



## Harnessing Growth Sectors for Poverty Reduction: What Works to Reduce Poverty through Sustainable Employment with Opportunities for Progression

Traditionally employment has been seen as a key route out of poverty. However there are increasing concerns about the prevalence of in-work poverty in the UK given labour market changes associated with altered working practices (for example the fragmentation of working hours and growth of zero hours contracts) and an increasing polarisation between higher and lower paid jobs.

Since the financial crises there has been a renewed interest in industrial policy in attempts to stimulate economic growth. National and local policymakers have identified a set of 'growth sectors'. This research, funded by the Economic and Social Research Council, fills a gap in evidence about 'what works' in harnessing growth sectors for poverty reduction.

It does this by providing a detailed evidence-base for what works in reducing poverty by harnessing employment opportunities in growth sectors. It focuses on transitions into employment, in-work poverty and raising the quality of jobs and encompasses research on:

- Identification of 'growth sectors' and the number and profile of jobs within them. Data from the Labour Force Survey, the Family Resources Survey and Understanding Society were used to examine the profile of low-pay and how people move between and within growth sectors, and whether and how such moves help people to move out of poverty.
- Reviews of national and international evidence on 'what works' in helping people experiencing poverty gain entry to growth sectors and how their employment progression can be facilitated. It also examined evidence on how job quality in growth sectors can be enhanced and identified 'good practice' examples.
- Case studies of practical initiatives to harness growth sectors for poverty reduction.
- Synthesis of findings from the research, identifying policy levers that are available for harnessing growth sectors for poverty reduction, and how they might be best used. The findings were tested through a series of policy workshops facilitated by the Bevan Foundation and an event convened by the Public Policy Institute for Wales.

Anne Green, Paul Sissons and Neil Lee have co-authored a series of reports published by the Public Policy Institute for Wales (PPIW) from the research funded by the Economic and Social Research Council (ESRC), reference ES/M007111/1, on ***Harnessing Growth Sectors for Poverty Reduction: What Works to Reduce Poverty through Sustainable Employment with Opportunities for Progression***.<sup>1</sup> The reports focus on:

- Introduction to growth sectors and secondary data analysis
- Employment entry
- In-work progression
- Job quality
- Policy implications

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## Growth Sectors: Data Analysis on Employment Change, Wages and Poverty

This paper is concerned with setting the context for a focus on growth sectors in the light of two key policy issues. The first is an ongoing concern with in-work poverty which the analyses presented here show is more apparent in some sectors than in others. The second is renewed policy interest in a place-sensitive industrial strategy, with elements of sectoral focus as well as concerns with cross-sectoral issues. It explores the extent to which there is, or could be, overlap between these key policy issues.

It outlines different interpretations of 'growth sectors' and sets out key features of projected employment change. It then presents the results of quantitative analysis of sectoral patterns of pay and poverty using the Labour Force Survey, the Family Resources Survey and Understanding Society. The paper finds that:

- 'Growth sectors' may be defined as sectors where Gross Value Added (GVA) and/or employment are projected to increase over the medium-term and/or where there is a policy intent to increase them. Given the current concern with 'harnessing growth sectors for poverty reduction' the particular concern here is on employment growth.
- Medium-term employment projections indicate that there are important sectoral and occupational differences in likely future employment openings – with some of the greatest projected employment growth being in low-paid occupations in sectors such as Accommodation and food services and in Care.
- 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.
- A range of individual characteristics – such as gender, age and qualifications – are associated with low pay, with low pay being more likely for women than for men, for the youngest than for older age groups and for those with no/low qualifications than for those with high-level qualifications.
- However, the analyses also isolate a 'sector effect' of being in low pay, in poverty and escaping low pay (over the short-term) independent of the individual characteristics of workers in different sectors.
- 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 – so suggesting that a focus on these sectors might be a useful way for targeting policies tackling low pay.
- Family characteristics – notably the number of workers in a family – play an important role in mediating the relationship between low pay and poverty outcomes at household level. However, poverty persists in some sectors despite families having dual earners.
- 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.
- Aggregate employment growth at local level is more important than employment growth in specific sectors in influencing individuals' wage growth. This underlines the importance of the level of the overall demand for labour locally for poverty reduction.
- Wage increases at individual level are positively associated with mobility between sectors and between local areas.
- Analyses indicate that individuals in the public sector are more likely than average to escape low pay. This suggests that the public sector is important in enabling wage progression.
- 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 a useful way to target low pay and reduce in-work poverty. Such a focus resonates with how the economy operates in practice and with current policy focus at national and local level on 'growth' / 'key' / 'priority' sectors.
- Yet the fact that it is the aggregate level of local labour demand change, rather than sector-specific employment change, which is the key determining factor in wage increase, indicates that a sector policy needs to be considered in a broader local ecosystem perspective and needs to be sensitive to place-specific factors.

