



Public Policy Institute for Wales
Sefydliad Polisi Cyhoeddus i Gymru

New Directions in Employment Policy

September 2016

New Directions in Employment Policy

Emyr Williams and Anne Green

PPIW and University of Warwick

This report and the information contained within it are the copyright of the Queen's Printer and Controller of HMSO, and are licensed under the terms of the Open Government Licence <http://www.nationalarchives.gov.uk/doc/open-government-licence/version/3>. The views expressed are the authors' and do not necessarily reflect those of members of the Institute's Executive Group or Board of Governors.

For further information please contact:

Emyr Williams

Public Policy Institute for Wales

Tel: 029 2087 5345

Email: info@ppiw.org.uk

Contents

Summary	2
Introduction	3
Strengths and Weaknesses of a Sector Focused Approach.....	3
Maximising Community Benefits through procurement.....	10
Fostering Progression	11
Work First or Career First?.....	13
Job Redesign for Tackling Poverty.....	13
Raising the Floor.....	14
Emerging themes.....	14

Summary

As part of its programme of research and knowledge exchange on tackling poverty, which is funded by the Economic and Research Council, the Public Policy Institute for Wales is working with the Institute for Employment Research at Warwick University to identify ways of harnessing employment opportunities in growth sectors in order to encourage the creation of sustainable employment opportunities which offer prospects for career progression. In July 2016 we convened a workshop with a large group of stakeholders who have considerable practical experience of working on these issues in Wales to discuss the emerging findings from the study. Key findings from the research include:

- There are significant differences between sectors in the kinds of employment opportunities that are provided.
- The sector people work in influences the likelihood of them being in low pay and poverty
- Some sectors offer better prospects for transitions out of low pay than others.
- Patterns of sectoral growth and decline matter for poverty outcomes.
- Employment projections indicate continuing growth in sectors associated with low pay and poverty.

In light of these findings, workshop participants suggested that:

- Wales needs an economic strategy which identifies those sectors which have the greatest potential to provide sustainable employment and provides training and education to develop the skills that are needed by these sectors.
- The Welsh Government and private sector should work together to establish a better understanding of sectoral and skill requirements.
- Policies need to take account of the variations between local economies.
- There is a lack of robust timely data on employers' labour and skills needs by sector.
- Policies to develop sustainable employment need to take account of the fact that the needs of Small to Medium Size Enterprises may be different to those of larger firms.
- Wales needs an effective all age careers service to equip people to achieve career progression. This should be based on an understanding of the needs of sectors which have the greatest potential to provide sustainable employment.
- Training courses need to be more flexible about eligibility criteria, length and timing, and give more emphasis to equipping people with transferable skills.
- The benefits system can be a barrier to progression. If increased wages result in a reduction in benefits there is little incentive for career progression.

Introduction

As part of its programme of research and knowledge exchange on tackling poverty, the Public Policy Institute for Wales convened a workshop to explore New Directions in Employment Policy¹. The workshop drew on and discussed the findings of on-going research by Professor Anne Green, Dr Neil Lee and Dr Paul Sissons who are exploring [the role of growth sectors and in work progression in reducing poverty](#) which was jointly commissioned by the PPIW and the Economic and Social Research Council². The research is exploring how to ensure that people experiencing poverty can gain access to sustainable employment which offers opportunities for career progression. The researchers are reviewing evidence on work entry, progression and job quality, and conducting a quantitative analysis of growth sectors and detailed examination of case studies which link growth sectors and poverty reduction.

Strengths and Weaknesses of a Sector Focused Approach.

Context

Interest in sector focused approaches has increased over the last decade as they are often seen as a method of improving opportunities for low paid workers as well as supporting the competitiveness of businesses. This interest has been reflected in the UK with the development of some sector-focused economic policy, most obviously through the development of sector-based work academies. There is renewed interest at UK government level in industrial strategy and the Welsh Government has identified priority sectors for Wales.

