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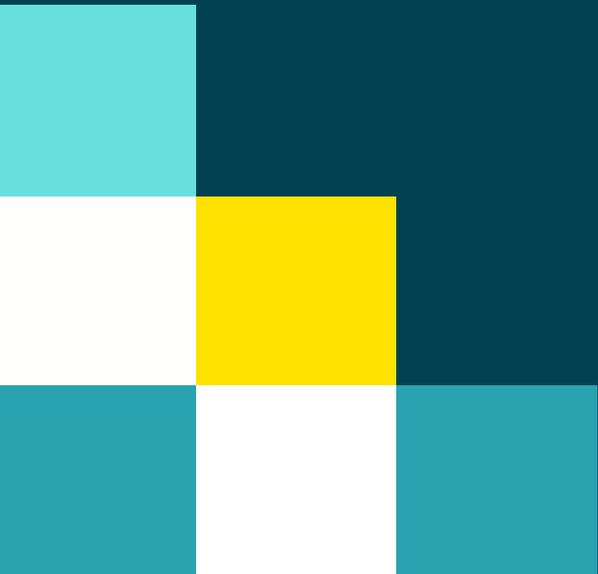
Promoting job progression in low pay sectors

Technical annex

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Introduction

This technical annex accompanies the Wales Centre for Public Policy evidence review *'Promoting Job Progression in Low Pay Sectors'*. Here, we summarise the data analysis undertaken to inform the review, which comprises profiles of (i) the workforce comprising the four key foundational sectors identified in key Welsh Government policy documents, and (ii) the workforce comprised by the competing term 'low-pay sectors'. We do not here seek to reconcile the two; instead the analysis demonstrates that both definitions offer valid, overlapping lenses through which to develop an understanding of the people across Wales who might benefit from programmatic support for job progression.

A profile of the 'foundational economy sectors' workforce

The Welsh Government has set out its intention to support progression into higher graded work (to achieve higher hourly pay), increasing hours of paid and job security in both the *Economic Action Plan* (Welsh Government, 2017) and *Employability Plan* (Welsh Government, 2018). These documents identify four priority foundational economy sectors: care, tourism, retail and food processing.

Defining the priority foundational economy sectors

The following working definitions have been compiled using the narrative descriptions given for these sectors within the two documents and formal definitions utilised elsewhere. For example, the 'food' sector has been expanded to include drinks manufacture in keeping with the Food and Drinks Industry Board. The 'tourism' industry has been defined by the Office of National Statistics (eg ONS, 2016). However, given the nature of many of the outlets involved in food and beverage services activities, these have been grouped with 'retail'.

Table 1: Working Definitions for the Welsh Government's Priority Foundational Economy Sectors

