

Low wages in Cornwall and the Isles of Scilly

A research report to inform the
delivery of EU Growth Programme
projects to 2023

Red Box Research and
Smart Growth Analytics
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Executive summary

1. Introduction

This research was commissioned by the EU Growth Programme Support team at Cornwall Council to better understand the causes and possible solutions to persistent low wages in Cornwall and the Isles of Scilly (CloS). The findings paint a powerful picture of in-work poverty affecting all parts of the region, but especially our coastal towns. **Quite simply, work does not pay for almost 4 out of 10 people in Cornwall.**

Civic and business leaders in Cornwall and the Isles of Scilly have already embarked on a number of activities designed to tackle low pay and productivity and it is intended that the report will galvanise new partnerships and provide the evidence base to effectively 'turn the curve' of low pay. The report provides a sound evidence base to determine how the remaining EU Funds can best have impact.

By low pay we are generally referring to pay below the Real Living Wage which is defined as the amount people need to live on. Currently the rate is £9.50 per hour.

2. What drives low pay and what are the barriers to action?

Low pay does not only affect workers in Cornwall and the Isles of Scilly but it does affect **far more people locally than nationally**. Historically, work has been a way out of poverty but currently, **57%** of people or children in poverty in the UK live in a household where someone is in work. The causes of low pay include:

- **The structure of the economy:** Low wages are most prevalent in 3 sectors - retail, hospitality and cleaning and maintenance. In CloS these sectors account for around 1 in 3 of all jobs (Public and private sector).
-

- Low pay sectors also tend to have **'flat' employment structures**, where there are few opportunities for wage and career progression within the business to escape low pay, particularly in small micro, family-run businesses which are widespread locally.
- **The growth of the 'gig' economy:** Recent years have seen a rapid increase in new forms of work, which are typically associated with low pay and insecurity. These jobs require workers to be self-employed, often on zero hours contracts.
- **Most low paid work is undertaken by those with low qualifications.**
- The **'low pay/no pay'** cycle traps people in low paid work, a lack of qualifications means that low paid workers suffer frequent periods of unemployment in between periods of work, which in turn affects their ability to access better jobs.

ESF Funding: Projects such as Skills Your Way which offers young people support who are disengaged (or at risk of disengaging) from education, employment and training. They are supported in ways appropriate to their individual needs to help them move into sustainable education, employment or training.

- **Barriers** to better paid work include care responsibilities, health, rurality, housing costs and poor or expensive public transport which mean that some workers – typically women – have few alternatives if they want flexible work close to home especially in an area like Cornwall with its dispersed settlement patterns. The Isles of Scilly has even more acute barriers as often workers are limited to employment opportunities on

each island as inter-island transport is expensive. The rise of home working has helped to alleviate this issue but for those with low qualification levels this is less of an opportunity.

- Low pay and **low productivity** go hand in hand. CloS has some of the lowest productivity rates in the country, a position which would be no doubt worse without the benefit of EU funding around innovation and productivity.

3. Understanding low pay in Cornwall and the Isles of Scilly

An estimated 68,000 employees¹ earn less than the Real Living Wage, equivalent to 4 out of 10 (39%) of all employees, compared with 24% in Great Britain.

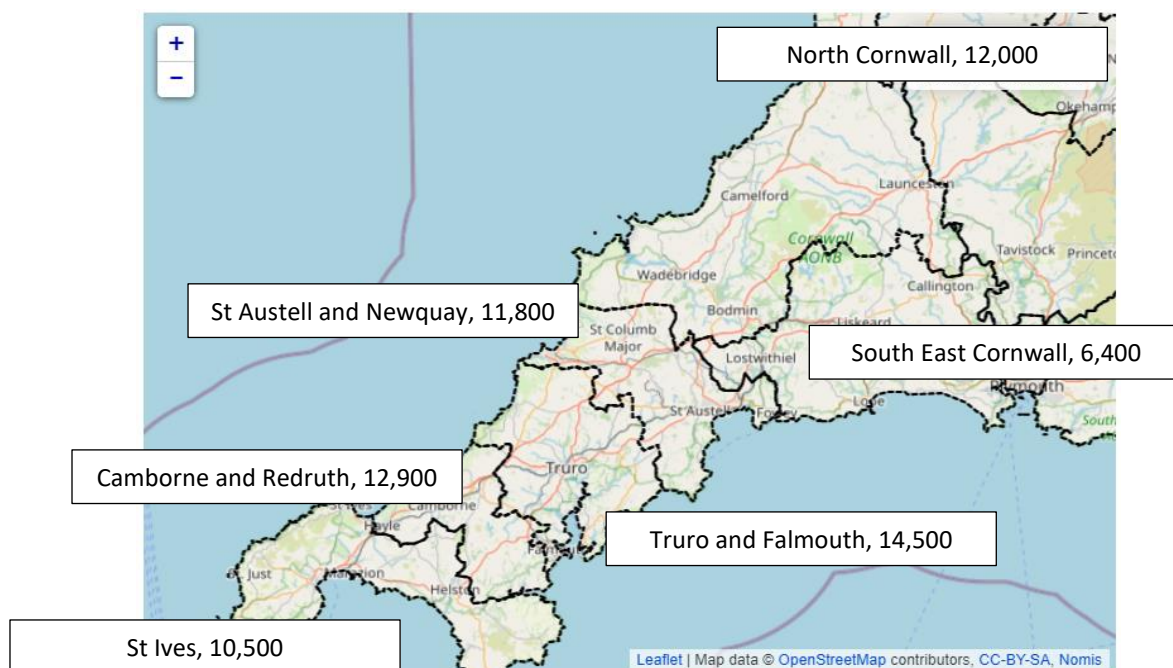
Low wages are a pan-Cornwall problem and are not restricted to certain parts of the County. **St Ives (48%) and Camborne and Redruth (44%) have almost twice the national proportion of low paid workers as the national average.**

There is a gender dimension to low pay – 40% of women and 33% of men in CloS earn below the Real Living Wage. This compares to 29% of women in GB and 19% of men nationally.

51% of part time workers are low paid and 29% of full time workers, both much higher than the national averages of 44% and 16% respectively.

Three occupational groups account for 46,400 of CloS lowest earners and this is equivalent to almost three quarters of CloS's lowest earners. Many of these have been relied on during the Covid-19 pandemic. These are:

- **Elementary** occupations (such as postal workers, waiters and waitresses, bar staff and cleaners)
- **Sales and customer services**
- **Caring, leisure and other service** occupations (e.g. carers, hairdressers, caretakers, travel agents)



¹ Note: Figures on pay for employees exclude the self-employed workforce.

Whilst most sectors have significant numbers of low paid workers, most are to be found in in **Accommodation and food (67% of workers); Retail (42% and Health (20%), equivalent to a total of 37,200 people.**

Benchmarking Cornwall²

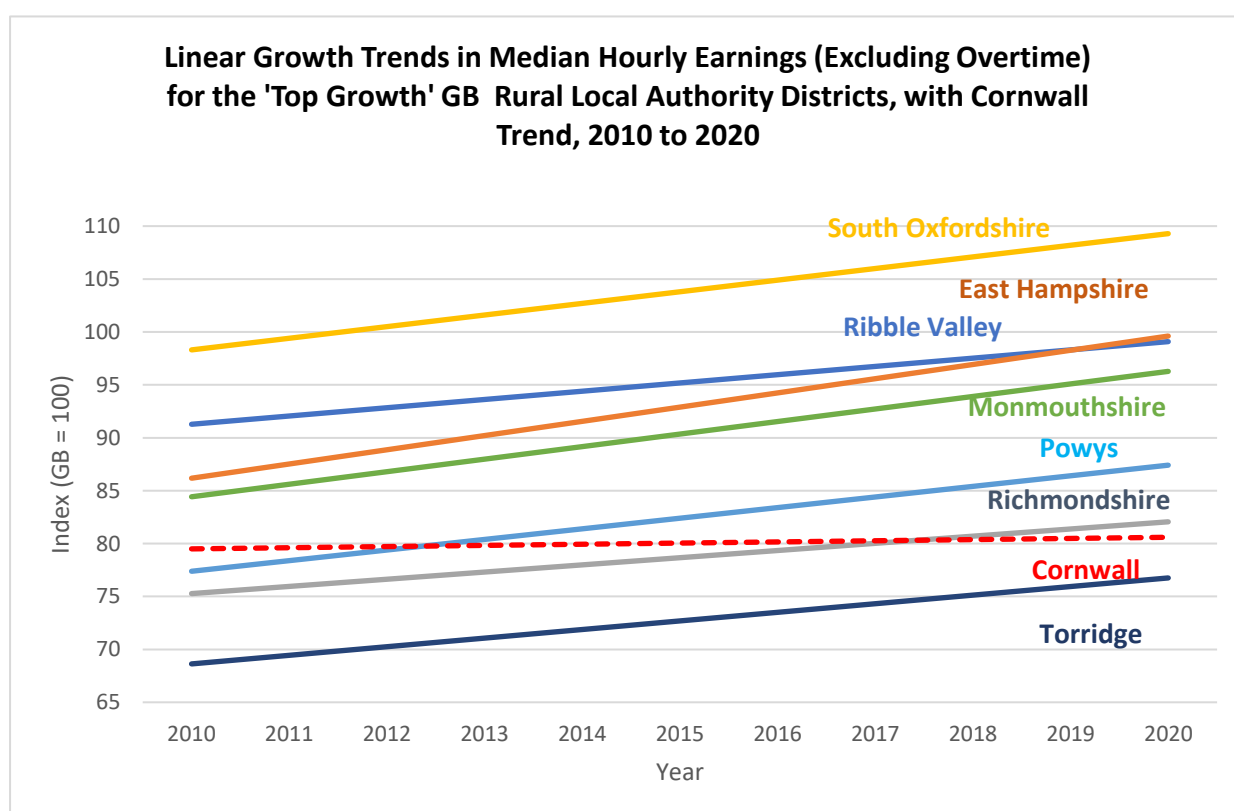
A comparison of Cornwall with other mainly rural authorities across the country shows that in the past decade, wages in terms of median hourly earnings have barely shifted as a proportion of the GB figure compared to top performing rural areas such as Powys and the Ribble Valley. See the chart below.

Further analysis of the productivity of CloS compared with these other areas shows that one of the explanatory factors for the other areas' wages growth over the last 10 or so years is above-average productivity growth. Even though, with the support of EU Funds, Cornwall's productivity growth went from around 69% of national productivity level in 2008 to 74% in 2018, closing the gap with national productivity by around 5 percentage points, other areas have increased faster.

Other differences of note are that Cornwall generated **15,000 net new jobs between the two periods, of which 13,900 (80%) were in lower paid positions and 3,000 (20%) were in higher paid positions.** The same analysis performed for Great Britain and the comparator rural areas shows that the **almost exact opposite trends occurred.** For example, just 22% of Great Britain's net new jobs were in lower paid positions and 78% were in higher paid positions, whilst in the comparators just 20% of net new jobs were in lower paid positions and 80% were in higher paid positions.

ERDF Funds

To date, EU Funds have done much to support productivity in CloS which has helped closed the gap with the national average. Examples of projects include, BIG Productivity, a grant fund that is helping businesses in Cornwall boost their productivity and grow. It co-invests with businesses and can offer grants of £2,500 to £150,000 to qualifying businesses.



² Data not available for Isles of Scilly

A further factor in Cornwall's poor aggregate wages growth is that overall employment growth is substantially weaker than its comparator areas. In Cornwall employment grew by 6.2% in ten years, compared to UK employment growth of 12.1% and the rural comparator areas' employment growth of 9.3%. More positively this may reflect that with the support of EU Funds prior to Covid-19 CloS had virtually full employment.

These findings suggest that if Cornwall is to improve its wage growth performance at the aggregate level then it needs to be far more successful in generating net new jobs in better paid sectors as well as being more successful in encouraging employers to increase the wages of their existing employees. Consideration should also be given to making the need to pay above the RLW for all jobs created as a condition of grant support.

4. What can be done about low pay?

A review of the literature shows that the legal minimum wage is vital for regulating low pay and preventing exploitation, but it is insufficient on its own to reduce poverty for working people and to protect living standards. Best practice shows that there are 4 different strands to effective action to tackle low pay, these are:

- Developing a strategic approach
- Tackling low pay through employer and place-based initiatives
- Tackling low pay through employee development
- Raising productivity

It should also be noted that action in this area is developing and many of the programmes developed have aimed to test 'what works'; there is no single definitive solution, but the full report contains many examples of different approaches.

A strategic approach

Tackling low pay and productivity is a complex issue and there is no silver bullet. It should be noted that through EU Funds CloS has already

adopted many practices and strategies that support wage growth and improved productivity, including for instance:

- The projects cited here and evidenced in the progress report.
- Innovation projects such as Deep Digital Cornwall and Acceleration through Innovation.
- Support to secure the growth of higher paying sectors such as Marinei.
- Playing a role in developing workspace which has and will enable businesses thrive and grow.

A key message from the research is that to be successful work has to be *embedded* across key partners, to embrace procurement practices and to maximise the full range of levers that anchor partners have including effective partnerships and the role of anchor institutions not considered here.

Another approach not explored fully here is to embrace a place based approach, such as Real Living Wages campaigns.

Employer initiatives

The literature shows that leadership and management practices represent one of the greatest opportunities to drive firm-level productivity growth in any sector in the UK. **In CloS, programmes designed to improve management and leadership and digital skills could not only have real business benefits, but ultimately impact on productivity and the ability to pay employees a living wage.**

Innovation is relative and does not just mean cutting edge technology. Research shows that in many economies like CloS there is insufficient adoption of tried and tested technologies and this type of "innovation in the fundamental economy" should receive greater focus within the business support provision in Cornwall and the Isles of Scilly. These technologies include a range of basic technologies which are associated with a productivity improvement of between 7% to 18%, depending on the technology. These findings are further backed by ONS analysis which shows the use of two or more business management technologies is associated with

productivity gains of up to 25%. These technologies include accountancy software, customer relationship management systems (CRM), supply chain management and enterprise resource planning software. It is recommended that innovation in Cornwall focuses on this type of innovation to boost productivity.

Some councils have taken sectoral approaches to improving productivity and this has had some success in developing 'good work'.

Real Living Wage Employer: Mother Ivey's Bay Holiday Park, Cornwall



The first holiday park in the UK to pay the Real Living Wage.

Employee development

Skills development programmes of the sort funded through the Growth Funds do have the potential to play an important role in helping to lift people out of low pay. Since forecasts show that, in general, skills needs are rising, they will also contribute to future resilience.

One of the difficulties of skills support identified in a paper by the LSE³ is that the types of programmes that could be most beneficial to those at great risk of low pay (for example, education and training programmes) are restricted to long-term unemployed jobseekers and therefore exclude workers who are cycling between low paid jobs and unemployment. In response to Covid-19, EU eligible expenditure is now able to focus on those at risk of redundancy and it is

considered that this would be a valuable use of EU Funds over the next 2 years.

Real Living Wage Employer: Lynher Dairies, Cornwall



Progression is generally seen to be the main route out of low pay but the caveat is that not all jobs, especially in micro businesses can offer progression. Furthermore, progression is competitive and there are often many low-skilled workers chasing few progression opportunities – this will be especially the case in a time of rising unemployment. Even so, skills development programmes do have a real role to play and research by the Social Mobility Commission has found that gaining a Level 3 qualification impacts on pay rises as does the length of training.

One of the main lessons from recent practice is that intervention needs to be tailored to the holistic needs of the participant, rather than skills in isolation. **Personalised pathways** which include one-to-one adviser contact, employability-related advice, and wider provision such as training, health, housing or financial support are needed.

Productivity improvements

Not all activity to boost productivity results in higher wages and if the driver is to boost pay then action needs to be carefully targeted at practices to boost training or leadership and management, to reduce the use of temporary contracts and increase the use of digital technology. CloS has much good practice on which to build in this respect.

Further, the evidence shows that local productivity issues are not just about the

³ <https://blogs.lse.ac.uk/politicsandpolicy/living-wage-impact-on-low-pay/>

sectoral mix, they relate to firm level productivity, which includes all sectors of the economy, including retail and the visitor economy. The remaining EU Growth Programme funds should target improving firm level productivity where possible. Due to the long timescales involved in delivering this change, local stakeholders should also consider including this activity in future delivery.

Summary

The challenge for CloS is to develop and implement a range of complementary interventions, to learn from the experience of others and to ensure that such a multi-faceted approach is focused and underpinned by a vision of the change it wants to see.