However, despite this increased interest there is no clear definition as to what a sector focus approach should consist of and sectoral policy can vary significantly in different areas. This is because a sector focused approach can involve a change of economic development practice rather than a set of specific policy interventions and so, rather than being entirely prescriptive, sector based approaches recognise the requirement for differing solutions to the issues faced across different sectors.

¹ Workshop participants included representatives of third sector organisations, training providers, local authorities, the Welsh Government, academia, employment organisations and think tanks.

² ESRC grant reference ES/M007111/1 – ‘Harnessing Growth Sectors for Poverty Reduction: What Works to Reduce Poverty through Sustainable Employment with Opportunities for Progression’

The principle behind sectoral approaches is to work closely with individual sectors, ideally at a local level, and explore what employers and employee's needs are and how these can best be met for the benefit of both parties and the overall economy. "This approach differs from traditional models, in that programs seek to develop a keen understanding of business needs and community dynamics, identify a set of industry-specific job opportunities, create tailored services for their predominately low-income constituency, and more effectively prepare workers to succeed in the workplace"³.

Therefore, a sectoral approach embodies a diverse mix of industry-specific strategies. Some sector strategies focus on helping workers gain the skills and education they need to obtain quality employment and career opportunities in a particular industry. Other types of sector strategies are designed to improve the quality of jobs or low-wage occupations within a particular sector.

Due to this flexible nature of sector focussed development there is not a one size fits all approach to sector orientated policies as this is what the approach is trying to avoid. However there are a set of broad principles which sector focused approaches tend to adhere to including:

- "targeting a specific industry or cluster of occupations;
- intervening through a credible organisation, or set of organisations, crafting workforce solutions tailored to that industry and its region;
- supporting workers in improving their range of employment-related skills and ability to compete for work opportunities of higher quality;
- meeting the needs of employers; and
- creating lasting change in the labour market system."⁴

Findings to Date

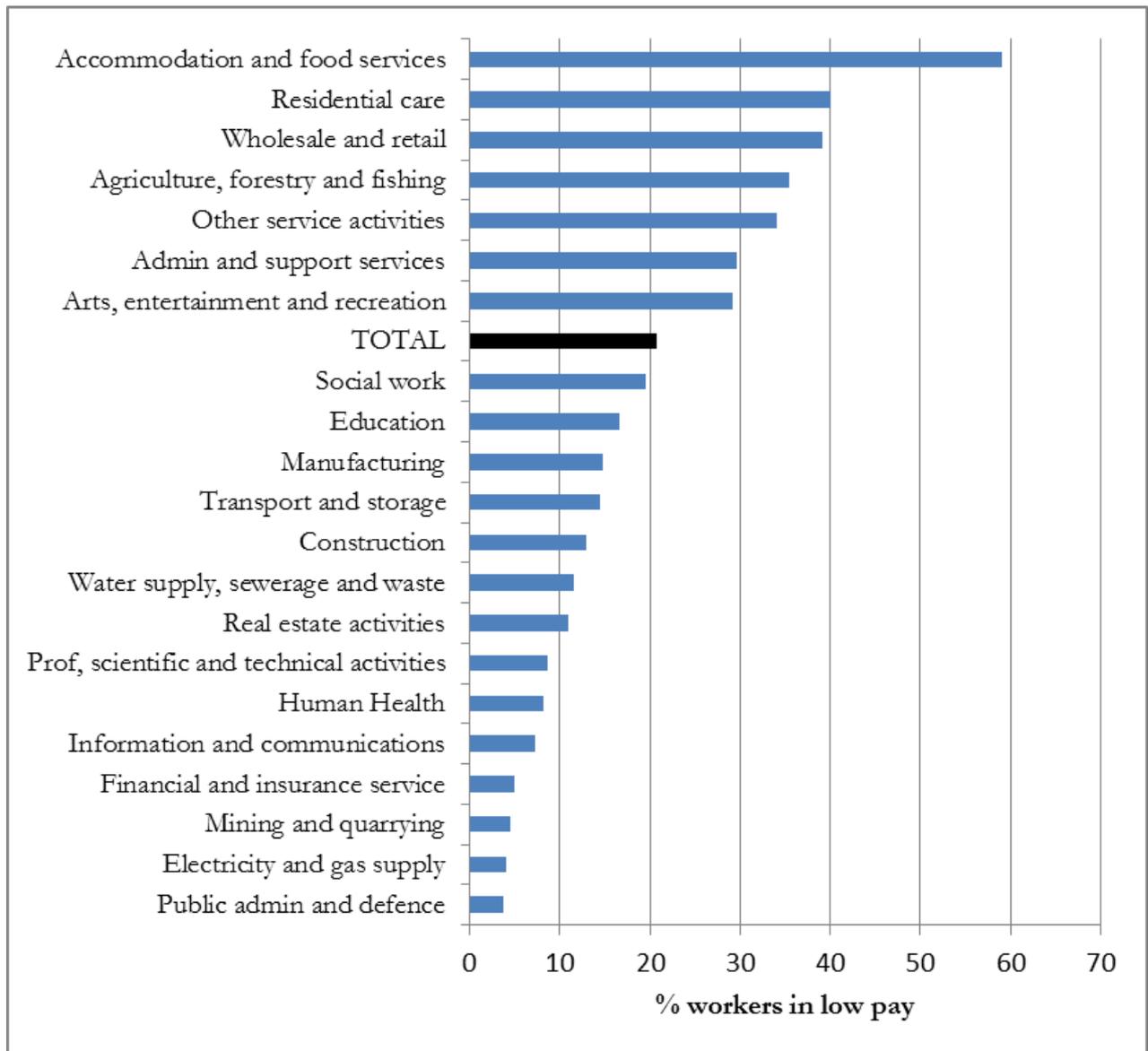
The research team's analysis confirms the findings of other studies which show that in work poverty has been growing significantly over the past fifteen years. Nearly half of those currently in poverty are part of a family where at least one person is in paid employment. There are now a total of 6.8 million people living in poverty with at least one person in work, which is

