

Unequal opportunity: how jobs are changing in cities

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Executive Summary

Globalisation and technological change are changing the nature of jobs available in UK cities, with impacts for both the individuals working and living in them and the wider city economy.

For many, particularly those with high level skills, cities offer a wide variety of job opportunities with higher wages and longer term career paths. For others, these changes mean that an increasing number of people are at risk of getting trapped in low pay work. This has knock-on impacts for firm productivity and economic output; poverty and individuals' personal well-being; social mobility and the overall strength of the national economy.

All cities have seen their labour market polarise between high and low paid jobs, while employment in middle-income professions has fallen.

- The share of jobs in high pay occupations, including corporate managers and directors, professionals and associate professionals, increased by 2.5 percentage points between 2001 and 2011.
- The share of jobs in low pay occupations, including caring, sales and customer services and elementary occupations, also increased by 2.2 percentage points over the decade.
- Meanwhile jobs in intermediate occupations, including production and administration have fallen by 4.7 percentage points on average.

But these changes and their impacts have not been uniform across the country.

- Cities such as Cambridge, Leeds and York with more than two in five workers employed in high pay occupations in 2001 saw the share of jobs in these occupations increase by more than 4 percentage points between 2001 and 2011.
- Cities such as Stoke, Coventry and Luton have seen some of the largest declines (more than 7 percentage points) in the share of workers employed in intermediate occupations. At the same time, they have seen significant rises in the share of jobs in low pay occupations.

These changes will have implications for:

- 1. Pay:** Average earnings vary significantly across cities because of the differences in proportions of high and low pay jobs, even when the cost of living is taken into account. In Blackburn, Grimsby and Hull, for example, one in three workers earn less than two thirds of the median wage, whereas in the majority of cities in the Greater South East this falls to one in 10. Wages in low pay occupations do not vary as much as the cost of living in cities however, meaning that rates of 'real' pay for low wage workers are lower in some of the UK's most economically buoyant cities.
- 2. Security:** Levels of job security follow a similar pattern to the prevalence of low pay. In Hull for example, where average wages are the lowest in the country, just 36 per cent of workers tracked by a longitudinal survey remained in employment between 2009 and 2012. This compares to 64 per cent in Derby.
- 3. Progression:** Workers in city labour markets that have seen a large fall in the share of intermediate jobs coupled with an increase in low pay occupations



“Supply-side policies alone will not sufficiently address the challenges that many cities face”

are likely to face increased difficulty in moving from entry level positions into higher paid jobs. Workers displaced from jobs through redundancies or firm closures may also have been forced into lower paying jobs.

Variations between cities highlight the need for the appropriate mix of supply and demand-side interventions, which are specific to the needs of different city labour markets. Government intervention has typically focused on improving attainment and achievement at all stages of the education and training system. It has also intervened to ensure workers made redundant from firm closures (Longbridge, Birmingham) have access to re-training opportunities. There are also a growing number of examples, both internationally and in the UK, of campaigns to encourage or enforce the adoption of minimum or living wages (Los Angeles, London, York).

Supply-side policies alone will not sufficiently address the challenges that many cities face. Policies that address the lack of demand for skills and opportunities for progression will be critical for many. Workplace training has been found to have a significant impact on workers' ability to progress and on firm productivity (in Chicago, Pennsylvania, Ireland). Career ladder schemes have also been used (in Boston) to set out progression routes within a particular organisation or sector. Within all of this, labour market intermediaries play an important role in matching job seekers with employers (in the Netherlands, Southern Maryland).

All cities should ensure that they have the right package of measures in place to respond to the specific and changing needs of their labour market. The report makes a number of policy recommendations related to supply and demand-side interventions:

- National government should give cities more flexibility over funding to help them improve business environments (through investment in skills and infrastructure, for example) to support new and existing businesses – including those operating in low pay sectors – to thrive, create jobs and pay higher wages.
- The Low Pay Commission should work with cities that have a strong case for introducing a city-region wide minimum wage to examine the potential impacts on employment and local businesses.
- National government should enable cities to reduce housing, transport and childcare costs, delivering higher living standards to workers in low pay occupations by giving them greater regulatory and borrowing powers, alongside greater flexibility over funding.
- Cities should encourage employment support organisations to work more effectively with local businesses, training providers and public sector organisations to match training and employment services with local business demand.



“The increase in, and falling cost of, computing power has led to technology replacing jobs involving routine tasks”

Introduction

The shape of city labour markets is changing, affecting how they function, the opportunities they offer to individuals and the policies required to improve city economies. For many people, particularly those with high level qualifications, cities offer a wide variety of job opportunities with higher wages and longer term career paths. But an increasing number of people are at risk of getting trapped in low paid work. The rise of low pay work has knock-on effects for city economies in terms of productivity and economic output. It also has an impact on the incidence of in-work poverty, which has been rising in the UK since the mid-1990s.¹

The nature of jobs in UK cities is changing, because over the last few decades labour markets have been affected by globalisation and technological change. The increase in, and falling cost of, computing power has led to technology replacing jobs involving routine tasks that are easily programmed. Offshoring and global competition for labour has also had an impact on the UK labour market, with firms taking advantage of low labour costs in other countries.² These changes have affected production and administrative jobs, which are often middle-paying jobs.³ Growth in high pay occupations has also led to increased demand for low-level services such as cleaning.⁴

These changes have resulted in the UK job market polarising into high and low paid jobs, with employment ‘hollowing-out’ in the middle. Between 1990 and 2000, seven mid-level jobs were lost for every 10 created in either high or low pay occupations (Figure 1).⁵ This ‘hollowing out’ of the labour market slowed in the 2000s; one mid-level job was lost for every five created in either high or low pay occupations between 2000 and 2008. The recession then saw trends accelerate between 2008 and 2012; mid-level occupations declined faster than they had previously and four jobs were lost for every five high pay jobs created (there was a small fall in employment in low pay occupations between 2008 and 2012).

While the growth in high pay jobs is positive, the UK saw among the highest levels of employment growth in low pay occupations in Europe and one of the largest falls in employment in mid-level occupations. Employment in low pay occupations increased by 5.8 percentage points between 1993 and 2006, compared to the EU average of 1.6, while there was a 10.3 percentage point decrease in employment in intermediate occupations compared to the EU average of 7.8.⁶ In addition, the UK’s increase in the share of high pay jobs in the economy, by 4.6 percentage points, was lower than the EU average of 6.2 percentage points. More recent data shows that the UK has a large number of low pay, low skilled jobs compared to other developed countries,⁷ with over five million people (21 per cent of all employees) currently working for low pay.

Over the next decade, the UK labour market is predicted to become even more polarised. A significant share of employment growth is predicted to be driven by increases in the number of high pay occupations. Employment in high

1. MacInnes, T. et al (2013) *Monitoring Poverty and Social Exclusion 2013*, York: JRF

2. Goos M & Manning A (2003) *Lousy and lovely jobs: the rising polarisation of work in Britain*, London: LSE

3. Goos M & Manning A (2003) *Lousy and lovely jobs: the rising polarisation of work in Britain*, London: LSE

4. Sassen, S. (1996) ‘New employment regimes in cities: the impact on immigrant workers’, *New Community* 22 (4): 579-94

5. Source: Working Futures, UKCES, 2014

6. Goos M, Manning A & Salomons A (2009) Job polarization in Europe, *American Economic Review: Papers and Proceedings*, 99(2), 58-63

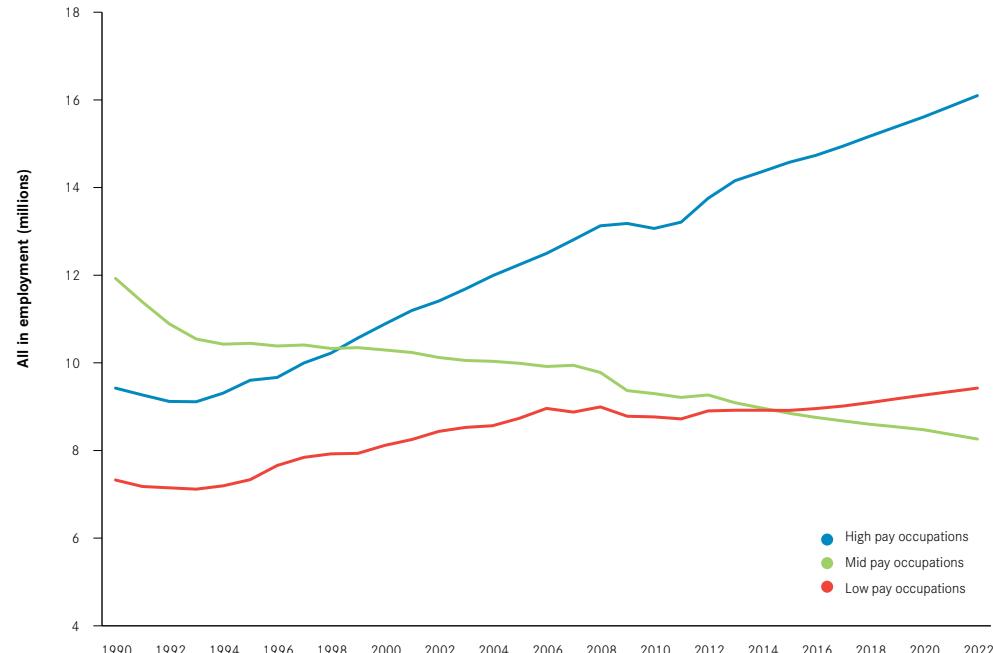
7. Pennycook M & Whittaker M (2012) *Low Pay Britain 2012*, London: Resolution Foundation



“Some cities have seen high growth in high pay occupations, others a more significant shift toward employment in low pay occupations”

pay occupations is predicted to increase by 17 per cent between 2012 and 2022, compared to a 6 per cent increase in total employment. Employment in low pay occupations is expected to increase by 6 per cent between 2012 and 2022, while employment in mid-level occupations is expected to fall by 11 per cent.