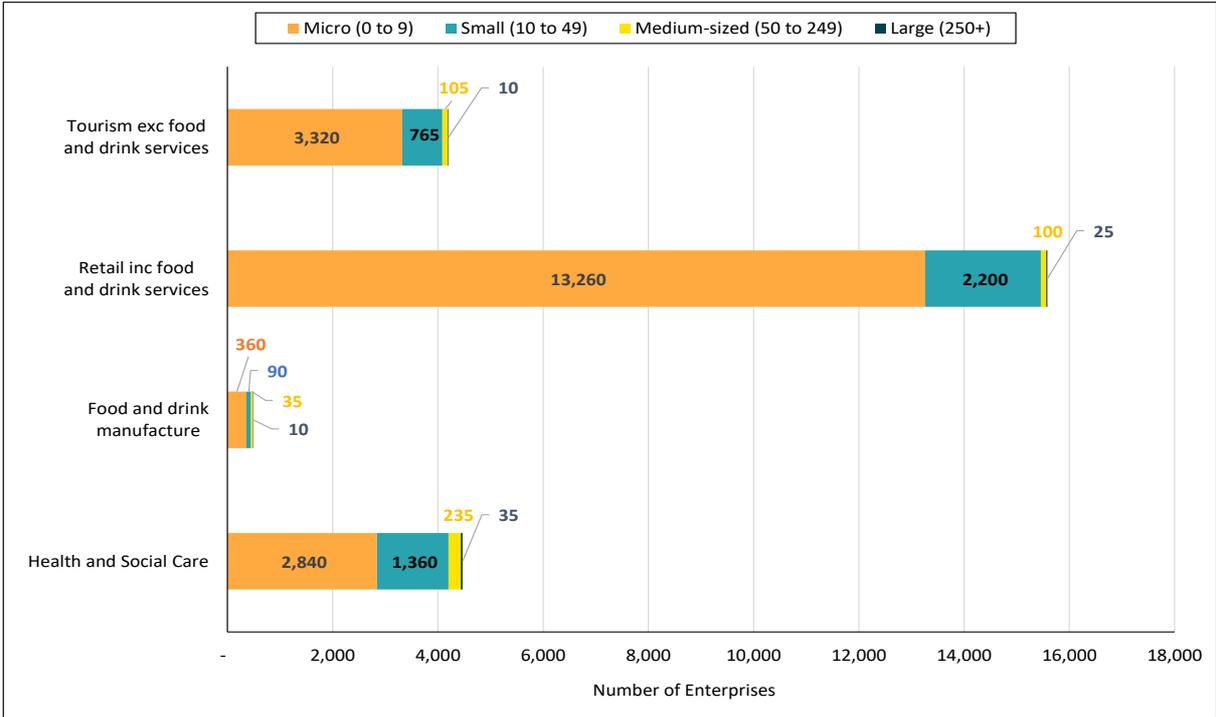
Sector	SIC 2007 Definition and Description	
Retail inc food and beverage service activities	47	Retail trade, except of motor vehicles and motorcycles
	56	Food and beverage service activities
Tourism exc food and beverage service activities	55	Accommodation for visitors
	49.10, 49.32, 49.39, 50.10, 50.30, 51.10/1, 51.10/2	Passenger transport
	77.11, 77.34/1, 77.35/1	Transport equipment rental
	79.11, 79.12, 79.90/1, 79.90/9	Travel agencies and other reservation services activities
	90.01, 90.02, 90.03, 90.04, 91.02, 91.03, 91.04	Cultural activities
	92, 93.11, 93.19/9, 93.21, 93.29, 77.21	Sporting and recreational activities
	82.30/1, 82.30/2, 68.20/2	Country-specific tourism characteristic activities
Food and Drink Manufacture	10	Manufacture of food products
	11	Manufacture of drink products
Health and Social Care	86	Human health activities
	87	Residential care activities
	88	Social work activities without accommodation

Profile of the four priority foundational economy sectors

In 2017, there were approximately 24,790 enterprises across retail, tourism, care and food¹ of which 19,780 (80%) were micro enterprises (0-9 employees). Just over one in six (18%, 4,415) had between 10 and 49 employees; 475 (2%) were medium sized enterprises employing 50 to 249 people whilst 0.3% employed more than 250 (80 enterprises). Most large businesses are privately owned, although there are estimated to be in the region of 25 public sector enterprises within these sectors. Large public sector employers, include the seven health boards and local authorities involved in the provision of social care without accommodation.

¹ An enterprise can be thought of as the overall business, made up of all the individual sites or workplaces. It is defined as the smallest combination of legal units (generally based on VAT and/or PAYE records) that has a certain degree of autonomy within an enterprise group.