## Employment Entry in Growth Sectors: A Review of the International Evidence

For this paper a detailed search of the available evidence on employment entry in growth sectors was conducted. The growth sectors considered are: Financial and professional services; Manufacturing; Energy and environment; Construction; Social care; and, Hospitality. The report finds that:

- Active labour market policy has traditionally had a central focus on employment entry, although there is increasing policy interest in sustainability and progression. Hence it is important to consider employment entry initiatives not in isolation but within the context of a broader pathway to employment.
- A wide range of factors influence employment entry, including individual characteristics and circumstances, employer/ organisational practices, local contextual factors and macro level factors.
- Since employers are the gatekeepers to employment it is important to understand their recruitment and selection practices and to ensure that they are transparent to job seekers. To facilitate employment entry for some individuals it may be necessary to make adjustments to employers' conventional practices.
- Only a limited amount of the evidence on employment entry is sector-specific. Traditionally policy has focused on population sub-groups rather than sectors.
- Sector based work academies – providing sector-specific pre-employment training in sectors with high volumes of entry level vacancies, work experience placements and a guaranteed job interview - are the best known sector-focused programmes in the UK. Evaluation evidence shows that they have a positive impact on moving participants into work, but no disaggregation by sector is available.
- There is a longer history of sector-focused initiatives in the US, often as part of workforce development programmes. Robust US evaluation evidence points to potential benefits of a sector-focused approach to employment entry policy.
- There is evidence to suggest that sector-focused policies may be particularly useful in encouraging under-represented groups into particular sectors.
- Different sectors offer different opportunities for employment entry. Barriers to entry are low in sectors such as hospitality and social care, but there are opportunities in most sectors.
- Employment entry initiatives need to be targeted to the local context.

Green A., Sissons P. and Lee N. (2017) *Employment Entry in Growth Sectors: A Review of the International Evidence*. Cardiff: PPIW. <http://ppiwi.org.uk/files/2017/04/ESRC-Evidence-Review-Paper-Employment-Entry.pdf>

## Supporting Progression in Growth Sectors: A Review of the International Evidence

For this paper a detailed search of the available evidence on in-work progression in growth sectors was conducted. The growth sectors considered are: Financial and professional services; Manufacturing; Energy and environment; Construction; Social care; and, Hospitality. The report finds that:

- A sizeable proportion of low-paid workers experience limited pay progression, even over extended periods of time. Yet progression has not been a focus for employment policy.
- Policy is beginning to shift in the UK, and recent changes suggest some greater role for a focus on progression. Examples include the introduction of Universal Credit, which will have a progression dimension; the UK Futures Programme which was run by the UK Commission for Employment and Skills (UKCES); and progression initiatives which have been agreed as part of 'City Deals'.
- Overall, there is relatively little evidence relating to initiatives targeting progression that might be classified as 'proven' (i.e. robustly assessed). This is an important finding in itself. The most robust studies come largely from the US. The US evidence is primarily from localised targeted initiatives which target entry into good quality employment opportunities, which are more likely to offer chances for career advancement. These studies provide demonstrate that initiatives can be designed to support worker progression.
- The US 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.
- To develop evidence to inform initiatives to support progression there is a need to trial different types of activities. Opportunities to do this include the introduction of Universal Credit, and the potential for local projects and pilot activities as part of devolution settlements with cities and local areas.
- Sector-focused initiatives appear a good place to start, although they are not the only approach. Experimentation which includes testing across different sectors and sub-sectors would provide valuable learning.
- Opportunities to integrate economic development strategy with initiatives targeted at progression can help to secure employer buy-in.
- More broadly, the issues around progression highlight the importance of the consideration of business models alongside employment policy.

Sissons P., Green A. and Lee N. (2016) *Supporting Progression in Growth Sectors: A Review of the International Evidence*. Cardiff: PPIW. <http://ppiwi.org.uk/files/2016/10/PPIW-Report-ESRC-Evidence-Review-Paper-Progression.pdf>

## Improving Job Quality in Growth Sectors: A Review of the International Evidence

This report assesses the international evidence on approaches to job quality in growth sectors.

- Job quality should be a critical issue for policymakers. The nature of work exerts an important influence on individual well-being. Pay and conditions of employment affect overall household incomes and influence the likelihood of poverty. Opportunities for career development shape longer-term earnings. While flexibility and family friendly employment practices can be an important facilitator of dual household earning.
- Job quality is a multidimensional concept. Individuals will have a preference for some elements of job quality over others. Past studies have used both objective and subjective understandings of job quality.
- Job quality is the outcome of a range of influences at different levels. These influences 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. There are gendered patterns of job quality.
- While some aspects of job quality have been the subject of significant policy consideration and action, such as minimum wages, other aspects such as job design have seen less attention.
- Overall, there is limited evidence on programmatic approaches to job quality in growth sectors.
- Where there is some evidence at sector level this has mainly been drawn from case studies of employers and/or policy strategies. This evidence relates to the care, tourism and hospitality sectors. The evidence is not based on robust evaluation but rather on an assessment of good practice.
- These studies highlight the importance of staff training, development activities, and the establishment of clear career pathways. They also point towards the importance of employer business models and job design.
- The approaches reviewed adopt one of several foci: seeking ways of linking job quality for workers with service improvement for employers; using procurement to improve job quality; encouraging changes in business models as a precursor to improving job quality; and, developing the potential of employer cooperatives to deliver worker empowerment and job quality.
- The findings suggest a need to pilot and trial different forms of activities aimed at driving improvements to jobs quality, but not to neglect the important role of wider national factors in influencing job quality.

Sissons P., Green A. and Lee N. (2017) *Improving Job Quality in Growth Sectors: A Review of the International Evidence*. Cardiff: PPIW. <http://ppiwi.org.uk/files/2017/04/ESRC-Job-quality-paper.pdf>

## Harnessing Growth Sectors for Poverty Reduction: The Role of Policy

This report presents 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 included secondary data analyses, case studies and three international evidence reviews on employment entry, in-work progression and job quality.

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, including:

- 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.

Green A., Sissons P. and Lee N. (2017) *Harnessing Growth Sectors for Poverty Reduction: The Role of Policy*. Cardiff: PPIW.

<http://ppiwi.org.uk/files/2017/06/Harnessing-Growth-Sectors-for-Poverty-Reduction-Policy-Paper.pdf>