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Harnessing Growth Sectors for Poverty Reduction: The Role of Policy

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Harnessing Growth Sectors for Poverty Reduction: The Role of Policy

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Summary

- Meeting the challenge of harnessing growth sectors for poverty reduction incorporates the roles of a range of stakeholders, including local authorities; local economic development partnerships/ combined authorities; sector networks; employer bodies; anchor employers; employers; trade unions; education and training providers; careers advice and guidance professionals; the public employment service; other employment services providers; and the third/ voluntary sector. Working between different spatial scales (national and local) and across different stakeholder groups in different policy domains is required to most effectively harness growth for sustainable employment.
- Utilising the evidence base a number of priority actions can be identified for better harnessing growth sectors for anti-poverty aims, these include:
 - Local stakeholders working together to develop place-based industrial policy which addresses the issues of job quality in large employment but low-wage sectors.
 - Implementing ethical care charters to improve the quality and standing of social care jobs.
 - Utilising the greater integration of health and social care to develop programmes which enable mobility between the two sectors.
 - Developing and promoting entry and progression activities in sectors such as health and social care and in manufacturing through a 'dual customer' approach.
 - Anchor institutions and local authorities implementing internal good practice and developing procurement policies in construction and other sectors that extend beyond employment entry and ensure that suppliers of goods and services provide quality jobs.
 - Encouraging and providing training to support under-represented groups to gain such access to sectors with good opportunities.
 - Work on 'myth busting' regarding opportunities in different sectors and to promote different careers.
 - Employers to expand and extend efforts to open-up opportunities for good jobs to disadvantaged groups (including young jobseekers) in sectors typified by higher employment quality such as financial and professional services; and to develop organisational approaches to quality part-time work.
 - Seeking to link local economic development policy and employment and skills policy to target changes to business models and job design in large low-pay sectors such as accommodation and food service.
 - Ensuring the local provision of careers advice and guidance to support individuals to progress by moving jobs where existing opportunities are constrained.

Context and Institutional Arrangements

This report is concerned with assessing and presenting the policy implications following from quantitative analyses of secondary data sources on sectors, low pay and poverty; international evidence reviews on employment entry, progression in work and job quality; case studies on particular policy themes/ interventions; and a series of stakeholder workshops.¹

This section first outlines the broad context for a policy focus on harnessing growth sectors for poverty reduction. It then moves on to consider key stakeholders/ actors concerned with implementation of policy at national and local levels and important features of the environment in which they are operating now and which are likely to remain pertinent in the short- and medium-term.

Context

Concerns about in-work poverty

Although employment rates in the UK are at historically high levels,² there is some concern about elements of job quality, leading to a partial shift in emphasis of policy from quantitative to qualitative aspects of employment. In particular, in-work poverty is of increasing concern in the United Kingdom (UK). At the start of the 2000s 7.7 million people in poverty were in non-working families and 5.3 million were in working families – the split was 60:40. By 2008/09 the split was 50:50. Since then the number of people in poverty in working and non-working families has fluctuated but the share of people in poverty in working families in poverty has been similar to, or has exceeded, the proportion of people in poverty in non-working families (MacInnes et al., 2015). In part this reflects the long-tail of low-paid work that exists and the fact that for workers in low-pay it is not always easy to escape, so leading to a persistent low-pay for some individuals.

While the incidence of in-work poverty is not confined to a small number of sectors but rather is relatively diffuse over the whole economy, the relative risk of poverty is much higher in some sectors than in others. Controlling for individual characteristics the highest probabilities of poverty are in Accommodation and food services, Residential care, Wholesale and retail, and Agriculture, forestry and fishing. Family characteristics – notably the number of workers in a family – play an important role in mediating the relationship between low pay and poverty

¹ Convened by the Bevan Foundation in the latter part of 2016.

² According to the Office of National Statistics in March 2017 (see <https://www.ons.gov.uk/employmentandlabourmarket/peopleinwork/employmentandemployeetypes/bulletins/uklabourmarket/latest>) the employment rate (for people aged from 16 to 64) was 74.6%: the joint highest since comparable records began in 1971; while the UK unemployment rate was 4.7%, down from 5.1% for a year earlier – it has not been lower since summer 1975.

outcomes at household level. However, poverty persists in some sectors despite families having dual earners.

Despite these concerns about low-pay and in-work poverty, especially in some sectors, it remains important to remember that:

- individuals in employment are less likely to be in poverty than those who are non-employed; and that
- for some individuals in some local areas employment rates are relatively low and so employment entry remains a key concern for policy (as outlined in the next section of this report).

For policy at sub-national level it is important to remember that local areas can buck national level trends in employment and unemployment and in sectoral dynamics.

The changing structure of employment

The concerns about in-work poverty outlined above need to be considered in conjunction with key features of employment change over the medium-term:

- a continuing decline in the number and share of jobs in manufacturing and employment growth in many service sectors;
- an increase in higher-skilled occupations along with (albeit to a lesser extent) growth in some low-skilled occupations, and a hollowing out in the middle-skilled occupations as the occupational structure has polarised;³ and
- an increase in women in employment – reflected in a rise in numbers of both full-time and part-time employees, while amongst men there has been a decline in full-time employment, especially in periods of recession, but a growth in part-time employment from a relatively low base.

Together these changes in the structure of the labour market are crucial for understanding opportunities for employment entry and possibilities for progression. Alongside these broad developments in the structure of employment changes in labour market, institutions and employment relations have had implications for conditions of employment, with particular concerns about growth in precarity for workers employed in insecure and low quality jobs (Greer, 2016; Standing, 2011; Rubery et al., 2016), and associated with low pay.

Growth sectors

Multivariate data analyses reveal that there are distinct sectoral patterns of low pay and that there is a 'sectoral effect' on the chance of leaving low pay once individual characteristics have

³ Albeit it is salient to note that this polarisation is less marked in earnings than in occupations.

been taken into account (Green et al., 2017a). This suggests that there may be merit in adopting a sectoral approach for policy intervention. But this raises questions about the basis for selection of sectors and which sectors to prioritise.

'Growth sectors' (sometimes known as 'key sectors' or 'priority sectors') may be defined according to several different criteria:

- sectors with high and growing GVA;
- sectors with high and growing employment; and
- sectors of strategic priority.

Then a final selection may be made taking into account the spatial footprint and gender profile of different sectors (in part to acknowledge political sensibilities). In this project six growth sectors were selected as the particular focus of attention in sector reviews to encompass these features:⁴

- **Financial and professional services:** a large and high value sector of the UK economy projected to see medium-term employment growth, with a relatively large proportion of highly paid jobs in organisations with well-established training infrastructure and HRM functions. However, barriers to entry are relatively high.
- **Manufacturing:** a sector which has seen continuing contraction in employment but where there are new opportunities, often in relatively well-paid occupations, as a result of openings arising through replacement demand. The apprenticeship system is well-established in much of the sector.
- **Energy and environment:** a relatively diverse sector cutting across other sectors of employment, including construction and manufacturing. This sector is the focus of considerable policy attention, although the overall job creation potential of so called 'green jobs' remains unclear.
- **Construction:** a male-dominated employment sector characterised by a relatively high degree of self-employment but with considerable employment growth potential given investment in infrastructure and housing. Social and political drivers have led to an expectation, and associated supportive policies, that the sector contributes to community benefits.
- **Social care:** a female-dominated employment sector facing ongoing recruitment and retention difficulties and low-wages in the face of public spending constraints. The sector

⁴ It should be noted that this selection is not exhaustive of all possible growth sectors but rather illustrates a range of opportunities and challenges for poverty reduction.

is projected to see employment growth and there are opportunities for enhanced job quality and to develop career pathways integrated with the health sector.

- **Accommodation and food services:** a sector characterised by low-pay and sometimes by seasonal working. The low barriers to entry mean that this sector is a conducive target for employment entry initiatives, including for people who are disadvantaged in the labour market and who may benefit from contextualised training, yet flat organisational structures and limited training and development reduce the scope for career advancement.

At face value a 'harnessing growth sectors for poverty reduction' approach would focus on sectors characterised by low-pay and projected employment growth. Analyses of medium-term employment projections points to substantial employment growth (taking account of 'replacement demand' and 'expansion demand' requirements) in so-called 'foundational economy' low-pay sectors such as social care (Green et al., 2017a).

Positive elements of a sectoral approach include (summarised from Williams and Green, 2016) include:

- forging of closer links between government and employers;
- establishment of an improved dialogue of sectors' dynamics (including opportunities and challenges for policy intervention), skills requirements and job creation potential;
- creating a better understanding of prevailing employment practices and possible drivers of employer engagement;
- establishing priorities and developing associated actions;
- providing impetus for businesses which may not have been interested without the sector priority focus to engage in policy initiatives; and
- achieving more focused policy.

However, there may be potential dangers of focusing too much on selected growth sectors to the exclusion of all sectors, or indeed of a sectoral approach at all. Secondary data analyses indicate that aggregate employment growth at local level is more important than employment growth in specific sectors in influencing individuals' wage growth (see Green et al., 2017a). This finding does not necessarily negate a sectoral approach because there may be merit in policy targeting sectoral progression and/ or job quality (see sections 3 and 4 of this paper and Sissons et al. [2016; 2017]). Rather it suggests that sector focused policy needs to be considered in a broader ecosystem perspective and to be take heed of place-specific factors.

The current policy environment and key stakeholders' activities

The current economic, political, institutional and policy environment

Key contextual factors and policy concerns shaping the environment in which key stakeholders and other policy actors operate are set out in Table 1.

