

Making the Economy work for people on Low Incomes

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Introduction

Other respondents to this consultation have ably described how the industrial and occupational mix in Wales does not produce sufficient demand for high qualifications and skills¹.

My response focuses on the Committee's questions relating to ensuring inclusive growth, addressing economic inequalities between different groups of people, and the innovative actions of employers collaborating with the *Women Adding Value to the Economy* (WAVE) programme to address progression from low graded roles.

Low income can affect all employees over the lifecycle, is associated with particular economic sectors and can be compounded by insecure or variable hours contracts, self-employment and part time working.

Jobs that require low or no qualifications rarely have 'job ladders'. Progression to higher graded roles is not envisaged or supported through training and development. Employment in these 'flat structures' produces 'sticky floors' at the bottom of the labour market, constraining the ability to increase income. With little possibility to move up through employment structures (vertical progression), employees can only change employer (horizontal progression) to attain higher pay or hours, and will need information and advice on transferable skills².

The following section considers the nexus between low incomes, the dimensions of socio-economic inequalities and inclusive growth.

¹ Felstead, A., Davies, R. and Jones, S. (2013) *Skills and the Quality of Work in Wales, 2006-2012*, Cardiff: WISERD.

² Sisson, P., Green, A. and Lee, N. (2016) *Supporting Progression in Growth Sectors*, Evidence Paper, Cardiff: Public Policy Institute for Wales

The equality dimensions of low pay in the Welsh Labour Market

The *Anatomy of Economic Inequality in Wales* (2011) report found that young people, people of Pakistani and Bangladeshi heritage, disabled people and those living in rented accommodation were on the lowest incomes. Further, that with the exception of educational outcomes, women had a higher incidence of disadvantage across employment, earnings, income and wealth within all the population groups³.

The mismatch between qualifications levels in Wales and job entry requirements particularly restricts women's earnings. Women have been over-represented in sectors associated with low pay such as education, health, tourism and leisure, retail and hospitality, in occupations such as sales, administration, and personal services, for at least the last 20 years⁴. Their concentration in these sectors and occupations results in women being much more likely than men to work in jobs below their qualifications level⁵.

For women, low pay in low graded jobs is further compounded by low hours⁶. For example, within the 'elementary' jobs classification, which is gender balanced overall but has considerable gender segregation between job roles, 75% of men work on a full time basis while 73% of women work part time hours⁷.

The WAVE case studies produced numerous examples of women working multiple part time or part time and casual jobs with the same employer, in order to build working hours⁸.

³ Davies, R. (ed.) *An Anatomy of Inequality in Wales*, Cardiff: Equality and Human Rights Commission (Wales)

⁴ Parken, A. (2016) Changes and Continuities: Women in paid work in Wales 1994-2014, in in Mannay, D. (ed). *Our Changing Land: Revisiting Gender, Class and Identity in Contemporary Wales*, Cardiff: University of Wales Press

⁵ Office for National Statistics (2013) Full Report – Women in the Labour Market (Newport: ONS, 2013)

⁶ Low pay is defined as less than two thirds of median annual income

⁷ Parken, A., Pocher, E. and Davies, R. (2014) *Working Patterns in Wales: Gender, Occupations and Pay*, research report for Women Adding Value to the Economy (WAVE), ESF funded through the Welsh Government

⁸ Overview and detailed case study reports can be accessed at:

<http://www.cardiff.ac.uk/research/explore/research-units/women-adding-value-to-the-economy-wave>

The only protection against low earnings for women is:

‘...having a degree, a higher degree or working full time in a professional occupation. The probability of low hourly earnings is more than twice as high for women who work part-time (47%) as full-time (22%)⁹.

In addition to low pay in both part time and full time roles, estimates suggest that around half of all self - employed people have low incomes¹⁰. For these reasons, recent research categorizes ‘precarious workers’ as those who are self-employed, work part time or are in non-permanent work. The study finds that whilst the proportion of men in these categories has climbed to 27% in Wales during the economic crisis, this is still much lower than the 46% of women who are employed in such ways - a figure that has remained relatively stable over the last decade¹¹.

Further, more men and women in Wales report ‘under-employment’ than elsewhere - that is wanting more hours, or seeking an additional or replacement job to build earnings.