Much good work has been undertaken with the support of ESIF and the main message for the remainder of the programme is that the cross-cutting themes in support of equal opportunities and gender mainstreaming are given significant weight in reviewing pay claims and in expanding programmes where there is underspend. This should include embedding good and best practice to support women; disabled people; individuals with a protected characteristic as defined in the Equality Act 2010; women into STEM; childcare and caring responsibility support and for businesses committed to paying the Living Wage. Applicants should demonstrate that they have considered and embedded these cross cutting themes in their project plans and delivery and have delivered against commitments made.

4. Recommendations

If we consider that low pay is generally regarded as a nationwide problem of huge significance, the evidence clearly shows that low pay in Cornwall is a problem of far greater severity than found nationally.

Tackling low pay and productivity is a complex issue and there is no silver bullet. It should be noted that through EU Funds CloS has already adopted many practices and strategies that

support wage growth and improved productivity, including for instance:

- The ESF and ERDF funded projects cited here and evidenced in the progress report.
- Innovation projects such as Deep Digital Cornwall and Acceleration through Innovation.
- Support to secure the growth of higher paying sectors such as Marine-i.
- Playing a role in developing workspace which has and will enable businesses thrive and grow.

Outside of EU Funds complementary action has also supported this work such as the designation of the Council as a Real Living Wage employer; the Skills Strategy and The Cornwall Plan 2020-2050 which seeks to ensure that all jobs are paid at least the real living wage, and in-work poverty is addressed.

The recommendations which follow seek to tackle the different drivers of low pay through the remaining life of EU Funding. Of necessity, for such a complex and long-standing problem, there is no quick fix, so although the recommendations relate principally to the use of EU Funding in the short term, in the longer term continued action will be needed to change the low pay dynamic.

Strategic

For the remainder of the programme applications should be assessed against the equality cross-cutting theme and more weight given to applications which make a commitment to improve equality and diversity by paying the Living Wage.

When the managing authority reviews outstanding claims it will be important to ensure that commitments applicants have made around low pay have been delivered.

Whilst there are no further Calls anticipated, project extensions via the PCR route should adequately consider the importance of the cross-cutting themes, particularly sustainability in relation to equality and diversity and equality of opportunity.

For individuals
Following Covid-19, new flexibilities around supporting people at risk of redundancies should be a key focus of any underspend, delivering training to enable people to develop flexible skills and to progress in the workplace, whilst avoiding deadweight.
Programmes which upskill people in and out of work are needed to support women to develop the digital and STEM skills to work in the growing tech sector, building on lessons learnt from the use of EU Structural Funds to date.
Basic skills are holding people back from progression in the workplace and there is an on-going need to support people to develop these skills with the associated wrap-around care that may be needed for those furthest from the workplace.
People with disabilities and their employers should be supported to develop their work-related skills through expansion of the Beacon Project or similar initiatives.
For employers
Given the strong association between productivity and pay, action to support improved productivity in business should be prioritised in addressing any underspend, particularly in relation to the development of leadership and management skills and digital technology. This means making it as easy as possible for smaller companies to benefit from leadership and management/digital support and upskilling to enable them to embed change, develop good working practices and embed a culture of progression.
New start ups in sectors which will diversify the economy should continue to be supported to grow and the potential for expanding into follow up support explored.
Programmes to promote innovation should be expanded.
Infrastructure
Continue to support the roll out of superfast broadband and digital technology which will support home working and boost the attractiveness of CloS as a place to do business.

As noted through the analysis of the data, low pay is a deep-seated issue and the leadership in Cornwall should consider further action to add weight to ESIF investment to bring about real change in terms of low wages in Cornwall and the Isles of Scilly.

1. Introduction

This research was commissioned by the EU Growth Programme Support team at Cornwall Council to better understand the causes and possible solutions to persistent low wages in Cornwall and the Isles of Scilly (CloS). The aim is to better understand:

- ❖ The characteristics of low pay locally;
- ❖ How CloS compares with benchmarks;
- ❖ The drivers of low wages; and
- ❖ To identify good practice in tackling the issues with a view to shaping policy to address areas of underperformance.

The Growth Programme is the European Structural and Investment Funding (ESIF) programme for Cornwall and the Isles of Scilly running from 2014-2020, with project activity continuing until 2023. It is providing over €600m funding to the region through the European Regional Development Fund (ERDF), the European Social Fund (ESF) and the European Agricultural Fund for Regional Development (EAFRD) with the aim of delivering smart, sustainable and inclusive growth.

Earlier research commissioned by Cornwall Council on behalf of the ITI Support Team (The Benefit of EU Structural Funds Investment for Cornwall and the Isles of Scilly, Ash Futures, November 2019 www.cornwallislesofscillygrowthprogramme.org.uk/wp-content/uploads/2020/02/CloS-EU-impact-final-report.pdf) identified earnings growth as an area where Cornwall and the Isles of Scilly's performance could be stronger. To inform policy, better understand and address this, further research was required. This report has been commissioned to **inform the delivery of Growth Programme projects to 2023**, to provide insight into how the issue of persistent low earnings can be addressed to achieve more inclusive growth.

The research is timely, even before the Covid-19 pandemic hit, the problem of low pay and associated low productivity was beginning to dominate the political agenda. Geographic inequality lies behind the intent to 'level up' across the country and revive the economies of the UK's 'left behind' towns and rural areas and the newly formed National Skills and Productivity Board has been given a remit to explore the role of skills in promoting productivity growth. Whereas the challenge of 20 years ago was worklessness, today the premise of Universal Credit is to specifically move people out of low pay and to support people to progress, earn more and become more productive, so pay is very much at the forefront of the national political agenda.

The data behind this drive is clear: earnings growth in the UK has been low since the turn of the century and flat since the 2008 recession. Productivity has been especially weak and in 2018 was just 2.5% higher than in 2008. Historically, work has been a way out of poverty but currently, 57% of people or children in poverty in the UK live in a household where someone is in work, an increase from 35% in 1994-95 ⁴.

More recently, the onset of the pandemic has exposed and reinforced existing patterns of inequality which has added a new urgency to the task of ensuring that poverty does not spiral. In the words of the Institute for Fiscal Studies, *"a number of hospitality- and tourism-dependent coastal communities face the 'double whammy' of being both 'left behind' and vulnerable to the immediate economic fallout from the pandemic."*⁵

⁴ <https://www.ifs.org.uk/publications/11696>

⁵ <https://www.ifs.org.uk/publications/15055>

Cornwall and the Isles of Scilly have already embarked on a number of activities designed to tackle low pay and productivity and it is intended that this report will provide an evidence base to help 'turn the curve' of low pay in the remaining years of EU Funded support.

Method of approach

The research is founded on detailed analysis of statistics. Using a range of data sources the analysis has explored low pay and productivity in relation to total earnings, part-time earnings, and full-time earnings alongside measures of productivity. This approach has allowed us to explore spatial variations in earnings across CloS. Additional work was undertaken to compare CloS with a number of different benchmark areas.

The analysis has been complemented by a literature review on low pay and productivity with a view to building understanding and to identify existing policy and research on best practice in tackling low pay. Discussions with local practitioners and employers have taken place to build up the case studies used in this report.

2. What drives low pay and what are the barriers to action?

Introduction

‘Productivity isn’t everything, but in the long run it is almost everything’. Nobel Prize-winning economist Paul Krugman

It is widely agreed that in the long run, national productivity is the key determinant of a country’s living standards. Low productivity and low pay are intertwined and no analysis of low pay would be complete without considering the challenge of productivity. In turn, low pay impacts on equality, deprivation and poverty.

National data shows that CloS is not alone in facing the challenge of low wages and low productivity:

- ❖ Of the 13.5 million people in poverty in the UK 7.4 million are in working families.
- ❖ Two-thirds of the United Kingdom’s workers are employed in businesses with productivity that falls below the industry average⁶.

This proportion is likely to be far higher in CloS on the basis that the area has higher proportions of employment in low productivity sectors than compared nationally. In fact, on the basis of differences in the proportions of employment in lower value added industries the CloS proportion of workers in below-average productivity businesses may be as high as 80%.

Although CloS’s problems are far from unique, they are severe: as data in Section 3 shows, 39% of Cornwall’s 200,00 or so employees earn below the Real Living Wage and in terms of productivity performance Cornwall and the Isles of Scilly has one of the lowest rates of Gross Value Added (GVA) per head in the country. **Quite simply, work does not pay for almost 4 out of 10 people in Cornwall.** Research by the RSA⁷ points to the fact that the current model of ‘Grow now, redistribute later’ or “trickle down” is not working and needs to be replaced with an inclusive approach which tackles placed-based social inequalities from the bottom up.

In this section, the key drivers of low wages are explored to identify the factors that can be influenced by the delivery of the remaining EU Funds – skills and business performance for example. Other longer-term actions that the organisations such as Cornwall Council can influence, such as its procurement policies and by demonstrating leadership and advocacy for the Real Living Wage, are not detailed here. Further, those factors that require national action, such as the benefit trap, collective bargaining, trade union membership etc are not discussed here.

The key drivers of low wages

1. The structure of the economy and composition of the workforce

The structural make-up of the local economy and associated composition of the workforce are key factors in the extent of low pay. The Low Pay Commission has reported that almost half of all minimum wage jobs are in just three low-paying sectors: retail, hospitality and cleaning and maintenance. In CloS these sectors account for around 1 in 3 jobs, far higher than nationally and in

⁶ RSA (2017) The Inclusive Growth Commission, Making our economy work for everyone.

⁷ RSA (2017) The Inclusive Growth Commission, Making our economy work for everyone.

some of the coastal towns these industries predominate. This means that the prospects of finding well-paying work are limited by concentrations of those sectors and the economics/business strategy of employers in those sectors who can be restricted by the margins they are able to generate from their business, competition with other businesses and a need to balance hourly rates with retaining profits for reinvestment, taxation and other running costs.

This is exacerbated by rurality, housing costs (which often mean that people who often work in low wage roles live outside of the areas in which they work as there are no affordable options available. This often leads to the need for private transport) and poor or expensive public transport - people who work in some parts of CloS literally have few alternatives to low paid jobs without undertaking a significant commute and therefore remain confined and constrained by their local labour market or have to use a larger than average proportion of their income to cover their commuting costs). The corollary of this economic structure is that there is also a lack of opportunities in businesses with more highly paid jobs in sectors such as finance or professional services within Cornwall.

ESF Funding

Initiatives such as the ESF Smart Specialisation programme led by the University of Exeter have helped support this transition. The project supports the development of **higher level skills** aligned to Cornwall and the Isles of Scilly's five smart specialisation sectors - marine technology, space and aerospace, digital, e-health and agri-tech – which have been identified for research, development and innovation investment.

While sector is of central importance, research has also found that during Covid-19, low-paid workers are more likely to have been furloughed even after accounting for the sectors they work in.⁸ This could make low-paid workers more vulnerable to the future job losses that many expect to follow the withdrawal of the Job Retention Scheme after September 2021. Of course, the expected local boom in the tourism industry, coupled with demand for workers to fill the demand for online retail services and the loss of migrant workers might actually mean that Cornish employers need to raise wages locally in order to attract and retain sufficient staff to meet demand. As the case study for Mother Ivey's Holiday Park shows those that pay the living wage benefit from attracting and retaining the best skills and talent.

Case Study: Mother Ivey's Bay Holiday Park, Cornwall



⁸ <https://www.resolutionfoundation.org/app/uploads/2020/09/Low-Pay-Britain-2020.pdf>

Mother Ivey's Bay is an awarding winning holiday park based near Padstow. It is family-run business which has been in operation for more than 30 years. In 2015 it was accredited as a Real Living Wage employer, and as such, was the first holiday park in the UK to receive accreditation.

The impetus came when its Managing Director, Patrick Langmead first became aware of the Real Living Wage campaign through an article in the national press. Enthused by the concept, he explored what it would mean financially for his business and decided to start paying his employees the living wage. A passionate advocate for the Living Wage, he believes that there are many businesses across the county who could become Living Wage employers, but they need to be open minded about it and not dismiss it out of hand as unaffordable. From his point of view it is not just about costs, it is whether employers want to be "on the right side of history." As an advocate of the living wage, he has now also been able to persuade members of his supply chain to become accredited.

Patrick sees living wages are an investment not a cost and the results speak for themselves: he can be confident when training staff that the holiday park will reap the benefits because staff want to work there, staff turnover is down and staff retention is up. He has a motivated and engaged workforce who feel valued and are able to deliver a great guest experience. Ultimately they deliver enhanced value and a quality service, which in turn generates repeat business and word of mouth recommendations. As part of a Cornish family which has been in Cornwall for generations, Patrick pays the living wage because he "wants to do what is right for Cornwall".

www.motheriveysbay.com

Low pay sectors are also characterised by relatively 'flat' employment structures, where there are few opportunities for wage and career progression to escape low pay, particularly in the small micro, family-run businesses where there is one owner/manager which is very prevalent in Cornwall. An absence of large employers in Cornwall and the Isles of Scilly further reduces people's work options.

The other characteristic of the local economic structure is that part time and temporary/seasonal work is more prevalent in the low pay sectors and lower median hourly earnings for part-time workers compared with full time or permanent jobs are one of the root causes of low pay. Since women in CloS disproportionately work part-time (50%) compared to men (12%) this creates a gender pay gap. Nationally, those most likely to be low paid are:

- Women
- Young workers
- People with low levels of qualifications/skills
- People with a disability
- People from ethnic minority backgrounds

This highlights a significant equalities dimension to low pay, which ESF Funding has and can continue to play a role in tackling.

ESF Funding

Health Works for Cornwall is an exciting programme which aims to support 5,500 workless individuals where there are health-related barriers to employment. Cornwall Development Company is leading a partnership of local organisations who provide specialist engagement, careers education, information, advice and guidance and support into or towards employment

2. The changing workplace - the gig economy and outsourcing

In recent years, UK labour markets have seen a significant increase in forms of work other than standard employment contracts, this is referred to as 'atypical work'. Since 2008, across the UK the number of self-employed workers has grown by 24%, the number of agency workers has increased by 46%, and the number of workers on zero hour contracts has increased by more than 400%⁹. This trend is typically associated with low pay and insecurity. Atypical workers earn less on average than full-time employees both in absolute terms and per hour. Self-employed workers are not subject to the National Minimum Wage regulations.

Businesses are increasingly using a whole range of options to find workers from hiring traditional full-time staff to outsourcing, independent contractors, gig workers, and crowdsourcing. According to the TUC, growing insecurity and rising self-employment are creating real issues over levels of pension contributions, security of hours, and limited progression and training opportunities.

Evidence from the US¹⁰ also shows that outsourcing has borne down on wages, e.g. cleaners earn 4-7% less and security guards earn 8-24% less when they are employed by a contractor rather than the company whose premises they clean or provide security for.

3. Low qualifications

Most low paid work is also done by those with low or no qualifications. In general, higher levels of qualification/skill reduce the risk of low pay, but there is no guarantee. This is most likely to be due to the types and the quality of education and training that low paid workers have access to, and the relevance of the skills acquired. Lower qualified workers are far less likely to receive employer-sponsored training than better qualified employees. They also experience a number of barriers; according to the 2016 Adult Education Survey¹¹, about 40% of those with no qualifications cited ill health and caring responsibilities as barriers to learning and training. Just over a third (34%) cited the expense of education as a barrier, while 13% cited lack of employer support as a factor.

There is also evidence that skills are under-used. In the 2019 Employers Skills Survey 36% of local employers reported that the skills of their workers are more advanced than they need for their job.

People with limited qualifications and skills are also more likely to struggle to get another job if they leave an unsatisfactory one. Where individuals are geographically or occupationally immobile, this reduces the choice of jobs available to them and poses additional barriers for those people who want a different job.

ESF Funding

Projects such as Skills Your Way which offers young people support who are disengaged (or at risk of disengaging) from education, employment and training. The support is appropriate to their individual needs to help them move into sustainable education, employment or training.

Evidence given by Tony Wilson of IES to the Parliamentary Work and Pensions Committee Inquiry into Universal Credit and Progression¹² suggested that *"Many people in low paid work don't want or know how to progress – while many employers don't want or know how to offer those opportunities."* Any policy responses which prioritise simply signposting low paid workers to training

⁹ Report of the Future of Work Commission 2017.

¹⁰ <https://www.iff.org/points-of-view/costs-and-causes-wage-stagnation/>

¹¹ <https://www.gov.uk/government/publications/adult-education-survey-2016>

¹² <https://www.parliamentlive.tv/Event/Index/77a28240-5f57-4374-a135-6a8b50804676>

e.g. DWP referrals is unlikely to have impact, therefore, and our recommendations include providing more wrap-around support for those with barriers to progression, in as far as the funding allows.

