APP-411

for catering and security staff. All sectors could be adversely affected and should be considered.

1.7 Obligations and requirements

- 1.7.1 The IACC recognises that the Wylfa Newydd project will offer substantial opportunities for the local economy. Employment creation will have an immediate **positive** impact, while investment in skills and training could boost the supply side of the economy through an enlarged labour pool with higher levels of productivity and provide legacy benefits.
- 1.7.2 Consequently, the IACC require that the Developer put in place measures to maximise the benefits for the local labour force and local businesses to achieve the **positive** impacts claimed for the project. As such it is important that take-up of employment at Wylfa Newydd by local labour is encouraged, supported and maximised at both the construction and operational phases. Similarly, it is important that supply chain opportunities are promoted promptly and widely amongst local firms and that support and training provision has an adequate number of spaces to meet demand from Anglesey residents and business in a timely manner.
- 1.7.3 The IACC requires that interventions (such as additional construction and STEM related places in Grwp Llandrillo Menai and Bangor University) are put in place prior to these potential displacement impacts occurring as otherwise it will be too late to overcome the adverse impact and the economy will suffer and a **negative** impact will be experienced.
- 1.7.4 This could include additional places being made available (and funded) at Grwp Llandrillo Menai, Bangor University, or Glyndwr. It might also mean designing interventions to attract North Wales residents who are studying STEM related subjects in the rest of the UK back to Anglesey post-graduation. Upskilling of local people who may be 'underemployed' (e.g. skilled workers who were made redundant due to closure of Anglesey Aluminium or Wylfa Magnox) could ensure that local people take up some of these higher skilled jobs. This could lead to transferable skills for the operational phase of Wylfa Newydd and for outage periods.
- 1.7.5 Consequently, a commitment is sought that additional construction and engineering places will be made available in Grwp Llandrillo Menai (further education) to address any shortfall in local skills. The IACC would also like to see additional STEM related places made available in Bangor University and Glyndwr University.
- 1.7.6 The IACC has also identified the following areas of concerns and measures to address these:
 - a) Monitoring the capacity and hard to fill vacancies in the labour market: Horizon should monitor where recruits have come from, for example education, employment or unemployment. In the case of employment, which company and sector they have left.

- b) Additional places in education: there is a need to increase STEM places at Higher Education and Further Education institutes. However, as degrees take a minimum of 3 years (postgraduate conversion courses could be a quicker option) additional places will only be effective at NVQ 4 level if introduced in 2019/20 academic year.
- c) Tracking school leavers and graduates: along similar lines of Llwybro / Routes. This would help track individual's careers and development, and could help identify and target possible candidates for hard to fill vacancies.
- d) Promoting return to work projects: support projects and programmes that ensure that those out of work are aware of the opportunities available in the labour market. Assistance may also be needed to support those seeking to return to the labour market, who may lack some of the skills and competencies required to do so.
- e) Top up courses or nuclear specific courses: so that semi and partially skilled individuals can upskill and become part of the workforce.

1.8 Wellbeing Compliance

- 1.8.1 A full well-being assessment has been undertaken on behalf of IACC by Wood and is submitted along with this report²⁰. In the context of this chapter the IACC considers that the project has the potential to contribute to the achievement of, in particular, well-being goal 1: “A prosperous Wales” of the Act²¹ and to objective 1 “Communities which thrive and are prosperous in the long term” of the Gwynedd and Anglesey Public Services Boards - Well-being Plan ²².

1.9 Construction

- 1.9.1 Development of Wylfa Newydd will involve a peak construction workforce of 9,000, that large construction workforce will have a number of beneficial and **negative** impacts on the achievement of well-being objectives, including those related to securing quality jobs and affordable homes, and ensuring thriving and prosperous communities. The project may also have limited short term effect on demographic change as it could contribute to the retention of young people on the creation of new jobs roles
- 1.9.2 During construction Horizon estimate that over 2,000 workers could come from local communities and this may result in rises in average salaries, accelerated skills development and population retention. Local workers may leave their existing employment to take advantage of jobs associated with the project. Without mitigation this could lead to vacancies in certain lower paid yet critical industries such as in adult and childcare. Measures to mitigate these potential displacement effects are required to prevent **negative** well-being impacts.