³ Aspen 2016 - <https://www.aspeninstitute.org/programs/economic-opportunities-program/workforce-strategies-initiative/> - Accessed 20/08/16

⁴ Sector Skills Academy 2016 - <http://sectorskillsacademy.org/Sector.html> - Accessed 20/08/2016

over 1.5 million more than there was a decade ago. However, the prevalence of in work poverty varies considerably depending on the sector people work in. Accommodation/food services, retail and residential care have the highest percentage of workers in low pay (Figure 1) and those working in these sectors are more likely to be members of households which are experiencing poverty (Figure 2).

Figure 1: Percentage of workers in low pay by sector, 2010-15



Source: Labour Force Survey

Figure 2: Sector of employment and poverty (selected sectors only):

Percentage Poverty rates (After Housing Costs) within sector for household main earner by household economic situation in the UK, 2009-2012

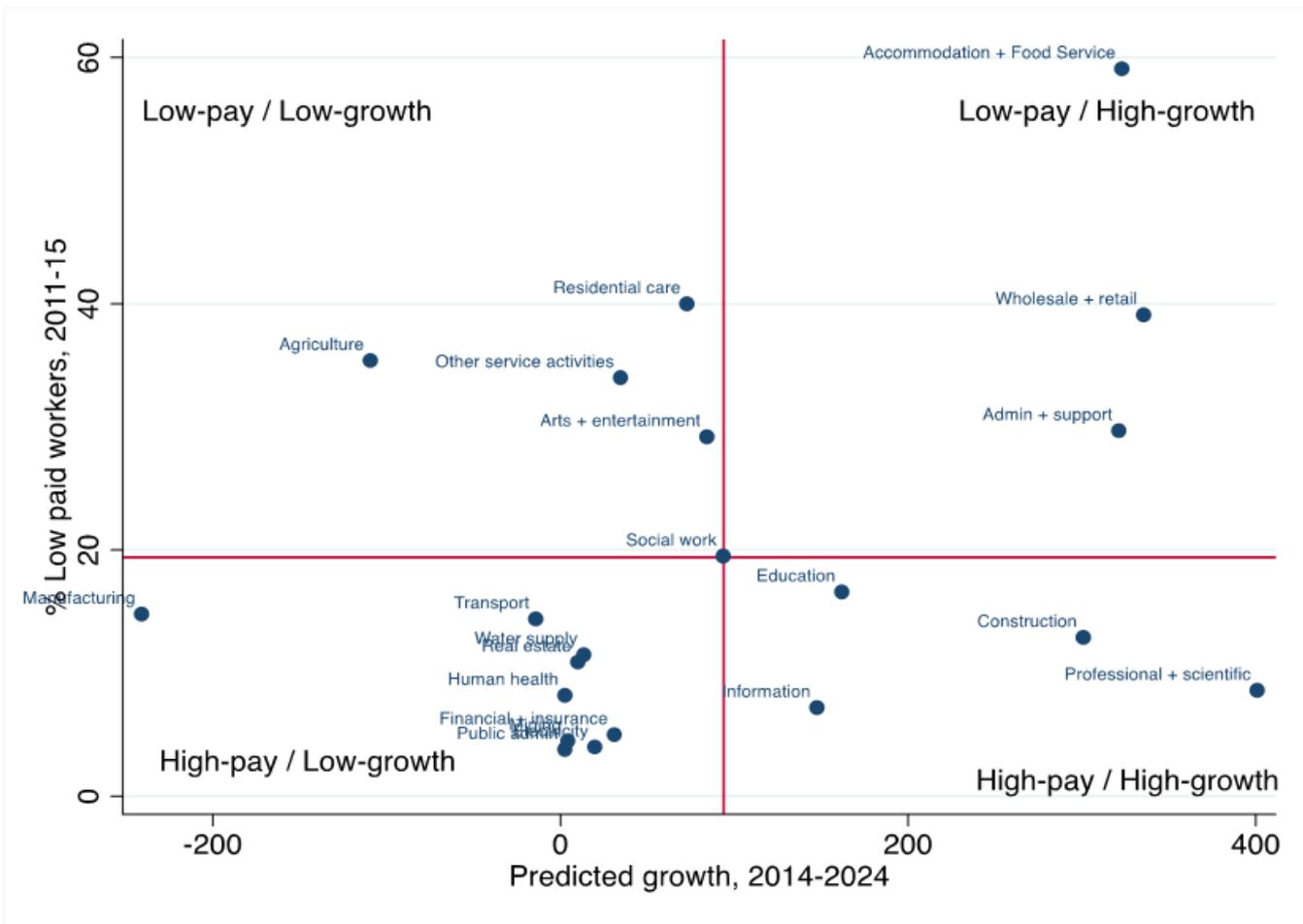
Sector	All	Single-Person Household	Dual-person Household. Dual Earner	Dual-person Household. Single Earner
Manufacturing	9.4	9.7	3.5	24.0
Construction	10.4	12.0	3.6	26.3
Wholesale and retail	20.1	22.8	8.0	38.2
Accommodation and food	36.5	36.8	10.5	64.6
Financial and insurance	6.1	5.2	2.6	16.3
Prof., scientific and technical	6.8	8.0	2.1	16.9
Residential care	21.9	25.3	9.2	30.8
Total (all sectors)	11.9	13.8	4.2	26.4

Source: Authors' calculations from the Family Resources Survey and Households Below Average Income Survey

Modelling conducted by the researchers shows that these differences in pay and poverty rates are solely a function of the individual characteristics (such as skills and qualifications). Controlling for individual characteristics shows that there are sector-specific effects i.e. someone working in accommodation/food services, wholesale and retail, residential care and agriculture is likely to be paid less than someone with equivalent characteristics working in other sectors.

There is a temptation to focus policies to create new employment opportunities on the needs of growth sectors. However, because some high growth sectors (administrative and support services, retail and accommodation/food services) have high proportions of low paid workers, expansion in these sectors is unlikely to have a significant impact on poverty unless there are improvements in the levels of pay they offer.

Figure 3: Employment Growth Versus Low Pay



Source: Authors calculations from Working Futures 5 and Labour Force Survey data.