As evidence to the Inquiry heard, for many people the link between hard work and reward has vanished and the prospect of doing more low paid work (or of earning a little bit more to take on more responsibility/stress) is not attractive, especially for the many low paid workers who are working part time and balancing work with family life. Addressing employer attitudes to low paying work need to be part of the solution as well as supporting employees to learn and develop their skills. There is an opportunity in the remaining lifetime of EU Funds to ensure that any commitments around pay given in funding applications are delivered when reviewing claims.

4. The “scarring” effect of low pay

Low paid work is less secure than higher paid employment and therefore people in low paid jobs are more likely to experience periods of unemployment. Research has shown that in turn, the experience of unemployment and low pay has a direct negative impact on workers’ future employment prospects so people are trapped in a vicious circle of ‘low pay: no pay’¹³. The Social Mobility Commission has shown that just 1 in 6 low paid workers managed to leave low paid jobs in the past decade. Their report found that women are more likely to be low paid than men and are also far more likely to get stuck in low pay¹⁴ suggesting that one dimension of the policy response will be to ensure that equalities are fundamental to EU funded projects designed to upskill the workforce.

5. The need for flexible working

The data shows that certain labour market groups are more likely to be in low paid work. This not only reflects the structure of the labour market but also the characteristics of those seeking work. People can be restricted by their care responsibilities, their health, their ability to travel and the need for flexible hours. Employers can be restricted by the margins they are able to generate from their business, competition with other businesses and have to balance hourly rates with retaining profit for reinvestment, taxation and other running costs. Even where care responsibilities allow women to work, women are more likely to want to work part-time and within more local labour markets, working closer to their homes or their children’s schools. This limits the types of opportunities available to women and increases their risk of working in low paid jobs – a factor which may explain the proportion of workers who are over-skilled for their job.

This situation is exacerbated by rurality. The evidence shows that these problems are greatly exacerbated in more remote labour markets which are isolated from the opportunities associated with major commuter routes and centres of economic activity.¹⁵ Further, in smaller labour markets and more sparse areas, the lack of informal networks in providing access to employment opportunities or opportunities for sharing childcare are often heightened.

Access to affordable, reliable public transport is therefore key to expanding the set of job opportunities available to individuals with caring responsibilities as without this they are limited a narrower set of opportunities within close proximity to where they live. Better availability of

¹³ <https://www.lse.ac.uk/business-and-consultancy/consulting/assets/documents/Low-Pay-and-In-Work-Poverty.pdf>

¹⁴ D’Arcy C and Finch D. (2017) The Great Escape? Low pay and progression in the UK’s labour market. Social Mobility Commission. London

¹⁵ <https://www.employment-studies.co.uk/system/files/resources/files/crc01.pdf>

childcare is another way of addressing barriers to full-time work. These factors are beyond the scope of this report but are noted here for completeness.

Consideration of productivity

It has been noted at the start of this section that low pay and low productivity go hand in hand. It is therefore worth briefly exploring the evidence on the causes of low productivity as these will require a different responses. There is considerable debate as to whether some of the difference between local economies is a measurement issue but we will not consider that here.

The Centre For Social Justice (CSJ) have provided a succinct analysis of productivity stagnation in the UK suggesting that it has been driven by:

- **both the long and short term by a decline in capital investment,**
- **a growing trade deficit,**
- **levels of innovation,**
- **poor leadership and management.**

Strong leadership and management practices such as setting targets, analysing operations, and monitoring, managing and incentivising performance have been shown to be strongly correlated to firm-level productivity, with even small improvements in management practices being associated with up to a 5% increase in the growth rate of a business's productivity¹⁶.

Despite this evidence, SMEs in the UK are less likely to use formal management practices and internationally the UK is ranked only 5th in the G7 for the management of its businesses. Moreover, UK SMEs compare particularly unfavourably internationally on people management, which is the factor most correlated to productivity. **Leadership and management practices across all sectors therefore represent one of the greatest opportunities to drive firm-level productivity growth in the UK.**

ERDF Funding

To date, EU Funds have done much to support productivity in CloS. Examples of projects include, BIG Productivity, a grant fund that is helping businesses in Cornwall boost their productivity and grow. It co-invests with businesses and can offer grants of £2,500 to £150,000 to qualifying businesses. Similarly, Breakthrough 2 supports businesses to realise their growth potential and increase productivity. Small businesses receive support to understand productivity, which is a key means of improving competitive advantage and generating growth.

Whilst the CSJ analysis focuses on innovation, other research¹⁷ suggests that there is insufficient adoption of tried and tested technologies. **The Enterprise Research Centre (ERC)¹⁸ has shown that adoption of a range of basic technologies is associated with a productivity improvement of between 7% to 18%, depending on the technology. This is further backed by ONS analysis which shows the use of two or more business management technologies is associated with productivity gains of up to 25%. These technologies include accountancy software, customer relationship**

¹⁶ HM Government (2019) Business Productivity Review

¹⁷ Report of the Future of Work Commission (2017) https://uploads-ssl.webflow.com/5f57d40eb1c2ef22d8a8ca7e/5f71a28418550428b77d4ab9_Future_of_Work_Commission_Report_December_2017.pdf

¹⁸ HM Government (2019) Business Productivity Review

management systems (CRM), supply chain management and enterprise resource planning software. This is important since innovation needs to pay attention to context. Other research by the ERC¹⁹ shows that CloS LEP is one of the worst performing areas in relation to the adoption of innovation, a position which would be no doubt worse without the benefit of EU funding around innovation (see <https://www.cornwallislesofscillygrowthprogramme.org.uk/wp-content/uploads/2021/04/Progress-to-date-Mar-21-web.pdf>).

There is therefore a need to start where businesses are and this can be about doing basic business management well, rather than investing in the use of cutting edge technology.

While the uptake of digital technologies has increased in recent years, in 2017, the proportion of UK businesses with websites, internet trading capabilities, customer relationship management and enterprise resource planning systems were lower than the proportion of Danish businesses that had adopted them eight years earlier.²⁰ Aside from the direct benefits to firm-level productivity set out above, the adoption of these existing technologies prepares a business for the later adoption of more sophisticated digital technologies. Progressing Business through Digital Skills is an example of an ESF project which takes employers' existing technology and digital skills as a starting point on which to build.

Support for businesses will need to continue to be part of the approach and in consultations undertaken for the CloS Local Skills Report earlier in 2020 stakeholders suggested that the calibre of small business leadership was "patchy" – employers do not recognise what they need to develop and think about how they could work differently - *"The businesses don't have the scale to take a breath"*. It was said that a lot of businesses in Cornwall are working on an income that would not be acceptable elsewhere, businesses are surviving not thriving. An insularity amongst local businesses was also identified based on local competition, with limited understanding amongst businesses as to how they compared against other benchmarks within their sector or elsewhere in the country. Going forwards, **the development of local programmes designed to improve management and leadership and digital skills could not only have real business benefits, but ultimately impact on productivity and the ability to pay employees a living wage.**

To complement this work, action to tackle the structure of the local economy with its preponderance of part time, service sector jobs, low proportion of larger employers and absence of corporate Head quarters will be important. The Covid-19 pandemic has transformed working patterns and opened up opportunities for remote working, facilitated by EU investment in broadband. With its brand, high profile and quality of life CloS is well-placed to develop its inward investment strategy to capitalise on this trend and to increase the number of professional, full-time jobs to re-balance the economy towards higher paying roles and sectors.

Another action along these lines concerns supporting the growth of indigenous businesses, in order that they grow to a level where they necessarily require higher management tiers (and or a larger upper management tier). Finally, there is also the distinct and obvious opportunity to support and encourage far greater levels of 'professionalisation' within Cornwall's private sector. For example, to support and encourage greater numbers of businesses and jobs in Information & communication, Professional business services and Business administration and other business support services, building on the availability of superfast broadband supported through the ERDF Superfast 3 project. Cornwall's lack of representation in these sectors, and over-representation in other sectors such as

¹⁹ <https://www.enterpriseresearch.ac.uk/wp-content/uploads/2019/06/ERC-ResReport-Benchmarking-local-innovation.pdf>

²⁰ Enterprise Research Centre- State of Small Business Britain Report (2018)

tourism, goes a considerable way to explain low wages and low productivity in CloS. This latter action is greatly supported by recent trends in homeworking and relocation as a result of such factors as COVID-19 (and its likely future legacy) along with ever-improving technology and more localised co-working provision.

ERDF Funding

As an example, the second phase of the Aerospace Cornwall project continues to deliver a comprehensive programme of research, development and innovation support to businesses in Cornwall and the Isles of Scilly which are developing products, services and technologies that could add value to the aerospace/space sectors.

3. Understanding low pay in Cornwall and the Isles of Scilly

Introduction

In this section we undertake an analysis to explore the nature and extent of the CloS current earnings levels, for the pre-COVID19 period of 2019, and explore growth trends over the last decade. Breakdowns for full-time and part-time workers and employed are provided where the data is available. For the most part the analysis draws upon data extracted from the ONS Annual Survey of Hours & Earnings (ASHE) via Nomis.

In this section, and due to the abnormalities of COVID-19 through 2020, we have used 2019 as the baseline year. However, because of problems with statistical errors for the Cornwall data from ASHE, we have used an average of the three years of 2018, 2019 and 2020 to establish the 2019 baseline estimates. The same approach has also been applied to establish national and regional baseline figures for the purposes of consistency. Please note that this section refers to Cornwall as no data is available for the Isles of Scilly.

What is low pay?

Our starting point is to understand what we mean by low pay. There are several definitions of low pay: relative and absolute measures. The relative measure is the conventional relative measure based on the OECD approach and it assesses the low paid as those employees with hourly earnings (excluding overtime and bonuses) less than two thirds of the national median across all employees. In April 2020 (which is the latest data available) this threshold was £9.12 per hour. Published literature often uses this threshold and we will make clear where it is used in this section. In the main part though we have used the absolute measure which is the **Real Living Wage** (RLW).

The RLW is the UK's only wage rate based on what people need to live on and is calculated according to the cost of living, based on a basket of household goods and services. The rate is set by the Living Wage Foundation and in November 2020 it was raised to £9.50 an hour payable from May 2021.

The Real Living Wage should not be confused with the **National Living Wage**, which provides a wage floor based on age. The National Living Wage is £8.91 (April 2021) and applies to anyone aged 23 and over. (For younger age groups it is referred to as the **National Minimum Wage**. For 16-17 year olds the rate is £4.62; for 18-19 year olds it is £6.56 and for 20-21 year olds it is paid at £8.36).

Pay rates in Cornwall

Data for hourly earnings (excluding overtime²¹) for all employees (both full-time and part-time) from ASHE shows that, in 2019, Cornwall had an estimated 174,000 employee jobs. Table 3.1, below, shows the median average earnings, mean average earnings, and percentile data for these employees. Each 10th percentile contains 17,400 employees while each 25th percentile (the four quartiles) contains 41,800 employees. The 50th percentile is the median.

²¹ Note: In some sectors such as Agriculture overtime can increase wages over the living wage on average. In this research we have used the standard benchmark, but this could be a further area of research in the future.

In order to help the reader interpret percentiles, quartiles and the median, statements such as the following can be drawn from the table:

- At the first percentile, the 10 percentile, the data shows that 1/10th of Cornwall employees (17,400 employees) earn less than £7.90 per hour (and 90% of employees earn more than this). £7.90 is 95.6% of the wage level achieved by the first percentile of employees across the South West and 94.8% the level achieved nationally.
- At the first quartile, the 25 percentile, one quarter of Cornwall employees (43,500 employees) earn less than £8.79 per hour (and 75% of employees earn more than this). £8.79 is 94.1% of the wage level achieved by the first quartile of employees across the South West and 91.5% the level achieved nationally.
- At the median, the 50 percentile, one half of Cornwall employees (87,000 employees) earn less than £10.74 per hour (ad one half earn more). £10.74 is 87.2% of the wage level achieved by the 50 percentile of employees across the South West and 80.9% the level achieved nationally.

Table 3.1. Average hourly earnings (excluding overtime) and number of employees in Cornwall, including percentiles and quartiles, with South West and Great Britain benchmarks, 2019 estimate from 2018, 2019 and 2020 averaged data

	Cornwall		Cornwall as % SW	Cornwall as % GB
	Number of employees	Hourly earnings (ex. overtime)		
	Volume	£	%	%
Median	87,000	10.74	87.2	80.9
Mean	n/a	13.36	85.4	77.2
10 percentile	17,400	7.90	95.6	94.8
20 percentile	34,800	8.49	95.1	93.0
25 percentile	43,500	8.79	94.1	91.5
30 percentile	52,200	9.08	92.8	89.4
40 percentile	69,600	9.78	89.8	84.9
60 percentile	104,400	12.19	86.2	78.9
70 percentile	121,800	14.02	84.8	76.3
75 percentile	130,500	15.45	84.8	77.1
80 percentile	139,200	17.14	85.3	77.4
90 percentile	156,600	22.70	87.7	78.1

Source: ASHE, ONS. Downloaded from Nomisweb, April 2021.

As can be seen, **median earnings** for Cornwall in 2019 were £10.74 per employee, a level some 86.5% of South West earnings and 80.6% of national (Great Britain) earnings. Mean average earnings, unlike median average earnings, includes those on the highest and lowest earnings, stood at £13.36. This was 84.2% of the South West mean and 76.5% of GB.

The analysis suggests that Cornwall has a total of 43,500 employees at the lowest paid quartile and that these workers earn 94.1% of South West level of earnings and 91.5% the national GB level of earnings.

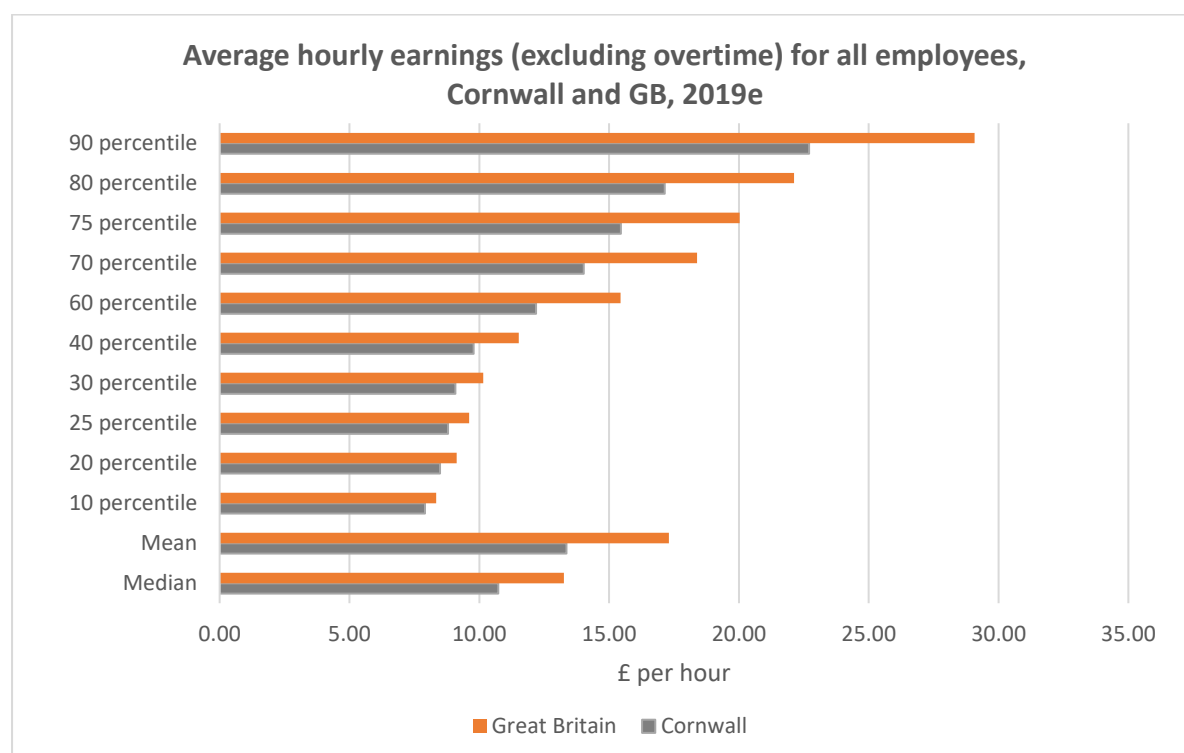
At the 75th percentile **75% of people in Cornwall earn less than £15.45 per hour. However, across GB 75% of people earn much more than this, (£20 per hour).** The gaps between Cornwall and GB

grow as more people are included because Cornwall workers earn less than their GB counterparts at every level (from the lowest paid through to the highest paid).