Table 1: Key contextual factors and policy concerns

| Contextual factors | | |
|---|--|--|
| <i>Macroeconomic policy:</i> <ul style="list-style-type: none">• interest rates; inflation• austerity – greatest impact on public sector | <i>Labour market conditions:</i> <ul style="list-style-type: none">• rising employment rates• falling unemployment – but local variations• reduction in real wages | <i>Brexit:</i> <ul style="list-style-type: none">• uncertainty re future trade, regulation, funds• focus on spatial and social inequalities |
| Policy concerns | | |
| <i>Falling productivity vis-à-vis competitors</i> <ul style="list-style-type: none">• management and leadership deficit• Industrial Strategy | <i>Welfare and regulatory reform:</i> <ul style="list-style-type: none">• changing benefits system; Universal Credit• raising National Minimum/ (Living) Wage | <i>Devolution agenda and place-based policy:</i> <ul style="list-style-type: none">• deal-making• asymmetry between places |

Starting with the top panel, as noted above, the UK economy is characterised by falling unemployment and a rise in employment rates, although there are concerns about the decline and stagnation of real wages in the period since the recession. With continuing austerity there are cutbacks in public spending (including welfare cuts) and limits have been placed on wage rises in the public sector. Since the referendum on the UK's membership of the European Union (EU) in June 2016 and official confirmation in March 2017 of the UK's intention to leave, Brexit has been and will remain the dominant political concern. In its wake Brexit brings continuing uncertainty about future trade arrangements, which impacts on some sectors more than others. On becoming UK Prime Minister in 2016 Theresa May pledged to place renewed emphasis on addressing social and spatial divisions revealed in the referendum. This should provide greater impetus to concerns about inclusive growth and the need to focus on the quality (as well as the quantity) of jobs and their distribution. However, Brexit has also brought about greater uncertainty regarding the future of employment and skills initiatives financed from the European Social Fund.

Turning to the bottom panel, productivity remains a continuing concern, with the UK losing ground vis-à-vis its competitors as productivity levels have fallen generally. Thompson et al. (2016) suggest that the slowdown in UK productivity is attributable to the changing structure of employment (with a shift from high-productivity sectors such as manufacturing to low productivity ones such as accommodation and food services) and lower productivity and lower skill levels in UK low-wage sectors, with deficits in management and leadership playing a key role in the UK. There is a new Industrial Strategy (HM Government, 2017) which aims to cultivate world-leading sectors. The Industrial Strategy includes an emphasis on a sectoral approach to address the productivity challenge which is partly behind low pay.

The ongoing welfare reform agenda means significant changes to the benefits system. At the heart of these reforms is Universal Credit (UC): a single benefit for people of working age. UC is designed to make work pay and to ease individuals' transitions into and out of employment. Importantly it places greater onus on progression than formerly. In a shift away from an emphasis on in-work tax credits a higher minimum wage floor has been imposed. For individuals in employment at the lower end of the pay scale increases in the National Minimum Wage⁵ have led to a rise in pay rates.⁶ Analyses showing increasing clustering around this minimum level (Syed et al., 2016) creates challenges for productivity, progression and social mobility.

At sub-national level the devolution agenda continues, with city-regions gaining greater powers - albeit generally more limited than those of their international counterparts). The deal-based nature of the devolution of powers leads to an asymmetry across the UK (and historically uneven development means places start from different positions of strength/weakness), but emphasises the role for place-sensitive interventions and policies – including by sector.

Key actors for harnessing growth sectors for poverty reduction

Despite the growth of policy interest in sector-focused approaches, there is no clear prescription of what a sector-based approach should consist of; rather a sector focused approach can involve a range of economic development practice in recognition that differing solutions may be needed to address differences in specific issues faced across different sectors. Hence a sectoral approach embodies a mix of industry-specific strategies, which may focus to different extents on employment entry, progression in employment and promotion of job quality. While at national level a governmental or sector-based body might set priorities

⁵ With the introduction of the National Living Wage in April 2016.

⁶ In April 2017 the minimum pay for those aged 25 and over was raised from £7.20 to £7.50.

and a framework, it is important that implementation takes account of regional/ local factors and needs.

Sector-based strategies working with a particular sector/ sub-sector or a cluster of occupations are likely to involve a range of stakeholders/ actors and types of activities. The actors include employers, sector partnerships, sector-specific training boards⁷ and skills networks, employer organisations,⁸ anchor institutions, trade unions, the Public Employment Service, local authorities, local economic development partnerships, third sector/ voluntary organisations and social enterprises, education and training providers, and careers advice and guidance professionals. A final important group which is central to the success (or otherwise) of policies for harnessing growth sectors for poverty reduction are employees/ (potential) workers themselves. It is important to understand their motivations, how they value different aspects of their working and non-working lives and the challenges and opportunities they face in changing their behaviour.

This long list of actors reflects the fact that the underpinning principle of a sectoral approach is to work with individual sectors locally to explore sectoral and local area dynamics, and specifically to address employers' and (potential) workers' needs and how these can best be met for the benefit of both parties and the overall economy (Williams and Green, 2016). Hence partnership working – sectorally and locally - is key to avoiding duplication and fragmentation of service provision, developing locally sustainable solutions and creating lasting change in the labour market system.

We return to the list of key stakeholders/ policy actors in chapter 5 of this paper where we outline opportunities and actions going forward.

⁷ An example is the Construction Industry Training Board (CITB).

⁸ Such as the Confederation of British Industry (CBI), the Federation of Small Businesses (FSB) and Chambers of Commerce.

How can Employment Entry Better Reduce Poverty?

This chapter starts with an introduction to employment entry, outlining why it is important for reducing poverty, summarising the relationship between low pay/ poverty and employment in different sectors, and outlining how traditionally employment entry has been a dominant focus of policy interest. The second part of the chapter summarises key research findings from the project paper *Employment entry in growth sectors: A review of the international evidence* (Green et al., 2017b). The third part sets out policy issues and implications, including general issues and approaches, as well as more specifically selected current opportunities to enhance the potential of employment entry for poverty reduction. The following two chapters, focusing on progression and job quality, follow a similar structure, with an introduction, a summary of key research findings and a discussion of key policy issues and implications.

Introduction

The process of finding work culminating in employment entry is a key step for an individual in moving from non-employment to sustained employment. Despite concerns about in-work poverty, the risk of poverty remains significantly higher for workless than working households (Smith and Middleton, 2007; Browne and Paull, 2010). Hence employment entry is important, but not sufficient, for combatting poverty.

As outlined in chapter 1, analyses of large-scale secondary data (see Green et al., 2017a) sets reveal that although the incidence of in-work poverty is not confined to a small number of sectors but rather is relatively diffuse over the whole economy, the relative risk of poverty is however much higher in some sectors than in others. Controlling for individual characteristics the highest probabilities of low pay are in Accommodation and food services, Residential care, Wholesale and retail, and Agriculture, forestry and fishing. Analyses at the household level show the composite effect of combinations of individuals' labour market experiences and family characteristics in generating poverty outcomes, including the association between employment in some low paid sectors and an increased risk of poverty.

The fact that the data analyses point to some marked sectoral variations in low pay and the existence of specific 'sectoral effects' in determining patterns of low pay/ in-work poverty once other individual and household factors have been taken into account, suggests that a sectoral approach may be useful way to target low pay and reduce in-work poverty.

Key research findings

At the outset it is important to note that there are a wide range of factors – both barriers and facilitators – that influence employment entry (see Green et al., 2013). These include:

- individual factors - such as employability skills and attributes, disposition to enhancing employability, labour market and job seeking knowledge, work history, mobility and health and well-being;
- individual circumstances - including household characteristics and caring responsibilities, and access to resources;
- employer practices - notably recruitment and selection methods and organisational culture/ethos;
- local contextual factors - features of the local labour market; and
- macro level factors - such as macroeconomic conditions and the prevailing employment and welfare policy regime).

There is a relatively large evidence base relating to the role that public policy might play in employment entry, reflecting that fact that until recently policy has been predominantly focused on supporting people into work rather than on what happens once they get there. However, only a limited amount of available evidence is sector-specific (especially in the UK relative to the US), and where employment entry programmes have a sector focus the results are not always distinguishable by sector; rather the evidence tends to be disaggregated by participant sub-groups.

Job search is central to employment entry. Hence enhancing the effectiveness of job search through equipping benefit claimants with requisite job search skills, approach and attitude to support faster employment entry and a reduced time spent on benefits is a key focus for active labour market policy. There is evidence that the development of self-efficacy (i.e. one's belief in one's ability to succeed in specific situations or accomplish a task) (Bandura, 2007) through enhancing individuals' self-esteem in a supportive learning environment can be beneficial for (re)employment outcomes.

Evidence across evaluations of a range of initiatives indicates that personal advisers/ key workers are critical to the success of initiatives to tackle worklessness and assist employment entry (Hasluck and Green, 2007). There is both suggestive and strong evaluation evidence that the greater the flexibility given to personal advisers, the better they are able to fulfil their roles and address individuals' needs – especially in the case of very disadvantaged job seekers (Rahim et al., 2012).

Pre-employment training can be an important precursor to employment entry. Evidence from case studies in the retail and hospitality sectors where there are relatively low barriers to employment entry suggests that access can be improved by the provision of contextualised training relevant to the specific sectors concerned alongside more general employability skills.

This suggestive evidence that a sector-focused approach can be beneficial is endorsed by stronger evidence from an impact evaluation of sector-based work academies (SBWAs): a short-term demand-led policy intervention targeting employers in sectors with large volumes of vacancies and providing support - including sector-specific pre-employment training, a work experience placement and a guaranteed job interview – linked to a genuine vacancy. The results show that SBWAs have a positive impact on moving participants off benefits and into work (Ward et al., 2016). The SBWAs and evidence from other initiatives, such as the Future Jobs Fund (Fishwick et al., 2011) highlight the value placed by participants on work placements.

Apprenticeships are an important route for job entry for young people in some sectors (such as construction and manufacturing). They have been included in procurement policies in large scale construction projects, alongside other non-apprenticeship opportunities targeted on residents from particular areas/ with specific characteristics to harness job opportunities for specific sub-groups (see Taylor, 2013; Joseph Rowntree Foundation, 2016).