Policy opportunities for harnessing growth sectors

In light of these findings, the team proposed a number of ways in which it might be possible to harness growth sectors to help reduce poverty. One approach would be to ‘raise the floor’ by increasing the National Living Wage (as advocated by the Living Wage Foundation). However, the impact is unclear, and some argue that employers would respond by reducing staffing levels. Other actions that governments could consider included changes in occupational standards and using their own procurement practices and skills policies to encourage suppliers to create sustainable and better paid employment.

Individual employers (with support from policy makers and other stakeholders) could help to tackle poverty by improving:

- pay and security (e.g. committing to pay a ‘real’ Living Wage, addressing ‘permanent precariousness’);
- skills and progression (e.g. providing bite-sized training, pay progression scales that represent skills development, identifying career pathways);
- line management (e.g. recognising its importance in fostering retention and progression);
- communication about opportunities for progression;
- job design (e.g. increased variety in roles and autonomy, create ‘good jobs’); and
- cost of living support (e.g. benefits packages).

These options were discussed in more detail in the workshop. Slides from the event can be found [here](#) (link) and the team will be publishing a paper on their initial findings which provides a more in depth analysis of the areas they have explored.

Positive elements of a sectoral approach

A number of positive outcomes from sectoral approaches (i.e. policies taking a specific sectoral focus) were acknowledged. Workshop participants said that they can:

- help establish a better dialogue and understanding of what sectors’ skills requirements are and the jobs they create;
- help forge closer links between government and employers;
- create a better understanding of prevailing employment practices and possible drivers of employer engagement;
- enable more effective short medium and long term planning for business, Governments and individuals once priorities have been clearly identified; and
- help to attract those businesses which may not have been interested without the sector priority focus to engage in policy initiatives.

Priorities and resources

It was also acknowledged that it is important to ensure that some support remains for sectors which have not been prioritised at national level, but which may be important locally. As noted above, some growth sectors are characterised by low pay and thus high levels of in work poverty. Workshop participants suggested that it would be valuable to examine the feasibility of conducting cost benefit analysis to identify which sectors offer most potential for sustainable employment and how the Welsh Government can best support these sectors.

Small and medium-sized enterprises

SMEs make up around half of the businesses in Wales and there was a consensus that it is important to consider their needs. It was recognised that SMEs may not offer the same opportunities for career progression as larger companies. However, it was suggested that the Welsh Government could help to bring SMEs within key sectors together to enable them to share the costs of training, procurement, administration etc. and to encourage knowledge transfer.

It was noted that some employers (and perhaps particularly SMEs) may not welcome employee progression if it results in additional costs to their business. However, more could be done to publicise evidence that progression can benefit both the employee and employer and there could be a role for government to educate SMEs about the benefits of career progression.

Strategy and partnership working

Workshop participants emphasised the importance of analysing local economies in order to understand employers' needs and ensure training takes account of them. They also recognised that needs will vary between sectors so local knowledge and data are important and need to be considered when developing any strategies. A sector focused approach also needs to consider any equality impacts on access to employment for different groups.

The result of this kind of analysis should be a short term and long term plan which allows employers, trainers and those looking for work to try and address the immediate skills shortages as well as take a longer term view and plan ahead effectively. There also needs to be consideration of how a sector approach would work with careers guidance. Work placements were highlighted as a potential area for raising awareness of opportunities in different sectors.

Personal and skills development opportunities

There was a lot of discussion about the potential for development opportunities for people already in work to encourage career progression. Many workshop participants felt that this was the best way to help people progress but that there were currently a number of barriers which prevented them from doing so. The eligibility criteria and nature of training that was available were cited along with employers' attitudes towards training and development. Line managers undoubtedly have an important role to play in encouraging progression and their attitude can have a big impact on an individual's desire to progress.

It is difficult for those in work to access courses during normal working hours and course levels and topics need to be relevant to their needs. A number of participants felt that training providers need to be more flexible and provide shorter courses outside of work hours.