The percentile breakdowns show that Cornwall has consistently lower earnings at every percentile and quartile. This chimes with anecdotal evidence that suggests local larger businesses struggle to fill managerial positions since pay rates and progression opportunities are less competitive than in other parts of the country. The chart below, Chart 3.1, illustrates the extent of these gaps and the nature of their growth as we move up through the percentiles and quartiles.

The data shows that Cornwall is uncompetitive in terms of pay at all levels relative to the regional and national pictures.

Chart 3.1: Average hourly earnings (excluding overtime), and percentiles and quartiles, 2019 estimate Cornwall and GB compared



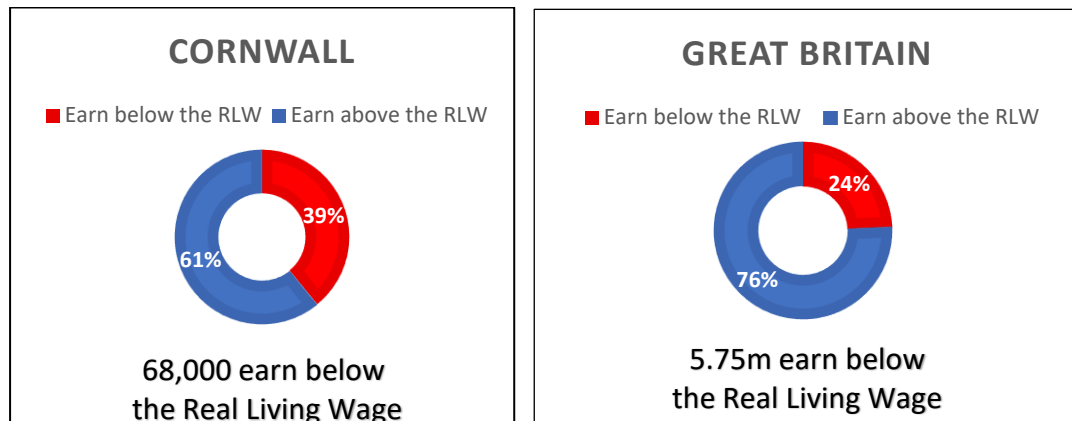
Source: ASHE, ONS. Downloaded from Nomisweb, April 2021.

How many employees in Cornwall earn less than the 2020 Real Living Wage?

In November 2020, the Living Wage Foundation raised the UK's Real Living Wage (RLW) to £9.50 an hour to take effect in 2021. By plotting the percentile data above, we can estimate the volume of Cornwall's 174,000 employees earning less than the RLW. This analysis is shown in Chart 3.2 below. Key points to note are:

- **It can be estimated that around 68,000 of Cornwall's 174,000 employees earn less than the RLW, equivalent to 39.1% of all employees.**
- Though not shown here, the same analysis for Great Britain, shows that 24.3% of the nation's 23.7m employees (5.75m employees) earn less than the RLW.
- Cornwall therefore has around 15% more of its employees earning less than the RLW than found nationally, equivalent to 26,000 employees (and worth, as we show later in this report, around £4m per annum to the CloS economy in additional wages if this gap were to be closed).

Chart 3.2 Proportion of employees earning below the Real Living Wage; Cornwall and GB compared



Source: ASHE, ONS. Downloaded from Nomisweb, April 2021.

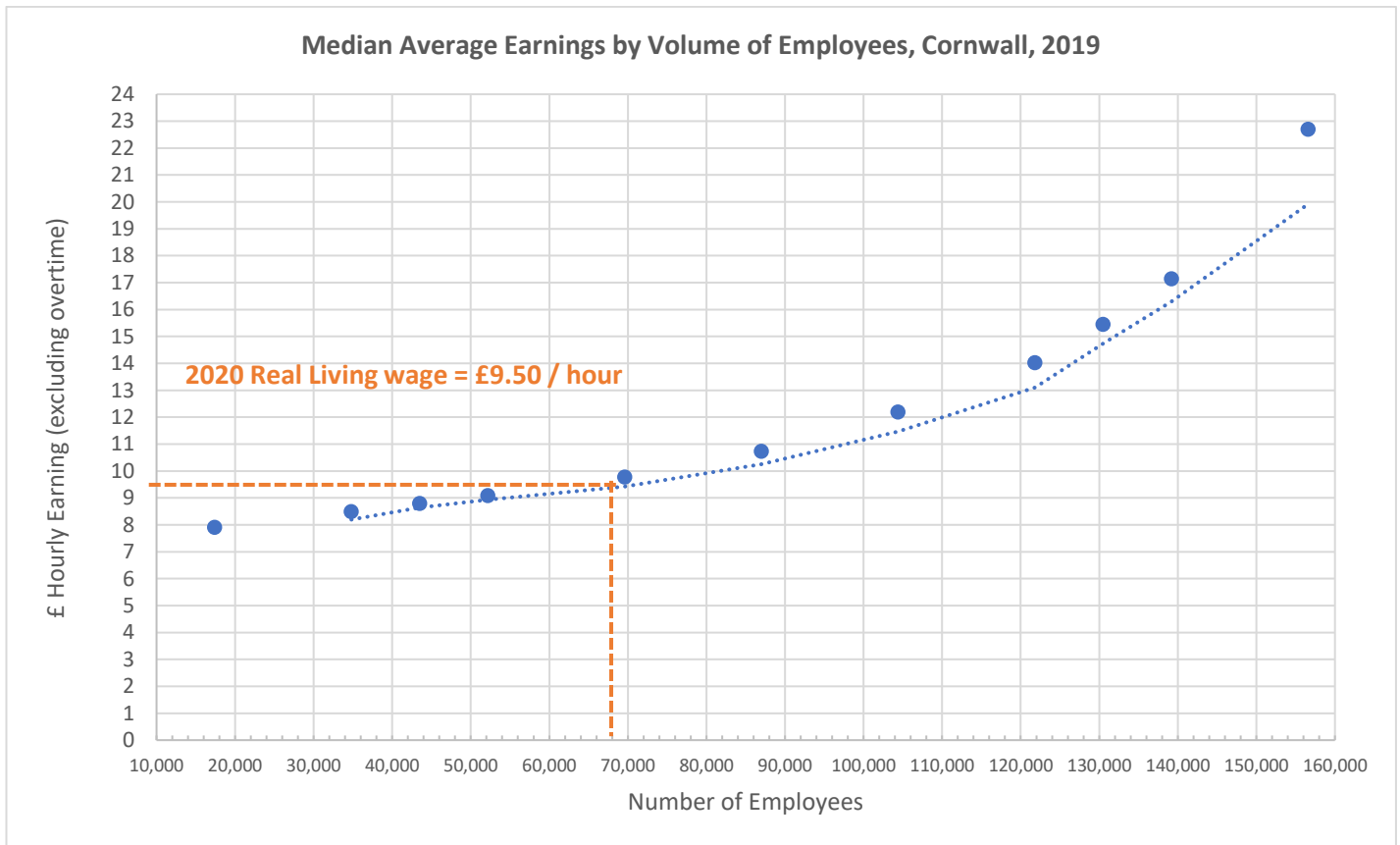
If we consider that low pay is generally regarded as a nationwide problem of huge significance, these findings clearly show that low pay in Cornwall is a problem of far greater severity than found nationally.

An analysis conducted by ONS based on 2018 figures placed Cornwall in the worst 5% of authorities for low pay along with other coastal and agricultural areas like Blackpool, East Lindsey and former industrial heartlands such as Middlesbrough.²² **Numerically, it has the highest volume of low paid positions relative to other authorities in the worst 5%.**

²²

<https://www.ons.gov.uk/employmentandlabourmarket/peopleinwork/earningsandworkinghours/adhocs/1102annualsurveyofhoursandearningsasheestimatesofthenumberandproportionofemployeejobswithhourlypaybelowthelivingwagebyplaceofresidenceforlocalauthorityandparliamentaryconstituencyukapril2018andapril2019>

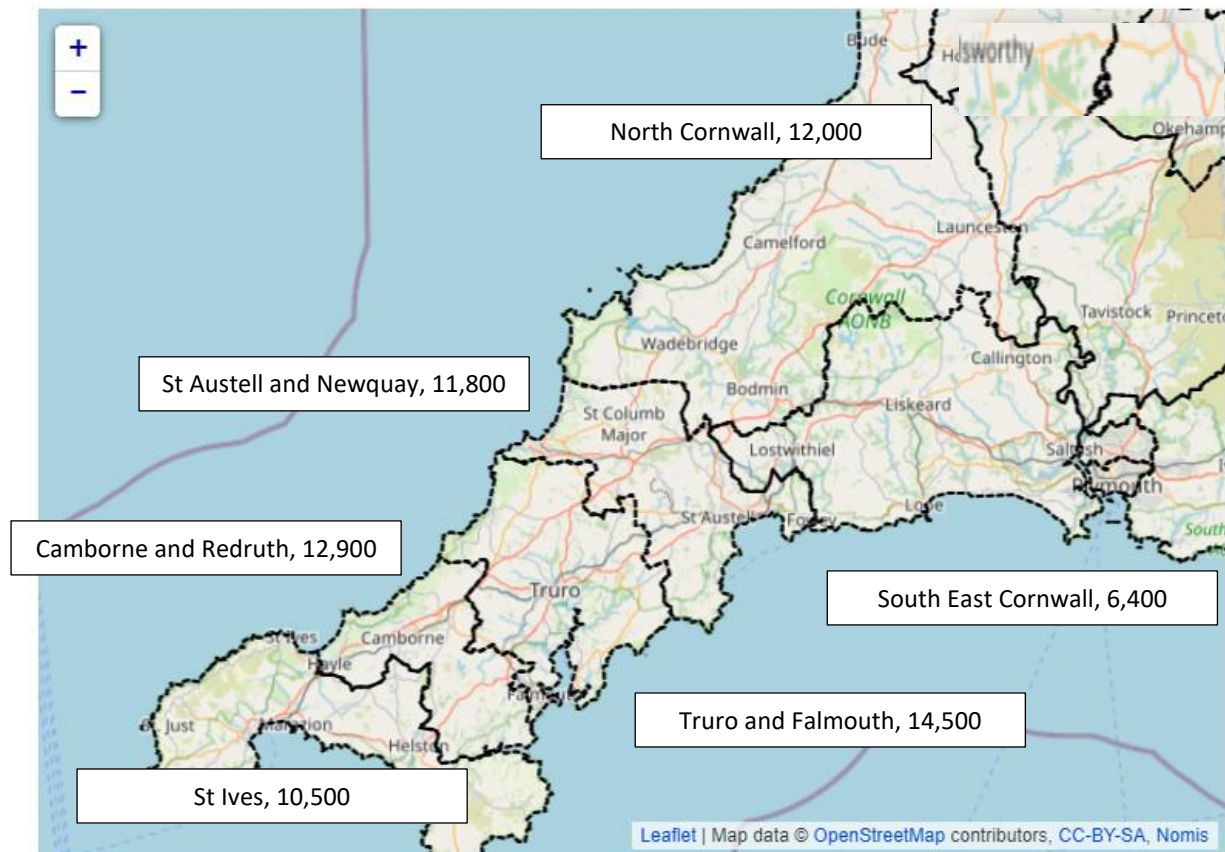
Chart 3.3: Analysis to show the proportion of people falling below the Real Living Wage in Cornwall



Which parts of Cornwall have the highest volumes of low paid workers?

Repeating the above analysis for Cornwall's 6 Parliamentary Constituency Areas (PCAs) shows the location of the Cornwall's lowest paid workers. Map 1 shows the findings of this analysis. As can be seen, the PCAs with the largest volumes of lowest paid workers are Truro and Falmouth and Camborne and Redruth, with 14,500 and 12,900 lowest paid employees respectively. The next highest is North Cornwall, with 12,000 lowest paid, followed by St Austell and Newquay with 11,800 lowest paid. St Ives has 10,500 paid below the Real Living Wage. The lowest volume of lowest paid workers is in South East Cornwall with 6,400 lowest paid. As this is a residence analysis, the lower levels of low pay in South East Cornwall are likely to reflect the higher incidence of commuting out of the county into better paid jobs in Plymouth and/or a greater prevalence of home working in higher paid occupations.

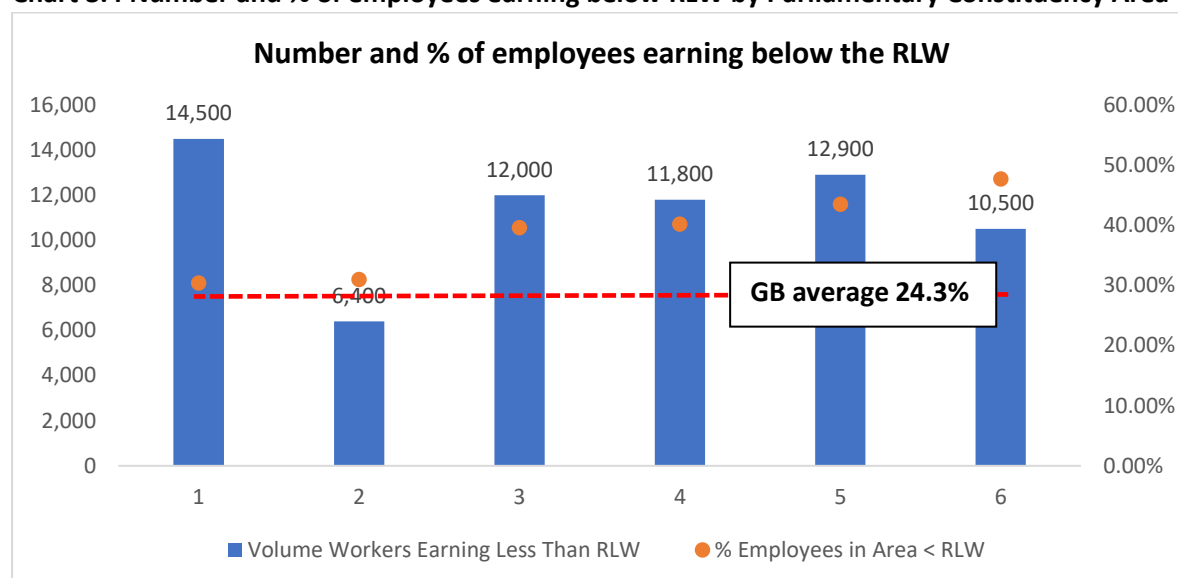
If Cornwall was separated into just two sub-areas with South West Cornwall made up of Truro and Falmouth, Camborne and Redruth and St Ives PCAs and North East Cornwall made up of St Austell and Newquay, South East Cornwall and North Cornwall PCAs then it is the remoter South West Cornwall which contains most of Cornwall's lowest paid workers (55%) with North East Cornwall containing the remaining 45% lowest paid.

Map 1: The Distribution of Lowest Paid Employee Volumes Across Cornwall by PCA, 2019

Source: ASHE, ONS. Downloaded from Nomisweb, April 2021.

Table 3.2 and Chart 3.4 show the volumes by PCA but also gives the respective percentage of employees in the area who are lowest paid and the respective percentage of all Cornwall's lowest paid workers they account for.

- In St Ives and Camborne and Redruth, 47.7% and 43.5% of employees respectively are in the lowest paid bracket.
- St Austell and Newquay has 40.2% of employees earning less than the RLW and North Cornwall has a similar percentage at 39.6%.
- South East Cornwall and Truro and Falmouth both have a similar proportion of lowest earners at 31.0% and 30.4% respectively.

Chart 3.4 Number and % of employees earning below RLW by Parliamentary Constituency Area

Source: ASHE, ONS. Downloaded from Nomisweb, April 2021

Perhaps the main finding from this analysis is that all of Cornwall appears to have far higher proportions of lowest earners than compared nationally (24.3%); low wages is a pan-Cornwall problem and is not restricted to certain parts of the County. Also worth highlighting is that the proportion of low earners in St Ives is almost twice the national proportion.

Table 3.2 also shows the proportions of low paid workers in each PCA as a percentage of all Cornwall's employees. The analysis shows that just over 8% of all Cornwall's 174,000 employees are lowest earners working in Truro and Falmouth. 7% are lowest earners in Camborne and Redruth and a similar percentage are employees working in North Cornwall and St Austell and Newquay. 6% of all Cornwall's employees are lowest earners in St Ives and 4% are in South East Cornwall.