Policy issues and implications

An important issue for policy is how much emphasis to place on the speed versus the quality of employment entry. In terms of speed of employment entry, a rapid attachment to employment approach focuses on placing an individual in the workplace at the earliest opportunity once requisite short-term basic skills needs have been addressed, so demonstrating to the individual that employment is an achievable goal. This approach rests on the assumption that other job-specific skills can be acquired once in the workplace, through a mix of more specialised training and observing others at work. There is suggestive evidence that this approach can have positive results for some sub-groups in some sub-sectors – as exemplified by the BladeRunners programme in Canada operating with disadvantaged youth in the construction sector (Molga, 2012; Dean, 2013). However, such an approach requires provision of in-work and out-of-work support.

Turning to the quality of employment entry, a ‘Work First’ policy approach (i.e. getting people into work quickly) has had some success, but it does not reduce the risk of fragile employment (i.e. cycling between employment and non-employment) because many of the jobs secured as a result of it are part-time, temporary, and characterised by low skill and low pay (Luchinskaya and Green, 2016). To date active labour market policy has played limited attention to the quality of employment entry (McQuaid and Fuentetaja, 2014). The introduction of the Work Programme payment model with an emphasis on ‘payment-by-results’ marked a move in the long-term direction of travel for active labour market programmes in that it emphasised not only employment entry but also the importance of sustained employment

outcomes (whether in a single job or a succession of jobs), with differential payment structures recognising variations in the relative ease / difficulty of employment entry between sub-groups. However, the predominant emphasis of policy remained on employment entry, with employment entry as the primary goal, followed by a focus on sustaining employment. By contrast, a 'Career First' approach is more nuanced and attempts to explore what career options an individual has and then upskill that person to find a role on a career path that is best suited to them. This may be more resource and time intensive than a 'Work First' approach but can also result in longer term employment with better opportunities for progression (Williams and Green, 2016). A 'Career First' approach may be particularly appropriate for those who already have a reasonable threshold of formal qualifications or who are recently unemployed, gaining employment experience through a 'Work First' approach may be more suited to the longer-term unemployed.

Since employers are gatekeepers to employment it is important that policies take account of their recruitment and selection practices and ensure that these are understood by job seekers. Labour market intermediaries play an important role in keeping abreast of, and relaying information about, employers' recruitment channels and selection procedures to job seekers. It may be necessary to adjust existing recruitment and selection practices which might filter out some suitable candidates in order to reach some groups who are disadvantaged in the labour market. Recruitment channels which are cheap and easy to use from an employer perspective might not be the most 'open' from a job seeker perspective. This is the case especially for word of mouth recruitment: a relatively 'closed' channel which can disadvantage those without good social networks/ workplace links. From a sectoral perspective it is also salient to note here that recruitment channels and the relative importance placed on academic/ vocational qualifications and on work experience vary by sector (Shury et al., 2014).

Traditionally the role of employers in active labour market programmes targeting employment entry has been limited. However, there is suggestive evidence that employer engagement in policy initiatives to fill vacancies at new developments (e.g. see McKinstry, 2004) and in tailoring SBWAs to meet specific job requirements can be positive. This underscores the important role of labour market intermediaries in working with employers. Indeed, there is evidence from a sector-focused programme in the US of a positive association between the strength of workforce intermediary activity with employers and job offers for participants on a training course designed to support employment entry to posts in the pharmaceutical and bioprocessing production sectors (Lowe et al., 2011). This suggests that employer engagement is important in translating sector-specific training into job offers.

The evidence from the UK and the US suggests that there are potential benefits to a sector-focused approach to job search and to employment policy more generally, even if, as in the case of SBWAs, the evidence does not provide results on a sector-specific basis (Ward et al., 2016). The principle behind sectoral approaches is to work closely with individual sectors, ideally at a local level, and explore what employers' and potential employees' needs are and how these can best be met for the benefit of both parties and the overall economy. This involves developing an understanding of business needs and of individuals seeking employment, and then identifying a set of sector-specific job opportunities and creating tailored services for benefit claimants/ job seekers so that they are prepared to enter (and succeed) in employment. Sectoral knowledge is important for identifying which types of vehicles/ policy levers might be most appropriate in different sectors. For example:

- community benefit clauses have played an important role in the construction sector, but it is important that these do not become regarded merely as a 'tick box' feature;
- case study evidence suggests that social enterprises have an important role to play in facilitating job entry in foundational (e.g. around food) and green sectors; and
- apprenticeships have a role to play in widening traditional recruitment channels beyond higher education in parts of the financial and professional services sector.

Importantly, while the UK evidence suggests that sector focused programmes involving short-term training and associated support is helpful in facilitating employment entry, this is most powerfully the case when individuals are in receipt of all component elements (i.e. training, work experience and a guaranteed job interview), rather than one or two elements in isolation. This emphasises the importance of a mix of ingredients having value when working together in policy initiatives, and the potential shortcomings of an ad hoc 'pick and mix' approach.

In the light of the evidence outlined above, five broad areas of policy activity are identified involving work across a range of different stakeholders:

Further development of, and enhancement of access to, careers information, advice and guidance (IAG) – the changing nature of employment and the extension of working lives with the raising of the State Pension Age means that individuals need access to good information about opportunities available to them not only at the start of their working lives to facilitate employment entry but also at various stages thereafter when re-entering employment after breaks out of the labour market. There is a particular role for careers education professionals here, but also for sectoral bodies and for personal advisers and work coaches to signpost individuals towards good quality information – including Web-based information. Individuals, employers and local economies can all benefit from improved sectoral knowledge

(with an important function being to dispel ‘myths’ about the nature of work in different sectors) about opportunities available and entry requirements.

Enhancing provision of work placement opportunities – the evidence outlined above highlights an important role for sector-specific pre-employment training and particularly work placements. Work placements provide an opportunity for workplace experience for those individuals who have been out of the labour market for some time, and provide an insight into what working in certain occupations/ sectors might entail. As a ‘taster’ work placements are a particularly useful way for facilitating employment entry for under-represented groups in particular sectors (e.g. women in engineering, men in care, etc.). Given the importance many employers place on work experience employer organisations have a role to play in encouraging employers to participate in work placement initiatives, as do sectoral organisations. Local authorities and anchor institutions can usefully lead by example.

Promoting apprenticeships – there is an opportunity to go with the grain of the thrust of current policy by using apprenticeships to focus on the importance of the quality of employment entry, with a progression pathway factored in. Apprenticeships offer an opportunity to broaden recruitment in certain sectors. Careers education professionals, sectoral bodies, employers and training providers all have a role to play here.

Ensuring employment entry is not an end in itself – given that employment entry is an important, but not necessarily a sufficient achievement to move out of poverty, all stakeholders need to see employment entry as a step in a pathway to sustainable well-paid employment rather than an end in itself. The roll-out of Universal Credit adds impetus to this objective, in that individuals in employment are encouraged to increase their incomes. The public employment service has a central role to play here, but so do combined/ local authorities, employers, trade unions, anchor institutions and careers education professionals.

Targeting a sector-based approach to local context – devolution agreements/ deals and Industrial Strategy present the potential to integrate a sector-focused approach with a place-based one. The onus is on economic development agencies, sector-based bodies and training organisations, local authorities and third sector organisations to work together at local level to create more inclusive economies focusing on sectors that offer opportunities for employment locally.

How can in-work Progression be Encouraged to Reduce Poverty?

Introduction

Moving into employment remains of central importance in moving out of poverty. However the growth of in-work poverty demonstrates the importance of also considering what happens to individuals once in employment. One element of this relates to in-work progression, defined here as the ability of an individual to develop their career and to increase their earnings (although it might be that individuals achieve one of these but not the other). If employment is viewed as a pathway, progression is preceded by employment entry and employment retention. Progression can help individuals move out of poverty, it can also help reduce the risk of poverty across the life course.

Analysis of large-scale datasets undertaken for this project provides some insights into the relationship between sectors and progression outcomes (see Green et al., 2017a). A range of individual characteristics including gender, age and qualifications influence the likelihood of leaving low-pay. There are also clear sectoral patterns of pay progression, even when controlling for other relevant factors. However our analysis also demonstrates the importance of local labour market conditions, with tightening labour market conditions associated with higher wage gains. These findings demonstrate the importance of interactions between sectoral and local employment patterns in influencing outcomes for local workers. Changing sector can also support wage growth at the individual level.

There is a growing policy interest in issues of employment retention and in-work progression. In the UK, the Employment Retention and Advancement (ERA) pilot provided support and incentives to encourage employment retention. Subsequently the Work Programme adopted a payment model based on sustained employment outcomes. Most recently a range of pilot activities have been developed as part of trial approaches to support retention and progression for the introduction of Universal Credit and through devolution agreements and city deals.

In this chapter the key findings of the international evidence on progression are summarised and the implications of this for policy design in the UK are considered. The summary of the evidence is drawn from the project paper *Supporting progression in growth sectors: A review of the international evidence* (Sissons et al., 2016).

Key research findings

There are different ways in which progression might be considered which have implications for policy design. Most measures of progression utilise a measure of income, either weekly income (which can be influenced by both hourly rate and hours worked) or hourly earnings (which is perhaps a purer measure of wage progression). There is a distinction between internal and external channels to progression, i.e. whether progression occurs within the same employer (through promotion for example) or by moving jobs. Career pathways might also involve horizontal moves in order to secure employment which offers between opportunities for progression.

As progression is a relatively new consideration for public policy there is only a limited amount of evidence on approaches which have developed to support progression outcomes. In the UK, the evaluation of ERA suggested that some combination of services and financial incentives could support positive earnings outcomes although there were mixed results for different groups over the longer-term (Hendra et al., 2011).

There is some robust evidence which comes from the US where there has been greater local experimentation around employment services. The evidence tends to come from programmes which target a pathway approach to employment entry, retention and progression and which adopt a sector-focused approach. A number of these are open to workers who want to move from existing jobs as well as the unemployed. This evidence includes evidence from Randomised Control Trials (RCTs) of sector-focused programmes (Maguire et al., 2010; Hendra et al., 2016) as well as robust non-experimental evaluation (Gasper and Henderson, 2014).

A current iteration of the sector-focused approach which is demonstrating positive results is the Work Advance model developed in New York (Hendra et al. 2016). The programme has a dual-customer approach, attempting to simultaneously address participant and employer needs. The characteristics of the WorkAdvance model are: intensive screening of applicants; sector-focused pre-employment; sector-specific occupational skills training; sector-specific job development and placement; post-employment retention and advancement services.

