

Harnessing Growth Sectors for Poverty Reduction

Anne Green, Paul Sissons and Neil Lee

City-REDI, University of Birmingham

Centre for Business in Society, Coventry University

Geography and Environment, London School of Economics

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About the project

HARNESSING GROWTH SECTORS FOR POVERTY REDUCTION

Aim

To explore whether and how poverty may be addressed by linking people in poverty to sustainable employment with opportunities for progression in growth sectors



Research design

- Contextual and quantitative analysis of growth sectors – including the relationship between growth sectors, pay and poverty
- Evidence reviews of *work entry, progression, and job quality* in growth sectors
- Case studies – approaches to linking growth sectors and poverty reduction
- Synthesis and impact

Labour market change and in-work poverty

Labour market & policy change

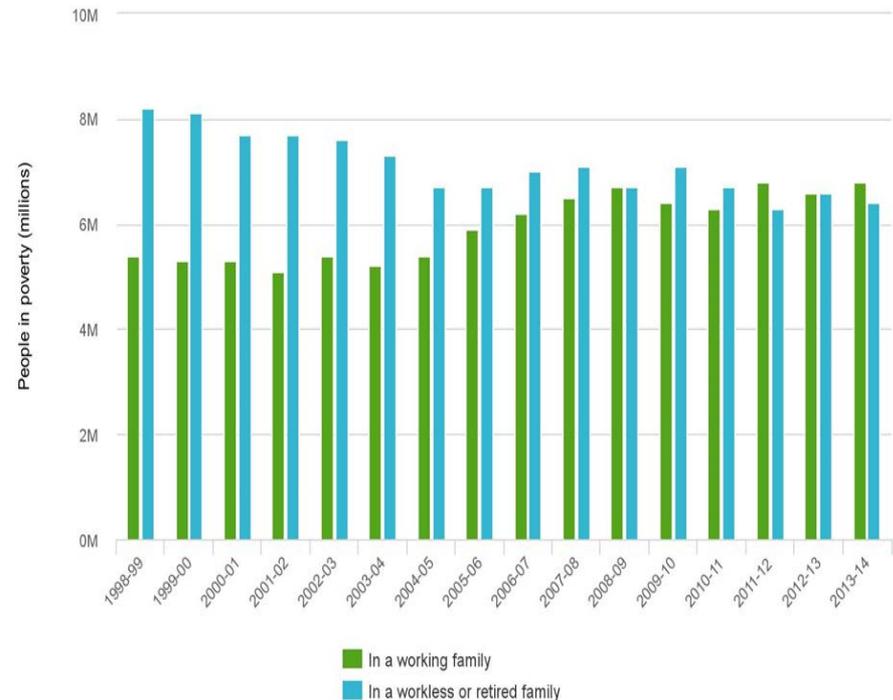
- Service employment growth and hollowing out of middle-skill occupations
- Flexibility and precarity
- Low-wage, no-wage cycle
- ‘Work first’ / ‘Career first’ balance
- National Living Wage and Universal Credit
- “from a low-wage, high-tax, high-welfare economy to a higher wage, lower tax and lower welfare country”*
- Rebalancing – sectorally & spatially; Industrial Strategy



In-work poverty trend

8A: More than half of people in poverty live in a family where someone is in work. At 6.8 million it is 1.5 million higher than a decade ago.

Source: Households Below Average Income, DWP; the data is for the GB to 2001/02 and for the UK thereafter



Growth sectors (1) – what they are

What are growth sectors ('strategic sectors' / 'priority sectors')?

- Sectors of long-term strategic importance, UK level (Industrial Strategy):
 - advanced manufacturing
 - knowledge-intensive traded services
 - enabling industries (including energy)
- Typically focused on **GVA** rather than on **employment**
- Evidence suggests that **employment growth** rather than **GVA growth** has the biggest impact on poverty
- *Disconnect.* policy focused on growth vs policy focused on poverty
- Local economic policies often include advanced manufacturing, digital and creative, green/ efficient energy BUT other sectors included in some local policies: hospitality, retail & logistics, care



Growth sectors (2) – why an appropriate focus

Why might it make sense to focus policy on growth sectors?