Table 3.2: Volumes of Lowest Earner Employees in Cornwall by Parliamentary Constituency Area, percentages of lowest earners as percentages of all employees in the area and Cornwall, 2019 estimates

	Volume Workers Earning Less Than RLW	% Employees in Area	% of All Cornwall's Employees
Camborne and Redruth	12,900	43.5%	7.2%
North Cornwall	12,000	39.6%	6.7%
South East Cornwall	6,400	31.0%	3.6%
St Austell and Newquay	11,800	40.2%	6.6%
St Ives	10,500	47.7%	5.9%
Truro and Falmouth	14,500	30.4%	8.1%
Cornwall	68,000	38.0%	38.0%

Source: ASHE, ONS. Downloaded from Nomisweb, April 2021

Full-time and part-time workers/male and female wage rates

Table 3.3 shows low wage breakdowns for males, females, full-time workers and part-time workers for CloS and Great Britain. The table shows the number of employees which earn less than the RLW along with the volume of employees within each category (of gender and status). Chart 3.5 shows a summary of the findings.

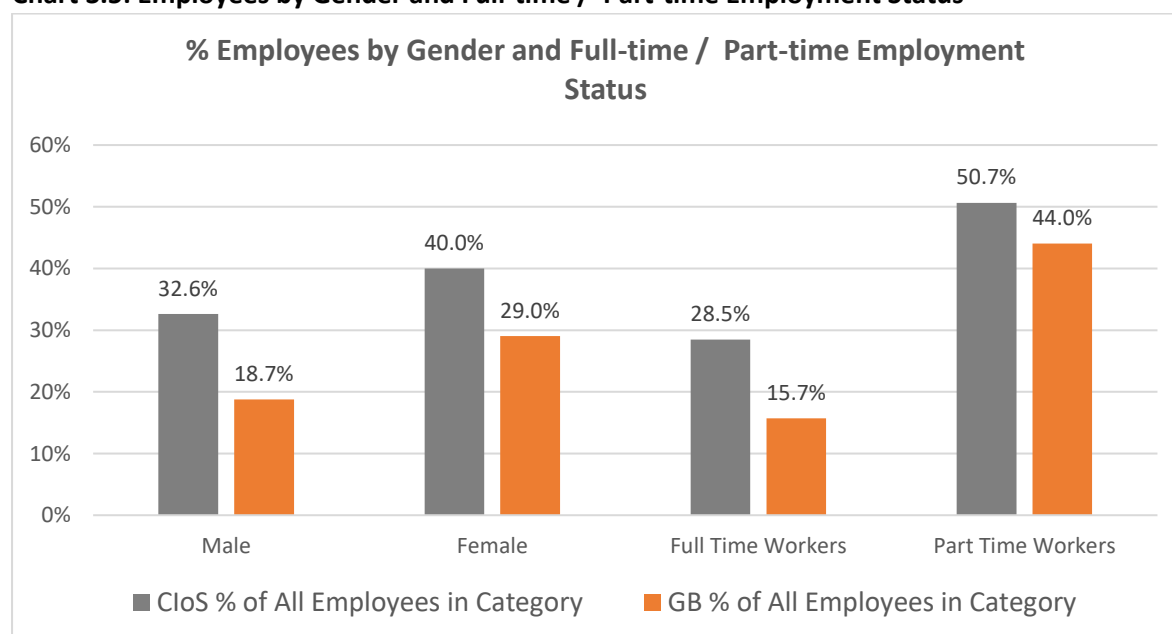
Table 3.3: Percentages of all employees under RLW by gender and status, CloS and GB, 2019

	Male	Female	Full Time Workers	Part Time Workers	Total
Total Employees in Category	88,000	92,000	115,000	65,000	180,000
Volume Below RLW	29,000	37,000	33,000	33,000	65,000
% of Total Employees in Category Under RLW in CloS	32.6%	40.0%	28.5%	50.7%	36.0%
GB % of Total Employees in Category Under RLW	18.7%	29.0%	15.7%	44.0%	23.9%
Percentage Point Difference Between CloS and GB Under RLW	13.9%	11.0%	12.8%	6.6%	12.1%
% of Total Employees in CloS Under RLW	16.0%	20.6%	18.3%	18.2%	36.0%
% of Total GB Employees Under RLW	9.3%	14.6%	11.2%	12.6%	23.9%
Percentage Point Difference Between CloS and GB Under RLW	6.6%	6.0%	7.1%	5.7%	12.1%

Source: ASHE, ONS. Downloaded from Nomisweb, April 2021

Note: Please note that there are slight variations to earlier figures presented in this report due to methodological issues concerning the trendline analysis used to estimate the volume of people earning below the RLW. In the main this is whether a straight-line or polynomial trendline is used between relevant data points. For the same reason totals may also not sum exactly.

Chart 3.5: Employees by Gender and Full-time / Part-time Employment Status



Source: ASHE, ONS. Downloaded from Nomisweb, April 2021

In terms of gender it can be seen that there are 29,000 male employees in CloS earning below the RLW. This is equivalent to 32.6% of all male employees compared to 18.7% nationally, a large difference of almost 14 percentage points. The table also shows that male employees under the RLW account for 16.0% of total employees in CloS, some 6.6 percentage points higher than the national rate.

There are 37,000 female employees in CloS earning below the RLW, significantly higher than the male volume. The rate of females under the RLW is far higher than the male rate, at 40.0%. The gap between CloS and GB, at 11.0 percentage points, is still significant but somewhat smaller than the 14 percentage point gap for males shown above. Females earning less than the RLW account for over a fifth, 20.6%, of all CloS employees. The table also shows that the proportion of female employees earning less than the RLW is an important national issue as well as an important CloS issue.

In terms of employment status:

- 33,000 of CloS full-time employees earn below the RLW, equivalent to 28.5% of full-time workers and 18.3% of all CloS employees. The respective national percentages are 15.7% of full-time workers and 11.2% of all employees. The percentage of those earning under the RLW is almost 13 percentage points higher than the respective national percentage and the percentage of all national employees under the RLW is just over 7 percentage points higher. The analysis shows that CloS has a far higher proportion of its full-time workers who earn below the RLW than found nationally.
- For part-time workers the table shows that there are 33,000 employees in CloS earning less than the RLW, equivalent to 36.0% of all part-time employees and 18.2% of all CloS employees. These rates are higher than the national rates of 44.0% and 12.6% by almost 7 percentage points and 6 percentage points, respectively. As with full-time employees, these part-time percentage point gaps are significantly higher than nationally, but around half the respective gaps for CloS full-time employees.
- The final finding from this analysis is that in line with national findings, part time work is associated with low pay. In CloS this difference is around 22 percentage points and nationally the gap is around 28 percentage points. The gap between full-time employees and part-time employees earning below the RLW is therefore slightly lower in CloS than nationally.

Overall, the findings show that CloS is home to far higher volumes and proportions of both genders earning below the RLW than found nationally and that there are far higher volumes and proportions of both full-time and part-time employees earning below the RLW than found nationally. As with nationally, the gender imbalance and full-time / part-time imbalance in low pay in CloS are also hugely significant, with females and part-time workers earning far less than their male and full-time counterparts.

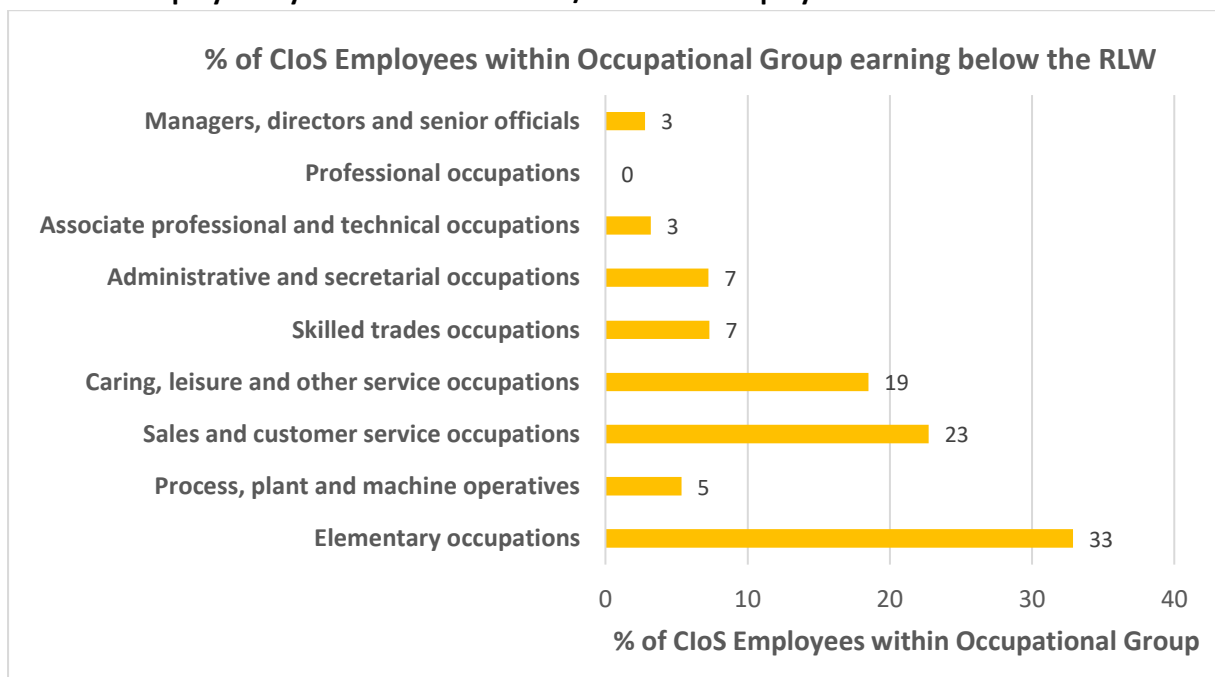
Occupational analysis of lowest earners

Table 3.3. shows an occupational analysis of low wage earners in Cornwall. It shows very clearly that there are three occupational groups that really drive low wages in Cornwall: **Elementary occupations, Sales and customer services occupations and Caring, leisure and other service occupations**. Chart 3.5 shows a graphical depiction of the % of all CloS earning below the RLW by occupation.

Table 3.3: Volumes, percentage of all CloS employees earning less than the RLW, and % of all employees, by occupation 2019

Occupation	Volume < RLW	% All Employees in Occupational Grouping	% all Employees < RLW	% all of Employees in Cornwall
Managers, directors and senior officials	1,700	9.9	2.8	0.9
Professional occupations	0.0	0.0	0.0	0.0
Associate professional & technical	2,000	9.7	3.2	1.1
Administrative and secretarial	4,500	26.9	7.2	2.5
Skilled trades occupations	4,600	22.3	7.3	2.5
Caring, leisure and other service	11,600	43.0	18.5	6.3
Sales and customer services	14,200	61.5	22.7	7.7
Process, plant and machine operatives	3,300	32.0	5.4	1.8
Elementary occupations	20,600	66.0	32.9	11.2
All	62,500	31.3	100.0	34.1

Source: ASHE, ONS. Downloaded from Nomisweb, April 2021

Chart 3.6: Employees by Gender and Full-time / Part-time Employment Status

Source: ASHE, ONS. Downloaded from Nomisweb, April 2021

As can be seen:

- Two thirds (66%) of those in Elementary occupations (such as postal workers, waiters and waitresses, bar staff and cleaners) earn below the RLW in CloS. They account for 32.9% of all those earning under the RLW in CloS and more than 1 in 10 (11.2%) of all employees in CloS.
- There are 14,200 CloS employees working in Sales and customer services who are earning below the RLW, equivalent to 61.5% of all employees in that occupational grouping, 22.7% of all CloS low earners and 7.7% of all CloS employees.
- Thirdly and finally, there are 11,600 low wage employees in Caring, leisure and other service occupations (e.g. carers, hairdressers, caretakers, travel agents) equivalent to 43.0% of all employees in the occupational grouping, 18.5% of all CloS low earners and 6.3% of all CloS employees.
- Combined, these three occupational groupings account for **46,400** of CloS lowest earners and this is equivalent to almost three quarters (74.2%) of CloS's lowest earners and just over a quarter, 25.2%, of all CloS employees.

The final point to note on the occupational analysis is that, with the exceptions of Managers, directors and senior officials and professionals (including associate professionals and technical), every occupational grouping has a relatively high proportion of lowest earners as a percentage of all employees in that grouping (of at least one fifth of all employees in that grouping).

Industrial analysis of lowest earners

Table 3.4 shows the industrial analysis for lowest wage earners in Cornwall. Almost exactly as with the occupational analysis it shows very clearly that there are three industrial groups that really drive low wages in Cornwall: Accommodation & food services, Wholesale, Retail and motor trades and Health.

- Firstly, just over two thirds (67%) of those in Accommodation & food services earn below the RLW in CloS. They account for 29.2% of all those earning under the RLW in CloS and 8.3% of all employees in CloS.
- Secondly, there are 13,800 CloS employees working in Wholesale, Retail and motor trades who are earning below the RLW, equivalent to 42.0% of all employees in the industry, 24.2% of all CloS low earners and 6.9% of all CloS employees.
- Thirdly and finally, there are 6,800 low wage employees in Health equivalent to almost a fifth (19.5%) of all employees in the occupational grouping, 12.0% of all CloS low earners and 3.4% of all CloS employees.

Combined, these three industries account for 37,200 of CloS lowest earners, equivalent to almost two thirds (65.3%) of CloS's lowest earners and almost a quarter, 18.6%, of all CloS employees. This illustrates that over the longer term action should take a universal approach but with a specific focus on these three sectors.

Table 3.4: Volumes, percentage of all CloS employees earning less than the RLW, and % of all employees, by industry 2019

Industry	Volume < RLW	% All Employees in Industrial Grouping	% all Employees < RLW	% all of Employees in Cornwall
Agriculture, forestry & fishing	900	38.2	1.6	0.5
Mining, quarrying & utilities	900	15.6	1.5	0.4
Manufacturing	2,100	15.0	3.7	1.0
Construction	2,800	18.8	5.0	1.4
Wholesale, Retail and motor trades	13,800	42.0	24.2	6.9
Transport & storage (inc postal)	1,000	19.3	1.8	0.5
Accommodation & food services	16,600	67.2	29.2	8.3
Information & communication	-	-	0.0	0.0
Financial & insurance	-	-	0.0	0.0
Property	500	12.4	0.9	0.2
Professional, scientific & technical	900	10.6	1.6	0.5
Business administration & support services	3,100	35.5	5.4	1.5
Public administration & defence	1,500	13.0	2.7	0.8
Education	2,400	12.8	4.1	1.2
Health	6,800	19.5	12.0	3.4
Arts, entertainment, recreation & other services	3,600	41.3	6.4	1.8
Total	57,000	28.5	100.0	28.5

Source: ASHE, ONS. Downloaded from Nomisweb, April 2021

As with the occupational analysis, the main point to note is that all industries have high proportions of lowest earners, with the exception of Information & communication and Financial & Insurance.

Research by Sheffield Hallam University indicates that the combined proportion of retail & wholesale and accommodation & food services businesses in a local authority can explain about two fifths of the UK-wide variation in low pay rates and the analysis clearly shows a strong linkage with these sectors which are heavily represented in CloS.

Self-employment

All the above data excludes the self-employed who are a significant feature of the local workforce. There is some debate in the literature to suggest that high levels of self-employment in rural areas can be a response to a lack of jobs and that although pre-Covid, CloS had virtually full employment, in practice, the self-employed cohort provide an additional pool of labour on which employers can draw. Research into this has been outside the scope of this report but in the following brief analysis the wages of self-employed workers in contributing to aggregate pay levels are explored.

ERDF: Start up support

Since being launched in 2019, Morek (maritime in Cornish) has provided specialist consultancy services that focus on designing marine energy systems, including floating offshore wind platforms, moorings and cables and specialist offshore equipment. As a new company based in Cornwall, Morek has benefited from support from a number of local projects which have received European Regional Development Funding (ERDF) through the Cornwall and Isles of Scilly Growth Programme. These include the Growth Hub, which helped the team to develop its legal documentation, and provided accounting, finance and marketing support; PROPEL Cornwall which provides business support to the marine industry, and Tevi which provided funding for Morek to develop its sustainability policy

Table 3.6 shows a summary of self-employment volumes and incomes for Cornwall, the South West and UK for the 2018/19 tax year. The table shows a number of important findings about self-employment and income from self-employment in Cornwall, but also how Cornwall compares nationally:

- As a source of employment, self-employment is far more important in Cornwall than it is regionally or nationally. Cornwall has some 42,000 self-employed individuals, equivalent to 24.4% of all those in employment in the area. This percentage is almost 9 percentage points than the respective South West percentage (15.5%) and almost 11 percentage points higher than the respective UK figure (13.9%).
- People who are self-employed in Cornwall earn around £13,600 from their self-employed income. However, this is just 91% of income earnings by the UK's self-employed individuals.
- If Cornwall's self-employed earned the same as the UK's self-employed this would be worth a further £59m in income in the area.
- Self-employed people in Cornwall earn around 70% of those who are employees. However, this is a lower gap than found regionally or nationally where self-employed earnings are 63% of employee earnings in both areas. This finding suggests that self-employment is a more attractive employment option in Cornwall than it is, in general, for workers outside of Cornwall.
- Income from self-employment in Cornwall accounts for 15% of total income from employment in the area compared to 9% regionally and just 8% nationally; income from self-employment is a far more important source of income that it is, in general, outside of Cornwall.