Overall the following conclusions can be drawn from the evidence of robust evaluations:

- Policy can be designed to target work entry and progression outcomes jointly and there is some evidence of positive effects of doing so.
- The evidence points to a potential benefit of a *sector-focused* approach to progression.

- However, there is insufficient evidence to identify the ‘best’ sectors to target. In some sectors, such as hospitality, the context to supporting progression is more challenging.

(Sissons et al., 2016)

In addition to the evidence discussed on sector-focused programmes, there is also a developing evidence base around Career Pathway programmes which are orientated towards a range of sectors and which appear to offer some promise for raising earnings and developing skills. ‘Career pathways’ is a framework for approaches to post-secondary education and training for low-income and low-skill adults. Career Pathway programmes have been developed in the US and have been subject to various forms of evaluation, including some robust studies (Werner et al., 2013). Career pathways programmes can provide a route to secure employment through linking through from basic training and bridge into employment programmes; to short vocation certification modules; through to longer certification and degree level programmes in particular sectors. A number of these programmes have been focused on healthcare. A current example is the Health Profession Opportunity Grants (HPOG) Program. HPOG was established by the Patient Protection and Affordable Care Act of 2010 (ACA) to provide training programmes for high-demand healthcare occupations to low-income families (Werner et al., 2016). HPOG was also designed to meet the growing labour force needs of an expanding healthcare industry. These labour demands can incentivise employer participation. HPOG is currently being evaluated.

Policy issues and implications

There is a concern with the progression of those entering work and those who find themselves ‘stuck’ in low-pay. However a greater concern with progression may require a shift away from, or loosening of, a work-first policy which has characterised the UK’s Active Labour Market Policy (ALMP) model for the past two decades. There are some policy activities in the UK currently in the area of progression. The introduction of Universal Credit brings in an element of focus on progression for those on very low-pay, while several devolution agreements have developed local programmes which aim to support the progression of low-paid workers.

The evidence on progression points towards some possible models for developing approaches to support better employment outcomes. This includes the potential benefits of sector-focused approaches, and approaches which develop pathway type models from employment entry through to progression and from basic skills through to more advanced competencies. Both these approaches require a sufficient duration of support and investment to be successful.

The focus on progression raises a number of questions for policymakers. In terms of support, this necessitates moving beyond basic post-employment entry support aimed at securing employment retention, and towards the provision of more detailed careers advice, careers coaching and access to training over a longer-period.

The approach towards progression which is adopted is also significant. Workers can progress through either internal or external labour markets. Where positive evidence is found on sector-focused approaches these have tended to have involved close working with employers and consideration of the opportunities within internal (or sectoral) labour markets. In some cases this is achieved through a 'dual-customer' model which seeks to jointly meet employer and worker needs (utilising drivers of engagement such as skills shortages or high turnover) (see Sissons et al., 2016). The evidence highlights the importance of understanding employers' needs and tailoring training and provision accordingly. However mobility through external labour markets is also very important, indeed for many low-wage workers in sectors, or with employers, where opportunities are severely constrained then moving jobs is likely to represent the best option for career development and wage progression. At present it is not clear what form of advice and support will be available to support such mobility for those claiming Universal Credit (UC), what will be delivered by Work Coaches and whether they will have the detailed labour market knowledge to support this. There is also the issue of those in low-pay but not on UC and whether the necessary level of information and/or supportive services are available to support them to progress.

This points towards a wider question about whether progression aims should be pursued through programmatic interventions or whether some form of institutional or system change is needed. The evidence base comes from programmatic approaches which tend to rely on strong employer engagement at either the individual employer or local/regional sector level. Such engagement can improve programme design and ensure programme activities are directly linked to desired outcomes. However employer engagement is relatively resource intensive. There can also be tensions between employer needs and those of programme participants, and the existing evidence on ALMP in the UK suggests that employer engagement in employment programmes can often be characterised by relatively weak attachment (Sissons and Green, forthcoming). None of this means that programmatic approaches cannot be effectively developed, but they need detailed work and strong partnerships in order to have a better chance of success. On the other hand, the broad challenge of low-paid work might suggest that a wider change is required in the mechanisms available to support low-paid workers who want to progress. This would include an important role for the provision of Information, Advice and Guidance (IAG) to those already in low-paid

work and the development of effective channels to engage and deliver support to those who want to progress (Green et al., 2015). At present however IAG provision is patchy – especially for adults as opposed to young people - and is weakly linked to supporting wage and career progression. There is also scope to improve the quality of local labour market information (LMI) available to support individuals to make career choices and there are ongoing developments in creation and implementation of ICT-based solutions for use by advisers and individuals.

Clearly the employer role is fundamental in progression. Findings from recent UK Futures Programme pilots targeted at progression in low-paid sectors highlighted the importance of employers developing clear pathways to progression opportunities *and* effectively communicating these to employees so they understand the opportunities which are available (Mackay et al., 2016). The report also highlighted the importance of employers investing in workforce development, something which has long been a weakness in some low-paid sectors. There is also scope for the development of collective action around this agenda including with unions working in partnership with employers around supporting routes to progression from low-pay.

Issues around weakness in career development and wage progression also link to broader issues with the nature of the low-paid labour market in the UK. There have been long-running concerns about the prevalence of business models and management approaches which don't promote skills use alongside a lack of training and development in some sectors. Where jobs are designed in ways that limit employee use of, and development of skills, this can not only harm job quality but also stifle progression. In part it is argued that these patterns reflect the weakness of national institutions, as well as an aversion among policymakers to engage with workplace practices (for example see Keep [2013]).

Given the evidence described above, what are the current opportunities for supporting progression? Five broad areas can be identified which work across a range of different stakeholders and different approaches to support progression from low-pay:

Developing innovative approaches to progression through Universal Credit and devolution agreements – the introduction of Universal Credit and the devolution of new powers and responsibilities to local areas both open-up opportunities to focus on improving progression outcomes. A range of activities that relate to progression are already in progress, but there remains to scope to develop and test different approaches. There is evidence to suggest that a sector-focused may be beneficial and areas might take this forward in different ways which are most relevant to the local labour market. There are also different approaches which are sector-neutral. It will be important to learn from the activities already in progress

about what works (including DWP evaluation of Universal Credit trials) and what might be scaled-up.

Ensure a wider system of information and advice is in place to support decision-making

– there is a need to consider options for those already in employment but who are not engaged with employment service providers. The present system of IAG is patchy and lacks resource, such that many individuals are left to navigate Web-based information. Through devolution agreements there may be scope for local areas to develop a tailored system which supports career development, including through job switching locally. Such an approach would provide advice and guidance around career development and job mobility drawing on local LMI and understanding of employer needs.

Demonstrate and promote the benefits of clear progression routes – there is an important role for employer bodies, associations and other stakeholders in promoting the benefits to employers of designing clear progression routes for their employees. There is also a critical role for employers in effectively communicating these to employees. There is also a role for public sector employers in leading by doing in this regard.

Develop career pathways in appropriate sectors – there is some evidence that career pathways may be an effective route to skills acquisition and career development. At sector level these can be developed through key employers and education and training providers designing and articulating an employment pathway which stretches from employment entry towards high-level skills. The greater integration of health and social care sectors provides one opportunity for such development.

Address the wider problems of low-paid employment – there is a historic issue of poor job quality in parts of the economy. This is a complex problem to address. A start would be to acknowledge the need for Government industrial strategy to encompass job quality concerns and progression needs in large employment but low-paid sectors. The current emphasis by the UK Government on developing industrial policy, combined with concerns about low-pay, presents an opportunity to begin this process. To gain traction such an approach would likely need to harness opportunities for linking productivity gains with job quality improvements.

Job Quality: How can the terms and Conditions of the least well-paid jobs be Improved?

Introduction

Job quality should be a critical issue for policymakers. The nature of work exerts an important influence on individual well-being (Marmot et al., 2010). Pay and conditions affect overall household incomes and influence the risk of household poverty. There is also evidence linking better job quality with increased productivity and greater employee commitment (OECD, 2014).

Job quality encompasses many aspects of work and researchers have developed both objective and subjective measures of job quality (for an overview see Holman and McClelland [2011]). Job quality is influenced by a range of different factors operating at different levels. These include national level and other regulations, economic conditions, the role of institutions such as trade unions, individual employer practices and the characteristics of individual workers (Metcalf and Dhudwar, 2010). There are gendered patterns of job quality, and job quality varies significantly across sectors (Grimshaw, 2011). Social care and hospitality are typified by wide-spread low-pay; while issues of limited training and development opportunities combined with hard HRM practices have been observed in hospitality and retail (Sissons et al., 2016).

Of particular relevance to anti-poverty strategy are the pay and benefits associated with a job, and the contractual status of employment and job security. Evidence suggests that a significant proportion of the workforce are employed in what might be considered insecure and poor quality jobs (Bailey, 2016). It is less clear the extent to which this proportion has grown in recent years, although the nature of insecurity for those in less secure jobs may have deepened (Gregg and Gardiner, 2015).

Approaches to improving job quality involve standard setting, for example minimum wages, or can be programmatic, such as development of career ladders or sectoral programmes (Osterman, 2008). Policies can target either improving 'bad jobs' or creating more high quality jobs.

The summary of the evidence in this chapter is drawn from the project paper *Improving job quality in growth sectors: a review of the international evidence* (Sissons et al., 2017).

Key research findings

Job quality is influenced by a range of factors. National and other regulation shapes practice around contractual relationships, and national minimum wages provide a statutory floor. A body of literature suggests that the national institutional context in the UK has contributed to the long tail of low-wage/low-skilled employment that exists (Finegold and Soskice, 1988; Wilson and Hogarth, 2003); although employer practices are influenced rather than determined by this context (Edwards et al., 2009). Trade unions have been found to influence job quality as well as poverty (Paull and Patel, 2012). Unions can also be important social partners in supporting workplace learning and workplace innovation.