Figure 1: Change in high, mid-level and low wage occupations, 1990 to 2022



Source: Working Futures, UKCES, 2014

These changes and their impacts will not be uniform across the country, meaning not all cities will be able to offer the same level of opportunity.

Some cities have seen high growth in high pay occupations, others a more significant shift toward employment in low pay occupations. All have seen a decline in intermediate jobs to varying degrees. This is likely to impact on pay, progression and security – and as a result these indicators of job quality vary significantly between cities. The average wage in London, for example, is nearly twice the average wage in Hull and people in London are more likely to progress in work. More broadly, workers in the South are 0.7 per cent more likely to progress into higher level occupations than those in the North, a modest but significant difference.⁸ This matters because not everyone is able to move or travel to find work.

The trends around job quality matter for several reasons:

- **Firm productivity and economic output:** Job quality can have a significant impact on staff motivation and employee retention, which in turn can lead to higher levels of productivity. Investment in training, one aspect of job quality, is considered to lead to improvements in productivity by 43 per cent of employers.⁹
- **Poverty:** Employment characteristics (sector of work, occupational group, hours of work and hourly wage) are the strongest predictor of whether a person is likely to experience in-work poverty.¹⁰ The prevalence of low wage work means that in-work poverty has risen to a record high in the UK, impacting on individuals' standards of living and their spending power.

8. Gordon I (2012) ‘Ambition, human capital acquisition and the metropolitan escalator’ SERC Discussion Paper 107, London: LSE
9. CBI (2011) *Business Investment in Skills: the road back to growth* London: CBI

10. Cribb J, Hood A, Joyce R & Phillips D, (2013) *Living standards, poverty and inequality 2013*, London: Institute of Fiscal Studies



“In an economy largely dependent on consumption, the sustainability of the recovery is threatened by the prevalence of low pay work”

- **Personal well-being:** Workers in poor quality jobs have, on average, the lowest levels of health and well-being.¹¹
- **Social mobility:** The UK has relatively low levels of social mobility by international standards.¹² Bukodi and Dex (2010) find that the likelihood of escaping low pay work has fallen over time. While it is difficult to prove the causal link, the findings are consistent with the hypothesis that polarisation reduces the chances of progression from low pay to mid-level occupations.¹³
- **The strength of the national economy:** In an economy largely dependent on consumption, the sustainability of the recovery is threatened by the prevalence of low pay work and under-employment, as individuals will have less to spend on goods and services.

This report

It is imperative that policymakers understand more about how city labour markets are changing, the differences between them, and what that means for policies seeking to support not just more but also ‘good’ jobs. Too many policies in this area are designed and delivered at national level, despite the reality that policies that work in one city will not be effective in another. This report examines how the shape of city labour markets is changing, with a focus on jobs rather than worklessness, and the implications this has for pay, security and progression. It also looks at the interventions cities have made to improve job quality, before going to make a series of policy recommendations for city leaders and national government.

11. Eurofound (2012) *Trends in job quality in Europe* Luxembourg: Publications Office of the European Union
 12. HM Government (2011) *Opening Doors, Breaking Barriers: A Strategy for Social Mobility*, London: Cabinet Office
 13. Bukodi E & Dex S (2010) ‘Bad Start: Is There a Way Up? Gender Differences in the Effect of Initial Occupation on Early Career Mobility in Britain’, *European Sociological Review* 26(4), 431-446



**“Approximately
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The changing shape of city labour markets

This section first looks at the current shape of city labour markets and the extent to which they vary. Secondly, it looks at how the shape of city labour markets has changed in the decade prior to 2011, and how they are likely to change over the next decade. Lastly it goes on to examine the implications of changing labour markets for pay, security and progression.

Access to good quality jobs and progression opportunities in different cities are largely driven by their occupational and industrial structure.

Approximately 60 per cent of workers in elementary and sales occupations earn less than two thirds of median hourly pay (£7.70 in 2013).¹⁴ Looking across the sectors, approximately 70 per cent of workers in accommodation and food, and 40 per cent in wholesale and retail are on low pay.¹⁵ Concentrations of employment in low pay occupations and sectors vary significantly across UK cities. The more jobs in these occupations and sectors a city has, the more likely it will be dominated by low paying jobs, and the more people who work in those sectors, the harder they will find it to get higher paid jobs because there are fewer of them.

Box 1: Analysing the changing shape of city labour markets and what it means in terms of job quality

Employment polarisation¹⁶

The analysis in this report on the changing shape of the labour market focuses on occupations. We ranked broad occupational categories according to median hourly pay in 2011 and then divided them into three groups:

- **High pay occupations:** managers, directors and senior officials; professional occupations; associate professional and technical occupations;
- **Intermediate occupations:** administrative and secretarial occupations; skilled trades occupations; process, plant and machine operatives;
- **Low pay occupations:** caring, leisure and other service occupations; sales and customer service occupations; elementary occupations including labourers, packers, bar staff and cleaners.

Employment shares were calculated for each of the three groups using the 2001 and 2011 Censuses,¹⁷ and a ‘Polarisation Index’ was then created, comparing growth in the share of high and low pay occupations relative to growth in the share of intermediate occupations. An index of 1 indicates that growth in the share of intermediate occupations matched growth in high and low pay occupations. An index greater than 1 indicates a shift towards either high or low pay occupations, while an index less than 1 indicates a shift towards occupations in the middle of the wage distribution between 2001 and 2011. It is important to note that, due to the focus on changes in employment shares rather than

14. Source: Annual Survey of Hours and Earnings, ONS, 2013

15. Source: Annual Survey of Hours and Earnings, ONS, 2013

16. Data is workplace-based

17. Regional data from the Labour Force Survey is used to estimate the impact of the revisions to the Standard Occupational Classification (SOC) system on employment shares for the 3 broad occupational groups in 2001 and 2011. An adjustment is then applied to the PUA-level Census data using the regional LFS data to create estimates of occupational change at city level.



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absolute employment growth, a decline in intermediate jobs may be due to relatively slow growth in those types of jobs rather than a decline in absolute employment numbers.

Job quality¹⁸

‘Good’ jobs are generally considered to provide relatively high earnings, security and opportunities for increases in earnings over time. A ‘good’ job also provides adequate employee benefits (such as sick pay and employer pension contributions); affords the worker a degree of autonomy and control over work activities; and gives the worker some flexibility and control over scheduling and terms of employment. This report focuses on three main, quantifiable aspects of job quality:

- **Pay:** While there is no common standard definition of job quality, the focus is often on wages as the most important single consideration. This report examines average (mean) and lower quartile earnings before and after housing costs.
- **Security:** A good job provides a degree of certainty over paid hours and some control over the termination of the job. This report examines the extent to which individuals remain in employment between 2009 and 2012.
- **Progression:** Opportunity for progression is regarded as an important element of good work, and occupational mobility is a key element of social mobility.¹⁹ This report considers how changes in city labour markets are likely to affect individuals’ progression opportunities, and analyses occupational mobility between 2009 and 2012.

The UK’s most affluent cities have historically been the most unequal, with employment skewed towards high pay occupations