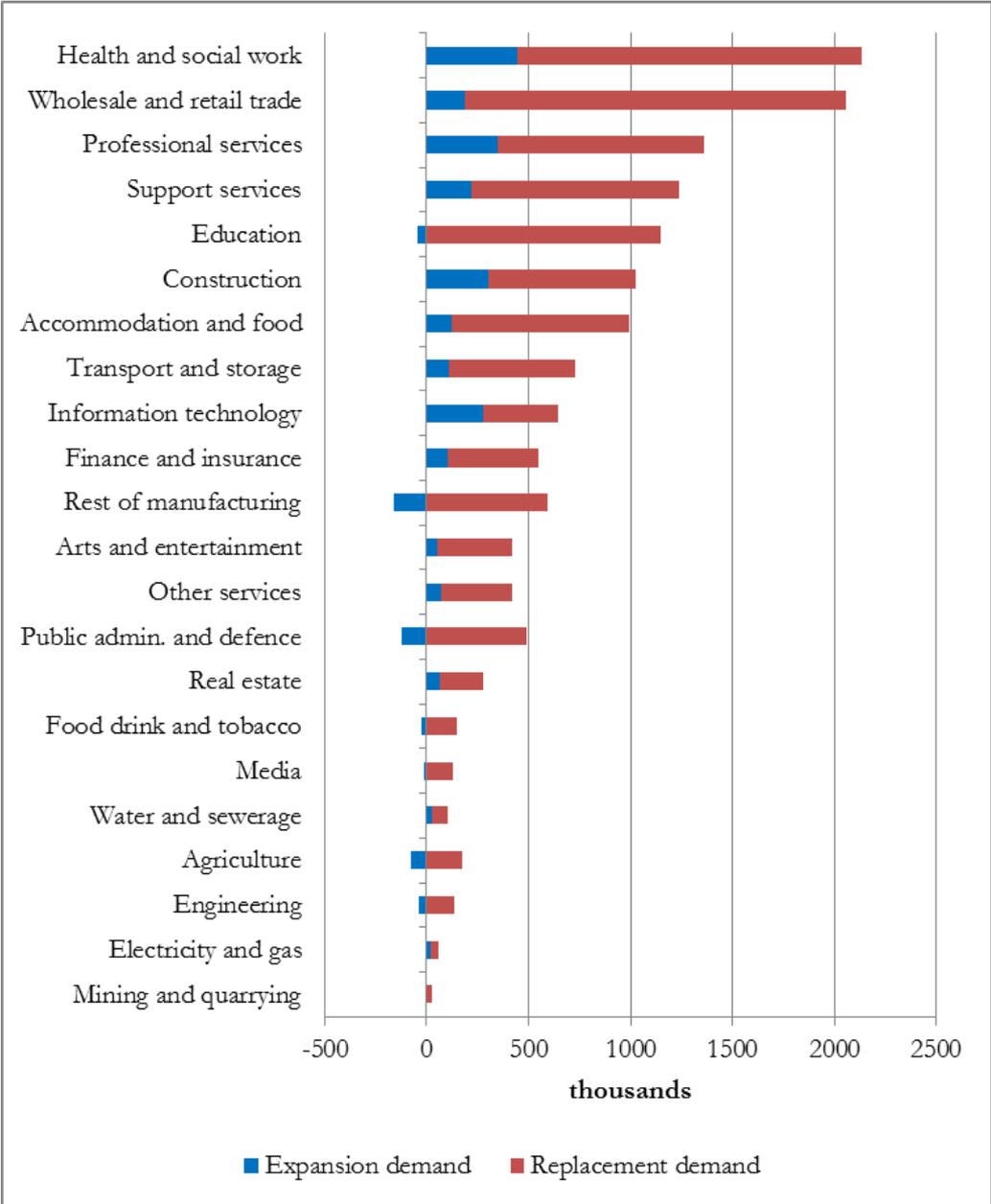
- Generating new employment opportunities – for those out of work / in low pay to move into
- Public policy might offer opportunities for:
 - business support
 - integrated strategies for economic development and skills support
- Fast growing sectors may have *labour and skills shortages* – may engage with skills provision
- Fast growing sectors may face *retention* challenges – opportunity for progression policies
- BUT product market strategies might be based on low pay / low skills



Growth sectors (3) – focus for review

Financial and professional services	Large and high value sector; a relatively large proportion of highly paid jobs in organisations with well-established training infrastructure and HRM functions; barriers to entry are relatively high.
Manufacturing	Continuing contraction in employment but significant opportunities as a result of openings through replacement demand; apprenticeship system is well-established in much of the sector.
Energy and environment	Relatively diverse sector cutting across other sectors of employment, including parts of construction and manufacturing; a focus of considerable policy attention, although the overall job creation potential of 'green jobs' remains unclear.
Construction	A male-dominated employment sector; relatively high degree of self-employment; employment growth potential given investment in infrastructure and housing. Expectation that the sector contributes to community benefits.
Social care	Female-dominated employment sector; ongoing recruitment and retention difficulties; low-wages and public spending constraints; potential opportunities for enhanced job quality and to develop career pathways integrated with the health sector.
Accommodation and food services	Low-pay and sometimes by seasonal working; low barriers to entry; flat organisational structures and limited training and development reduce the scope for career advancement.

Growth sectors (4) – employment projections



Expansion & replacement demand, 2012-22, UK

(Working Futures)

Scope of Data Analysis

- Quantitative analysis of growth sectors – including the relationship between growth sectors, pay and poverty