The rate of precarious work has also climbed sharply for disabled workers. Recalling that over half of working age people in Wales who meet the definition of disabled under the Equality Act and/or have a life limiting illness are not economically active, of those that are in some form of paid work, almost 45% are in precarious work¹². The incidence of precarious employment among the disabled population has increased over the period of the recession, although changes to the way disability is defined in surveys makes this assessment unclear, and so it requires further examination¹³.

⁹ Parken, A., Joll, C., and Wass, V. (2011) *The Position of Different Groups in Wales: A cross-cutting summary and conclusions*, in Davies, R. (ed.) *An Anatomy of Inequality in Wales*, Cardiff: Equality and Human Rights Commission (Wales)

¹⁰ Lloyd (2017) references Broughton, N. and Richards, B. (2016) *Tough Gig: Tackling low paid self-employment in the London and the UK*, London: Social Market Foundation.

¹¹ Davies, R. and Parken, A. (forthcoming) ‘Devolution, recession and the alleviation of inequality in Wales’, in Fee and Kober (eds.) *Inequalities in the UK since the 2008 recession: New discourses, evolutions, and actions*, Bingley: Emerald Press

¹² *ibid.*

¹³ Baumberg, B., Jones, M. and Wass, V. (2015) ‘Disability and disability-related employment gaps in the UK 1998-2012: different trends in different surveys?’ *Social Science & Medicine* 141, pp. 72-81

In summary, when designing an economic strategy for Wales, thought must be given to creating progression in the foundational economy as well as securing higher skilled jobs in growth sectors. Attention must also be given to creating greater diversity within high value sectors - restricting funding to growth sectors where men dominate higher skilled technical work, can have the effect of entrenching inequalities¹⁴.

Women account for just 9% of skilled trades workers in Wales; these skills may provide entry into new 'green economy' jobs in the future. And although the growth sector, *Finance, Business and Professional Services*, is gender balanced overall, half of all men in the sector work in the top three occupations (Senior Managers, Professionals, and Associate Technical and Professionals) compared to just a third of women¹⁵. Over 40% of women in this sector are in administrative roles with no clear progression routes.

Between 2004 and 2014, the number of *Science and Technical Associate Professional* jobs in Wales grew from 21,000 to 25,600, and men held 80% and 78% respectively of these jobs over the decade¹⁶. The new economic strategy must give consideration to supporting people to use their qualifications and skills to access higher paid work; this means breaking down gendered sector and occupational boundaries.

The WAVE 'Equal Pay Barometer' has been used in careers advice work to demonstrate the density of men and women in over 300 occupations, and likely earnings in so-called 'women's work'. Whether it has persuaded some women to take up train driving (average earnings £39,000 per annum) instead of beauty therapy (average earnings £13,000 per annum) I could not say, but it is a useful tool, which could be further developed and used by careers advice services¹⁷.

¹⁴ Parken, A. and Rees, T.L. (2011) 'Economic renewal and the gendered knowledge economy in Wales', *Contemporary Wales* 24(1), pp. 113-134.

¹⁵ Parken, A., Pocher, E. and Davies, R. (2014) *Working Patterns in Wales: Gender, Occupations and Pay*, research report for Women Adding Value to the Economy (WAVE), ESF funded through the Welsh Government

¹⁶ Parken, A. (2016) Changes and Continuities: Women in paid work in Wales 1994-2014, in in Mannay, D. (ed). *Our Changing Land: Revisiting Gender, Class and Identity in Contemporary Wales*, Cardiff: University of Wales Press

¹⁷ [http://www.wavewales.co.uk/equal-pay-barometer/3514/?name=TRAIN%20OPERATIVE%20\(DRIVER\)&pay_period=annual](http://www.wavewales.co.uk/equal-pay-barometer/3514/?name=TRAIN%20OPERATIVE%20(DRIVER)&pay_period=annual)

Thought should also be given to supporting growth and innovation in education and health, and management and leadership thinking (Ball 2010)¹⁸.

Since the *Anatomy of Economic Inequality* report in 2011, education and labour market outcomes have improved somewhat for people with Pakistani and Bangladeshi heritage according to the EHRC (WALES) *Is Wales Fairer?* Report. However, the *Anatomy* report was based upon the compilation of a pooled dataset that provided for close examination of small sub sets of the population. It facilitated the examination of the intersectional socio-economic impacts of gender, ethnicity, disability, social class and age on education, employment and earnings outcomes.