Where there is evidence on policy and job quality it tends to relate more to standard setting policies. In particular there is good evidence on national minimum wages. In the UK there is a large body of evidence on the National Minimum Wage (NMW) relating to impacts on employment, earnings, hours, profits, productivity, practices and inequality. However the relationship between NMW increases and poverty reduction is relatively weak because many of the workers who benefit are not in low-income households and because of interactions with the benefits system (Sutherland, 2001; Brewer et al., 2009; Brewer and De Agostini, 2013).

There has also been growing interest in the idea of (voluntary) living wages. There is some descriptive evidence of their beneficial effect for workers in low-paid sectors (Wills and Linneker, 2012). Living wage campaigns have also formed part of approaches developed through Fairness Commissions, which have also campaigned for other elements of job quality locally such as family friendly working and campaigning against the use of zero-hour contracts (Lyll, 2015). However, evidence collected from a case study of social care employers adopting the Living Wage points to difficulties in doing so in the face of cost pressures when relying on publicly funded clients, as opposed to privately funded ones, due to funding constraints.

One specific area of policy activity has been around part-time working and job quality, and in particular attempting to reduce disparities between full and part time work in terms and conditions as well as opportunities for development. Evidence from the Quality Part-time Work Fund highlights the importance in advancing this agenda in firms' management decisions and organisational strategy – including training line managers to be able to make informed and constructive decisions about part-time working; setting clear HR policies which demonstrate the alignment of flexible working with organisational strategy; and, having buy-in from senior management (Lyonette and Baldauf, 2010).

There is also some evidence on linkages between business models, workplace approaches to job design and job quality. High-performance working (HPW) models have been promoted as a way organising work to drive up standards of firm performance and to support the development and effective use of staff skills (Belt and Giles, 2009). Licence to practice and occupational standards also influence training and development of workers and can support more skill intensive employment (Brockmann et al., 2011).

There is a paucity of robust evidence on approaches to improve job quality operating within our growth sectors. Overall only a small number of initiatives or approaches were found which were targeted at job quality and these were limited to the health and social care and hospitality sectors. The treatment of these initiatives is limited to case study description and to a focus on process rather than outcomes. As such it is difficult to draw firm conclusions from these studies.

The approaches to job quality developed have involved several different foci:

- Seeking ways of linking jobs quality for workers with service improvement for employers;
- Using procurement to improve job quality;
- Encouraging changes in business models as a precursor to improving quality;
- Developing the potential of employer cooperatives to deliver empowerment and job quality.

(Source: Sissons et al, 2017)

The evidence overall suggests that progress can be made through work with individual firms, and in some cases across wider sectors, utilising drivers of employer engagement including service quality, staff turnover, productivity and profitability, but there is less evidence on the tangible impacts or the scalability of such activities.

Policy issues and implications

Wage levels are a core job quality issue with direct relevance to poverty (albeit one which is mitigated by household factors [Green et al, 2017a]). Minimum wages have been an important area of policy focus in the UK since the introduction of the National Minimum Wage in 1999. The National Minimum Wage has been replaced, or rebranded, as the National Living Wage (NLW) which has a target of reaching £9 an hour by 2020. This would represent a significant acceleration of its growth. Other suggestions for increasing the impact of the minimum wage include the introduction of a higher rate for the over 30s, which would help to better focus on low-income households; a London premium to reflect the generally higher wages in London and the South East; and expanding the LPCs role to include publishing a non-binding recommendation of an affordable minimum wage on a sector basis (Manning, 2012). The latter

suggestion would be an attempt to mitigate the fact that the minimum wage is constrained by wage levels that the lowest paying sector/s can bear.

There is also a wider interest in the role which Living Wages might play in improving conditions for low-paid workers. In particular there is concern with how to increase take-up in large low-paid sectors. This is particularly pertinent in social care where estimates suggest that two-thirds of frontline care workers are paid below the level of the voluntary Living Wage (Gardiner and Hussein, 2015). In this sector improvements in pay will require some reassessment of existing funding levels and models of contracting (Philpott, 2014; Ingham et al 2015).

There is also increasing interest in the role that procurement can play in influencing job quality, with international examples of procurement policies of public sector organisations and anchor institutions including a focus on job quality outcomes for local residents (Green et al., 2017c). This includes direct measures of wages (such as Living Wages) as well as cooperative models of ownership and service delivery.

There is evidence of the importance of line management in facilitating elements of job quality such as opportunities for flexible working and this is an area where there is scope for ongoing development. More generally there is an important relationship between business models and job quality. Evidence suggests a historic weakness in the UK of institutions, including business support services, which can help to encourage firms to move to higher skill/higher pay operating models (Soskice and Finegold, 1988; Wilson and Hogarth, 2003; Edwards et al, 2009). In part this reflects the aversion of UK policymakers to engaging with workplace issues such as job design (Green, 2009; Keep, 2013).

A wider issue is that job quality as a concern does not really reside as a responsibility in any particular government department or with a particular minister (Warhurst, 2017). This raises questions about who is in a position to lead an agenda around improving job quality. A contrast can be drawn with Scotland where a new approach is being taken to develop improved job quality (although powers to act in some critical areas of policy are constrained). The Scottish national Economic Strategy makes a commitment to a 'fair and inclusive labour market' and the concept of Fair Work is made a priority. This includes a commitment to develop policy targeting greater job security, fairer rewards and opportunities for development. Elements of this include support payment of the Living Wage, establishing a Fair Work Convention to bring together social partnerships and establishing a Scottish Business Pledge to support and recognise good practice.

Drawing from across the research and policy evidence, four areas can be identified for developments around the job quality agenda in growth sectors:

Developing institutional capacity to support business development – evidence points towards a historic weakness of institutions which can encourage firms to move to higher skill/higher pay operating models. The evidence also suggests weakness of management and the prevalence of ‘hard’ HRM policies in some low-paid sectors. Given the important link between business models, organisational approaches and job quality, enhancing the institutional support for firms to develop organisational practices which meet productivity and job quality aims jointly should be a priority. One element of such activities previously was the work of the UK Commission for Employment and Skills (UKCES) around High Performance Working (HPW). This structure of policy/employer research and dialogue has not been replaced since the UKCES was disbanded.

Increasing the availability of quality part-time work – the availability of quality part-time work can help improve the prospects particularly of second earners in a household (most often women). There are several organisations⁹ who have developed models of working with employers around this issue and there is evidence from the Quality Part-time Work Fund on the factors which can influence success in this area. Dissemination of good practice and successes can encourage more employers to develop quality part-time opportunities as part of their organisational strategy. Business representative and membership organisations could play an important role in this regard.

Linking procurement and job quality – there is international evidence of public sector and anchor institution employers seeking to develop job quality as part of procurement processes. Social clauses are used in development quite often and are linked to employment entry. There is scope to use these more broadly in procurement activities linked to aspect of job quality. Of course this is challenging under austerity, but there is clearly scope for a more central role of social value, including job quality, in procurement and spending decisions.

Making job quality a priority in devolution – there is evidence of ways in which, at the sub-national level, skills strategies can be developed which are supportive of job quality aims, and ways in which local and regional economic development and workforce development can be linked to seek to expand and improve the stock of jobs. The local level can also be an effective scale for living wage campaigns. There are examples of many city councils in the UK that are already influencing, promoting and paying the living wage themselves. Job quality should be a core consideration of cities and local areas as they agree devolution deals in a range of policy areas, such as economic development and skills, which have direct linkages to job quality.

⁹ Examples include Timewise (<http://timewise.co.uk/>) and Chwarae Teg (<https://www.cteg.org.uk/>)

The opportunities presented above all have the scope to make incremental improvements to job quality within growth sectors. As discussed in the previous chapter, one opportunity to make progress on this agenda is to incorporate the challenges of large low-paid sectors as an issue for industrial strategy to engage with. Addressing related issues of low productivity, low-pay, insecure work and high turnover. However it is also clear that the wider labour market institutional and regulatory environment shapes both the current context and the potential for future improvements, and this underlines the importance of national policy in shaping job quality.



Policy Implications, Opportunities and Actions

In this chapter the findings from the research project are translated into a series of policy recommendations and opportunities for action are identified. The research project has reviewed the international evidence around employment entry, in work progression and job quality in growth sectors as well as undertaken new data analysis and case study work. A series of stakeholder workshops have also been undertaken in different parts of Wales to assess the nature of the issues and potential to respond. Here we outline what the evidence means for policy.

The first part of the chapter provide a brief commentary on the evidence base. The second part describes the linkages between the three foci of interest – employment entry, in work progression and job quality – and then relates these to the need for anti-poverty policy aimed at supporting a more inclusive labour market. In the third section a set of priority actions for different stakeholders to support more inclusive outcomes is outlined. The final section positions these actions within the wider context of interactions between different spatial scales of governance – so highlighting the importance of partnership working, the nature of local labour markets, and national and sectoral employment trends.

Brief commentary on the evidence

The analysis of sectors, low-pay and poverty undertaken for this project clearly demonstrates that sector patterns matter for poverty risk, although both low-pay and poverty are distributed across economic sectors. Sector of employment also influences the likelihood of leaving low-pay.

Three detailed international evidence reviews have been undertaken as part of the project – covering employment entry, in-work progression and job quality in growth sectors. The evidence base is quite variable across the three topics, reflecting the orientation of public policy primary on employment entry. This evidence is reviewed in brief in Chapters 2-4 of this paper and in full in the published project reports. As such only summary comments are made here.

There has been a significant volume of evaluation work looking at aspects of policy supporting employment entry, although there is relatively little that is specific to individual growth sectors. There is evidence on the importance of job search and self-efficacy as well as evidence which identifies the important role of personal advisors. The evidence also demonstrates the importance of the way in which provision is delivered and the value of contextualised training combined with more general employability skills.

On progression there is more evidence from the US, where there is greater local differentiation in approach, than the UK. This evidence demonstrates that approaches can be designed which effectively target work entry and progression outcomes. The evidence, which includes several robust studies, suggests there are benefits to adopting a sector-focused approach, although the evidence is not strong enough to identify which sectors it is best to target. There is also evidence on the role which career pathway programmes, frameworks for education and training in particular sectors which map onto to career development, can play in some sectors (notably healthcare).