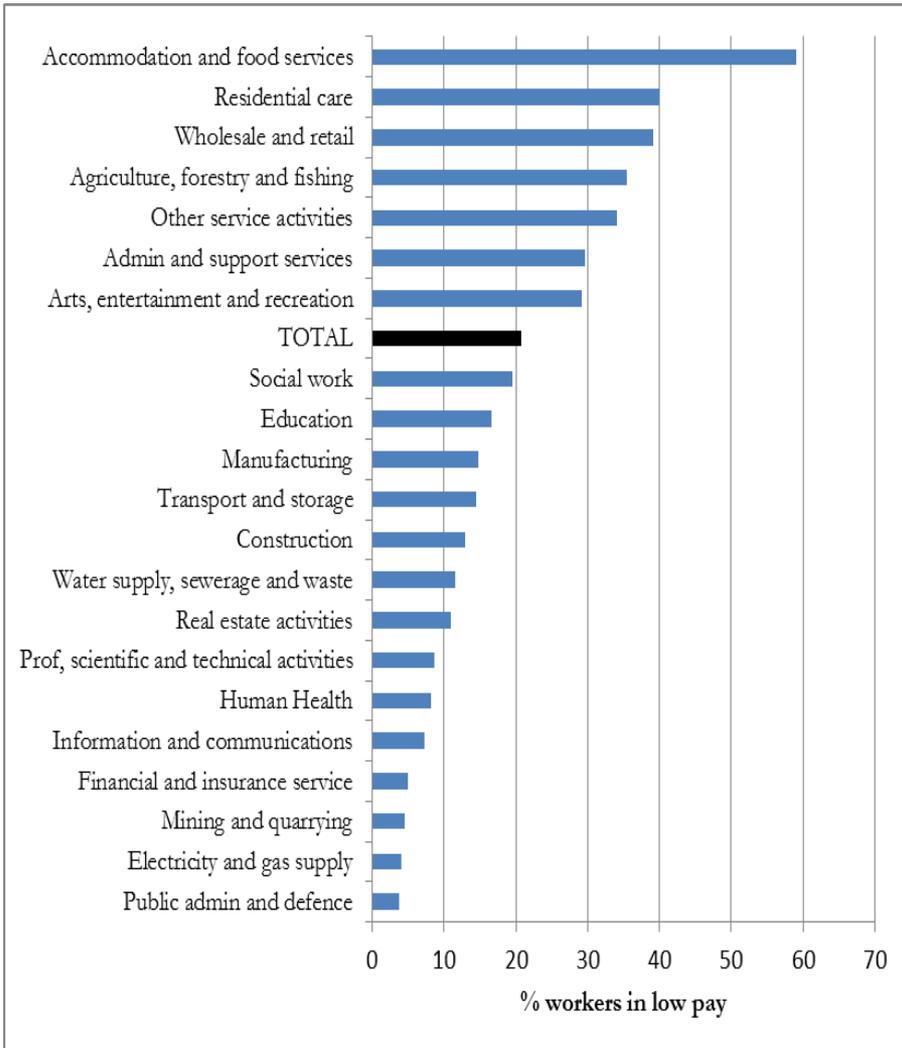
Data sources

- ‘Working Futures’ labour market projections
- Labour Force Survey
- Family Resources Survey
- Understanding Society (not reported here)



Low pay by sector - overview

% of workers in low pay by sector (LFS, 2010-2014)



Sectors with the largest shares of low paid in the UK are:

- Wholesale & retail (27%)
- Accommodation & food services (16%)
- Education (9%)
- Manufacturing (8%)

Percentage of total low paid employment in selected sectors, UK (LFS, 2010-2014)

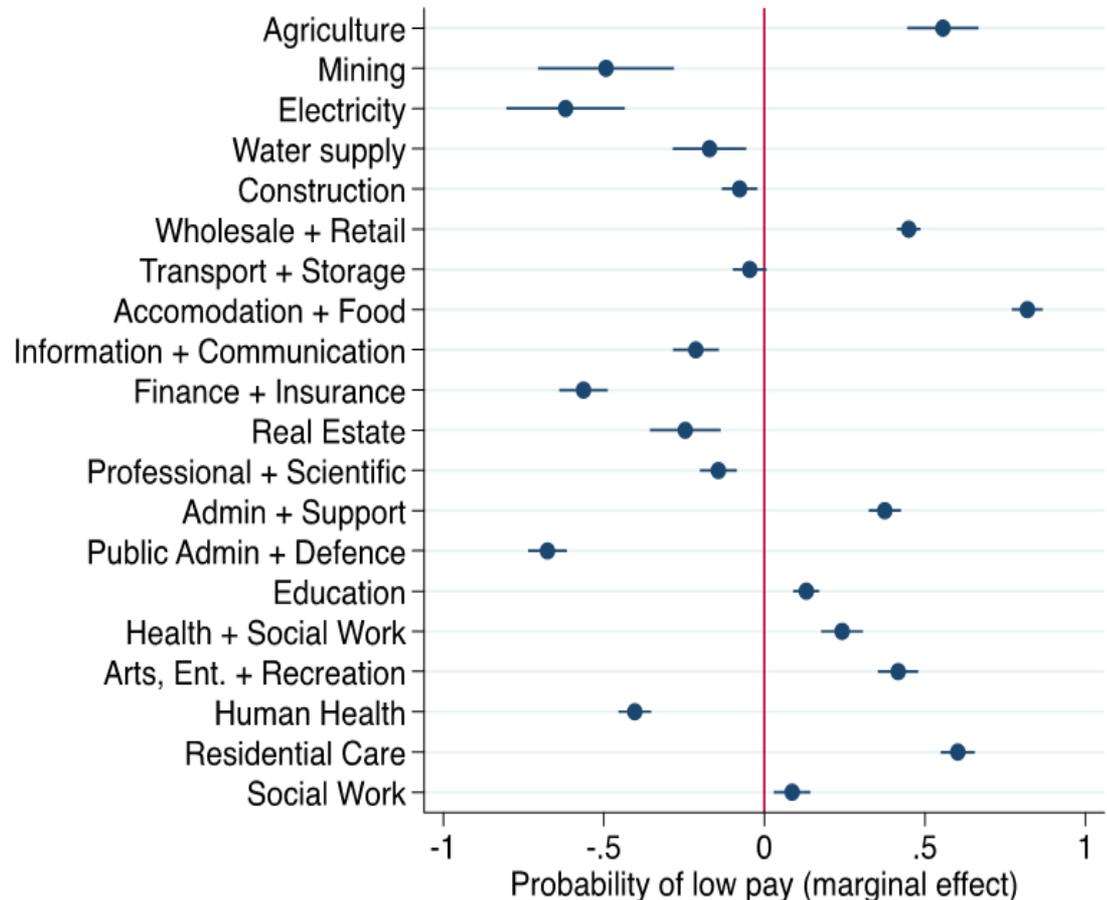
Sector	Low paid employment	Total employment
Accommodation and food services	15.8	5.7
Residential care	6.3	2.4
Wholesale, retail	27.4	14.5
Agriculture	1.0	0.6
Other service activities	3.3	2.2
Admin and support services	6.2	4.4
Arts, entertainment, etc.	3.1	2.2
Education	9.0	11.3
Manufacturing	7.7	10.7

Low pay by sector – worker characteristics

Are differences in low pay merely a function of worker characteristics?