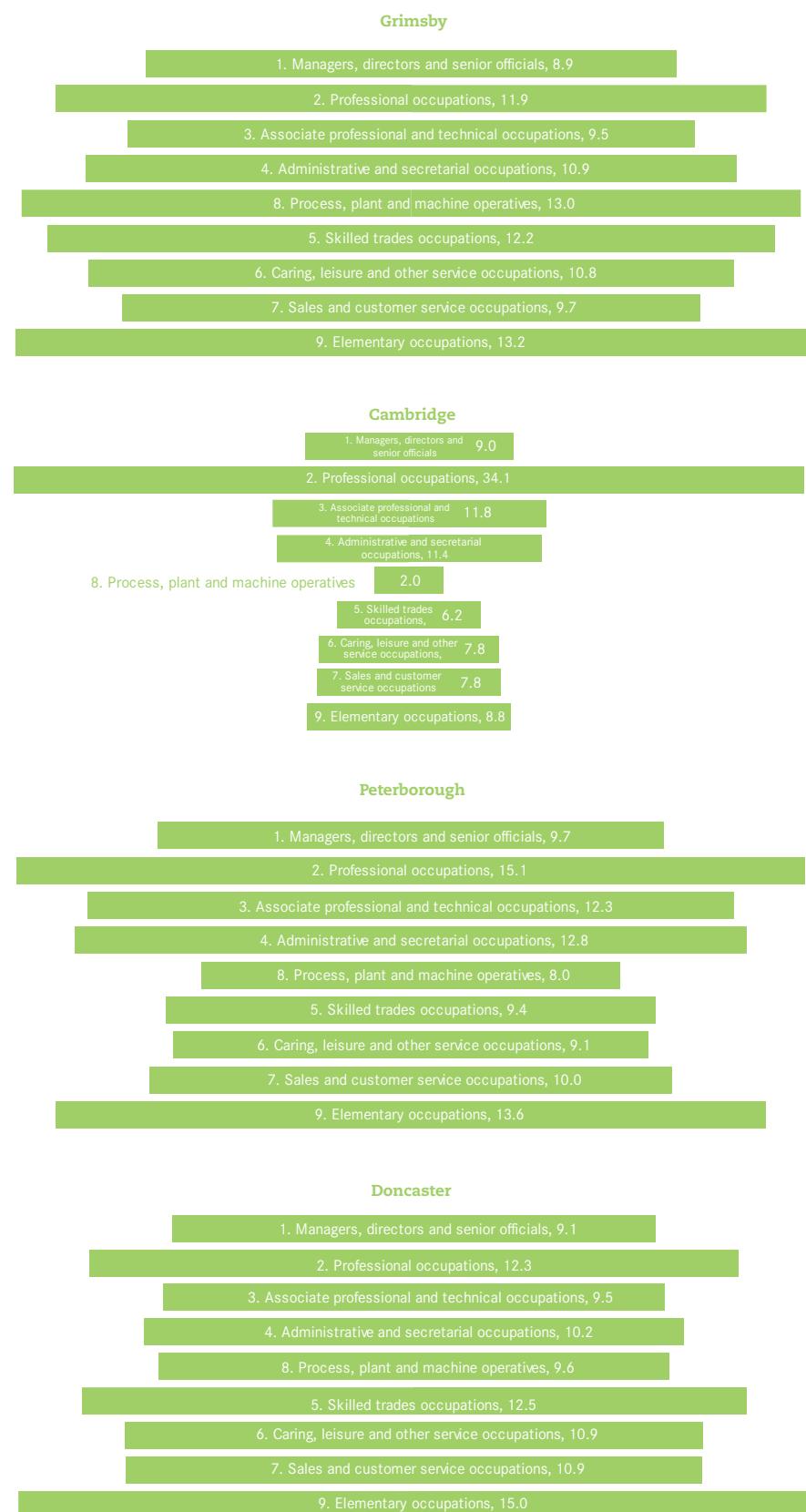
There are significant differences in the current shape of city labour markets (Figure 2). In some cities, such as Grimsby, employment is fairly evenly distributed between different occupations. In others, such as Peterborough, employment is more polarised between high and low pay occupations. While for some cities employment is skewed towards either the top (for example Cambridge) or bottom (for example Doncaster) of the distribution. No one model is necessarily more desirable than the other; each provides different opportunities and challenges for people with different skills levels.

Firms in knowledge-based industries, which employ a higher percentage of workers in high pay occupations, are often subject to agglomeration economies, benefiting from close proximity to one another and from access to highly skilled workers. This means that they are more likely to locate in cities but also that their distribution between cities is uneven as they will cluster in some cities rather than others. In 2011, 62 per cent of employment in high pay occupations was concentrated in cities. There is also a higher chance that someone working in a city will be employed in a high pay occupation; 43 per cent of city workers are employed in high pay occupations compared to 38 per cent of non-city workers. Since there are more workers in cities, this is an absolute as well as relative difference.

18. Data is resident-based

19. Report from the Independent Commission on Social Mobility (January, 2009) Available via [http://www.mnarey.co.uk/resources/Social%20Mobility%20\(Narey%20Report\)%20Final.pdf](http://www.mnarey.co.uk/resources/Social%20Mobility%20(Narey%20Report)%20Final.pdf)

Figure 2: Employment distribution by occupation (ranked by average pay), 2011 (% of employment in each occupational group)

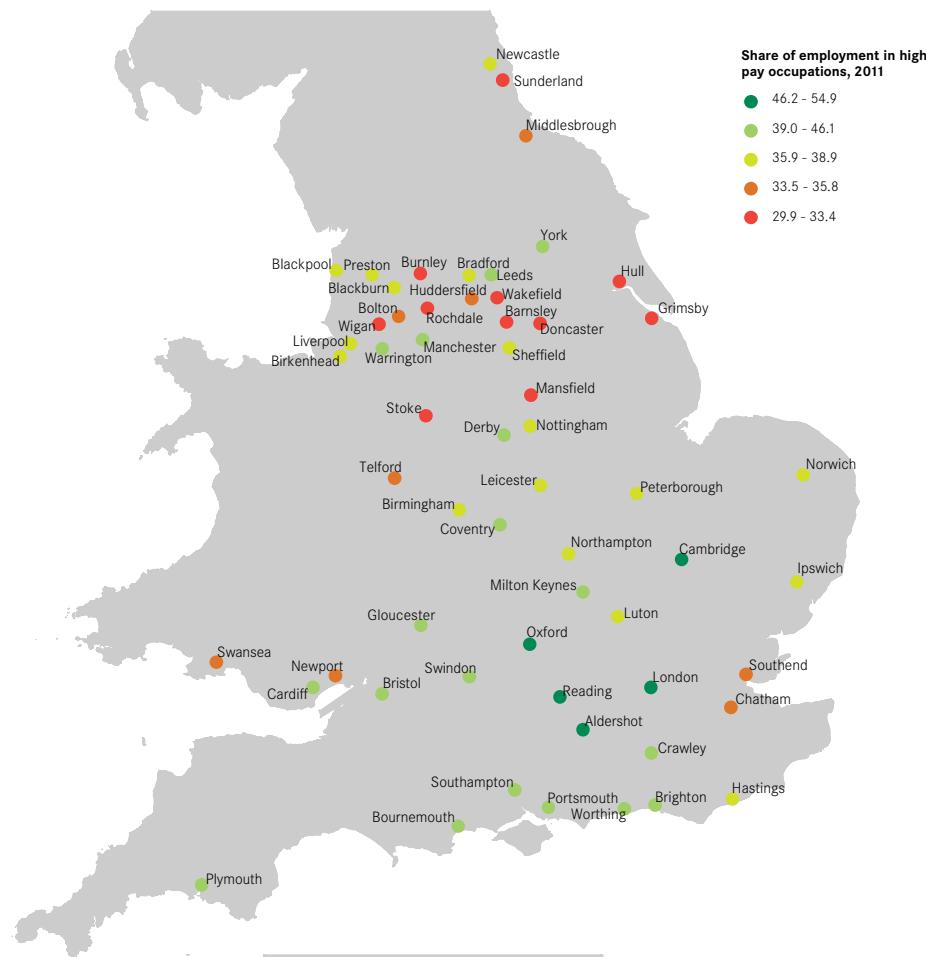


“There are significant differences in the current shape of city labour markets”

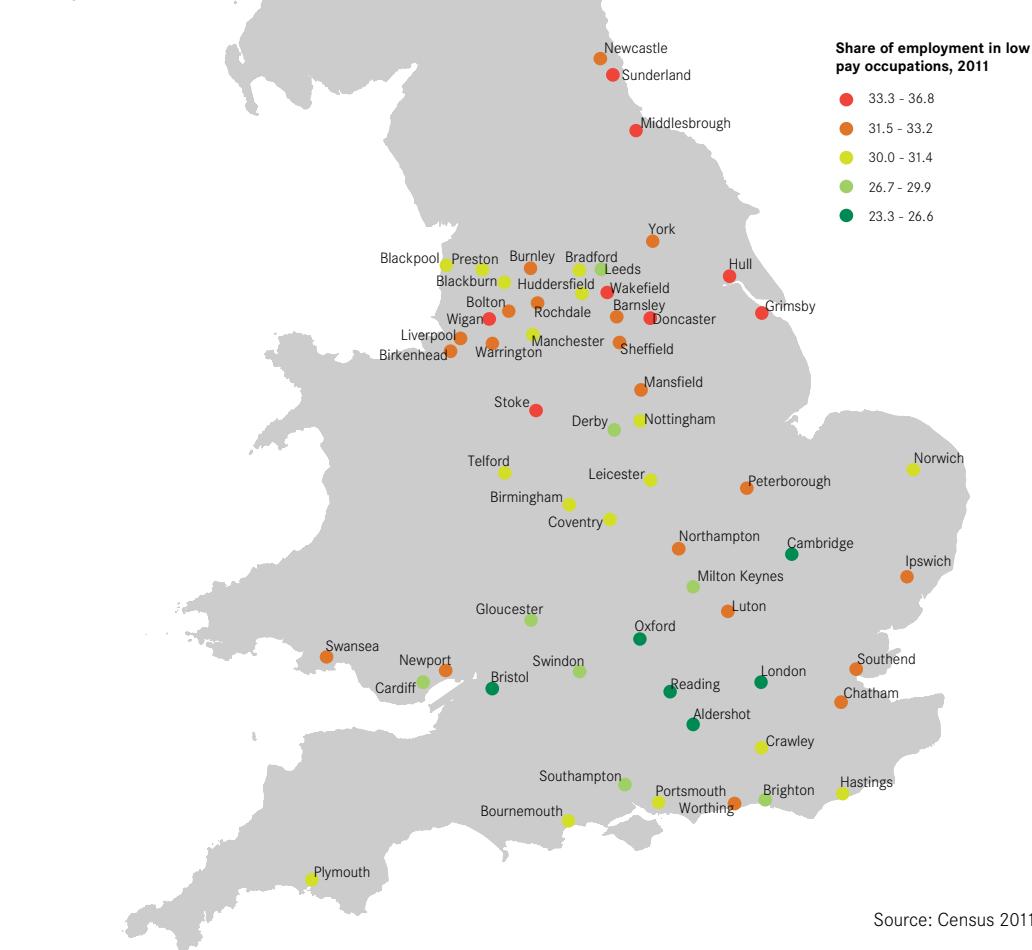
Source: Census 2011.