1.10 Operation

²⁰ Anglesey Wellbeing Report (Annex 3F)

²¹ Wellbeing of Future Generations Act 2015 ([Link](#))

²²Gwynedd and Anglesey local well-being objective taken from the draft Gwynedd and Anglesey Public Services Boards - Well-being Plan ([Link](#))

1.10.1 The assessment recognises that this is likely to support achievement of a number of well-being objectives related to sustaining thriving and prosperous communities, ensuring good quality jobs, addressing poverty, and supporting the Welsh language. The implementation of effective education in science, technology, engineering and maths cross the island will help enable access to the opportunities that may arise. Delivering education is also central to well-being objectives related to ensuring opportunities are in place for children to succeed. The implementation of the proposed Jobs and Skills Strategy is central. The project has the potential to improve resilience within local communities if properly planned. The provision of relatively well-paid, long term jobs should encourage population retention, strengthen the Welsh language and culture

1.11 Summary Table

1.11.1 Construction Phase

Impact	Description	Rating	Mitigation
Creation of Construction roles	The creation of new jobs has an overall positive impact. However the potential positive local impact will not be maximised unless measures are put in place to ensure that the local labour force can take advantage	Positive	Investment in Education and Training to enable local people to be part of the wider labour pool. These should be designed to assist: 1. People currently in work with the necessary skills 2. Those in work but requiring additional skills to meet specific requirements of the EIP Projects 3. People who have been made redundant following recent closures 4. People out of work including long term unemployed (promoting return to work programmes) 5. Young people not in Education, Employment or Training (NEETs) 6. Local people who have moved away from Anglesey to secure work who may wish to return attracted by the new jobs on offer. 7. Upskilling to enable local labour to access higher paying professional and managerial roles.

Displacement of jobs	Displacement of workers into the Wylfa project will harm other sectors and businesses	Negative	1. Investment to upskill local people to enable them to backfill these roles (including NEETS, underemployed, unemployed) which would increase the supply side of the economy. In particular to backfill roles in key sectors such as Tourism and Social Care²³ 2. Upskilling people out of inactivity and unemployment including NEETs into work 3. Upskilling those who are underemployed into higher quality jobs; 4. Upskilling those already in employment into higher quality jobs 5. Monitoring the capacity and hard to fill vacancies in the labour market 6. Knowledge exchange / careers advice 7. Additional places in education 8. Tracking school leavers and graduates 9. Attracting back ex-Pats 10. Promoting return to work projects 11. A detailed supply chain action plan
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1.11.2 Operational Phase

Impact	Description	Rating	Mitigation
Creation of operational roles	The creation of new jobs has an overall positive impact. However the potential positive impact will not be maximised unless measures are put in place to ensure that the local labour force	Positive	Investment in Education and Training to enable local people to be part of the wider labour pool. 1. Investment in Education at primary and secondary levels to provide quality education services as a platform for the next

²³ Social Care Review of Displacement in the Local Labour Market (October 2018) (Annex 3D)

	can access the positions created.		generation to obtain long term posts at Wylfa Newydd 2. Create additional places in education and increase STEM places at Higher Education and Further Education. 3. Apprenticeship schemes for post 16+ and graduates 4. Re-Skill workers from construction phase to enable them to transfer from the construction phase to the operational phase (including outage periods & servicing) 5. Upskilling to enable local labour to access these roles
Creation of outage roles	Not enough is known of these roles, their duration, skill level and likely workers profile to allow assessment of any potential positive benefit through creation of jobs and negative impacts through hosting an incoming temporary workforce.	Neutral	Further information is required on these roles and the skills required to perform such roles in order to determine suitable mitigation measures to enable local people to perform such roles.

PINS Ref: EN010007



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