- Modelling shows that controlling for individual characteristics highest positive effects are in Accommodation & food services, Wholesale & retail, Residential care and Agriculture
- *Suggests that focusing on these sectors might be a useful way to target low pay, independent of horizontal policies*

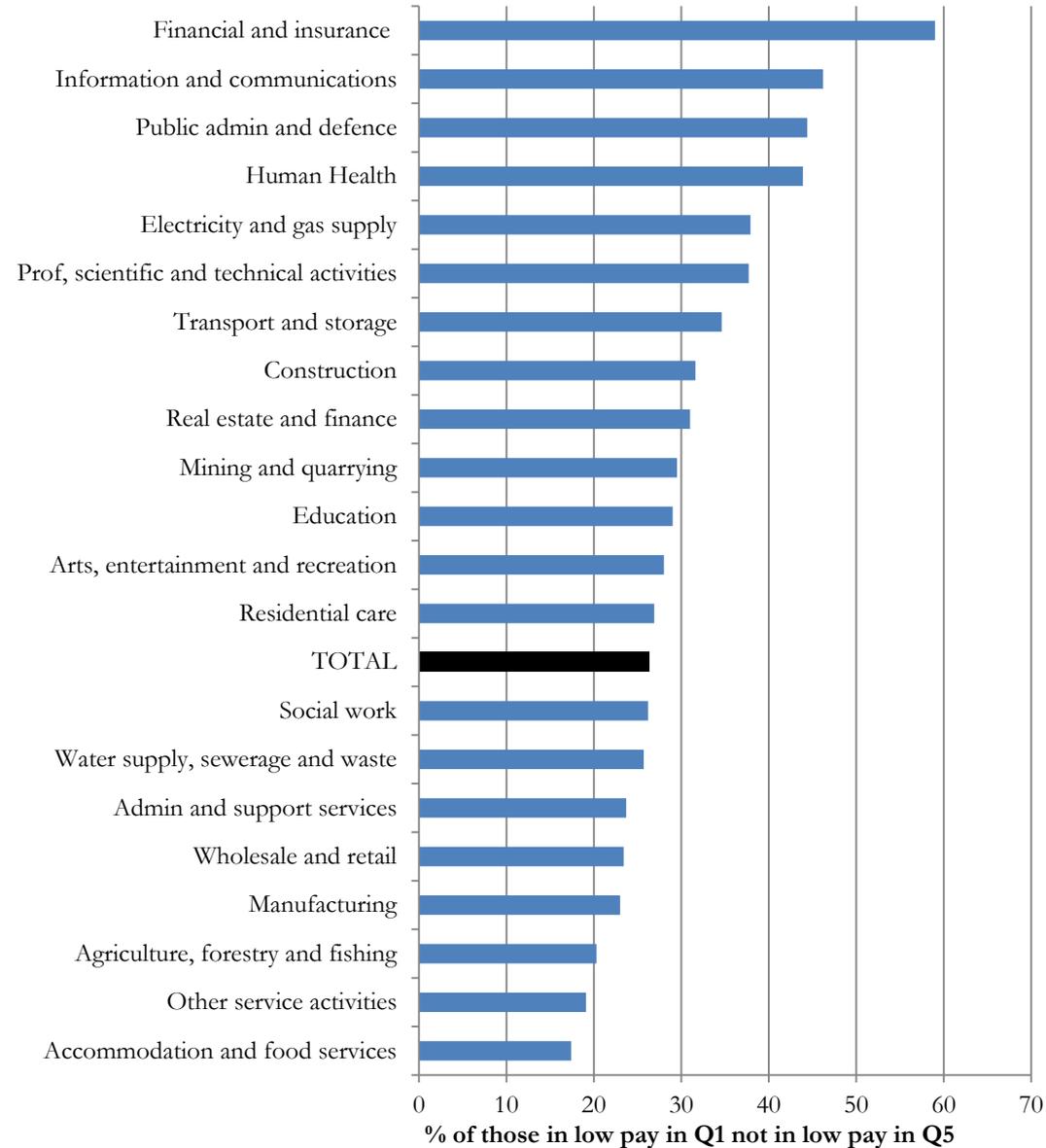
Marginal effects of low pay by sector, controlling for personal characteristics, UK (LFS, 2010-2014)