Figure 3: Share of employment in high and low pay occupations, 2011



“Nearly two in five workers in Grimsby are employed in the lowest paying occupations compared to one in five in London”



Source: Census 2011



**“Cities
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The most polarised cities, which are predominantly high-value, service-based city economies in the South, tend to have the largest share of employment in high pay occupations. In the four most polarised cities – Cambridge, Oxford, Reading and London – there are more than twice as many jobs in high pay occupations compared to low pay occupations. More than half of all employment in these cities was in high pay occupations in 2011 (Figure 3). This compares to less than a third of employment in Grimsby, Sunderland and Doncaster being in high pay occupations.

The most polarised cities do score well on some indicators. Cities with large proportions of employment in high pay occupations tend to be highly productive (as measured by GVA per worker) and entrepreneurial (as measured by business starts per 10,000). They are also more likely to have highly qualified populations. The most polarised cities also tend to have a large share of employment in intermediate compared to low pay occupations, potentially creating some opportunities for those working there.

Cities that have a more even spread of jobs across occupations – or that have a larger share of employment in intermediate occupations – tend to have a relatively large share of jobs in low pay occupations. Cities in the North and Midlands had the largest concentrations of low pay occupations; nearly two in five workers in Grimsby are employed in the lowest paying occupations compared to one in five in London (Figure 3).

Despite being less polarised, these cities tend to face challenges on some indicators of economic strength. For example, cities with a more even spread of employment in low, intermediate and high paid occupations tend to have higher proportions of the population with no qualifications, lower job densities and business starts rates, and higher unemployment rates. They also tend to be less productive than their less polarised counterparts.

Over the past few decades job polarisation has been growing in all cities – but the way in which city labour markets have changed varies.

Employment in all cities is increasingly polarising between high and low pay jobs – in other words, cities are becoming more and more ‘hollowed-out’.

The share of employment in mid-level pay occupations in English and Welsh cities has declined by 4.7 percentage points between 2001 and 2011, slightly higher than the national average of 4.3 percentage points. On average, cities have seen a 2.5 percentage point increase in the share of high pay occupations between 2001 and 2011 compared to a 2.4 percentage point increase nationally. Growth in the share of low pay occupations has also been significant, increasing by 2.2 percentage points on average in cities and 1.9 percentage points nationally between 2001 and 2011.

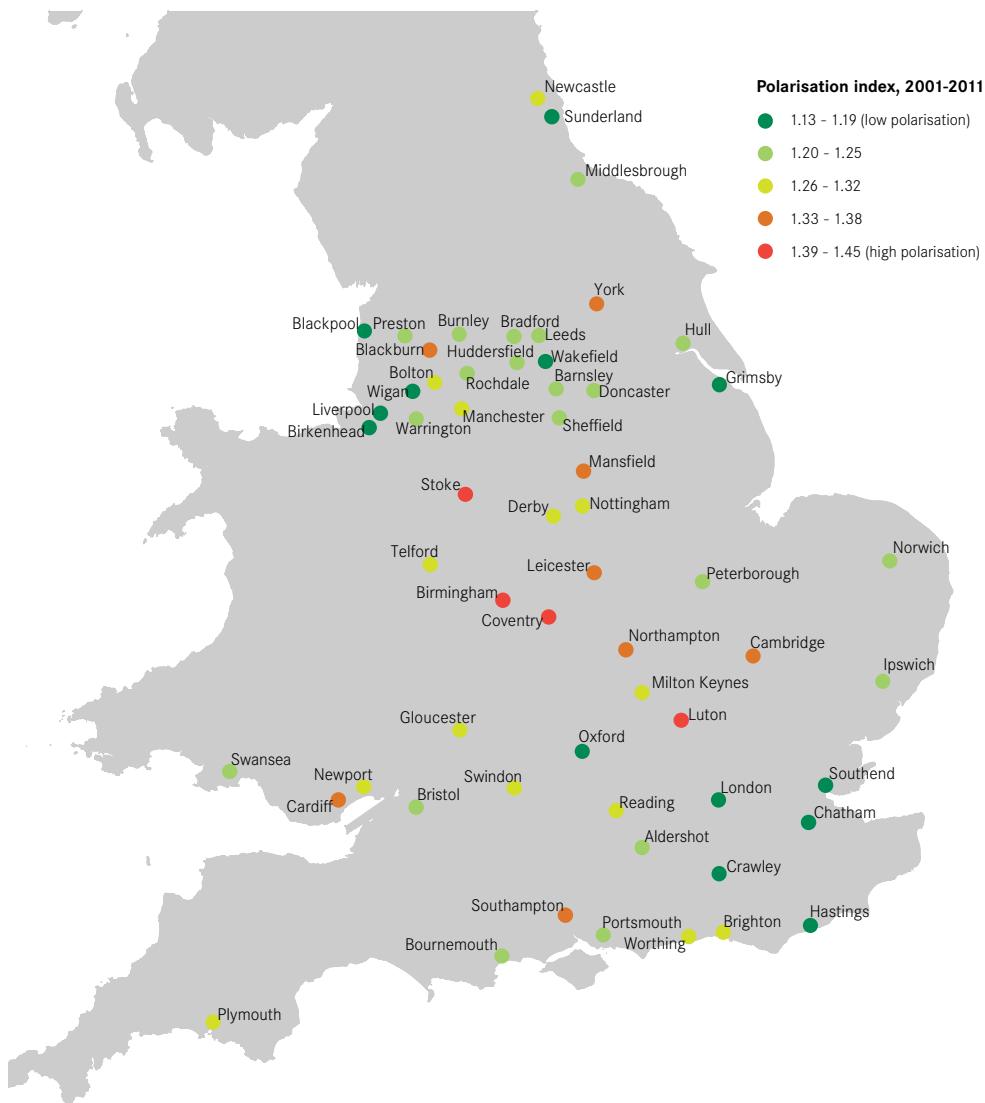
Cities in the West Midlands have seen among the largest declines in the share of intermediate jobs, with employment becoming increasingly polarised between low and high paid occupations, as cities with relatively large manufacturing bases have been more susceptible to technological change.

Employment in Stoke and Coventry has polarised by more than 40 per cent between 2001 and 2011, indicating a significant shift away from employment in the middle of the wage distribution to jobs at either end (Figure 4). The two cities saw among the largest declines in the share of employment in intermediate occupations between 2001 and 2011, a fall of 7.1 percentage points in Coventry and a fall of 8 percentage points in Stoke. Employment in Blackpool and Oxford has polarised to a far lesser extent, with the share of intermediate occupations declining by 2.7 and 3.7 percentage points respectively.



Figure 4: Polarisation Index, 2001 to 2011

“Cities in the West Midlands have seen among the largest declines in the share of intermediate jobs”



Source: Census 2001 and 2011, ONS, 2014

Box 2: Has employment polarisation led to wage polarisation?

Previous studies have found little evidence for wage polarisation. While the structure of occupations is changing, the nature of different occupations can also change and pay can change accordingly. Yet the wage hierarchy among occupations has remained fairly stable over the last ten years and there is now some evidence emerging that wages have been polarising in some cities. Birmingham and Manchester, for example, have both seen higher wage growth at the top and bottom of the labour market, compared to the middle. Wages at the 10th and 90th percentile in Birmingham²⁰ grew by 31 per cent between 2002 and 2011, compared to 25 per cent at the median.²¹

20. West Midlands Metropolitan County is used as an approximate geography for Birmingham PUA
21. Source: Annual Survey of Hours and Earnings, 2014