There is less evidence on job quality, although some particular elements, such as minimum wages, have been the subject of significant study. There is more descriptive evidence suggesting the potential roles which programmes targeted at quality part-time work, use of procurement and ways of linking organisational development and job quality might play.

Dimensions of an inclusive labour market

To this point the issues of employment entry, in-work progression and job quality have been largely dealt with separately. In reality, all of these are important elements of generating sustainable employment opportunities to reduce poverty.

It is well established that entering work reduces the risk of poverty. As such employment entry will continue to be a fundamental element of anti-poverty strategy. However there is also concern about in-work poverty, the low-pay/no-pay cycle and the limited mobility from low-pay. This means that employment entry alone is not sufficient to address poverty. Recognition from policymakers about this can be seen in some change of emphasis in Active Labour Market Policy approaches to provide greater emphasis on sustainable employment outcomes, as well as in wider policy around minimum wages. Yet there remain important gaps in policy towards in-work progression and to job quality more broadly, including aspects of insecurity.

A more comprehensive approach is required to maximise the contribution which sustainable employment in growth sectors can make to tackling poverty. One challenge to this is that the different strands of what influences sustainable employment – employment entry, in-work progression and job quality are not treated as one policy area. The Department for Work and Pensions has primary responsibility for employment entry and has some developing interests in progression. There are less clear departmental responsibilities around progression for those already in employment and around broader job quality. The lack of a department which ‘owns’ this agenda has been criticised (Warhurst, 2017). An inclusive labour market is one which provides opportunities for not just employment, but for advancement and fair work. In the absence of a central Government department with responsibility for such an agenda there

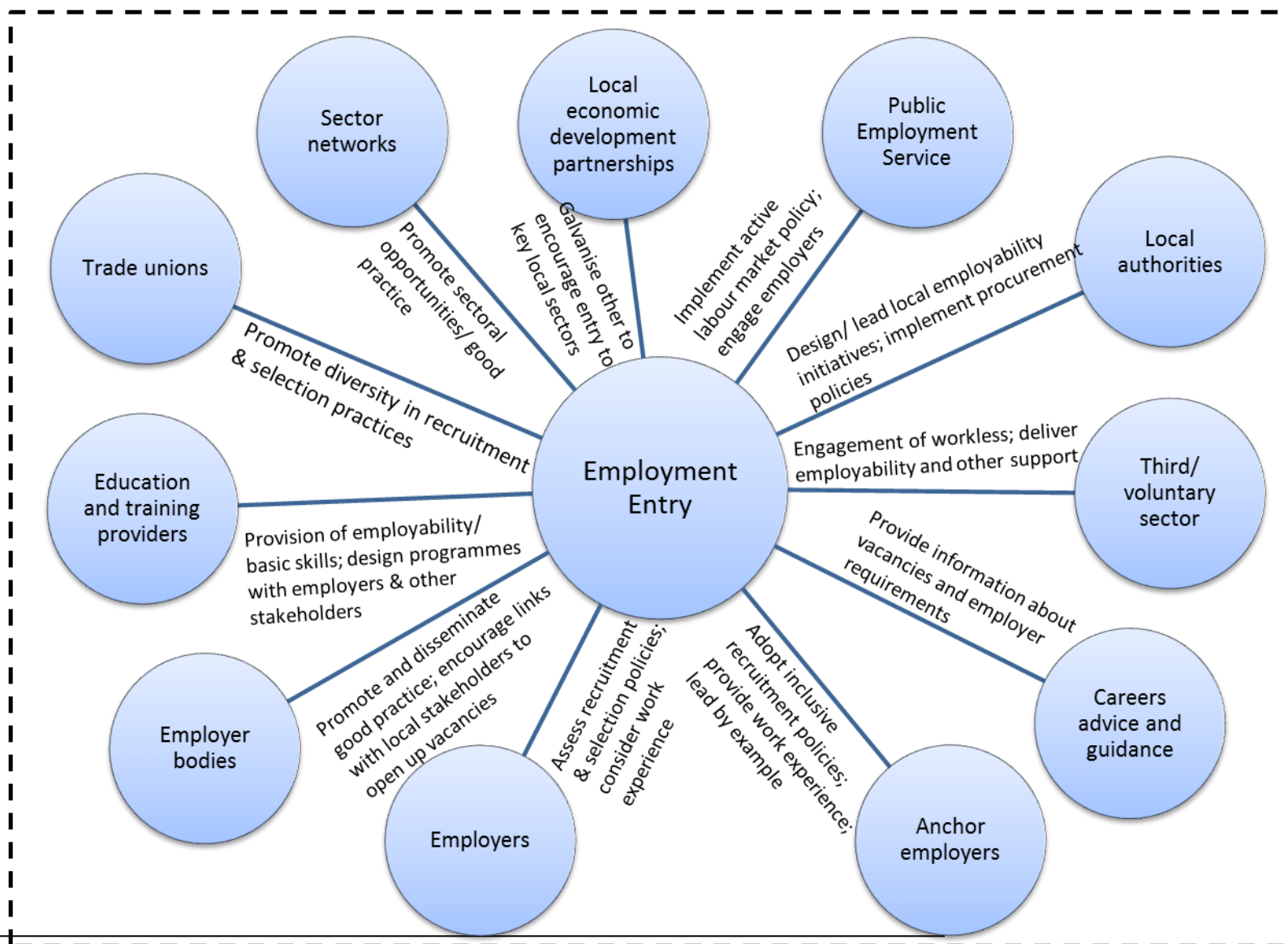
may be scope for sub-national government to develop more local approaches, the approach to Fair Work in Scotland is one example in a devolved context. However bringing together and achieving such an agenda is still in part dependent on wider national and sectoral patterns. This point is returned to later this chapter. A range of stakeholders can influence the opportunities base for sustainable employment outcomes and partnership working is likely to be fundamental in achieving better outcomes.

Priority actions for stakeholders

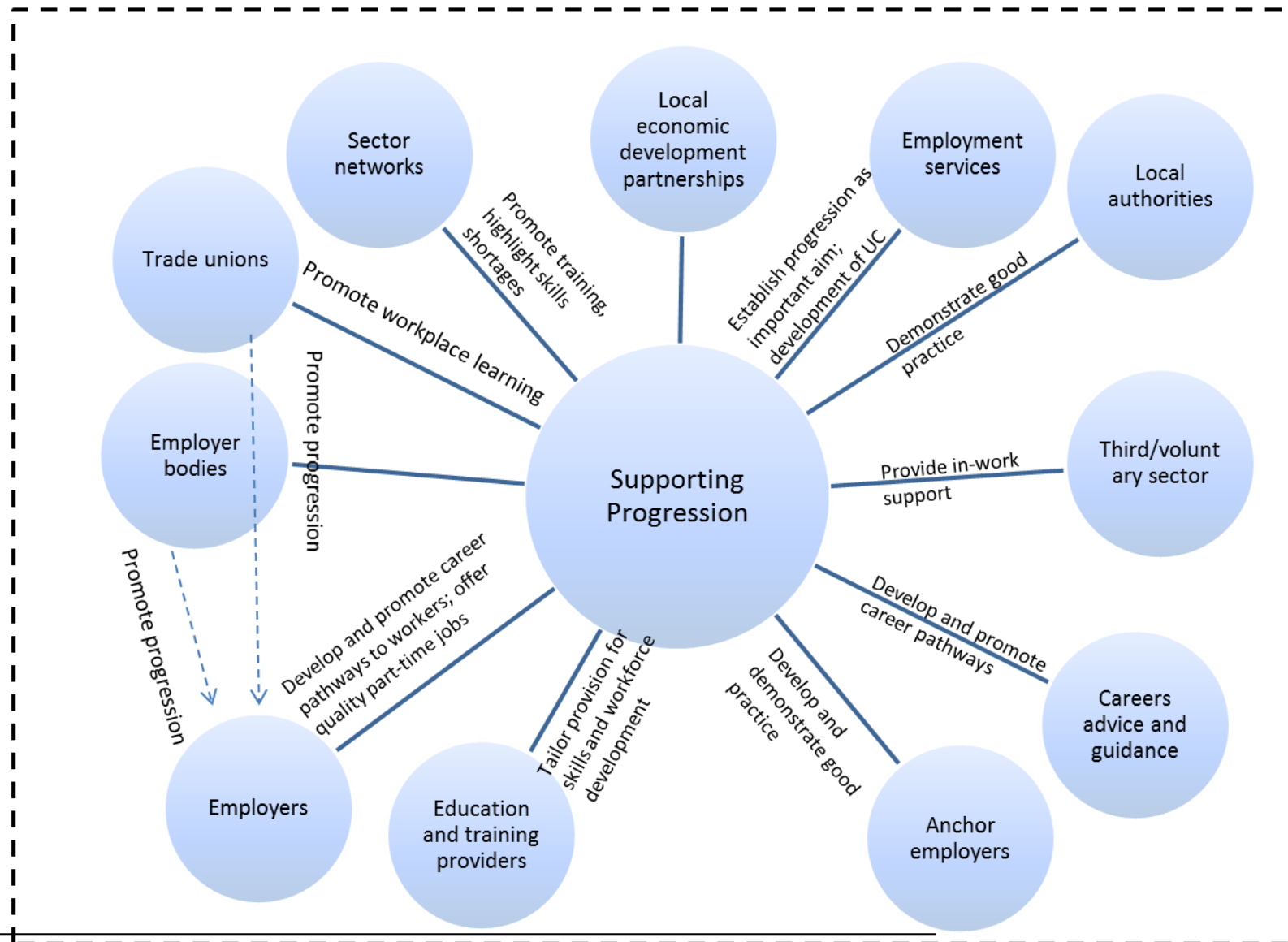
In previous chapters and project reports employment entry, in work progression and job quality have been considered separately. The role of different stakeholders in contributing to these three topics are summarised in the following three diagrams.