Sectoral variations in probabilities of leaving low pay

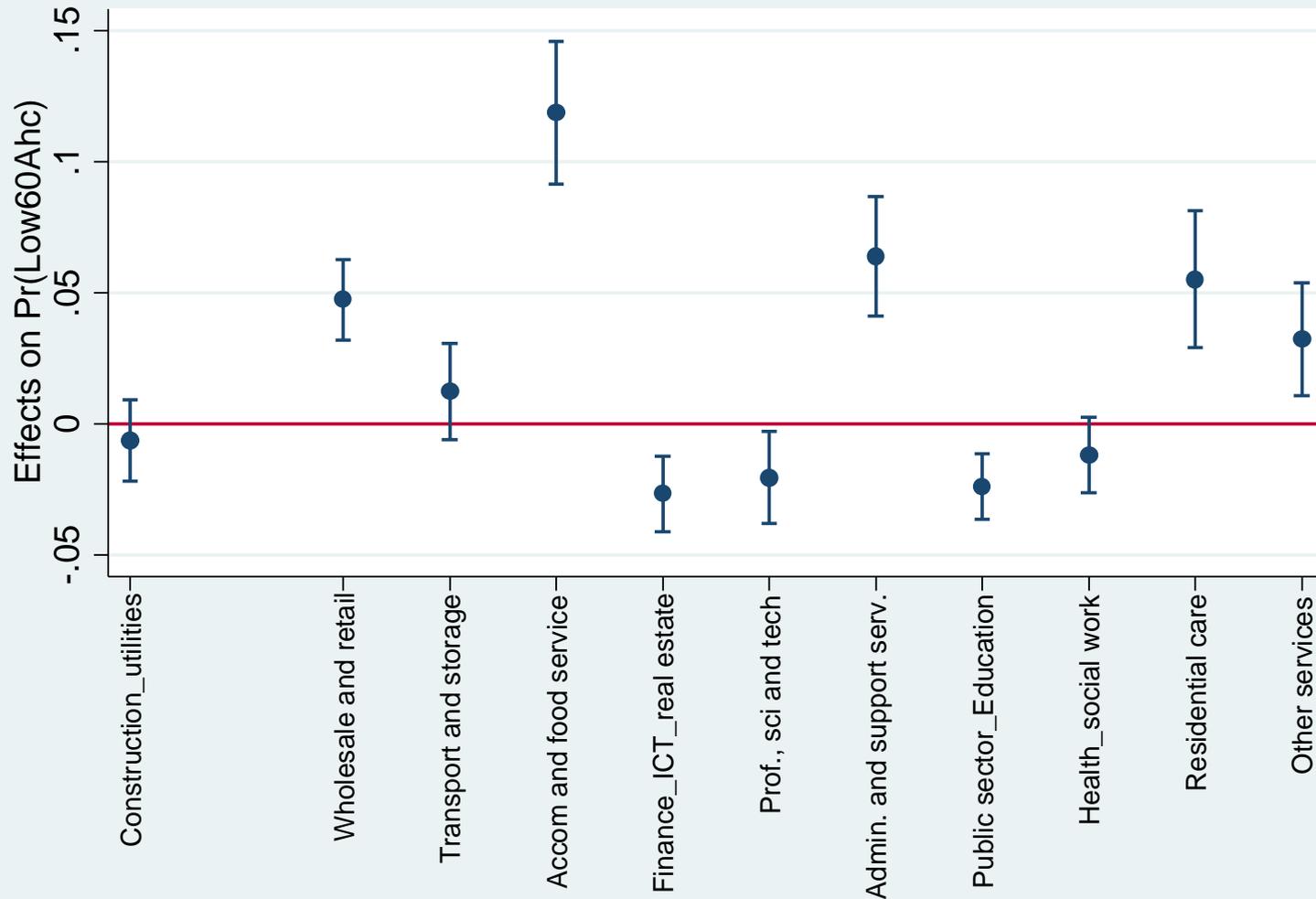
- Probit regression modelling shows that controlling for personal characteristics and selection into low pay, sectors with higher probabilities than manufacturing of leaving low pay are:
 - Human Health
 - Finance and Insurance
 - Public Admin. & Defence
- Sector matters for upwards earnings mobility

(LFS, 2010-2014)



Low pay, sectoral effects and poverty – household level (1):

Poverty rates (AHC) AME on poverty by sector of main earner



Low pay, sectoral effects and poverty – household level (2):

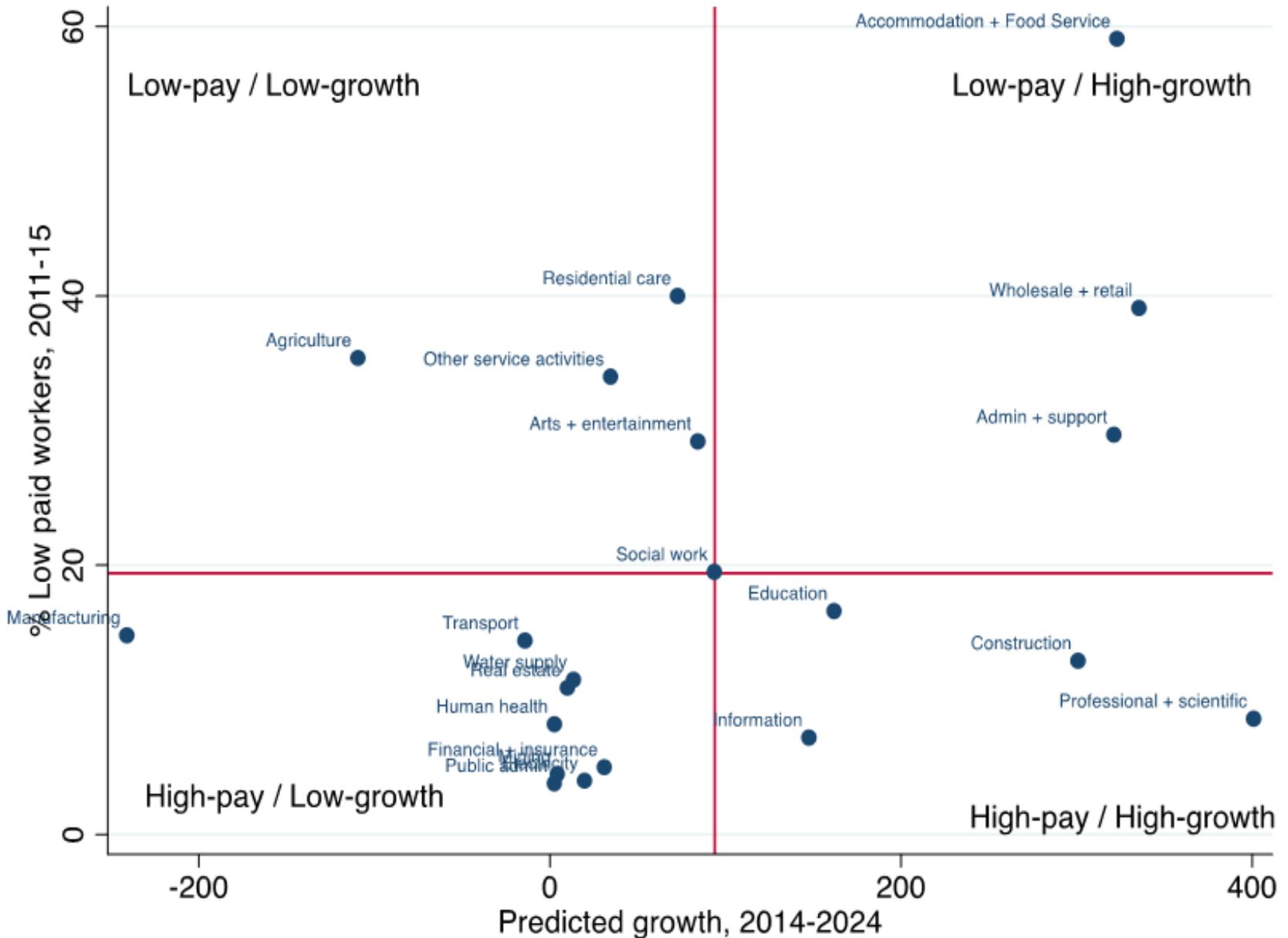
Poverty rates (AHC) AME on poverty by sector of main earner