Table 3.5: Self-employed volumes and income in Cornwall, South West and UK, 2018/19 tax year

Area	No. SE Individual s	SE No. of Individuals as % Total Emp.	SE Median Income	% UK SE Income	Annual Income Change for UK Parity	SE Median Income as % Employee Median Income	SE Income as % All Employment Income in Area
Cornwall	42,000	24.4%	£13,600	90.7%	£58,800,00	70.1%	14.6%
South West	312,000	15.5%	£14,300	95.3%	£218,400,00	63.3%	8.9%
UK	3,120,000	12.9%	£15,000	100.0%	n/a	62.8%	7.5%

Source: Personal Incomes Survey, HMRC, 2018/19

Benchmarking CloS in terms of low pay

In this short section we undertake an analysis of low wage growth in CloS, Great Britain, and a number of identified benchmark areas which were selected as comparators for a study of the impact of EU Structural Investment Funds. It should be noted that benchmarking with other economies does pose challenges because of the difficulty of matching key characteristics such as population growth, industrial make-up, agglomeration and clustering, but it is useful in understanding CloS's relative progress. The benchmark areas to be analysed were as follows:

- Bradford
- Cumbria

- Dumfries and Galloway
- County Durham
- East Kent
- Herefordshire, County of
- Highland
- West Wales
- Great Britain

The ASHE data for these areas shows that, in 2019, it is the 30th percentile where most of them have achieved, or look shortly set to achieve, the RLW of £9.50. The exceptions to this are Cornwall, with only £9.13 achieved by the 30th percentile, and Dumfries and Galloway, where £9.00 is achieved by the 30th percentile. As most have achieved or are set to achieve the RLW, in or by around 2019, we have analysed the 30th percentile. We have done this for 2009 and 2019. The reader is minded that the figures do not include the effects of inflation. However, this is not a problem in the analysis presented here as it is the same with all areas.

Table 3.6 shows the analysis. It shows the 2009 30th percentile earnings level alongside the 2019 30th percentile earnings level. The rise in £ between the two time periods is also shown along with the percentage increase between the period. The areas have been sorted according to their percentage change with the highest low wage growth area first.

Table 3.6: 30th percentile earnings level, 2009 and 2019, with £ change and % change between the two periods, for Cornwall and

Area	2009	2019	£ Change	% Change
County Durham	7.58	11.89	4.31	56.9
Herefordshire, County of	6.97	9.39	2.42	34.7
East Kent	7.70	9.92	2.21	28.8
West Wales	7.30	9.40	2.10	28.8
Highland	7.80	10.04	2.24	28.7
Cumbria	7.50	9.62	2.12	28.3
Cornwall	7.20	9.13	1.93	26.8
Bradford	7.80	9.86	2.06	26.4
Great Britain	8.27	10.20	1.93	23.3
Dumfries and Galloway	7.37	9.00	1.63	22.1

Source: ASHE, ONS. Downloaded from Nomisweb, April 2021

As can be seen, heading the list of low wage growth, and by a considerable margin, is County Durham. County Durham managed to increase wages amongst the 30th percentile from £7.58 to £11.89 in 2019, a rise of £4.31 and 56.9% on the 2009 level (including inflation). This is more than twice the national GB rise of 23.3%. Herefordshire's growth, of £2.42 and 34.7%, is perhaps also worth highlighting. However, all areas, including Herefordshire and CloS, saw far lower growth than County Durham.

Perhaps the final point from this analysis is that all the benchmark areas, with the exception of Dumfries and Galloway, saw percentage growth at least equal to, or higher, than Great Britain.

Research to identify what lies behind County Durham's success shows that its approach to poverty stretches back almost a decade:

- In 2012 it formed a Living Wage Working Group

- In 2014 it developed a Sustainable Food Strategy
- 2015 saw its first Poverty Action Plan – to date 50 organisations and 400 delegates have been engaged in a programme of poverty and welfare conferences
- The [Durham Living Wage Project](#) was established in 2015 to support worker livelihoods by urging employers to pay living wages, certifying and publicly recognising employers and promoting living wages as a matter of conscience. It still going today and is guided by a Steering Committee made up of employers, employees, and community members.
- The NE LEP has an ambition to create 100,000 jobs by 2024 with a focus on 'better' jobs

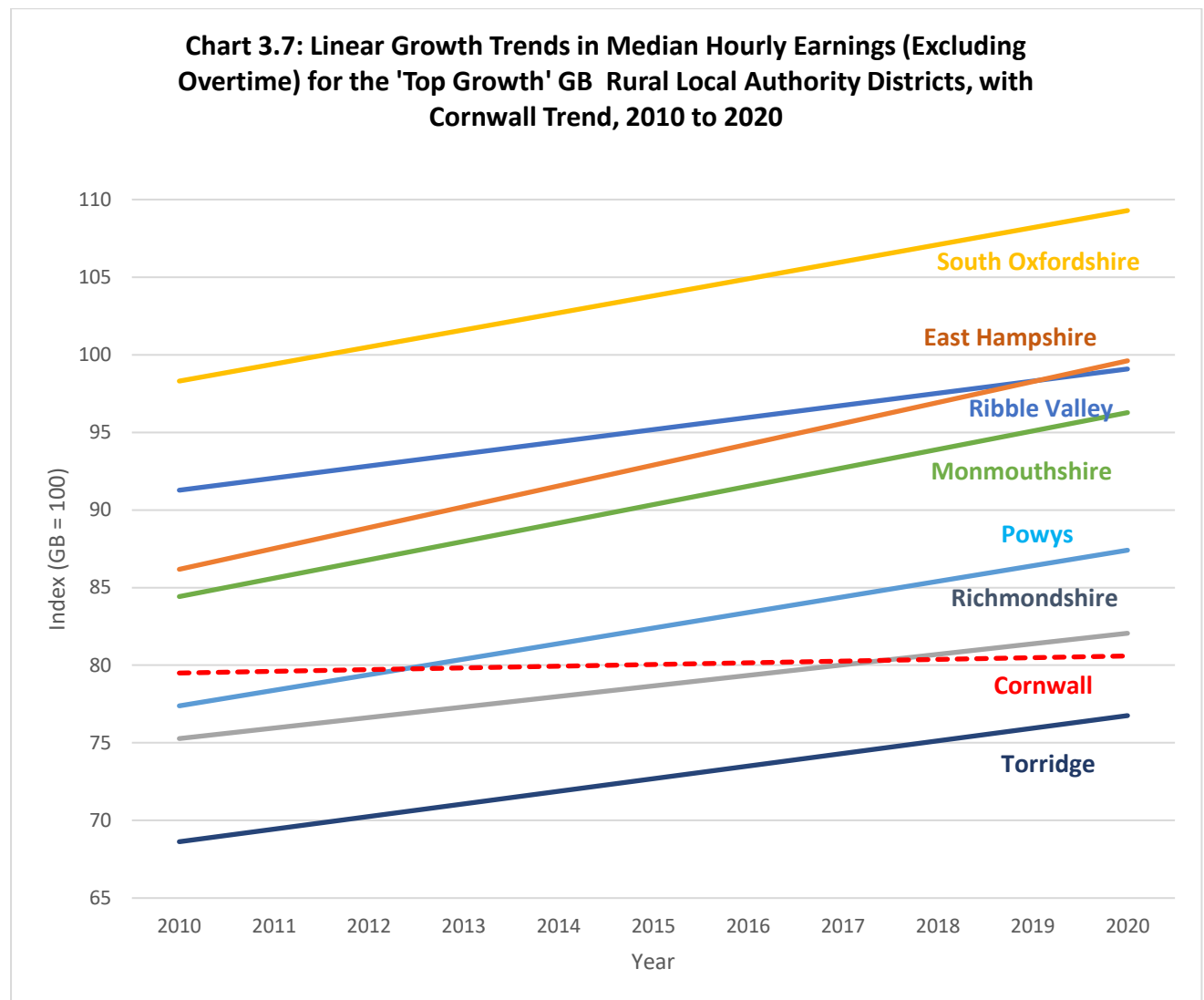
This consistent and long-standing approach has clearly paid dividends. However, as part of the Northern Powerhouse it bears little relationship to CloS in its proximity to Newcastle and the resulting agglomeration benefits this entails; the presence of the A1(M); and it is home to major global blue chip companies such as Glaxo Smith Kline, Hitachi Rail and a wide range of significant manufacturers as well as the prestigious Durham University. We have, therefore, conducted further analysis to explore CloS performance against a number of mainly rural authorities which have experienced wage growth.

Identifying Great Britain's rural areas that have seen highest growth in wages over the last ten years

In this section we show the findings from an analysis of ASHE data for lower tier local authority districts for 2010 to 2020 (inclusive) in relation to districts classified along with Cornwall as mainly rural (rural population including hub towns in the area is greater than, or equal to, 80%). Cornwall has 442,000 residents, of its total 532,000 residents, who fall into this category of 'Rural including hub towns (rural & rural related) population'. This represents 83% of the total Cornwall population, which is not the highest percentage in the country, but is the largest rural population of any local authority district by a considerable margin (the next highest is Wiltshire with 217,000 residents).

Chart 3.7 below shows the findings of an analysis of all the Mainly Rural local authority districts in the UK. The chart shows Cornwall's trends in Hourly Earnings (excluding overtime) compared to growth trends for the 'Top Growth' Mainly Rural local authority districts. Trendlines were added to the actual ASHE data of areas indexed against the national hourly earnings level for each year. Trendlines were used instead of the actual data to 'smooth' the data and remove statistical error fluctuations which arise from ASHE's survey methodology (which particularly affects smaller areas). The chart shows that there are around 7 mainly Rural local authority districts in Great Britain which have demonstrated high growth in hourly earnings when compared to national growth (and whatever their initial 2010 'starting point' compared to Great Britain):

- South Oxfordshire
- East Hampshire
- Ribble Valley
- Monmouthshire
- Powys
- Richmondshire
- Torridge



Source: ASHE

As can be seen, Cornwall has made barely any progress in a decade compared with other high growth Mainly Rural authorities. East Hampshire, Ribble Valley and Monmouthshire went from having 80% to 85% of national earnings in 2010 to achieving 95% to 100% of national earnings in 2020. South Oxfordshire went from around 98% of national earnings in 2010 to almost 110% of national earnings in 2020.

It should be noted that, whilst each of these areas has an 80%+ rural population, they do vary considerably in terms of locational factors such as their relative proximity to a large city and relative peripherality. It should also be stated that this analysis explored workplace earnings rather than resident earnings (which are far more greatly influenced by the presence of a large city within commuting distance). However, despite this latter issue, there is little doubt that a rural area in proximity to a large city will benefit from indigenous workplace business growth through such factors as regional agglomeration and overspill. We recommend that these 'locational drivers' of wage growth in the rural hinterland of a large city are an area for much greater research than lies within the scope of this small study. However, the next section of this report analyses each of these higher growth areas in order to try and explain the key non-locational drivers of their above average growth earnings performances. The analysis begins with an exploration of official statistics for these areas before then undertaking a more qualitative analysis of economic growth in these areas.

Explaining earnings growth in top performing rural areas of the UK

This section of this report analyses each of these higher growth areas in order to try and explain the key drivers of their above average growth earnings performance.

In respect of productivity growth, the HM Treasury Green Book – Central Government Guidance on Appraisal and Evaluation (2020 edition) states the following on the issue of ‘productivity effects’:
“Productivity effects may arise from movement to more or less productive jobs, changes in the structure of the economy, benefits from dynamic clustering or agglomeration (benefits that arise through close location of businesses and/or people), private investment, product market competition or the generation and flow of ideas. Productivity effects will typically lead to higher wages, rather than higher employment.”

The link between productivity and wages growth is almost a common-sense one; it makes good sense that if a business can produce more value, with fewer inputs of labour, then it will be able to pay its staff more (as staffing costs are generally the largest component of a firm’s GVA output).

Table 3.6, below, attempts to illustrate the link between GVA and earnings through a simple analysis of Great Britain’s economy by sector. It shows how the key turnover and GVA component ratios of ‘GVA as a percentage of turnover’ and ‘employment costs as a percentage of GVA’ in different sectors vary dramatically from one another. In general, it is a good thing if a firm’s GVA as a percentage of turnover is high. This is because low ratios are generally symptomatic of large amounts of purchases of bought in goods and services and lower ratios generally make for lower profitability (and lower wages), and vice versa with higher ratios. To highlight this we have shaded above-average turnovers in green and below average turnovers in red.

In terms of employment costs as a percentage of GVA it is generally better that these are low as lower ratios give more flexibility for paying higher wages, and vice versa with higher ratios. Lower than average ratios have therefore been shaded in green and higher ratios in red.

Table 3.6: Analysis of productivity by sector and worker, UK, 2018

Sector	Total turnover per worker	GVA per worker	Total employment costs per worker	GVA per worker as % of turnover per worker	Total employment costs per worker as a % GVA per worker
	£	£	£	%	%
Agriculture, forestry and fishing	105,000	45,000	17,000	43	38
Production (Energy, water, mining and Manufacturing)	251,000	79,000	37,000	31	47
Construction	188,000	70,000	29,000	37	41
Wholesale and retail trade	305,000	41,000	21,000	13	51
Transport and storage	141,000	62,000	34,000	44	55
Accommodation and food	42,000	22,000	13,000	52	59
Information & communication	209,000	103,000	47,000	49	46
Real estate activities	116,000	79,000	23,000	68	29
Professional, scientific, technical	124,000	70,000	37,000	56	53
Administrative and support	94,000	50,000	24,000	53	48
Arts, entertainment & recreation	145,000	32,000	21,000	22	66
Other service activities	58,000	31,000	22,000	53	71
All	180,000	56,000	27,000	31	48

Source: Annual Business Inquiry, ONS, 2018

The analysis suggests that the industries which are going to have lower wages and lower wage flexibility for paying staff more are Wholesale and retail and Arts, entertainment and recreation. Both these sectors are highly represented in the Cornwall economy and as we have seen are characterised by high proportions of low paid workers.

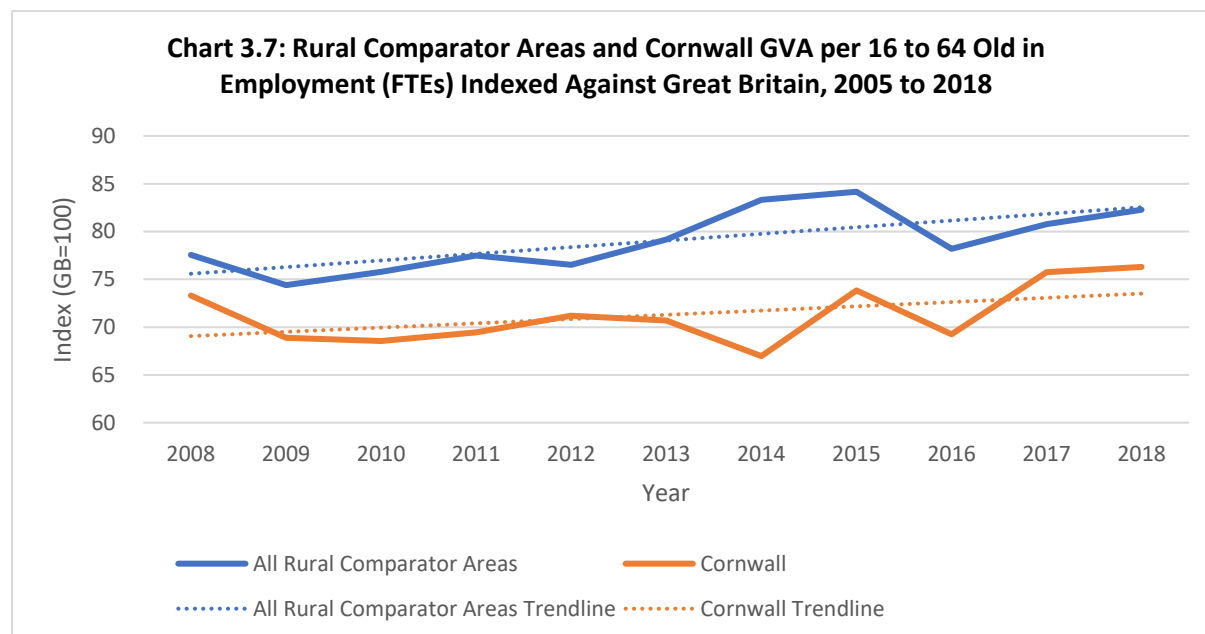
Transport and storage, Accommodation and food, Professional and Other services are all likely to have relatively decent profitability but may have relatively limited wage flexibility. Accommodation and food is obviously an important Cornwall sector.