Figure 1: Enterprises in Wales' Priority Foundational Economy, by Size band



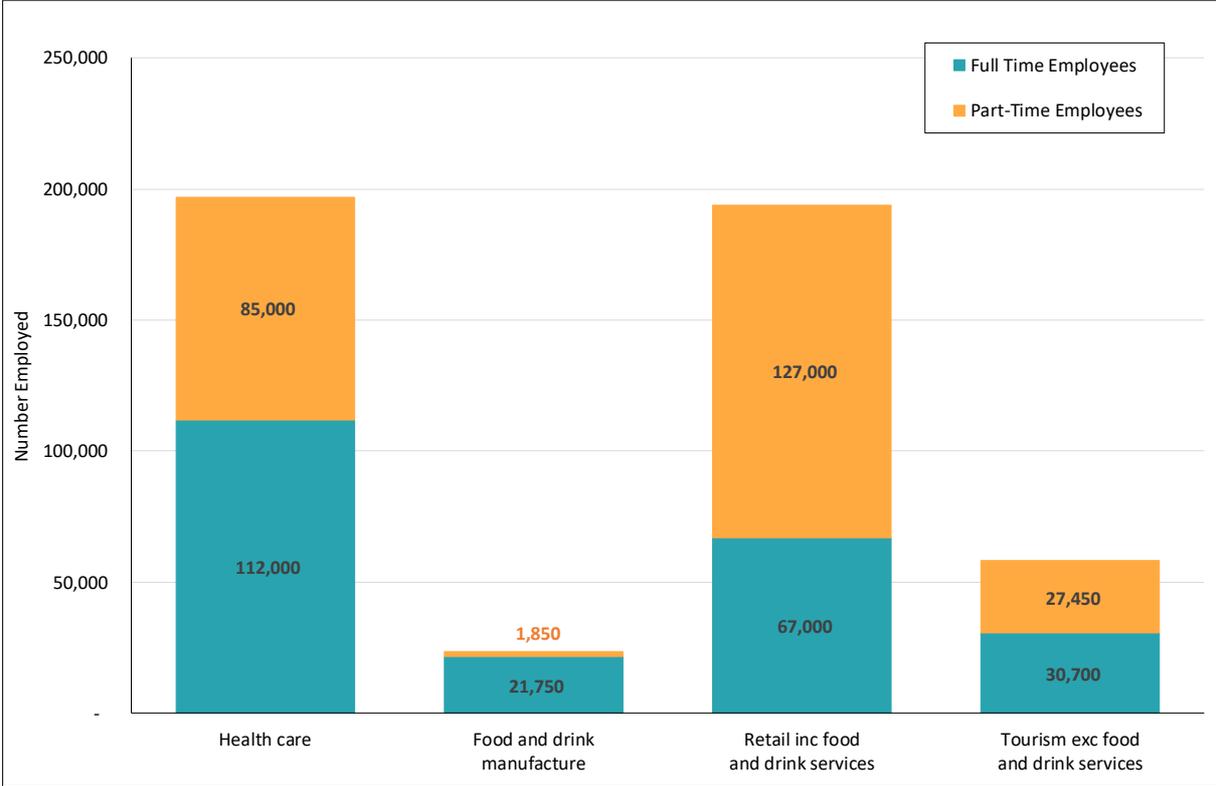
Source: UK Business Counts, 2017, NOMIS (extracted 13/03/18).
 Notes: Geography = Wales. All figures rounded to the nearest 5.

Of the 80 large enterprises in the four sectors almost half provide health and social care services. Approximately two-thirds of the micro businesses are retailers (13,300, 67%). The retail sector also has the highest proportion of micro enterprises by sector - 85% of the estimated 15,600 enterprises in retail employ less than 10 people, and almost two-thirds of enterprises in the care sector fall into this size band.

Approximately one in five enterprises in the foundation economy is a small or medium sized enterprise (SMEs) employing between 10 and 249 people. The care sector has the highest proportion of SMEs (36%) whilst the retail sector has just 15%.

Three significant features stand out in terms of sector composition. These are important for considering how job progression models might be applied and which sectors might be appropriate for promoting job progression. First, the care and retail sectors are the largest in terms of the number of employees (Figure 2). Second, the foundational economy sectors are primarily composed of micro businesses, where it may be more difficult for employers to find the resources to implement job progression initiatives.