Household labour supply can play an important role in mediating poverty, but household poverty persists in some sectors characterised by low pay despite there being two earners in the household

<i>Sector</i>	<i>All</i>	<i>Single person household</i>	<i>Dual-person household - dual earner</i>	<i>Dual-person household - single earner</i>
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 & technical	6.8	8.0	2.1	16.9
Residential care	21.9	25.3	9.2	30.8
<i>Total (all sectors)</i>	11.9	13.8	4.2	26.4

Source: Authors' estimates from the FRS/HBAI.

Employment growth (000s) versus low pay



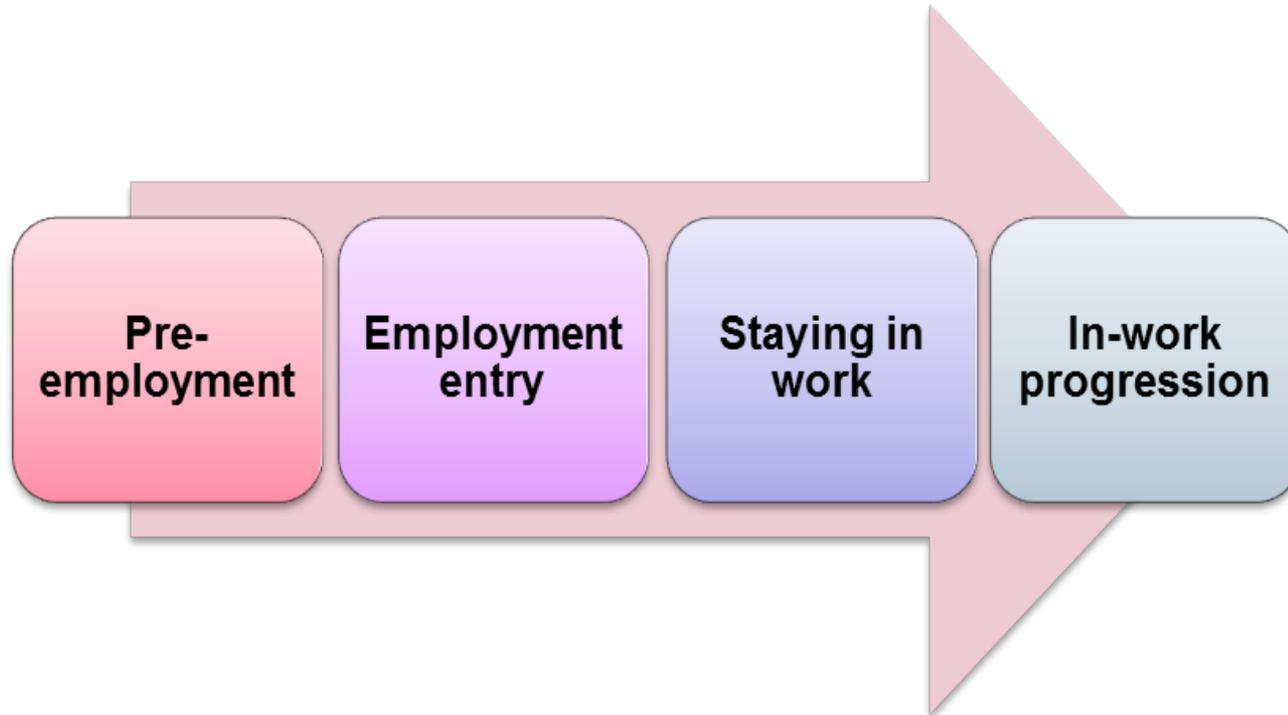
CONCLUSIONS FROM DATA ANALYSIS

- There are significant ***sectoral effects*** are evident from analyses modelling low pay and poverty once individual and household factors have been accounted for
- Some sectors better facilitate transitions out of low pay than others
- Being in a ***growing sector in a growing local labour market*** increases earnings growth



EVIDENCE REVIEWS

Pathway to employment



The evidence base

Assessing the evidence base

- **Plausible** – makes sense theoretically, has not been tested empirically
 - **Promising** – outcomes appear positive but evidence is not robust
 - **Proven** – practice has been subject to rigorous evaluation with positive benefits demonstrated
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- Most evidence is on *employment entry*
 - Much less evidence on *progression* but a few high quality studies
 - *Job quality* is widely studied but the evidence base is disparate



EMPLOYMENT ENTRY Findings

- Job search is central to employment entry – job search skills, self-efficacy
- Personal advisers / key workers are important for the success of initiatives to tackle worklessness and assist employment entry
- Pre-employment training can be an important precursor to employment entry (evidence from case studies in the retail and hospitality sectors). The provision of contextualised training alongside more general employability skills. Evidence from use of SBWAs
- Apprenticeships are an important route for job entry for young people in some sectors (such as construction and manufacturing) - including through procurement and planning policies.



PROGRESSION (1)

What is progression?