It was also suggested that there is a significant 'Level 3' skills gap in Wales with large numbers of people receiving basic training but not moving on to the higher levels and that this is an issue which policy makers need to address.

Monitoring the impact of training and development was also raised and it was suggested that providers often find it very difficult to track the impact that a course has. However, measurement of employment outcomes is likely to become increasingly important in future.

There was a recognition that sector based approaches may be more important for job progression than job entry. It was noted that some sectors rely on low wages and zero hours contracts but can nevertheless enable people to develop transferable skills which can be used in other sectors. Some participants felt that a narrow focus on developing sector specific skills limited individuals' opportunities for progression.

Maximising Community Benefits through procurement

Many participants argued that much more can be done in terms of procurement to enhance community benefit and local employment. EU procurement law was often seen as preventing this. Therefore Brexit⁵ may give opportunities for more locally beneficial procurement practices. The public sector was identified as having the greatest opportunity in leading the way due to the scale of contracts procured at both a local and national level by public services in Wales. The use of local contractors, training and development, wage levels and apprenticeships were all areas that could be included in procurement contracts. There was also a suggestion that there could be an opportunity to build career progression into contracts.

The importance of policing contracts and having effective penalties for noncompliance was also stressed and there were also some concerns raised over the ability of SMEs to access large contracts. However, it was suggested that sectoral based policies could play a role in bringing SMEs together in order to create joint tenders and small business partnerships that enable SMEs to compete with larger companies.

⁵ We did ask participants not to discuss the issues around Brexit at the workshop due to the continued uncertainty over its implications, however this was one area that there was felt to be opportunity in the future.

Fostering Progression

The role of the Careers Service

The quality of independent careers advice is crucial in fostering progression. To support progression there is a need for an effective 'all age' careers service and enhanced employer engagement. Current careers advice services were not seen as being effective partly because much advice is delivered online which some find difficult to access. Workshops participants argued that one to one interaction with a careers expert is often much more beneficial. The information that they provide need to be accessible, practical and easily digested. Some participants felt that it would be very helpful to have a 'shopping basket' of support whereby multiple providers were available to allow a variety of options to match the individuals' needs.

There was a view that careers advice should reflect opportunities across sectors and not focus on a single role and there was a perception that the skills do not currently exist within careers services to give effective careers advice across multiple sectors. Some investment in sector specific knowledge, including on employment trends and key sectoral developments, would be valuable. There was a also view that careers advice focuses on getting people into work rather than opportunities for progression. One way of tackling this would be to supply continuing careers advice to those who are in work. However, this would have cost implications, unless employers are upskilled to be able to provide it. Large employers should already have capacity to provide careers advice but SMEs would require significant additional support in order to do so effectively.

Who is responsible for fostering progression?

It was recognised that some employers will not be open to changing their current practice and so it is necessary for people to 'own their own progression'.

Policies to foster progression need to be tailored to the individual's current position and to take account of their aspirations. For experienced/older workers interchange programmes between the public and private sector (and vice versa) and opportunities for volunteering may be valuable in broadening skills sets which may in turn help foster progression.

Barriers to progression

There are multiple barriers to progression which need to be considered when considering any policy development including:

- employment polarisation and industrial structures / business models that result in a lack of mid-skill jobs to progress into;
- lack of investment from employers in staff training and progression;
- an increase in the number of portfolio careers meaning people are changing jobs, rather than progressing in the same one;
- geographic factors where the next type of job to move on to is not available locally;
- caring responsibilities;
- the type of work being undertaken;
- lack of awareness of employers about the potential benefits of progression;
- employers not realising the non-financial benefits they could accrue;
- confidence of some of those entering the workplace;
- concerns over additional responsibilities associated with progression and/or limited financial reward;
- progression being important for the employee but not necessarily for the employer who are the key stakeholder; and
- the difficulty for people progressing when they have excellent practical skills but possibly not the English or Maths requirements for career progression.