Figure 2: Employment by Working Pattern in Wales' Priority Foundational Economy Sectors



Source: Business Register and Employment Survey (BRES), 2017, NOMIS (extracted 01/10/18)

Notes:

The Business Register and Employment Survey (BRES) is the official source of employee and employment estimates by detailed geography and industry. However, it does not cover the very small businesses neither registered for VAT nor PAYE, which make up a small part of the economy. BRES includes self-employed workers (within the employment estimates) as long as they are registered for VAT or Pay as You Earn (PAYE) schemes. Self-employed people who are not registered for these, along with HM armed forces and government-supported trainees are not included. Geography = Wales. All figures rounded to the nearest 50.

The total number of employees across these four sectors is estimated to be in the region of 475,000. This is equivalent to around 38% of the 1,241,000 employees in Wales. Just over half of those employed in these four sectors work less than 30 hours per week (51%). However, the proportion varies by sector, with just 8% of employees in the food and drinks manufacturing sector working part-time. This compares to an average of 61% across retail and tourism. The proportion of part-time workers in the care sector is 43%.

Additionally, it is estimated that there are approximately 14,600 working owners (for example sole proprietors and partners) in the foundation economy sectors under review, the majority of whom work in retail (10,000, 69%).

A profile of the ‘low-pay’ workforce

Defining low-paying sectors

The Low Pay Commission (LPC) considers low-paying sectors, which they define as occupations or workers which contain a high number or proportion of low-paid workers based on the standard occupational classification (SOC) and SIC codes published by ONS (LPC, 2017). As such, they have two distinct definitions of low-paying sectors, one based on industries and one on occupations. These are used which conducting detailed analysis of low-paying sectors using survey data such as the Annual Survey of Hours and Earnings (ASHE) and the Labour Force Survey (LFS). Given the Welsh focus on this analysis, the Annual Population Survey (APS) has been used since this is a boosted version of the LFS.

Table 2: Low-paying sectors, by SOC and SIC Codes

Low Paying Industry / Occupation	Occupational Definition		Industry Definition
	SOC 2010	SIC 2007	Priority Foundational Economy Sectors
Retail	1254, 5443, 7111, 7112, 7114, 7115, 7123-7125, 7130, 7219, 925	45, 47, 77.22, 95.2	47 = Retail
Hospitality	5434, 5435, 9272-9274	55, 56	55 = Accommodation (Tourism) 56 = Food and Beverage Services (grouped with Retail, but part of the ONS definition of Tourism)
Social Care	6145, 6146, 6147	86.10/2, 87, 88.1, 88.99	86 to 88 = Care
Childcare	6121-6123, 9244	85.1, 88.91	88.91 = Care
Food processing	5431-5433, 8111, 9134	10	With 11 = Food and Drink Manufacturing
Leisure, travel and sport	3413, 3441, 3443, 6131, 6139, 6211, 6212, 6219, 9275, 9279	59.14, 92, 93	92 and part of 93 = Tourism
Cleaning and maintenance	6231, 6232, 6240, 9132, 9231, 9233-9236, 9239	81.2, 96.01	-
Agriculture	5112-5114, 5119, 9111, 9119	01, 03	-
Textiles and clothing	5411, 5414, 5419, 8113, 8137	13, 14	-
Hairdressing	622	96.02, 96.04	-
Office work	4129, 4133, 4216, 7213, 9219	-	-
Non-food processing	8112, 8115-8116, 8119, 8121, 8125, 8127, 8131, 8134, 8139, 9120, 9139	-	-
Storage	9260	-	-
Transport	5231, 8135, 8212, 8214	-	-
Call centres	7113, 7211	-	-
Security	7122, 9241, 9242	80.1	-
Employment agencies	-	78.10/9, 78.2	-
Wholesale food incl. agents	-	46.1, 46.2, 46.3	-

Adapted from Low Pay Commission, 2017

Both definitions have their limitations. Notably, the industry-based definition captures those working in high-paid managerial and professional positions who will not necessarily be low-paid while occupational definitions can be more focused on specific low-paid jobs. Ideally, earnings and employment analysis would be based on occupational definitions. However, since estimates are based on survey data they can be volatile at a Wales level. The potential for analysis being further limited by what is in the public domain. All data presented here has been extracted from NOMIS since this permits queries to be specified up to 4-digit SIC codes.