All the remaining sectors are likely to demonstrate relatively good profitability and relatively good flexibility to pay higher wages, although as noted in Table 3.5 these sectors all have relatively high proportions of low paid workers nevertheless.

An analysis of productivity trends amongst the 7 rural comparator areas which demonstrated particularly high wages growth (when benchmarked national growth trends) may provide further insight into the link between wage growth and productivity growth. Indeed, before performing the productivity analysis it is fair to say that we would certainly expect that the productivity of the comparator areas would have grown strongly against the national growth picture over the last 10 years or so.

The analysis undertaken here took the combined workplace GVA for 2008 to 2018 (current prices) for the comparator areas, sourced from the ONS, and divided the total through by the 16-64 workplace employment total (full-time equivalents / FTEs sourced from the ONS Annual Population Survey). This generated an estimate of productivity. It is not a perfect estimate as there are problems with this methodology. For example, the Annual Population Survey data for the denominator is subject to large confidence intervals, particularly for smaller areas. To help overcome

errors associated with this problem the 7 comparator areas were combined into one combined area (the ARCAs – the ‘All Rural Comparator Areas’). Also, trendlines were added to ‘smooth’ the data. It would also be better to use a more appropriate denominator, such as total hours worked by the entire 16+ population in employment, instead of FTEs. However, despite these problems, the methodology should be a reasonable guide to productivity trends in our areas of interest, when compared to national trends. Chart 3.7, below, shows the results of the analysis.



Source: Annual Business Inquiry, ONS, 2018

Focusing mainly upon the trendlines, there are several important findings:

- As with lower wages, both Cornwall and the ARCAs had far lower productivity than the national average in 2008, though Cornwall's was some 5 to 6 percentage points lower than the ARCAs.
- **Both Cornwall and the ARCAs demonstrated productivity growth higher than national growth from 2008 to 2018.**
- The ARCAs saw stronger productivity growth, from around 75% of national productivity level in 2008 to 83% in 2018, closing the gap with national productivity by around 6 to 7 percentage points.
- Cornwall's productivity growth went from around 69% of national productivity level in 2008 to 74% in 2018, closing the gap with national productivity by around 5 percentage points. This is clearly positive but also suggests that much higher levels of improvement are required.
- Despite its good productivity growth compared nationally Cornwall's level in 2020 still remains below the ARCAs 2008 starting point (which makes a good case in support of the levelling up agenda in Cornwall).

There are perhaps several conclusions we can draw from this analysis. The first one is that rural areas such as Cornwall and the ARCAs have closed the productivity gap against the national level over the past ten years, but this has generally been from low starting points and most areas continue to have well below-average productivity. The findings suggest these areas, including Cornwall, have improved their productivity performance but are still a long way from levelling up.

Without the EU programmes over the last 20 years it is likely that Cornwall would not have improved productivity growth to this extent, and may well have diverged further from national performance.

The second conclusion is that it seems likely that one of the explanatory factors for the ARCAs excellent wages growth over the last 10 or so years is above-average productivity growth. This conclusion leads us to suggest that an understanding of productivity growth in rural areas is key to understanding wage growth.

As well as these conclusions, the analysis also raises several important questions:

- Were the ARCAs better at passing on wage rises to their workers considering the productivity improvements, than Cornwall? And, an interrelated question...
- ...does a local economy 'get better at passing on' productivity gains in the form of wage rises once its productivity reaches a certain level compared nationally?
- Why and / or how did the ARCAs improve their productivity so well compared nationally?
- Is proximity to markets, employment opportunities and connectivity (i.e. agglomeration impacts) a key factor in their growth that due to Cornwall's location is not a factor it can benefit from? We recommend that this is an area for further research in order to understand such drivers as market access, proximity to city economies, overspill effects and industry agglomeration – where CloS is more disadvantaged - amongst others.

With respect to the first two of these questions it is not possible, with the existing data available, to answer them. However, and as stated earlier, it does seem common-sense to suggest that the more productive a firm is the more likely it is to be able pass on these gains in the form of wages, should the employer choose to do so. Furthermore, it may also be that Cornwall's very low productivity starting point means that it is likely to have a higher proportion of firms with marginal profitability, which would be a strong disincentive to passing on productivity gains. Furthermore, there may also be a time-lag between a firm's increased profitability and the confidence and /or desire to translate that into higher wages for its staff.

In the following section we attempt to answer the third question by exploring whether sectoral change explains Cornwall's relatively low growth in hourly earnings compared to the ARCAs. The methodology is set out below.

Methodology for industrial variance analysis

The approach uses workplace employment data from the Annual Population Survey (APS) for 2004 to 2006 and 2017 to 2020 to establish average employment for an earlier period and a recent period. 3 year averages for each period are used in order to reduce the confidence intervals which derive from the survey methodology which underpins the APS. The UK's hourly earnings (excluding overtime) values for 2020 were multiplied by the employment data to establish values for each hour worked in an industry (in the hypothetical situation that all the workers in the industry are working that hour, whether full-time or part-time). This enables us to establish the volume change by industry in £ and also the percentage change. The approach enables to establish how many of the net new workers in the area are located in higher earnings jobs and which of those are in lower earnings jobs.

Table 3.8 shows the results of the analysis. Please note that the red shaded cells represent industries which pay below the UK average (of £13.65 per hour) and the green shaded cells shows those that pay above average. Industries which pay above the All Industry average are:

- B,D,E Energy & water

- C Manufacturing
- F Construction
- H,J Transport & Communication
- K-N Banking finance & insurance etc.
- O-Q Public admin education & health

Industries which pay below the All Industry average are:

- A Agriculture & fishing
- G,I Distribution, hotels & restaurants
- R,S Other services

The analysis shows that Cornwall generated 15,000 net new jobs between the two periods, of which 13,900 (80%) were in lower paid positions and 3,000 (20%) were in higher paid positions. Though not shown in the table the same analysis performed for Great Britain and the ARCAs shows that the almost exact opposite trends occurred. For example, just 22% of Great Britain net new jobs were in lower paid positions and 78% were in higher paid positions, whilst in the ARCAs just 20% of net new jobs were in lower paid positions and 80% were in higher paid positions.

A second driver of Cornwall's poor aggregate wages growth between the two periods is that overall employment growth is substantially weaker than its comparator areas; Cornwall employment grew by 6.2% between the two periods compared to UK employment growth of 12.1% and the ARCAs employment growth of 9.3%.

Table 3.6: Employment and earnings change by sector in CloS

	APS Workplace Employment		Hourly Earnings (2020 prices)				Employment Change	UK Hourly Earnings (excluding overtime)
	2004 to 2006	2017 to 2020	2004 to 2006 (£)	2017 to 2020 (£)	Change (£)	% Change	Volume	£, 2020
A Agriculture & fishing	4,400	7,900	44,000	801,000	36,000	81%	3,500	10.20
B,D,E Energy & water	4,500	4,000	77,000	69,000	-9,000	-11%	-500	17.20
C Manufacturing	21,600	18,600	304,000	262,171	-42,000	-14%	-3,000	14.07
F Construction	26,100	21,600	373,000	309,357	-64,000	-17%	-4,500	14.30
G,I Distribution, hotels & restaurants	62,900	70,700	625,000	702,000	78,000	12%	7,800	9.94
H,J Transport & Communication	12,000	12,100	207,000	208,000	1,000	1%	100	17.22
K-N Banking finance & insurance etc.	27,000	31,800	466,000	529,000	63,000	14%	3,800	16.65
O-Q Public admin education & health	66,000	73,100	988,000	1,095,000	106,000	11%	7,100	14.97
R-U Other services	14,200	14,800	164,000	171,000	7,000	4%	600	11.52
All Industry	239,700	254,600	3,271,000	3,476,000	204,000	6%	15,000	13.65
	Net Jobs Growth in Above Average						11,900	80%
	Net Jobs Growth in Below Average						3,000	20%

Source: Annual Population Survey Workplace Analysis, ONS; ASHE, ONS.

These fundamental findings go some considerable way towards explaining why Cornwall's wages growth over the last ten years was poor in comparison to the ARCAs. They suggest that if Cornwall is to improve its wage growth performance at the aggregate level then it needs to be far more successful in generating net new jobs in business that pay better wages and/or better paid sectors. **It is also worth saying that some of the higher paid sectors are also the sectors of the economy which are expected to see higher levels of employment growth in the medium to longer term future.**

Entirely related to the need to encourage the existing business base to see the value in paying higher wages and work to restructure the economy of Cornwall to generate increased employment in better paid sectors, it can be shown that if Cornwall had demonstrated the same sectoral growth as the ARCAs then it would of seen 9.3% growth in hourly earnings and employment between the two periods instead of 6.2% growth. If Cornwall had seen the same sectoral restructuring as Great Britain then it would have seen 12.1% hourly earnings growth and employment growth. In other words, with more dynamic restructuring, in line with national restructuring, would make a more than substantial contribution to improve earnings.

The above findings lead us to recommend that CloS makes much greater efforts to improve the performance of the existing business base and restructure the economy with more focus in future economic growth strategies on efforts to achieve growth in key (national) growth sectors such as

Information & communication and Professional business services rather than supporting the growth of existing low value and low wage businesses and sectors whilst also supporting growth in (fairly) niche employment sectors such as Clean energy resources (including floating offshore wind (FLOW) and deep geothermal), Geo-resources, Data and space. We suggest that it is highly unlikely that the strategic direction outlined in Vision 2030 and the draft Local Industrial Strategy, as they stands will support sufficient employment growth in higher paid sectors to support higher earnings growth across CloS.

Economic impact of increasing growth amongst the low paid

In this final section we undertake a high-level analysis of the economic impact of what success would look like if future efforts to increase CloS wages for the lowest paid were successful. The analysis attempts to assess the economic impact of the following policy scenarios for improvements to low wages in CloS:

- 1%
- 5%
- 10%
- 20%
- Everybody paid at least the RLW in all sectors

The methodology underpinning the analysis involved combining ASHE percentile data for CloS with ONS data for average hours worked by UK full-time and part-time employees.

Table 3.7, below, shows a summary of the detailed analysis. It shows the overall economic impact of the various policy scenarios on the CloS economy by showing the total impact on CloS employee incomes. It shows the relevant breakdowns for full-time employees, part-time employees and all employees (full-time plus part-time).

Table 3.7: Impact, £m, of different levels of policy intervention to raise wages of the lowest paid in CloS

	2019 Baseline	1% Rise	5% Rise	10% Rise	20% Rise	All RLW
Full-time						
Annual employee earnings (£m)	£ 3,251	£ 3,259	£ 3,293	£ 3,335	£ 3,420	£ 3,296
Percentage increase in earnings		0.3%	1.3%	2.6%	5.2%	1.4%
Part-time						
Annual employee earnings (£m)	£527	£531	£544	£560	£594	£562
Percentage increase in earnings		0.6%	3.1%	6.3%	12.6%	6.1%
All						
Annual employee earnings (£m)	£3,778	£3,790	£3,837	£3,896	£4,014	£3,858
Percentage increase in earnings		0.3%	1.6%	3.1%	6.2%	2.1%

Source: ASHE, ONS. Downloaded from Nomisweb, April 2021; Labour market statistics time series (LMS), ONS.

The table shows that the 2019 baseline value for annual employee earnings is £3.8bn, of which £3.3bn is earned by full-time employees and £0.5bn is earned by part-time employees. One of the key driving reasons behind the huge difference, along with the fact that CloS has far fewer part-time employees than full-time employees, is that part-time workers earn far less than their full-time counterparts, on average.

Under the 5 policy intervention levels, full-time workers would generate a 0.3% increase in their overall CloS earnings for a 1% increase rising to a 5.2% increase for a 20% rise. Interestingly if all those employees currently earning below the RLW were paid the RLW this would only lead to a 1.4% increase in the total full-time worker wage bill for Cornwall.

For part-time workers a 1% rise would lead to a 0.6% increase in their contribution to their total earnings rising to a 12.6% increase for a 20% rise. If all those part-time employees currently earning below the RLW were paid the RLW this would lead to a 6.1% increase in the part-time worker wage bill.

If all CloS lowest-paid employees were paid 1% more this would see a rise of 0.3% in the wage bill rising to a 6.2% rise in the wage bill at the 20% successful policy intervention level. If all CloS employees were paid the RLW this would lead to a 2.1% increase in the total wage bill for the area.

One of the main findings from this analysis is that raising full-time worker wages across CloS will have more impact than a focus on part-time wages, and would probably be more straightforward. However, in reality, both full-time and part-time wages should be targeted for ethical reasons.

4. What can be done about low pay?

Introduction

The review of the literature is clear: the legal minimum wage is vital for regulating low pay and preventing exploitation, but it is insufficient on its own to reduce poverty for working people and protect living standards. In this section we draw on best practice examples of efforts to tackle low pay outside of Cornwall, supplemented by case study research involving local businesses. The wide-ranging initiatives focus on four areas:

- Developing a strategic approach
- Tackling low pay through employer and place-based initiatives
- Tackling low pay through employee development
- Raising productivity

1. Developing a strategic approach

Earlier sections have shown that the issues of low pay, poverty, inequality, social mobility and productivity are intertwined. There are many different ways of describing these multiple challenges but currently a drive towards ‘inclusive growth’ best encapsulates the scope of action required. However, it should be noted that such an approach is wider than the remit of this study since it also encompasses ways of reducing cost pressures to enable people to do more for less, in particular, inclusive growth includes a focus on affordable housing which is beyond the scope of this short study. Nevertheless, many of the principles are of relevance here and are discussed below.

Tackling low pay and productivity is a complex issue and there is no silver bullet. It should be noted that through EU Funds CloS has already adopted many practices and strategies that support wage growth and improved productivity, including for instance:

- The projects cited here and evidenced in the progress report.
- Innovation projects such as Deep Digital Cornwall and Acceleration through Innovation.
- Support to secure the growth of higher paying sectors such as Marine-i.
- Playing a role in developing workspace which has and will enable businesses thrive and grow.

Outside of EU Funds complementary action has also supported this work such as the designation of the Council as a Real Living Wage employer; the Skills Strategy and The Cornwall Plan 2020-2050 which seeks to ensure that all jobs are paid at least the real living wage, and in-work poverty is addressed.

A key message from LGA research²³ is that to be successful work has to be *embedded* across key partners, to embrace procurement practices and to maximise the full range of levers that anchor partners have including effective partnerships and the role of anchor institutions not considered here.

2. Tackling low pay through place-based and employer initiatives

One approach not explored fully here is to embrace a place based approach. This is an approach which like EU Funds focuses on inclusive growth – in particular the ‘business case’, showing how

²³ LGA (2020) Building an inclusive economy.

models based on Living Wages/secure work can contribute to addressing skill shortages and retention difficulties and time lost through absence, leading to increased productivity.

A typical economic development approach to improving productivity and pay is to encourage investment by industries which have the potential to create higher value, more productive work. But as forecasts show, the sectors that will continue to generate most jobs in the future are those characterised by low pay – Accommodation and food and Health and Social Work. There is therefore a case to made that as well as diversification there is a need to improve the quality and prospects of workers in low paying sectors in the here and now – to **make jobs better now** while also making better jobs for the future.

Case study: Lynher Dairies, Cornwall



Lynher Dairies, near Ponsanooth has been producing cheese for around 25 years. It currently employs c20 staff which is relatively large by artisan cheese-making standards. Its growth over the past 25 years has been supported by private sector investment and grant support from the EU's Rural Development Programme.

The impetus for paying a living wage to its staff reflected the values of its owner and an understanding of the salary levels needed to earn a decent wage in Cornwall and a desire to keep the disparity between the top salaries and the lowest salaries relatively modest. Initially, when the dairy first started making its award winning cheeses as a farm diversification project, it aligned its wages to those set by the Agricultural Wages Board. These wages were set at levels which reflected the long and unsocial hours associated with farming, conditions which of course did not apply to the dairy, making the dairy's wages relatively attractive.

The benefits of being a good employer have been staff retention and loyalty with more than half having worked at the dairy for more than 10 years. It should be noted that terms and conditions are seen as equally important to staff, with all staff qualifying for an annual service bonus, a day off for their birthday etc.