It would be timely to update this analysis to underpin the equality impact assessments that will be needed to ensure that the *City Deals* and new economic strategy for Wales promote equality through encouraging earnings growth/ higher hours/ and more permanent work. The strategy will need to consider both opportunities to progress in 'foundational economy' jobs, and to increase access for all into higher skilled and higher paying occupations.

Creating progression opportunities from low paid jobs

As discussed, low graded jobs (Grades 1 to 3) generally require no or low qualifications and rarely have 'job ladders' to allow for progression up the grade structure. During the *Women Adding Value to the Economy* (WAVE) programme, Cardiff University worked with collaborating public sector employers in local government, health and higher education to assess employment and pay inequalities in the structure of employment¹⁹.

These employers demonstrated a high volume of permanent work. However, in all cases women were over-represented in low paid, low graded, part time work and temporary or casual work.

Data correct at 2014, the EPB does need updating!

¹⁸ John Ball 'Improving what we already do', Agenda Spring 2010

¹⁹ Overview and detailed case study reports can be accessed at:

<http://www.cardiff.ac.uk/research/explore/research-units/women-adding-value-to-the-economy-wave>

During WAVE, and pleasingly since the completion of the programme in 2015, these employers have recognised their low paid employees as a valuable asset. They know the organisation, and are loyal staff - often having worked part time for the same employer for many years.

In challenging times of austerity, the collaborating WAVE health board and local government employers have undertaken surveys and staff consultation exercises with low graded employees, asking them about their aspiration to progress, desire for greater working hours and their readiness for training and development or job enrichment.

The results of staff consultations demonstrated significant interest in both working greater hours and training and development for progression. It is early days, but both employers have, or are in the process of, updating recruitment practice, redesigning personal development reviews, undertaking gender bias training, developing line managers to spot progression opportunities, and bolstering skills, including literacy skills where necessary, in order to help employees progress – often into areas where recruitment has been challenging.

One innovation of particular note is an employer intervention to help employees avoid the welfare/low earnings trap.

Although Universal Credit requires workers to strive for higher pay or increased hours, the low earnings trap is compounded by the one 'earner disregard' per household policy. The lack of a 'disregard' for a second earner can act as a disincentive to build hours or move to higher paid roles – joint earnings may be insufficient to replace the loss of household welfare transfers²⁰.

The health board has run joint consultations with staff supported by Citizens Advice Bureau and Job Centre Plus to help women in low graded roles understand and negotiate earnings/ welfare transfer boundaries.

²⁰ MacLeavy, J. (2017) *The Lack of Welfare in Welfare to Work*, Women Work and the Economy in Post-Brexit Britain, PolicyBristol Conference, 22nd June 2017.

Creating job shadowing and job swapping opportunities within the health board has also led to movement between occupations and some movement to higher grades. Eighty 'bank only' workers have moved into permanent work in nursing and healthcare roles as a result of staff engagement activities and changes to the recruitment process²¹.

Creating 'job ladders' in lower skilled work is challenging, but with commitment and resource it is possible.

The Higher Education employer has tackled gender segregation in lower grades by creating generic service roles that contain stereotypically gendered tasks. Workers can move between tasks, for example, the same workers may rotate between catering and security work. All the jobs are offered on a flexible working basis and by moving to a values-based recruitment system, the employer considers that a higher number of women have been recruited to supervisory roles than might have otherwise been expected.

These initiatives are detailed examples of dedicated work by employers to change the employment structures that reproduce inequalities in the labour market, and are underpinned by the ambitions set out in the Welsh Specific Equality duties on employment and pay differences.

The Welsh Government review of the effectiveness of the public sector duties equality is due in September 2017. If the review shows that such good practice is not widespread, then the *Equality, Local Government and Communities Committee* has the opportunity to encourage the replication of such good practice, in the both public and private sectors.

²¹ Parken, A. (2015) *From evidence to action on gender pay gaps: The WAVE employer case studies*, research report for the Women Adding Value to the Economy Programme, ESF funded through the Welsh Government.