

MEW 07

Gwneud i'r economi weithio i'r rheini sydd ag incwm isel

Making the economy work for people on low incomes

Ymateb gan: Sefydliad Joseph Rowntree

Response from: Joseph Rowntree Foundation

1. Since the early 2000s long-term jobs growth in Wales has averaged less than 1% a year. Self-employment now accounts for one in seven jobs and part-time work has increased substantially (nearly one quarter of employment is part time). Temporary jobs are also more in evidence, with 83,000 people being on fixed-term or casual contracts in the year to July 2015 (one in fifteen of all people in employment).<sup>1</sup> It is therefore right that that the Welsh Government has put prosperity at the heart of its *Programme for Government*. Research shows that when demand for workers picks up strongly, those working too few hours for too little pay tend to see both improve. Nevertheless there is no guarantee that economic growth alone will lift people out of poverty.
2. Rather, for growth to be inclusive businesses and employers and the state will need to make specific choices. In the case of firms' these revolve around recruitment practices; pay policies; how employees are encouraged to progress; and the location of major investments. Meanwhile public policy sets the context for economic growth and good jobs, helps guard against economic shocks and provides services to support people with employment and training. Through social security, the state also supplements people's resources when necessary, by topping up low earnings, assisting with extra costs – such as the cost of children or living with a disability – and supporting people at times when they are unable to work due to disability, ill-health, caring responsibilities or unemployment.
3. In order to deliver a better deal for low income households the Welsh Government - working hand in hand with employers – should prioritise action on the following fronts:
  - Improving the quality of work
  - Focussing the parts of the social security and welfare to work systems for which it has responsibility on poverty reduction
  - Developing adult skills and retraining systems which support career advancement.<sup>2</sup>

### **The quality of work**

4. With high levels of *underemployment* in Wales (in September 2016, around 17% of part-time workers wanted but could not get full-time jobs)<sup>3</sup>, increasing

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<sup>1</sup> Office for National Statistics Labour Force Survey Please visit:

<http://www.ons.gov.uk/surveys/informationforhouseholdsandindividuals/householdandindividualsurvey/labourforcesurveylfs>

<sup>2</sup> JRF is working with governments, businesses, communities, charities and individuals to solve UK poverty. The majority of the ideas outlined above were drawn from our recent strategy to solve UK poverty which contains analysis and recommendations aimed at the four UK governments.

people's working hours must be a priority. Whilst recognising the many initiatives of the Welsh Government and local authorities, evidence suggests the following are particularly effective at creating employment and reducing poverty (although only where linked to activities targeting disadvantaged jobseekers through employment support and bespoke training):

- Linking place-based regeneration with pro-active support for businesses
  - Offering tax breaks for local job creation, e.g. in enterprise zones
  - Using local planning powers to support job creation
  - Encouraging business ownership models that retain local value (e.g. co-operatives and sustainable social enterprises).
5. To that end we recommend that Welsh Government business support finance focus more on areas with the greatest employment shortfalls. Consideration should also be given to developing a new Enterprise Zone across the whole of the valleys, using local planning powers and financial incentives to encourage job creation. Simultaneously the growth strategies for Cardiff, Swansea and North Wales city regions should aim to ensure that a greater spread of workers have the opportunity to benefit from any new inward investment. This could be achieved by: linking people in disadvantaged communities to areas of jobs growth through fast, frequent and affordable public transport, and ensuring disadvantaged workers have the skills and support to take advantage of new employment opportunities.
6. Finally we think there is untapped scope for local authorities to use their planning powers more systematically, for example, to ensure that employment programmes linked to staffing major projects locally create more opportunities for those furthest from the labour market. Wales already has a significant track record in developing a pipeline of publicly funded construction projects linked to social benefits – and construction is now one of the fastest growing sectors. The Welsh Government has signalled that it will target new regulatory powers on procurement granted by the EU to drive community benefits further. This should be used to influence practice by other agencies and the way services are procured or commissioned. Public 'anchor institutions', such as hospitals, universities and other major publicly funded employers, could make a significant difference to the behaviour of their supply chains through skilful procurement policies.