Brief statements of the some of the ways in which stakeholders influence these are included in the diagrams. The roles of individual stakeholders are considered in more detail in the description below. For simplicity interactions between the different stakeholders are largely excluded from the diagrams; however the ways in which stakeholders interact is clearly of importance in determining outcomes around sustainable employment. Some stakeholders have roles which are orientated more towards influencing practices, such as employer organisations and trade unions, while others play a more direct role such as local authorities and anchor institutions which can both develop their own approaches and influence broader practice. Clearly a critical role is played individual employers. In each diagram some elements of the national policy context is noted around the hatched box surrounding the diagram. This is necessarily selective but highlights the importance of national level policy in framing and influencing practice and outcomes.

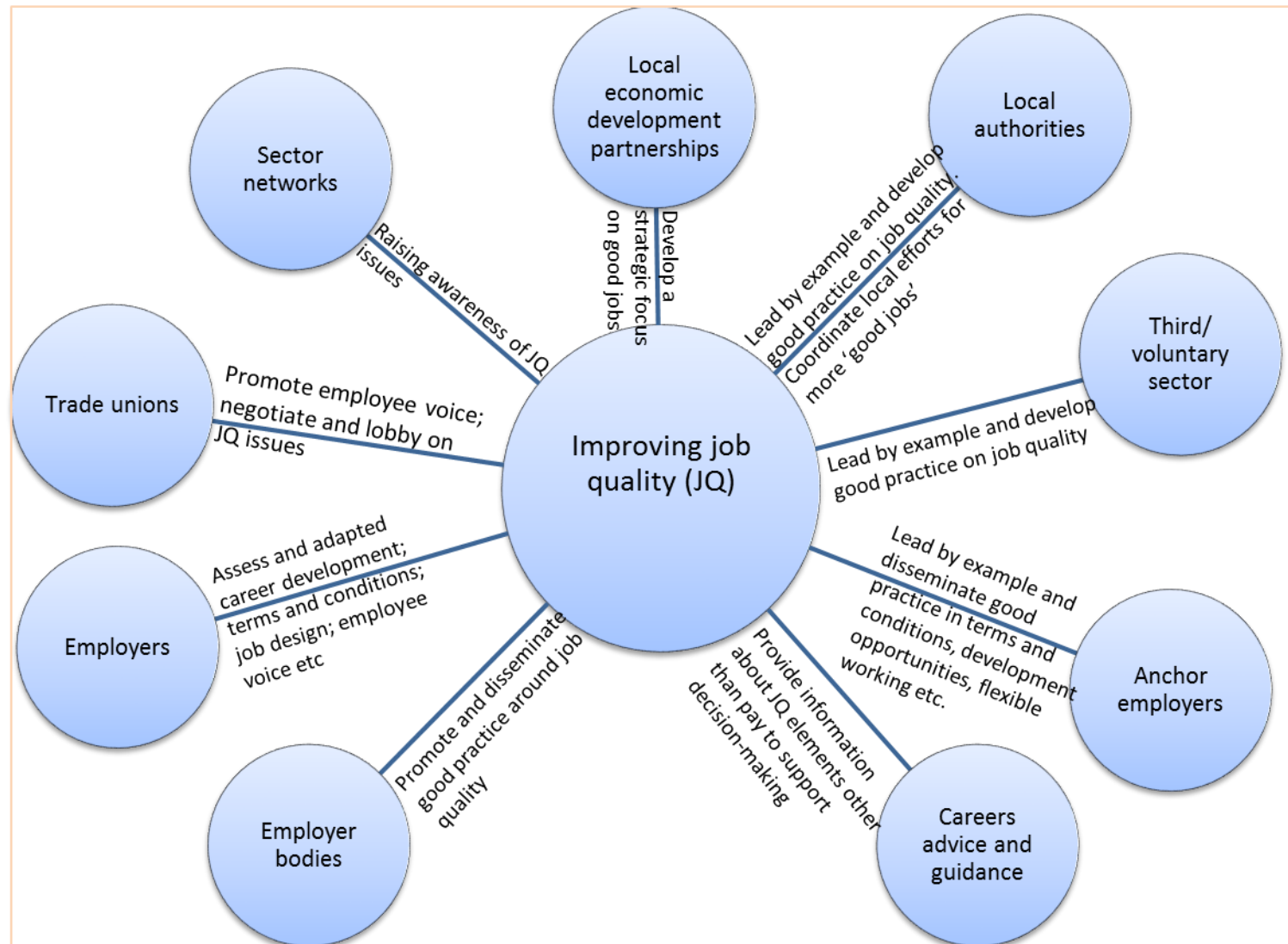
National context – Active Labour Market Policy; Universal Credit; sanctions; access to and cost of training



National context –‘workfirst’ ALMP; NLW and wage compression; uncertainty of funding streams



National context – employment regulation; lack of departmental ownership of job quality



In this section these key topics are considered together and priority actions are identified for different stakeholders.

Local authorities: have an important convening power at local level given their scale and their responsibilities for local residents and concerns for development of the local economy. With regard to the former they may design and lead local employability initiatives with partners to foster employment entry alongside support in other policy domains. They have an important role in employer engagement, including marshalling services for inward investors and serving the needs of existing businesses. As a major purchaser of goods and services they can develop procurement policies that ring fence employment and training opportunities for local residents (including from disadvantaged neighbourhoods) and also set quality criteria in the commissioning of services. They can implement local 'charters' and 'kite marks' to signal different elements of good practice amongst local businesses. In their capacity as a major employer they can 'lead by example' in terms of fostering good practice in provision of work placements and in employment entry, in work progression (for example by promoting progression opportunities within their workforce), and job quality (by implementing the voluntary Living Wage and other job quality initiatives).

Local economic development partnerships/ combined authorities: can galvanise and work with local authorities, employer bodies and sector networks to identify and promote strategic sectors of importance to the local economy, working with education and training providers, careers and guidance professionals and other interested stakeholders, including trade unions. As part of their remit to promote local economic growth they have an important role in linking the demand and supply sides of the labour market, developing a strategic focus on employment quality and enhancing productivity alongside concerns with the quantity of employment. Moreover, they have an important role in lobbying to ensure that national policy is supportive of local economic growth.

Sector networks: have a role in promoting employment opportunities within particular sectors. This entails working with employers, education and training providers, careers guidance professionals and trade unions. They can set standards for employment entry, help in development of talent pipelines to address labour and skills shortages, raise awareness of progression opportunities within sectors and disseminate good practice with regard to employment entry, progression and job quality. The work of Skills for Care¹⁰ in raising awareness of career opportunities in the care sector, developing practical tools to help

¹⁰ See <http://www.skillsforcare.org.uk/About/About-us.aspx>

employers recruit, train, develop and lead their workforce is indicative of the type of work that sectoral networks can undertake.

Employer bodies: are key actors on the demand side of the labour market and have interests in ensuring that labour supply matches demand. They can promulgate employers' skills needs to education and training providers and help shape training programmes so that they better address employers' needs in a 'dual customer' approach. They have a role to play in encouraging employers to open up vacancies to local residents, promoting progression and disseminating good practice regarding job quality.

Anchor employers: have an important role in leading by example. This can entail good practice across a range of activities pertinent to employment entry, progression and job quality. Activities include opening up vacancies to a diversity of candidates through transparent recruitment and selection methods and procedures, providing work experience opportunities, establishing and implementing procurement policies to help promulgate good quality employment and inclusive growth, and promotion of job quality through adoption of the voluntary living wage, flexible working, etc.

Employers: individual employers can alter review and alter their existing practices so as to open up job opportunities for new recruits and their existing workforce. For instance, they can examine their recruitment methods and selection procedures to assess whether they systematically disadvantage/ exclude some population sub-groups and rectify their practice accordingly. They can offer work experience opportunities in conjunction with local schools/ educational institutions, the public employment service and/ or the third/ voluntary sector. They can develop internal career pathways and associated training provision, offer career review sessions to staff and, as far as possible, look to redesign jobs and introduce terms and conditions of work so that promotion opportunities are not restricted for those staff members who wish to work part-time. They can look to develop ways of pursuing organisational development which meet business needs and job quality goals.

Trade unions: can play an important role in workplace learning, which can in turn help to foster in-work progression, taking account, as appropriate, of the different needs and challenges faced by different groups of staff members. They also have a particularly important role in championing the job quality agenda – whether in terms of pay, other aspects of job quality and more generally promoting employee voice. With regard to employment entry they can help promote diversity in the workforce through assessing recruitment and selection procedures and ensuring that they are inclusive. While the reach and influence of trade unions varies by establishment size and sector, trade unions can nevertheless play an important lobbying role in promoting job quality and in-work progression issues.

Education and training providers: have a central role in employment entry and in-work progression in helping prepare/ equip individuals for employment/ specific job roles. While basic skills and employability skills are relevant across sectors, the evidence suggests that sector-specific skills are important also. This entails working with sector networks, employer bodies, individual employers and other stakeholders to ensure that training programmes are informed by, and sensitive to, their needs, while at the same time not sacrificing the development of portable skills and qualifications that will enable them to progress on the external labour market as well as with their existing employer. Within a well-functioning local skills ecosystem it is important that education and training providers work together to ensure that, as far as possible, at the local area's skills requirements are met without undue duplication in provision.

Careers advice and guidance professionals: can help individuals navigate the labour market, providing information about different jobs available in the labour market, associated qualification requirements and key features of job quality – such as pay. Hence they play an important intermediary role in helping match supply and demand. While traditionally careers advice and guidance tended to be associated with young people entering the labour market, it is recognised that they have an important role to play in raising awareness of alternative opportunities for individuals who are in employment and wanting to change direction or progress. Hence for careers education professionals promotion of career pathways is of growing importance. This means that they need to have strong links with sector networks and with employers to understand current and emerging needs. Increasingly careers professionals make use of, and may direct individuals to, Web-based information sources, so knowledge of emerging developments is important also.