Speaking more widely about low wages in food production, the owner of Lynher Dairies, Catherine Mead said that the challenge for the sector is the price of food, which in turn impacts on the ability of producers to pay higher wages. Food prices in real terms have not changed since the 1990s but despite this, food expenditure as a proportion of average income is the lowest it has ever been, at

around 8.3% compared to 34% in 1947, lower than every other country in Europe. Food producers therefore operate on very tight margins and until food commands a fairer price, then employers in the sector generally have little flexibility to pay higher wages. It was considered that the main ways of boosting wages in the current market will come from productivity improvements through investment in digital and automation. Incentivisation through grant aid for training conditional on paying staff a living wage could also be attractive.

See: www.lynherdairies.co.uk

3. Tackling low pay through employee development

All the actions identified in this report have their limitations which is why a range of activities is needed. Perhaps of most relevance to this research is employee development and the following section on boosting productivity.

Skills development programmes do have the potential to play an important role in helping to lift people out of low pay. Since forecasts show that, in general, skills needs are rising, they will also contribute to future resilience.

One of the difficulties of this type of support identified in a paper by the LSE²⁴ is that the types of programmes that could be most beneficial to those at great risk of low pay (for example, education and training programmes) are restricted to long-term unemployed jobseekers and therefore exclude workers who are cycling between low paid jobs and unemployment. In response to Covid-19, EU eligible expenditure is now able to focus on those at risk of redundancy and it is considered that this would be a valuable use of EU Funds over the next 2 years.

Research shows that those without any formal qualifications are more than twice as likely to be in poverty than people with a degree level qualification²⁵ Lacking basic literacy and numeracy skills restricts people's options in the labour market and makes it difficult to get a good job. Employers in CloS are most likely of any LEP area to identify a lack of basic skills, especially numeracy as a barrier to recruitment. Ensuring that people in work can access basic skills provision, are supported to feel confident enough to access it, coupled with its availability must be a key plank in the upskilling agenda.

Another potential route to move people out of low pay is through Universal Credit. Universal Credit has introduced a new more proactive model of support for working and non-working claimants. A key change is that many working claimants will be expected to work towards a higher earnings threshold. This means that JCP is now expected to work with individuals to help them sustain employment and progress. JCP should, therefore, be a key partner in its efforts to tackle low pay, with EU Funds potentially being used to provide the wrap around support that learners need.

Research from a randomised control trial²⁶ designed to assess what works in supporting in work progression focused on the earnings impact of support 52 weeks after the receipt of support. The findings were mixed. Fewer than 3% increased their earnings by 10% or more and the increases in pay achieved were minimal. Those who undertook job-related training were more likely to progress,

²⁴ <https://blogs.lse.ac.uk/politicsandpolicy/living-wage-impact-on-low-pay/>

²⁵ JRF: UK Poverty 2017 <https://www.jrf.org.uk/report/uk-poverty-2017>

²⁶ DWP

https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/739766/summary-universal-credit-in-work-progression-randomised-controlled-trial.pdf

with positive outcomes associated with participants' personal motivation and their relationship with their Work Coach. In particular, for claimants with lower levels of motivation and greater barriers to progression, success was far more closely linked to the type of support offered. **In these cases, the motivational aspects of the Work Coach role were crucial. The qualitative research found that even if some practical barriers to progression were addressed, a failure to deal with more personal and motivational issues meant these claimants often did not achieve an increase in earnings over the course of the trial. In cases where personal motivation was low, and the support offered was limited, this often led to claimants remaining 'stuck' or dropping out of the labour market altogether.**

One of the main lessons learnt was that the extent to which the intervention was tailored to the holistic needs of the participant was often central to achieving positive progression outcomes. Personalised pathways should include one-to-one adviser contact, employability-related advice, and wider provision such as training, health, housing or financial support.

Another approach is to tackle the inequalities faced by those experiencing low pay. The Better Work Network is currently exploring what works in relation to boosting pay for disabled workers. The Centre for Social Justice also recommend a campaign to increase take-up of both women and disadvantaged students in STEM subjects. The Beacon Project supported by the Growth Hub is a good example of this approach. It is designed to provide support for managing mental health and disability or long term health conditions offers everything employers need to facilitate a more inclusive, diverse and secure workforce which in turn will improve productivity.

5. Tackling low pay through productivity improvements

As noted in Section 2, productivity is a key driver of differences in earnings between places and over time. Raising productivity can help improve living standards and achieve inclusive growth. It is considered separately here from activity directed at employers and employees as it focuses on business support activity. Although as the Green Book notes higher productivity 'typically' results in higher wages, there is research²⁷ to show that this is not always the case. If the driver is to boost pay then action needs to be carefully targeted at practices to boost training or leadership and management.

Often, efforts to improve productivity focus on diversification into 'shiny and new' industries and innovation and as a result of this model, publicly-funded business support in England is often restricted to 'growth' sectors and 'core' sectors of the economy are not able to access this support even when they could benefit from it. **Yet as the evidence shows local productivity issues are not just about the sectoral mix, they relate to firm level productivity, which includes all sectors of the economy, including retail and the visitor economy. The remaining EU Growth Programme funds should target improving firm level productivity where possible and due to the long timescales involved in delivering this change consideration about including this activity in future delivery should also be given by local stakeholders.**

To this end, JRF argue that there is a need to boost productivity with a purpose, to make sure the interventions designed are ones that **benefit workers**²⁸. Their research identifies 4 areas where interventions benefit pay *and* productivity. These are:

²⁷ JRF [Forth and Rincon-Aznar, 2018](#) and [Ciarli et al, 2018](#)

²⁸ JRF Briefing: How Local Industrial Strategies can deliver inclusive growth <https://www.jrf.org.uk/report/how-local-industrial-strategies-can-deliver-inclusive-growth>

1. Increasing the proportion of workers in on-the-job training

2. Improving management practices: UK firms generally perform poorly with international comparators. In CloS 47% of employers with skills gaps indicated that their skills gaps related to leadership and management skills (Employers Skills Survey 2019). A widespread literature review conducted by the Joseph Rowntree Foundation on the effects of greater investment in high-performance working practices across the low-paying sector as a whole, concluded that there is *'compelling evidence to underpin the business case for more organisations across the UK economy as a whole to adopt [these] practices'*, but that this may *'depend on the foresight or quality of leadership and management in low-paying organisations'*.

3. Increasing the percentage of workers using ICT: Greater investment in ICT has been found to be a key reason for higher productivity growth in retail in the US than the UK²⁹. Initiatives such as the 'Boosting Careers with Digital Skills' should be expanded where possible.

4. Reducing the share of temporary workers: Temporary work is particularly prevalent in low-skilled occupations. Temporary contracts increase anxiety, reduce morale and the build-up of human capital which in turn reduces worker productivity.

Local businesses generally seek local support or support from trusted advisors such as their sector trade bodies. They are often unwilling and do not have time to travel significant distances for advice, so they need a strong and readily navigable local business support offer, provided by both the public and private sector. In this regard, CloS has a strong network of employer organisations on which to build and ensure awareness of the benefits of tackling low pay and productivity.

The literature also points to a need for a stimulus or spark for employers to realise that they need to change to stay competitive or the awareness and motivation to realise they have the potential to improve. The Covid-19 pandemic may be the catalyst that businesses need not only to return to growth but to adapt to new ways of working and improve their digital infrastructure and skills.

Conclusions

The main message from the literature is that there is no single answer to the issue of low pay. Moreover, whilst a clear evidence base as to 'what works' is in development, it is very much at its early stages, with different approaches being trialled. The challenge for CloS is to develop and implement a range of complementary interventions and to ensure that such a multi-faceted approach is focused and underpinned by a vision of the change it wants to see. Much good work has been undertaken with the support of ESIF and the main message for the remainder of the programme is that the cross-cutting themes in support of equal opportunities and gender mainstreaming are given significant weight in reviewing pay claims and in expanding programmes where there is underspend. This should include embedding good and best practice to support women; disabled people; individuals with a protected characteristic as defined in the Equality Act 2010; women into STEM; childcare and caring responsibility support and for businesses committed to paying the Living Wage. Applicants should demonstrate that they have considered and embedded these cross cutting themes in their project plans and delivery and have delivered against commitments made.

With CloS having virtually full employment before the pandemic struck, the labour market picture was superficially rosy, but our analysis on pay exposes significant labour market problems – low skills, low levels of training and limited progression opportunities. Forecasts show that most jobs growth will come from the low paid sectors (Caring, leisure and other services) and whilst the use of

²⁹ *ibid*

EU Funds has helped ameliorate the position over the past 2 decades, more remains to be done, not only with the use of EU Funds for the remainder of the programme but with concerted action over the long-term to tackle low pay and productivity.

5. Recommendations

Introduction

The research shows that:

- Low pay in Cornwall and the Isles of Scilly is a real issue affecting 4 out of 10 employees.
- In turn, low pay and insecure work impacts on poverty, health and child welfare and social mobility.
- Cornwall has pursued a number of initiatives to tackle low pay but as yet, there has not been any discernible impact on overall trends although it is safe to assume that without the interventions made to date the current situation would be worse.
- Low pay is most widespread at the more remote, peninsular end of Cornwall and largely reflects the structure of the economy and the lack of agglomeration benefits from a large urban area/City region.
- Women and part time workers are most affected by poor pay, as are those working in hospitality, retail and health and social care.
- Low skills and qualifications are contributory factors.
- Poor productivity underpins low wages and some sectors have limited scope for action without improving productivity/profitability and the management practices of the business owners/managers.
- Action to tackle low pay is at the early stages across the UK and a number of local authorities and organisations are still innovating and developing practice in this area.
- The literature shows that there is no simple or singular policy that can effectively tackle poor wages.

As a result, the recommendations which follow seek to tackle the different drivers of low pay. Clearly, to support inclusive growth there is a need for a continued and more concerted focus on tackling low pay, enabling in-work progression and creating better jobs. The evidence provides a sound basis for shaping the remaining use of EU Structural Funds for impact. Of necessity, for such a complex and long-standing problem, there is no quick fix, so although the recommendations relate principally to the use of EU Funding in the short term, in the longer term continued action will be needed to change the low pay dynamic.

Recommendations for the use of remaining ESIF investment

Strategic
<ul style="list-style-type: none"> • For the remainder of the programme applications should be assessed against the equality cross-cutting theme and more weight given to applications which make a commitment to improve equality and diversity by paying the Living Wage.
<ul style="list-style-type: none"> • When the managing authority reviews outstanding claims it will be important to ensure that commitments applicants have made around low pay have been delivered.
<ul style="list-style-type: none"> • Whilst there are no further Calls anticipated, project extensions via the PCR route should adequately consider the importance of the cross-cutting themes, particularly sustainability in relation to equality and diversity and equality of opportunity.

For individuals
<ul style="list-style-type: none"> Following Covid-19, new flexibilities around supporting people at risk of redundancies should be a key focus of any underspend, delivering training to enable people to develop flexible skills and to progress in the workplace, whilst avoiding deadweight.
<ul style="list-style-type: none"> Programmes which upskill people in and out of work are needed to support women to develop the digital and STEM skills to work in the growing tech sector, building on lessons learnt from the use of EU Structural Funds to date.
<ul style="list-style-type: none"> Basic skills are holding people back from progression in the workplace and there is an on-going need to support people to develop these skills with the associated wrap-around care that may be needed for those furthest from the workplace.
<ul style="list-style-type: none"> People with disabilities and their employers should be supported to develop their work-related skills through expansion of the Beacon Project or similar initiatives.
For employers
<ul style="list-style-type: none"> Given the strong association between productivity and pay, action to support improved productivity in business should be prioritised in addressing any underspend, particularly in relation to the development of leadership and management skills and digital technology. This means making it as easy as possible for smaller companies to benefit from leadership and management/digital support and upskilling to enable them to embed change, develop good working practices and embed a culture of progression.
<ul style="list-style-type: none"> New start ups in sectors which will diversify the economy should continue to be supported to grow and the potential for expanding into follow up support explored.
<ul style="list-style-type: none"> Programmes to promote innovation should be expanded.
Infrastructure
<ul style="list-style-type: none"> Continue to support the roll out of superfast broadband and digital technology which will support home working and boost the attractiveness of CloS as a place to do business.

As noted through the analysis of the data, low pay is a deep-seated issue and the leadership in Cornwall should consider further action to add weight to ESIF investment to bring about real change in terms of low wages in Cornwall and the Isles of Scilly.

Useful resources

LGA (2020) Building an inclusive economy.

https://www.local.gov.uk/sites/default/files/documents/5.66%20Driving%20inclusive%20growth%20in%20local%20areas_04_0.pdf

Social Mobility Commission (2020) Learning ladders - The role of adult training in supporting progression from low pay.

https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/934420/Learning_ladders_progressing_out_of_low_pay_FINAL_sr__002__1_.pdf

JRF Briefing: How Local Industrial Strategies can deliver inclusive growth

<https://www.jrf.org.uk/report/how-local-industrial-strategies-can-deliver-inclusive-growth>

Better Work Network: Guide for commissioners.

<https://learningandwork.org.uk/resources/research-and-reports/better-work-network-guide-for-commissioners/>

Annex 1

Sector case studies

Glasgow City: In Work Progression in the Care Sector pilot

The pilot aimed to support individuals in the care sector to improve their skills and earnings potential. The pilot took an employer-led approach which supported businesses to improve their operations, and through this, supported their staff to progress. The pilot was delivered by Glasgow City Council Business Advisers. The support offer included a custom-made range of interventions delivered to businesses and the provision of employee training to support the skills and earnings progression of low paid employees. The pilot was developed in response to:

- High predicted growth of sectors with high levels of in-work poverty
- Local demand for skills to meet the growth needs of these sectors
- Universal Credit rollout

Through the evaluation, stakeholders emphasised the lack of existing evidence regarding what works to promote in-work progression in the care sector and valued the pilot as an opportunity to learn.

The pilot contained a number of lessons which can potentially be used to inform similar employer led initiatives in other low paying sectors such as hospitality and retail. Within an employer-led pilot, progression outcomes for low paid workers are much more likely to happen if the intervention's design focuses delivery directly on these outcomes. This could require a more constrained approach to delivery for any initiative in retailing and hospitality with, for example, a fixed menu of support to ensure that the intervention is focused largely on enabling progression for low paid workers.

Leeds City Council: Connecting residents to local opportunities at St James's University Teaching Hospital

The hospital in Leeds is located to Lincoln Green, one of the most deprived wards in England. The hospital has struggled to employ people from the immediate neighbourhood and so Leeds City Council developed a programme to connect skills demand with opportunities for local residents. The work started with consultation to identify existing skillsets and skills levels and an analysis to identify skills demand within the job vacancies at the hospital. The evidence was used to design a targeted skills programme for people within the deprived ward. At the end of the programme, participants were guaranteed an interview for work at the hospital. This has resulted in excellent employment outcomes and residents who took up an entry level role gained secure work paid at the Real Living Wage, with clear pathways to progression.

The success of the initiative was such that it will be repeated in the Lincoln Green area, and used as the model for similar programmes in other parts of the city.

The benefit of this approach is that people were entering jobs that had clear progression pathways out of low pay.

In London the Step up programme has tested approaches to support in work progression and made useful recommendations.

Good practice: London: Step up

Step Up aimed to test and learn from new approaches to supporting earnings progression among low paid Londoners. As this was a pilot, an emphasis was placed on learning from the initiative for future programme design, commissioning, delivery and evaluation.

The Step Up model was built on delivering personalised, tailored and one-to-one support to participants and both staff and participants viewed this as central to achieving positive employment outcomes. Despite being in work, many participants lacked the understanding, confidence and skills to find better work. So effective support included help with understanding the local labour market; job search strategies; building confidence and motivation; and help with applying for jobs (CV and application writing, interview practice and technique). Resourcing this support was often more intensive than providers had anticipated. Therefore developing effective local partnerships (or building on established relationships) were seen as key – both in delivering a tailored offer and in enabling staff to focus their time and support.

Recruitment and engagement of participants was a key challenge throughout the programme. People in low-paid work tend to be time poor, and are less likely to be in touch with statutory services and so aware of the availability of in-work support.

The evaluation found that although Step Up had a transformative impact for many individuals that took part e.g. through taking on more or better work, increasing hours or pay, the additional impact of Step Up on participants' earnings did not show a significant difference in earnings over and above what would have happened without the programme.

The evaluation made several recommendations for future progression schemes, including:

- Investment should be made in tailored, personalised and adviser-led-in-work progression support.
- Delivery of progression services need to be co-ordinated at a local level.
- Partnership working is required to map and engage support services and, where possible, plug delivery gaps.
- More support could be offered to employers to support progression of their employees.

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