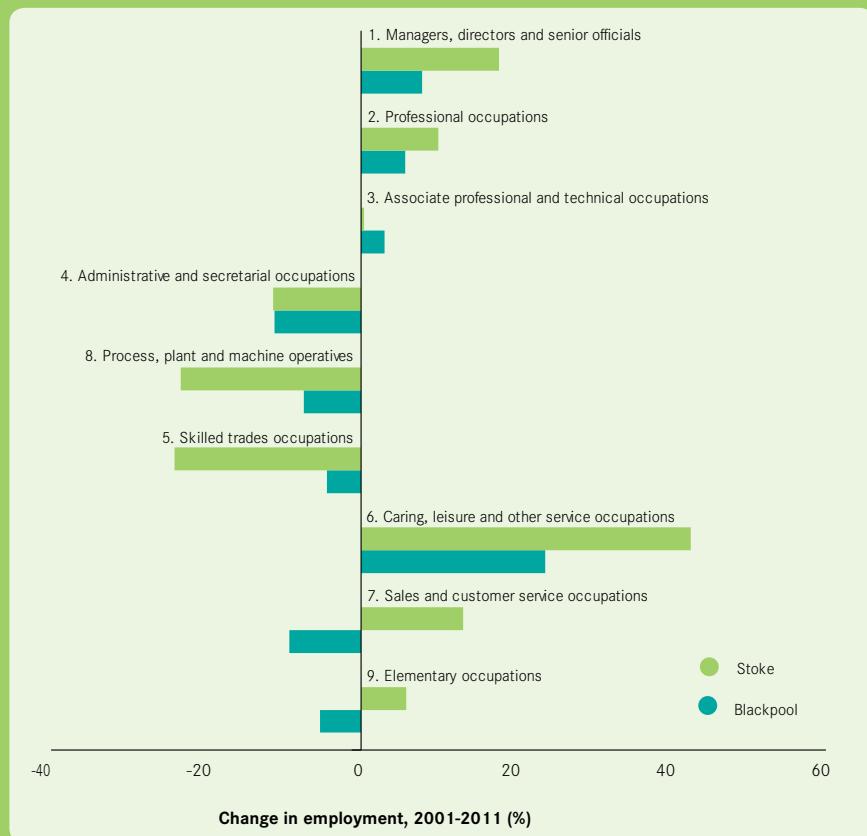
“Employment in Stoke polarised to a far larger extent than in Blackpool, polarising by 43 per cent compared to 13 per cent”

Box 3: City comparisons – Blackpool and Stoke

Employment in Stoke polarised to a far larger extent than in Blackpool - by 43 per cent compared to 13 per cent. While both cities have seen a decline in employment in intermediate occupations, it has occurred at a much slower rate in Blackpool.

The share of employment in intermediate occupations declined by 8 percentage points in Stoke between 2001 and 2011, nearly three times the decline in Blackpool (2.7 percentage points). Stoke has seen a significant increase in the share of employment in low pay occupations, an increase of 5 percentage points compared to 0.6 percentage points in Blackpool. The composition of employment in the low pay occupations is also changing in the two cities, with a shift in employment towards ‘caring, leisure and other service occupations’ in Blackpool and Stoke.

Figure 5: Changing occupational structure in Blackpool vs Stoke, 2001-2011



Source: Census 2001 and 2011

One of the most likely explanations for the significant differences between the two cities is the degree to which employment in manufacturing declined, as manufacturing tends to have a higher proportion of intermediate level jobs. Employment in manufacturing fell by 12.6 percentage points in Stoke compared to 3.6 in Blackpool between 2001 and 2011. Blackpool also fares better on business start-ups (it has 35.3 business starts per 10,000 population compared to 24.5 in Stoke) and business density (294 businesses per 10,000 population compared 225 in Stoke). Overall, Stoke is facing the challenge of a much higher proportion of low paid jobs and fewer opportunities to progress than Blackpool.



“The share of employment in high pay occupations has increased in all cities”

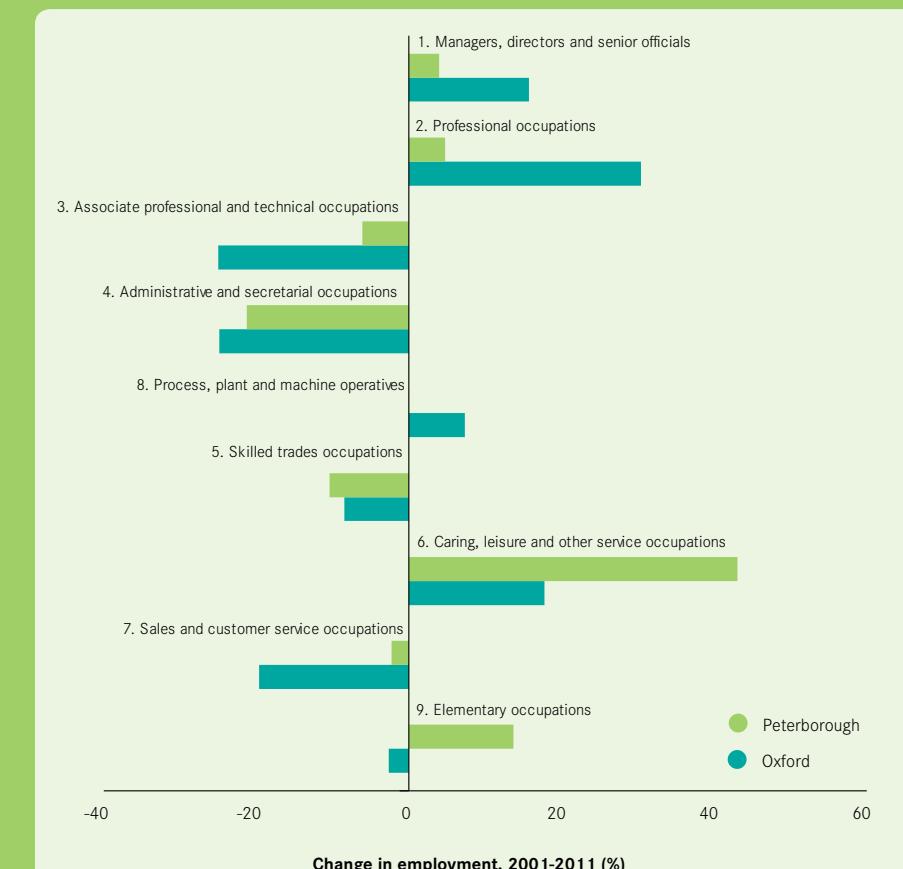
All cities have seen a shift towards high pay occupations. The share of employment in high pay occupations has increased in all cities and on average growth has been higher than in non-city areas - 2.5 compared to 1.6 percentage points.²²

Cities with the largest share of employment in high pay occupations in 2001 saw among the largest increases in employment in these occupations between 2001 and 2011. Five of the seven cities that saw an increase in the share of employment in high pay occupations of more than 4 percentage points between 2001 and 2011 were among the 12 cities with the largest share of high pay occupations in 2001. Other cities with smaller concentrations of these high value jobs in 2001, such as Mansfield and Newcastle, also saw significant increases, although the hierarchy of cities with the largest share in 2001 and 2011 remains very similar.

Box 4: City comparisons – Oxford and Peterborough

Oxford was the only city to see a decline in the share of low pay occupations, while Peterborough saw one of the largest increases (Figure 6). Oxford also saw a significant increase - more than 4 percentage points - in the share of employment in high pay occupations.

Figure 6: Changing occupational structure in Oxford vs Peterborough, 2001-2011



Source: Census 2001 and 2011

22. Figures may underestimate increases in the share of employment in high pay occupations due to the increase in homeworking among high skilled workers in particular. People who work mainly at home or do not have a fixed place of work are included in the workplace data as working at their usual residence. The geography of change in high pay occupations remains very similar when Travel-to-Work Areas (TTWAs) instead of Primary Urban Areas (PUAs). On average the increase in high pay occupations is slightly lower in TTWAs than PUAs, although just five saw a fall in the share of high pay occupations compared to nine



“Every city, with the exception of Oxford, saw an increase in the proportion of low pay occupations between 2001 and 2011”

The changes in the two cities’ occupational structure are likely to be linked to the skills profile of the two cities. Oxford has long had a highly skilled, knowledge-intensive economy; the city had one of the largest shares of employment in high pay occupations in 2001, 51.8 per cent compared to 38.7 per cent in Peterborough. Over 44 per cent of the population in Oxford are qualified to degree level or above, compared to 21.7 per cent in Peterborough.