A profile of low-paying sectors

The focus of a foundational economy approach would be to consider low paid workers who lack progression opportunities for example in home care, care home and health care assistant roles in the NHS and hence necessitates an occupational based approach. However, policymakers and stakeholder groups tend to be industry-based. As a result, both definitions are utilised here to provide an indication of the size and structure of employment within the low paying sectors, with a particular focus being given to the four foundational economy sectors identified by the Welsh Government. As Table 2 shows, the definition of low-paying sectors is broader than the Welsh Government's focus on the foundational economy sectors of care, tourism, retail and food processing. Table 3 provides a breakdown of the estimated numbers employed in low-paying occupations and the foundational economy sectors.

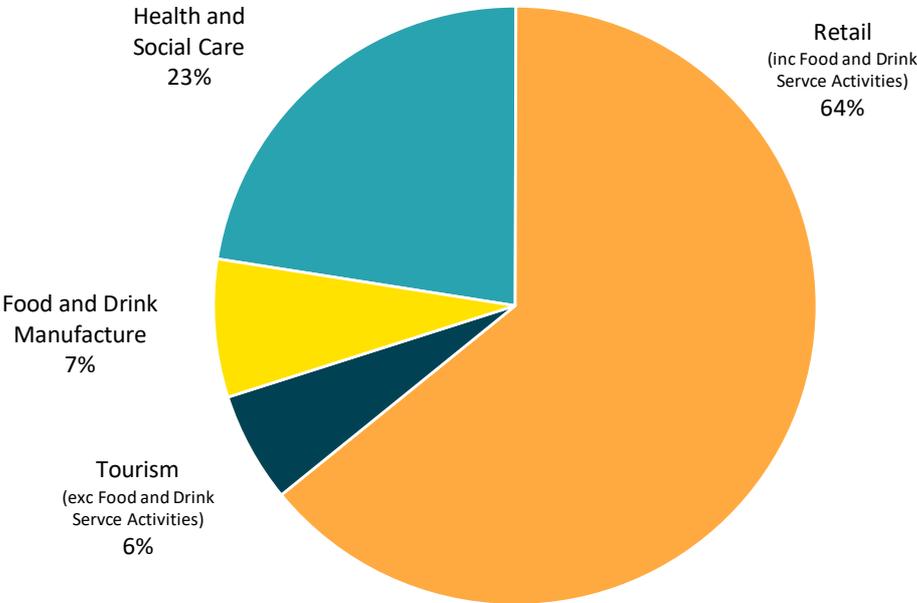
Table 3: Low Paid Workers in Wales (SOC 2010 Definition)

Low-paying occupations	Estimated Employment in Wales
Retail	110,100
Hospitality	65,600
Social care	48,100
Cleaning and maintenance	39,700
Non-food processing	30,000
Transport	25,200
Office work	24,900
Food processing	20,400
Agriculture	19,300
Storage	16,500
Leisure, travel and sport	16,300
Childcare	13,700
Hairdressing	9,600
Security	8,500
Call centres	6,900
Textiles and clothing	4,500
All low-paying occupations	459,300
Priority foundational economy sectors	274,200
Total across all occupations	1,435,000

Source: Annual Population Survey, April 2017 – March 2018, NOMIS (extracted 01/10/2018) based on definitions provided by the Low Pay Commission. Notes: Geography = Wales. All figures rounded to the nearest 100.