- Monetary:
 - higher pay rate
 - working more hours
- Non-monetary:
 - increased job stability
 - horizontal moves - for better longer-term prospects

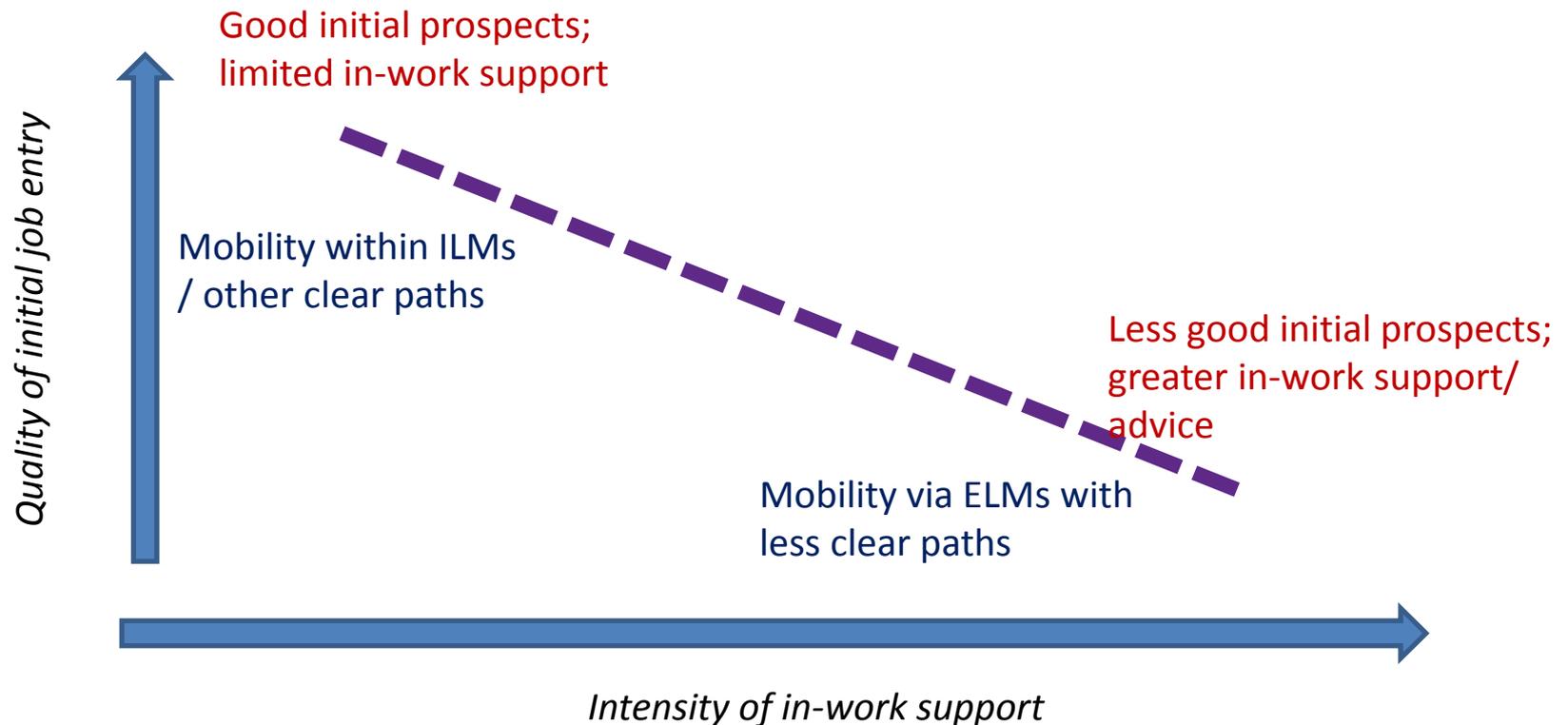
Dimensions

- *Internal labour market*
- *External labour market*



Focus on PROGRESSION (2)

Dimensions of policy intervention in improving progression



PROGRESSION Findings

- Evaluation of ERA identified combination of services and financial incentives could support positive earnings outcomes (although there were mixed results for different groups over the longer-term)
- Some robust evidence which comes from the US from programmes which target a pathway approach to employment entry, retention and progression and a sector-focused approach - suggesting:
 - Policy can be designed to target work entry and progression outcomes jointly
 - A potential benefit of a *sector-focused* approach to progression
 - But, insufficient evidence to identify the ‘best’ sectors to target.
- Also developing evidence base around Career Pathway programmes – structured training programmes in ‘high-demand’ occupations



JOB QUALITY Findings

- Job quality is a multidimensional concept – no single evidence base
- Most evidence associated with minimum wages
- Case studies of employer practice relating to living wages and flexible working
- Some evidence around linkages between business practices and job quality (e.g. HPW)
- Case study evidence points to:
 - 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



RECAP from Data Analysis and Evidence Reviews

- There are significant ***sectoral effects*** are evident from analyses modelling low pay and poverty once individual and household factors have been accounted for
- Some sectors better facilitate transitions out of low pay than others
- Some low-pay sectors are projected to continue to grow in size
- The evidence base is relatively large on what works for job entry, it is much smaller for progression
- There is some evidence that sector-focused programmes can be beneficial (including for progression)



Implications for Policy



Key contextual factors and policy concerns

Contextual factors

Macroeconomic policy: <ul style="list-style-type: none">• interest rates; inflation• austerity – greatest impact on public sector	Labour market conditions: <ul style="list-style-type: none">• rising employment rates• falling unemployment – but local variations• reduction in real wages	Brexit: <ul style="list-style-type: none">• uncertainty re future trade, regulation, funds• focus on spatial and social inequalities
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Policy concerns

Falling productivity vis-à-vis competitors: <ul style="list-style-type: none">• management and leadership deficit• Industrial Strategy	Welfare and regulatory reform: <ul style="list-style-type: none">• changing benefits system; Universal Credit• raising National Minimum/ (Living) Wage	Devolution agenda and place-based policy: <ul style="list-style-type: none">• deal-making• asymmetry between places
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Factors influencing employment entry and in-work progression