Public employment service: this is a key stakeholder in relation to employment entry given its role in implementing active labour market policy. Evidence indicates that there is a value in a sectoral focus to policy, so liaison with sectoral networks, education and training providers and employers is important to facilitate this. While there are some freedoms and flexibilities at local level, the direction of policy and specific rules and regulations for the benefit system are set nationally. Nevertheless, there is increasing emphasis on co-location of the public employment service with other service delivery organisations in employment, skills and other policy domains. With the introduction of the Work Programme employment sustainability became established alongside employment entry as an important aim. Likewise with the roll out of Universal Credit in-work progression has become a more important aim.

Third/ voluntary sector: is particularly associated with engagement of workless individuals at some distance from the labour market and delivery of pre-employment training and other

employability support for disadvantaged groups. Alongside this role concerning employment entry, the third/ voluntary sector has an important role to play in providing work experience and intermediate labour market opportunities, often leading by example with such activities. Organisations in the sector provide in-work support – encompassing both job-related and non-work related issues – and as such can help in fostering progression.

Specific priority actions for harnessing growth sectors for poverty reduction

As has been detailed above there is a wide range of stakeholders who influence the prospects for harnessing growth sectors for poverty reduction. This creates numerous opportunities for action. In this section we draw from across the evidence developed from this research project, and focus specifically on particular priority actions that stakeholders can take to develop policy and practice around this agenda.

In the short-/medium-term priority actions for harnessing growth sectors for poverty reduction include:

- Local economic development partnerships, sector networks and local authorities working together to ensure that in a place-based industrial policy there is a strategy for ‘foundational sectors’, such as social care, and other areas of large but low-paid employment including accommodation and food services. This is important given the numbers of jobs they provide, their relatively low barriers to entry and the scope for improving job quality in these sectors. Such a strategy should include a focus job quality, including ways to link improvements in organisational performance with job design and improvements in terms and conditions.
- Sector networks, trade unions and anchor organisations working with employers in the care sector and care commissioners should implement ethical care charters (including voluntary Living Wages) to improve the quality and standing of care jobs. This needs to be supported by financing for the sector which addresses the long-term issue of chronic low-pay.
- Local stakeholders including local authorities, sector networks, trade unions, employer bodies and the NHS should work to utilise the greater integration of health and social care to develop career pathways and workforce development programmes which enable mobility between the two sectors. This requires close working the NHS and social care providers. There is also an important role for employment services in facilitating entry and addressing any shortages.

- There is scope to develop a ‘dual customer’ approach to entry and progression opportunities which addresses the needs of employers to tackle recruitment and retention issues, skill shortages, etc., as well as enabling workers to progress in quality jobs. These can function in a range of sectors including manufacturing and care (as well as potentially green jobs). Such an approach requires the integration of activities of local economic development partnerships, sector networks, trade unions and employer bodies. There is evidence that sector-focused employment programmes can deliver employment entry and progression outcomes.
- Anchor institutions and local authorities leading by example by implementing procurement policies in construction and other sectors that provide job and training opportunities for people who are disadvantaged/ in poverty and extending this existing agenda to ensure that suppliers of goods and services provide quality jobs. These organisations can also lead through their own good practice in employment entry, career development and job quality.
- Employers working with the Public Employment Service and the third/ voluntary sector to provide and support individuals with work placements relevant to sector-specific (pre-employment) training, with a particular emphasis on encouraging under-represented groups to gain such experience (e.g. men in care, women in engineering, etc.).
- Employers, education and training providers and careers advice and guidance staff to collaborate to work on ‘myth busting’ regarding opportunities in different sectors and to promote different careers.
- Employer organisations to work with employers to encourage them to extend the processes of opening-out opportunities for good jobs to disadvantaged groups (including young jobseekers) in sectors typified by higher employment quality such as financial and professional services. There is also an important role here to develop organisational approaches to quality part-time work.
- In some growth sectors such as accommodation and food services there are examples where stronger linkages between local economic development policy and other domains such as skills and employment approaches can create the conditions for better employment opportunities. Business models and job design are important drivers of low-paid work in these sectors so targeting these can be an important aim. Accommodation and food services is also a sector providing a relatively easy route into the labour market, but where progression opportunities are often constrained. This highlights the need for the development of careers advice and guidance locally to be available to support individuals to progress and to increase job quality by moving jobs where existing opportunities are constrained.

Partnership working across policy domains and scales of governance

The fact that a wide range of types of stakeholders and organisations have a role to play in improving prospects for employment entry, in work progression and job quality indicates a need for horizontal partnership working at local level across policy domains. These policy domains include welfare; employment; education, training and skills development; business development and economic development. Other policy domains - such as health, housing and transport - that have not been the focus of attention here also need to be involved given the inter-relationships between health, welfare and employment. The theory is that by aligning and promoting synergy between different services, local partnerships can secure greater value, in terms of moving people into sustainable quality employment with prospects for progression, from any given level of resource, through adopting more coherent approaches and reducing duplication. Co-location of services can be helpful in encouraging joint working and greater understanding of the concerns, objectives and operational targets of stakeholders from different policy domains. It may also help in mapping existing service provision and identifying gaps therein. While there is value in informal networking at a more formal level contractual arrangements to foster joint working, aligning of targets and (where appropriate and possible given the relative rigidity of many funding streams) pooling of budgets can be helpful in supporting different service deliverers to pull together in the same direction in a particular place (Green and Adam, 2011).

In practical terms a range of geographical scales are relevant for implementation and delivery of policy interventions for harnessing growth sectors for poverty reduction. Third sector organisations and others involved in working with those most distant from the labour market often operate at the neighbourhood or local authority level. A broader geographical scale, such as the city-region,¹¹ may be more appropriate for engaging with employers.

Given the relatively centralised nature of decision-making in the UK compared to many other countries, stakeholders working at local level need to operate within nationally determined eligibility requirements and practices in respect of the welfare system, minimum wages, etc. Yet there is value in flexibility to develop locally sensitive interventions, often by complementing mainstream services with local wraparound provision (especially with regard to employment entry) and addressing gaps in mainstream provision. Silo thinking, rigid eligibility and other rules set at national level which may not suit the local level, and policy inconsistency and conflict between local and national levels can hamper attempts to work in a 'joined up' fashion. This highlights the importance of central-local relations and of 'vertical'

¹¹ Analogous to the Local Enterprise Partnership scale in England, the Combined Authority or a sub-regional partnership level.

partnership working across scales of governance from the local to the national, as well as 'horizontal' partnership working between stakeholders operating at the same geographical scale, in addressing employment entry, in work progression and job quality issues.



Conclusions

This paper has presented the policy implications which follow from the research project - 'Harnessing Growth Sectors for Poverty Reduction: What Works to Reduce Poverty through Sustainable Employment with Opportunities for Progression'. The project is concerned with ways in which growth sectors can be used to support better outcomes for those living in poverty through sustainable employment.

Secondary data analyses demonstrate clear sectoral patterns of low-pay, likelihood of and leaving low-pay, and household poverty. The project reports have structured the evidence base and analysis around three elements of the relationship between employment and poverty – employment entry, in-work progression, and job quality. Chapters 2-4 in this report have summarised the international evidence reviews on these three aspects.

Employment entry has been the subject of a large volume of evaluation work. This evidence highlights the importance of job search and self-efficacy. It also identifies the important role of personal advisors and benefits of contextualised training combined with more general employability skills. There is less direct evidence on sector-specific approaches.

In comparison there much less evidence on policy and in-work progression. The evidence that does exist, including some robust studies, suggests that approaches can be designed which effectively target work entry and progression outcomes jointly and that there can be benefits to adopting a sector-focused approach. Career pathway programmes, which provide frameworks for education and training in particular sectors mapped onto to career development, also appear a promising approach (with practice most advanced in healthcare).

In relation to job quality, minimum wages have been the subject of significant investigation. However, there is much less evidence on what works around elements of job quality such as job design and quality part-time work. National policy plays an important role in setting the context for job quality.

The challenge of harnessing growth sectors for poverty reduction incorporates the roles of a range of stakeholders, including local authorities, local economic development partnerships/ combined authorities, sector networks; employer bodies; anchor employers; employers; trade unions; education and training providers; careers advice and guidance professionals; public employment service; the third/ voluntary sector. A number of priority actions are identified in this report to better harness growth sectors for anti-poverty aims in which these stakeholders all have a role, these include:

- Local stakeholders working together to develop place-based industrial policy which addresses the issue of job quality in large employment but low-wage sectors.
- Implementing ethical care charters to improve the quality and standing of social care jobs.
- Utilising the greater integration of health and social care to develop career pathways and career development programmes which enable mobility between the two sectors.
- Developing and promoting career pathways in sectors such as health and social care and in manufacturing through a 'dual customer' approach.
- Anchor institutions and local authorities implementing internal good practice and developing procurement policies in construction and other sectors that extend beyond employment entry and ensure that suppliers of goods and services provide quality jobs.
- Encouraging and providing training to encourage under-represented groups to gain access to sectors with good opportunities.
- Work on 'myth busting' regarding opportunities in different sectors and to promote different careers.
- Employer bodies working with employers on expanding and extending efforts to open up opportunities for good jobs to disadvantaged groups (including young jobseekers) in sectors typified by higher employment quality - such as financial and professional services; and to develop organisational approaches to quality part-time work.
- Seeking to link local economic development policy and employment and skills policy to target changes to business models and job design in large low-pay sectors such as accommodation and food service
- Ensuring the local provision of careers advice and guidance to support individuals to progress by moving jobs where existing opportunities are constrained.

As we have argued in this paper, a range of stakeholders influence the extent to the growth sectors can be harnessed for sustainable employment outcomes, and these stakeholders operate at different spatial scales. National policy frames the context and to some extent the opportunity for action, in particular in areas such as the orientation of active labour market policy, minimum wages and employment protection legislation.

At a local level horizontal partnership working is need across policy domains such as employment; education, training and skills development; business development and economic development to improve outcomes. This may involve co-location of specific services and/or pooling of budgets. Bringing together partners can be facilitated by a local vision or statement about the type of labour market that is being aspired to – one which is about not just jobs but good jobs and opportunities for development.

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