Based on the occupational definition, it is estimated that of the 459,300 people in low paying occupations in Wales, 274,200 are employed in occupations associated with those within the four foundational economy sectors (shaded in Table 3). However, when individual occupations are considered, it is apparent that some of these do not map across to roles which we would conventionally associate with retail, food, tourism and care. For example, the occupations falling under leisure, travel and sport include veterinary nurses and animal care services. As a result, it is necessary to acknowledge that using an occupation-based approach is similarly not without its limitations and the estimate of 274,200 people employed in low paying occupations within the four foundational economy sectors is unlikely to reflect the true figure. The estimate of 274,200 is equivalent to six out of ten (60%) of those in low paying occupations and almost one in five (19%) of all jobs in Wales. The highest proportion of these are employed in retail and health and social care (Figure 3).

Figure 3: Low Paid Workers in Wales’ Four Priority Foundational Economy Sectors

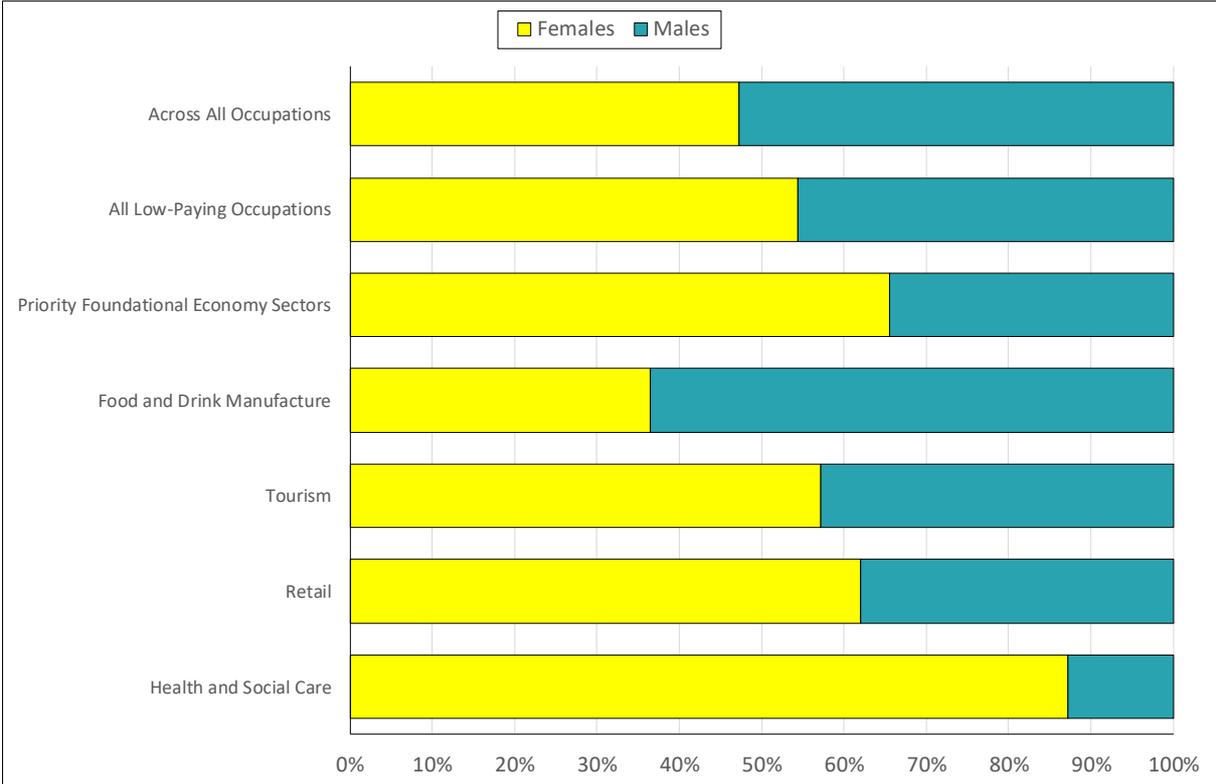


Source: Annual Population Survey, April 2017 – March 2018, NOMIS (extracted 01/10/2018) based on definitions provided by the Low Pay Commission. Notes: Geography = Wales. For the purpose of this summary, retail has been combined with hospitality; tourism is based on leisure, travel and sport. Health and social care consists of those in social care and childcare occupations excluding pre-primary education.