- **Individual factors** - 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
- **Macro level factors** - such as macroeconomic conditions and the prevailing employment and welfare policy regime

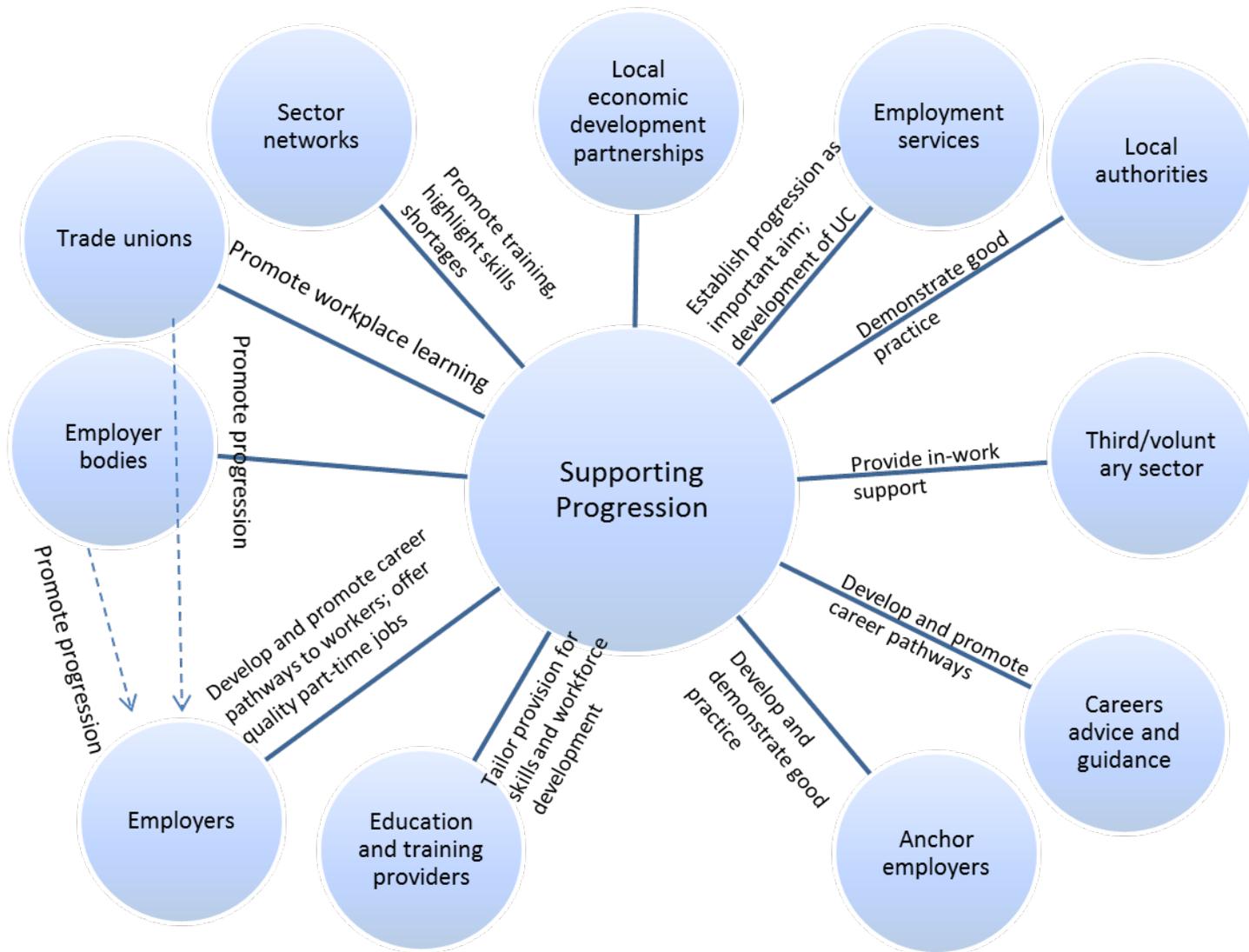
Development areas: EMPLOYMENT ENTRY

- Further development of, and enhancement of access to, careers information, advice and guidance (IAG)
- Enhancing provision of work placement opportunities
- Promoting apprenticeships
- Ensuring employment entry is not an end in itself
- Targeting a sector-based approach to local context

Development areas: IN-WORK PROGRESSION

- Developing innovative approaches to progression through Universal Credit and devolution
- Ensure a wider system of information and advice is in place to support decision-making
- Demonstrate and promote the benefits of clear progression
- Develop career pathways in appropriate sectors
- Address the wider problems of low-paid employment

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



Development areas: JOB QUALITY

- Developing institutional capacity to support business development
- Increasing the availability of quality part-time jobs
- Linking procurement and job quality
- Making job quality a priority in devolution

Priority Actions (1) – place-based

- Local stakeholders working together to develop place-based industrial policy which addresses the issues of job quality in large employment but low-wage sectors
- 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
- 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 services



Priority Actions (2) – sector-focused

- Developing and promoting entry and progression activities in sectors such as health and social care and in manufacturing through a ‘dual customer’ approach
- 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



Priority Actions (3) – employment services

- Test and mainstream employment support focused on longer-term outcomes (such as progression)
- Allocate departmental/ministerial responsibility for job quality
- Support for greater career mobility through provision of IAG
- Work on ‘myth busting’ regarding opportunities in different sectors and to promote different careers



Priority Actions (4) – employer-focused

- 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
- Ensuring the local provision of careers advice and guidance to support individuals to progress by moving jobs where existing opportunities are constrained



Future Directions for Research

- Understanding longer-term transitions / trajectories out of low pay
- Household decision-making in the context of local and sectoral opportunities and constraints
- Employer decision-making and business models
- The role of institutional factors and regulation
- Changes in emphasis of active labour market policy
- Evaluating local initiatives



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