Workshop participants suggested that the Welsh Government could help to foster progression by:

- supporting and changing the way training and development is funded;
- making the business case for investing in progression;
- helping to address the vacuum in adult skills progression past the point of basic skills (level 3 and upwards);
- creating a proactive preventative approach rather than reactive one which is too late to address existing gaps;
- ensuring that schools, colleges and training providers are better at job matching. There could be the potential to evaluate schools performance in terms of employability not just exams to help change mind-sets;
- reforming the workforce development levy to provide wider opportunities than just apprenticeships;
- ensuring apprenticeships are available to all ages; and
- exploring the possibility of providing accreditation for employers who encourage progression or better pay. This could then provide employers an advantage in tender exercises if built into procurement practices effectively.

Work First or Career First?

Workshop participants were asked to consider whether a 'work first' or a 'career first' approach would be best. A work first approach is currently adopted by the 'Work Programme' where the main focus is to get people work ready for any job with the goal of getting someone into employment and then sustaining employment. A careers 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 but can also result in longer term employment with better opportunities for progression.

There was a consensus that both career first and work first approaches are required and that approaches taken should be tailored to individuals' circumstances. Those who are long term unemployed or some distance from the job market are likely to benefit from a work first approach. However, those who are already qualified or are recently unemployed could be helped with career first approach.

There is the possibility of incentivising learning providers to work with people in work as well as those not working. This requires flexible delivery in terms of timing, eligibility criteria, course length, and funding. Advice and guidance is also needed to help provide better information so that people can make effective work and career choices.

Job Redesign for Tackling Poverty

Flexible working patterns can help those with caring responsibilities to enter and move on in work. There is the potential to redesign jobs to facilitate agile working – so that (more) workers can work where, when and how they choose. This provides more flexibility for the worker and can entail re-engineering the 'times' and 'places' of work. Those procuring contracts could also include more contract specifications to ensure better pay / terms and conditions. Work trials and work placements should also be encouraged to allow people to try out for jobs who don't have previous direct experience or have been disengaged from the job market for a long period. However, the equality impacts of job redesign need to be considered when making any changes as there may be unexpected negative consequences to changes which were originally designed to improve the situation.

Raising the Floor

It is important to consider the impact of increasing the minimum wage on existing pay structures. Those at the bottom of the scale will benefit but the gap between them and other grades may narrow and so provide a disincentive to further progression. If the gap is maintained, without any associated increases in productivity, then this has increased cost implications for the employer, which could result in job losses. There also needs to be consideration of how the National Living Wage works alongside Universal Credit in practice and the nature of associated aggregate financial rewards to the individual.

Certain sectors (such as child care) are particularly vulnerable to job losses as a result of these pay increases. Sectoral approaches could help to address this if policy makers get a greater understanding of the business models in each sector and work with businesses to meet the challenges.

It is also important to consider the impact of such policies on SMEs in Wales.

Emerging themes

Clear themes that emerged from the discussion included:

- the importance of blending sectoral and place-based approaches;
- the importance of considering the individual's needs;
- flexible training provision and the types of training available;
- the lack of robust timely data on employers' labour and skills needs by sector;
- the role and purpose of the Careers Service;
- the importance of SMEs in Wales; and
- the relationship between Welsh Government and businesses.

The research team will take account of the discussions in finalising the recommendations from their study which are due to be published in early 2017 on the PPIW website.

The Public Policy Institute for Wales

The Public Policy Institute for Wales improves policy making and delivery by commissioning and promoting the use of independent expert analysis and advice. The Institute is independent of government but works closely with policy makers to help develop fresh thinking about how to address strategic challenges and complex policy issues. It:

- Works directly with Welsh Ministers to identify the evidence they need;
- Signposts relevant research and commissions policy experts to provide additional analysis and advice where there are evidence gaps;
- Provides a strong link between What Works Centres and policy makers in Wales; and
- Leads a programme of research on What Works in Tackling Poverty.

For further information please visit our website at www.ppiw.org.uk

Author Details

Emyr Williams is Principal Research Officer at the PPIW

Anne Green is Professor at the Institute for Employment Research at the University of Warwick



This report is licensed under the terms of the Open Government Licence