Figure 4 provides a gender breakdown by occupational grouping. Women are the majority in across each of the four foundational economy sectors with the exception of food and drink manufacture. Of those working in low-paying occupations, 53% are women. However, the proportion increases to 65% across those prioritised by the Welsh Government. In

comparison, the average across all occupations in Wales is 47%. This is consistent with the finding that women are over-represented in low-paying occupations (ONS 2013).

Figure 4: Gender Composition of Low Paid Workers (SOC 2010 Definition)



Source: Annual Population Survey, April 2017 – March 2018, NOMIS (extracted 01/10/2018) based on definitions provided by the Low Pay Commission. Notes: Geography = Wales².

Data collected as part of the Annual Survey of Hours and Earnings (ASHE) provide an overview of employees by occupational group, gender composition, working pattern and pay. However, being survey based, the figures do not align with those based on the Annual Population Survey. Despite this, they provide indicative information about typical pay within low paying sectors relative to the average in Wales.

In 2017, median gross weekly pay for all full-time workers, regardless of their occupation and the industry that they work in, in Wales was £498.40 and £181.40 for part-time workers. Typically, men working full-time earn £67.50 a week more than women (£525.10 compared to £457.60), while women working part-time in Wales typically earn £13.20 more than men (£185.50 compared to £172.30). Table 4 provides examples of roles within the foundational

² For this summary retail has been combined with hospitality; tourism is based on leisure, travel and sport excluding veterinary nurses and animal care occupations. Health and social care consists of those in social care and childcare occupations excluding pre-primary education.

economy sectors which illustrate the extent of the disparity in terms of median gross weekly pay by gender and work pattern.

Table 4: Median Gross Weekly Pay for Selected Low-Paying Occupations

Care workers and home carers	
Approx. 44% are women working part-time, 38% are women working full-time.	Median gross weekly pay for full time care workers is estimated to be £347.20. However, men working full-time on average receive £366.1 whereas women earn £340.60. In comparison women working part-time receive an average of £182.00.
Food, drink and tobacco process operatives	
The majority are employed on a full-time basis	Median gross weekly full time pay for all employees is estimated to be £320.60. However, men working full-time typically earn £14.60 more than their female counterparts (£330.00 compared to £315.40).
Bar and waiting on staff	
The majority work part-time	ASHE data does not provide detail on the headline gender differences in pay for these employees, nor for those working on a part-time basis. Waiting on staff working full-time tend to have a higher median gross weekly pay than full-time bar staff (£313.10 compared to £278.00). However, it is estimated that waitresses on average take home £24.40 more than waiters - £335.00 compared to £310.60 when working more than 30 hours per week.
Sales and retail assistants	
Approx. 50% are women working part-time. One in six are men working part-time. Full-time workers are evenly split by gender.	Median gross weekly pay for all full-time employees is estimated to be £337.60. However, men working full-time typically earn £24.30 more than their female counterparts (£347.50 compared to £323.20). Men working part-time on average earn £167.20 per week whilst women earn £149.30 – a differential of £17.90.

Source: Annual Survey of Hours and Earnings (ASHE): 2017 provisional and 2016 revised results, Table 15.1a, for selected occupations in Wales

Other gender and working pattern analysis confirms earlier ‘stock of jobs’ analyses that demonstrated that opportunities to work on a full-time basis in feminised occupations are constrained (Parken, Pocher and Davies, 2014), and that workers may resort to creating a portfolio of part-time jobs to build earnings (Parken and Ashworth, 2018).

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