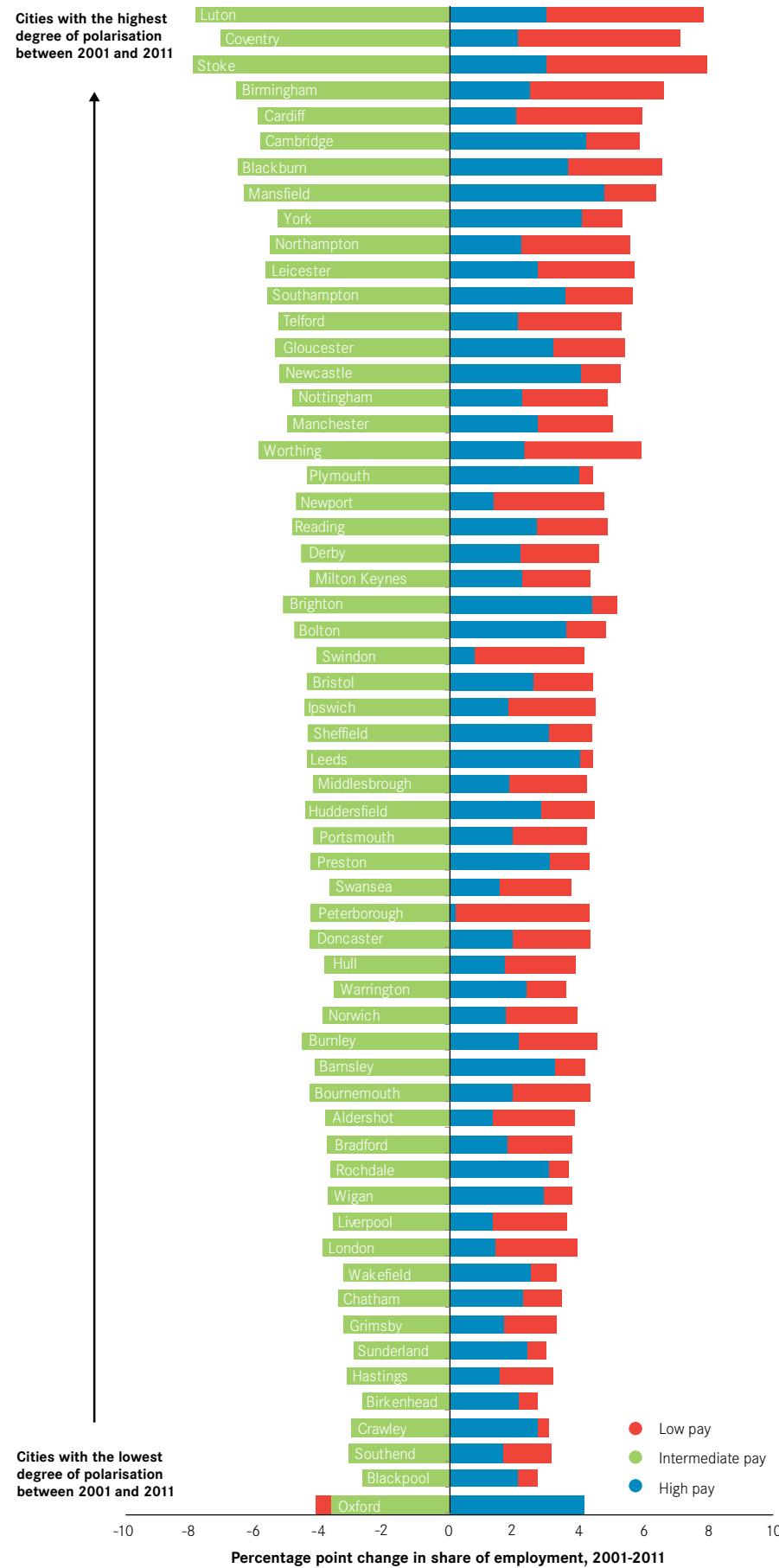
While Peterborough has a higher business startup rate, Oxford’s business base tends to be more productive as GVA per worker is 15 per cent higher than in Peterborough. Differences in GVA per worker, combined with the proportion of staff that are considered overqualified for their role by businesses, suggests that there are lower levels of demand for skills as well as lower levels of supply in Peterborough. Businesses in Peterborough are also less likely to invest in workforce development than in Oxford; 23.6 per cent of businesses in Peterborough train their staff compared to 27.8 per cent in Oxford. This means that strategies to increase the supply of skills alone in Peterborough are unlikely to be sufficient in improving firm productivity and wages. Oxford, meanwhile, may want to concentrate on helping low skilled workers progress.

There has been a significant shift towards low pay occupations in nearly every city with some of the largest increases concentrated in cities in the Midlands and North. Every city, with the exception of Oxford, saw an increase in the proportion of low pay occupations between 2001 and 2011. The share of employment in low pay occupations increased by 5 percentage points in Coventry, Luton and Stoke between 2001 and 2011, compared to the city average of 2.2 percentage points. This has been driven by growth in ‘caring, leisure and other service occupations’ in all three cities; Luton saw a 4 percentage point increase in employment in these occupations over the 10-year period.

Cities that saw the highest levels of polarisation between 2001 and 2011 tended to see a greater shift towards employment in low pay rather than high pay occupations (Figure 7). Six out of 10 cities with the highest rates of polarisation rank among cities with the highest increases in the share of low pay occupations. For example, Coventry, Luton and Stoke, having seen some of the biggest increases in low pay occupations, also saw more than a 7 percentage point decline in the share of employment in intermediate occupations (Figure 8). The reduction in intermediate and growth in low pay occupations means that workers may find it increasingly difficult to move out of low pay work. This is discussed in the next section.



Figure 7: Change in share of each occupational group ranked by polarisation index, 2001 to 2011

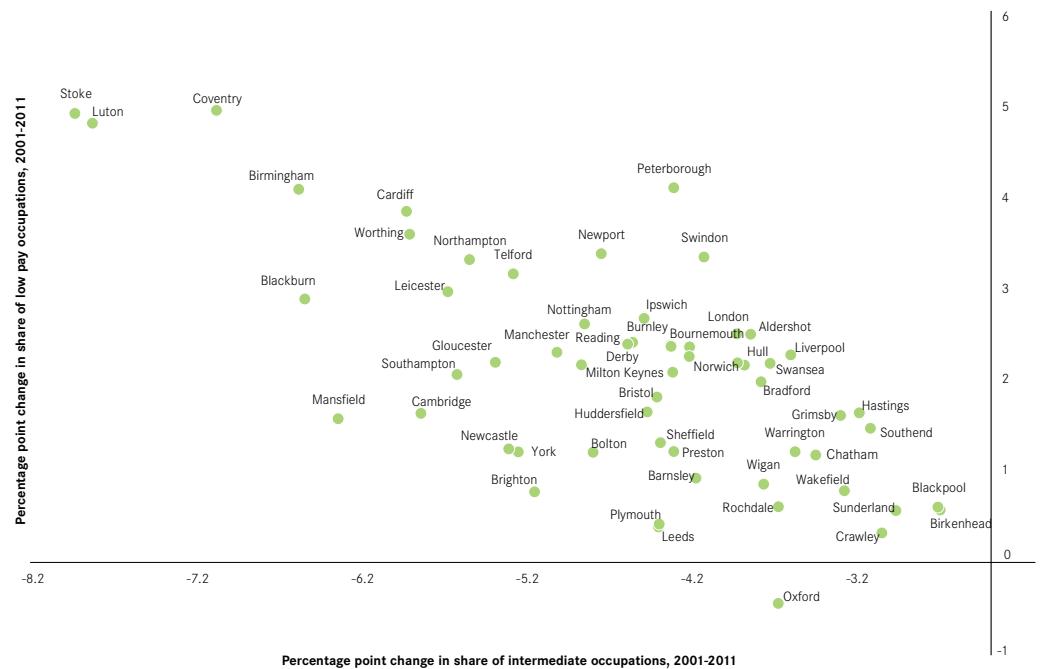


“Six out of 10 cities with the highest rates of polarisation rank among cities with the highest increases in the share of low pay occupations.”

Source: Census 2001 and 2011



Figure 8: Change in share of employment in intermediate occupations relative to low pay occupations, 2001-2011



Source: Census 2001 and 2011

Changes in city labour markets have significant implications for individuals' earning potential and the performance of the wider economy

Average earnings vary significantly across cities because of the differences in proportions of high and low paid jobs, even when differences in the cost of living are taken into account. For example, in cities with some of the largest shares of employment in low pay occupations, such as Blackburn, Grimsby and Hull, one in three workers earn less than two thirds of the median wage. By comparison, despite the higher costs of living in the Greater South East, earnings in the majority of cities are on average higher because there are lower shares of people working in low pay jobs, meaning that the share of workers earning less than two thirds of the median wages falls to one in 10.

This is not to underestimate the impact of the cost of living. The cost of living, which we have proxied using housing costs,²³ varies widely across UK cities, impacting on 'real' earnings. Average house prices in London are 14.7 times the average annual salary, while in Hull house prices are 5.2 times higher than the average annual salary. However, average monthly wages are still higher in many cities in the South even when housing costs are taken into account as absolute nominal wages are considerably higher (Figure 9).

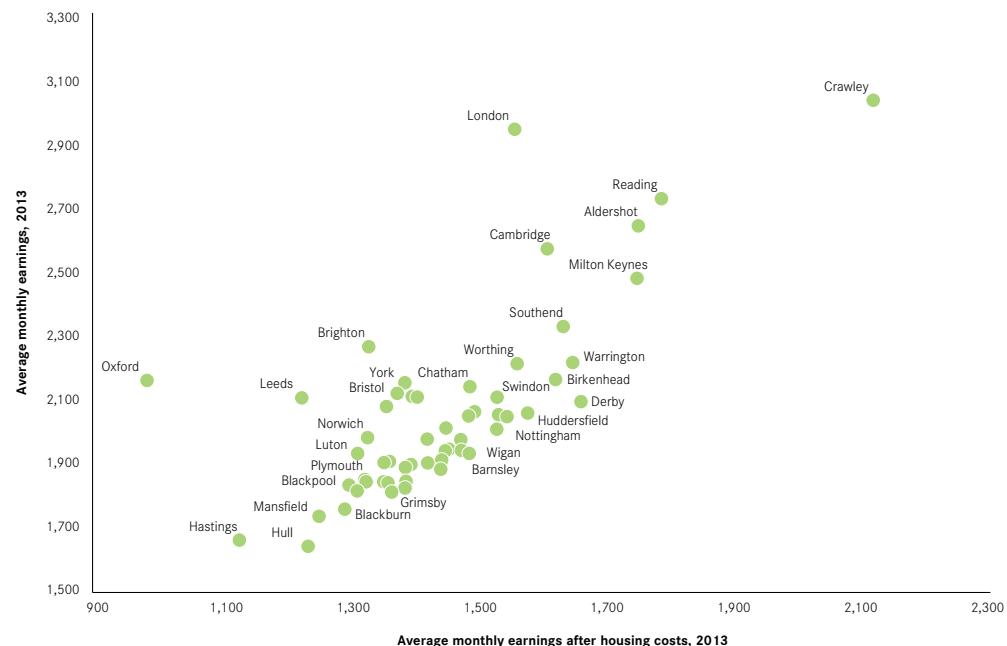
It is also worth noting that costs of living vary more than wages, particularly at the lower end of the scale where the minimum wage has reduced disparities. There is no relationship between average wages and lower quartile wages once housing costs are taken into account. In other words, low earners are unlikely to have more disposable income just because they work in a city where there are high levels of disposable income overall. This is linked to the fact that pay in high wage occupations is far more variable than pay in low wage occupations