### Encouraging higher pay

7. Low pay is the strongest predictor of in-work poverty. The introduction of the minimum wage made a small but significant contribution to relative income poverty. The impact was not larger because, for many experiencing in-work poverty, the issue is complicated by too few hours, temporary contracts and job insecurity as well as low pay rates. Also, for the lowest income households earning the minimum wage, pay interacts with the benefits they receive. JRF

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<sup>3</sup>Office for National Statistics (2016) Regional labour Market Statistics: HI10 Headline Indicators for Wales, September 2016

has welcomed the National Living Wage as a preventative measure mitigating further increases of in-work poverty – although it leaves a big question mark about the under-25s (to whom it does not apply). But we think there is more to be done.

8. The Welsh Government currently advocates that all employers should take up the voluntary Living Wage and a number of governmental, public and other employers in Wales have signed up. To make greater progress the Welsh Government should press the remaining local authorities and any other public bodies to have a strategy and timetable for all staff either directly employed or working for contracted-out services to receive the Living Wage.

### **A social security system that incentivises work and supports people when not in work**

9. There are significant shortcomings in the current system of employment support. The Welsh Government's commitment to reshape employability support is a welcome start, but could go further so that it specifically boosts prosperity amongst the least well-off. Possible dimensions would include:
  - The proposed employability programme should bring together the Department for Work and Pensions' Work and Health Programme and devolved provision. Services should be tailored to people's needs; providing varying levels of support, depending on a more sophisticated assessment of people's distance from the labour market rather than their age or benefit entitlement.
  - Specialist support and an Intermediate Labour Market programme for those furthest from the labour market, combining work experience (often for community benefit) with ongoing support and job search activity, as a bridge to enter the mainstream labour market eventually.
  - High-quality support for those in work, with the aim of reducing income poverty through sustained employment and increased earnings, hours, security and prospects. The need to encourage greater progression in work is clear, but the evidence of how to do it is less so. Ingredients include support from an adviser able to foster links with employers and well-targeted training linked to realistic career progression.

### **Supporting career advancement**

10. Building human capital through education and training is vital not just to individuals, but to the economy as a whole. There is good evidence that skills are an important factor in driving growth, with reducing the proportion of individuals with very low skills or qualifications being more effective than focusing on the higher end of the skills spectrum economically<sup>14</sup>, as well as for individuals.

11. In 2010, around 216,000 adults had literacy skills below Level 1 and some 918,000 adults had numeracy skills below that level.<sup>4</sup> In 2014/15, nearly one in five adults – some 470,000 people – did not access the internet, with lack of skills being a key reason.<sup>5</sup> Wales' flexible labour market requires workers to be highly adaptable, meaning access to training and re-training throughout working-age life is important. Training has a demonstrable impact on earnings too. Our review of evidence found that moving from a level two to a level three qualification is associated with between a 2 and 15 percentage point increase in the chances of employment, and between a 9 and 11 percentage point increase in earnings. Separately, an evaluation of the Essential Skills at Work Programme 2010-2015 found that it had engaged with more than 21,000 learners, a fifth of who reported an increase in pay as a result of participating, and nearly a third said that their prospects had improved.<sup>6</sup>

12. We recommend that adult skills provision is enhanced and oriented towards reducing poverty by:

- Targeting resources on need and personal circumstances, rather than on participants' age and previous qualification level;
- Focusing on outcomes such as the incomes of participants and productivity of employers, not just qualifications achieved;
- Greater transparency in outcomes achieved by providers so participants and funders can make informed choices.

**ENDS**

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<sup>4</sup> Welsh Government (2011) National Survey of Adult Skills in Wales 2010

<sup>5</sup> Welsh Government (2015) **National Survey for Wales 2014-15: Internet Use and Access**, Statistical Bulletin SB 97/2015

<sup>6</sup> 17.Starks, L. et al (2016) Evaluation of Essential Skills in the Workplace 2010-2015, Welsh Government: Cardiff