23. Housing costs are only one component of cost of living



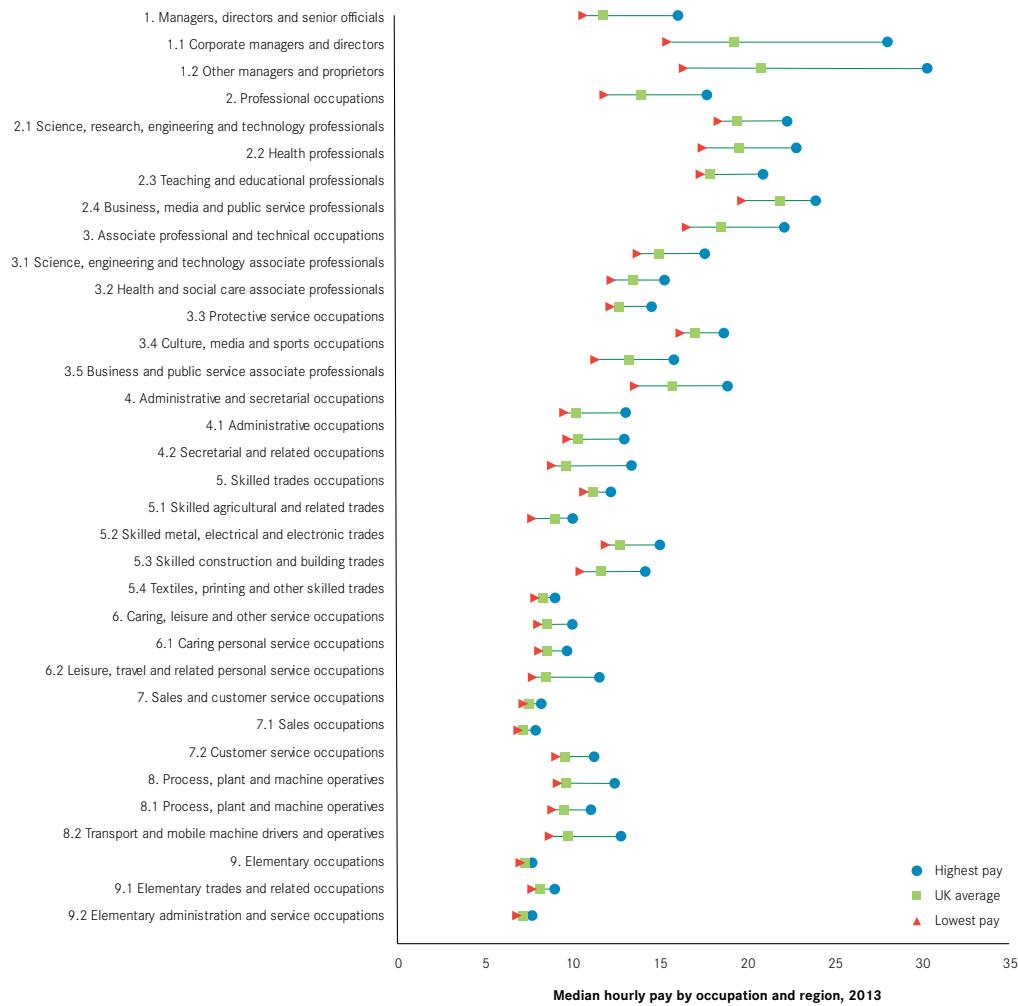
(Figure 10). In general, the highest paid occupations have the greatest regional variation and the lowest the least. For example, corporate managers and directors are paid an average of £16.16 per hour in Wales but earn nearly twice as much per hour in London, £30.09 per hour. The smallest variation is seen in elementary, administration and service occupations, where the regional difference is less than £1 per hour.

Figure 9: Average monthly earnings (mean) before and after housing costs, 2013



“In general, the highest paid occupations have the greatest regional variation and the lowest the least”

This means that for the lower paid, rates of ‘real’ pay are lower in some of the UK’s most economically buoyant cities because they have much higher costs of living. So while those working in high paid occupations in London or other high cost cities are likely to earn more even taking housing costs into account, workers in low wage occupations are likely to be worse off. For instance, average monthly wages after housing costs are £2,124 in Crawley (1 out of 55 cities); while lower quartile wages are £560 per month after housing costs (38 out of 55 cities) (Figure 11). Workers in the bottom 25 per cent in Portsmouth, Bournemouth and London have the lowest wages after housing costs.

Figure 10: Average earnings by occupation and region, 2013

"Low pay jobs are often less secure and the cycle of low pay and no pay is a reality for many at the bottom end of the labour market"

Source: Annual Survey of Hours and Earnings, 2014

Although low paid workers may have higher 'real' wages in cities with a large proportion of low pay occupations, job security is likely to be lower.

Low pay jobs are often less secure and the cycle of low pay and no pay is a reality for many at the bottom end of the labour market.²⁴ Workers in cities with a high proportion of low pay occupations were less likely to have remained in employment between 2009 and 2012.

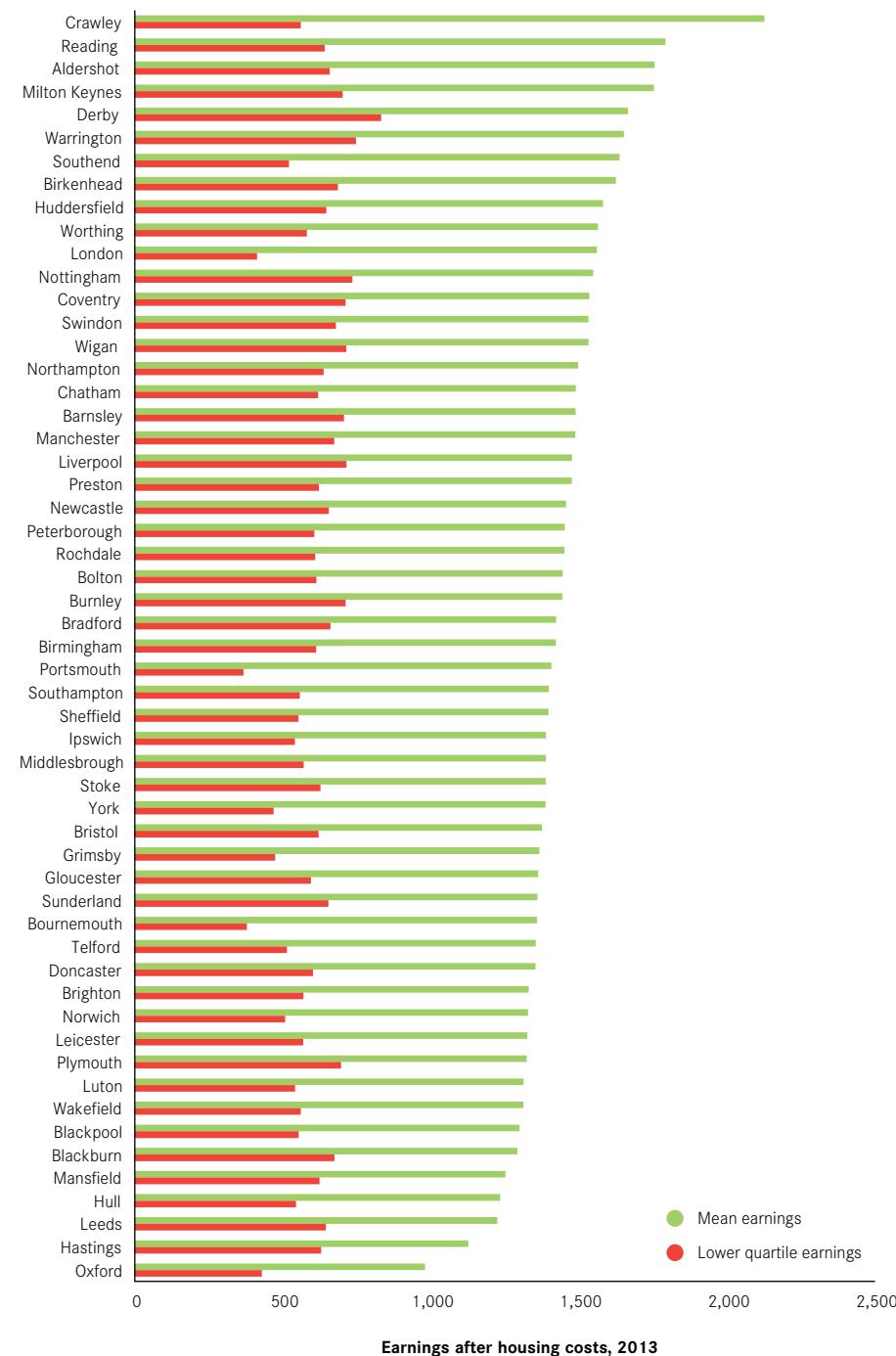
Levels of job security follow a broadly similar geographical pattern to pay, as low paid jobs tend to be less secure (Figure 12). In Hull, where average wages are the lowest in the country, just 36 per cent of workers tracked by the Understanding Society (US) longitudinal survey were in employment in all three waves of the survey between 2009 and 2012. This compares to 64 per cent in Derby, a city that ranks 5th out of 56 cities for real average earnings.

24. Goulden C (2010) *Cycles of poverty, unemployment and low pay*, York: Joseph Rowntree Foundation



“The high degree of employment polarisation in some cities has implications for progression opportunities”

Figure 11: Mean and lower quartile earnings after housing costs, 2013



Source: Annual Survey of Hours and Earnings, 2014 and Valuation Office Agency, 2014. English cities only; Cambridge is not included due to missing data.

The high degree of employment polarisation in some cities has implications for progression opportunities, particularly at the bottom end of the labour market. Workers in city labour markets that have seen a large fall in intermediate jobs coupled with an increase in the share of employment in low pay occupations are likely to face increased difficulty in moving from entry level positions into higher paid jobs. It may have also resulted in the downward mobility for workers displaced from routine jobs.²⁵ Studies have found that mobility out of low pay work is particularly limited where low paid work is most widespread,²⁶ indicating that cities

25. The Changing Shape of the UK Job Market and its Implications for the Bottom Half of Earners, Resolution Foundation, 2012
 26. OECD (1997) *Labour Market Policies: New Challenges. Policies for Low Paid Workers and Unskilled Job Seekers*, Paris: OECD



with large shares of low paid work are also likely to have low occupational mobility. Studies have also found that cities with a high concentration of jobs in higher level occupations support faster occupational progression.²⁷ However, more evidence is needed on the impacts that changes in the labour structure might have on career progression in individual cities.

Figure 12: Levels of job security, 2009-2012



Source: Understanding Society, waves 1-3, 2014

27. Champion, T., Coombes, M. & Gordon, I. (2013) *Urban Escalators and Inter-regional Elevators: The Difference that Location, Mobility and Sectoral Specialisation make to Occupational Progression*, London: LSE



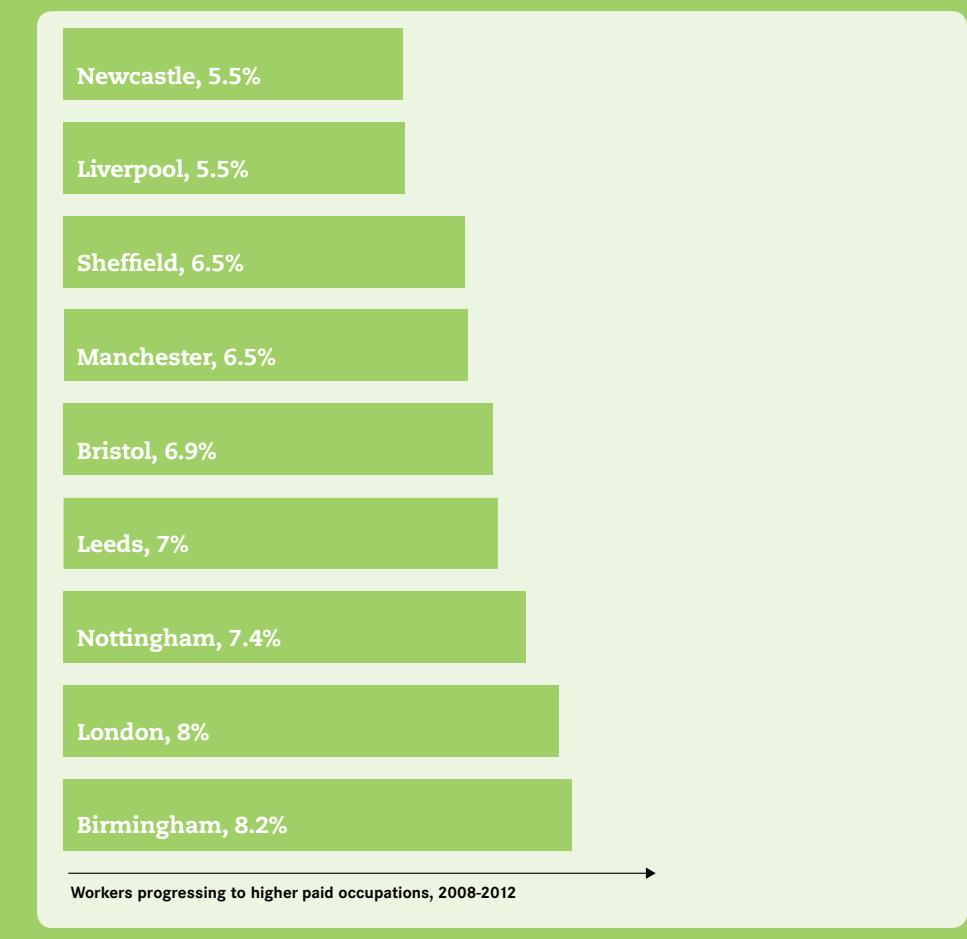
“Large cities with a high density of employers demanding similar skill sets offer greater opportunities for workers to progress”

Box 5: Cities and the ‘escalator effect’

Large cities with a high density of employers demanding similar skill sets offer greater opportunities for workers to progress. Individuals are also more likely to progress if they move from ‘slack’ to ‘tight’ labour markets. Evidence from the US suggests that it is not just bigger cities that support progression but cities with large proportions of graduates and higher concentrations of knowledge-intensive businesses.²⁸

Workers in London and Birmingham, the UK’s largest cities, are found to be more likely to progress up the earnings ladder than elsewhere in the country. Occupational mobility can be tracked by examining whether workers move up or down the occupational hierarchy using broad occupations ranked by average earnings. Analysis here is restricted to the Core Cities and London due to low sample sizes in other cities. The vast majority of workers, between 70 and 90 per cent across the Core Cities, did not move out of their broad occupational group between 2009 and 2012. Between 2009 and 2012, 8 per cent of workers in London and 8.2 per cent of workers in Birmingham moved into an occupation with higher average earnings – and can be considered to have been upwardly mobile. This compares to 5.5 per cent of workers in Liverpool and Newcastle. The findings for London corroborate with studies looking at occupational mobility over the longer term.²⁹

Figure 13: Upward mobility in England’s Core Cities, 2009-2012



Source: Understanding Society, waves 1-3, 2014

28. Glaeser, E. L. and Resseger, M. G. (2010), ‘The Complementarity between Cities and Skills’, *Journal of Regional Science*, 50
 29. Champion T, Coombes M & Gordon I (2013) ‘Urban Escalators and Inter-Regional Elevators: The Difference that Location, Mobility and Sectoral Specialisation Make to Occupational Progression’, SERC Discussion Paper No. 139



“Long term trends towards greater polarisation of city labour markets are likely to be reinforced over the next decade”

Long term trends are likely to reinforce disparities between cities, as city labour markets continue to polarise between high and low pay occupations

Long term trends towards greater polarisation of city labour markets are likely to be reinforced over the next decade, with the continued polarisation of the UK labour market as a whole.³⁰ Around 500,000 manual jobs are expected to disappear over the decade to 2022, leading to a reduction in share of employment from 17 per cent to 15 per cent. A loss of almost 500,000 administrative, clerical and secretarial jobs is also expected due to the continuing impact of changes in information and communications technology. The share of employment in these occupations is expected to fall from 12 per cent to 10 per cent by 2022.³¹

Growth and decline of different jobs is also likely to continue to be uneven across the country, with growth in higher level occupations expected to be concentrated in London and the South East. The share of managers, professionals and associate professionals is expected to increase from 43 per cent to 48 per cent between 2012 and 2022, with two million additional jobs created. Almost half of the growth in jobs in higher level occupations is expected to be concentrated in London and the Greater South East. By 2022, 61 per cent of workers in London are predicted to be employed in high pay occupations.

The predominance of low wage work in many cities, particularly in the North and Midlands, is likely to be reinforced over the next decade. The growth of low pay occupations is likely to be in line with overall employment, both predicted to increase by 5.8 per cent between 2012 and 2022. Employment in low pay occupations in the East Midlands and North West is predicted to increase by one percentage point per cent over the decade to 2022, to account for 30 per cent of total employment. By comparison, employment in these occupations is predicted to decline by one percentage point in London over the same time period, falling to 21 per cent of total employment.

The nature of low paid jobs is also likely to change in many cities. The nature of low pay jobs is expected to change with employment in ‘caring, leisure and other service’ occupations predicted to increase by 23 per cent (649,000 jobs) by 2022. Currently, over 55 per cent of these jobs are based in cities. Employment in ‘sales and customer service’ and ‘elementary’ occupations is predicted to decline by 2 per cent (65,000 and 68,000 jobs respectively) by 2022. The East Midlands and Yorkshire are predicted to see the largest increases in employment in the care sector; by 2022, one in eight people in the East Midlands are predicted to be employed in ‘caring, leisure and other service’ occupations.

30. Source: Working Futures, UKCES, 2014

31. Due to replacement demand, job openings in these occupations will continue to be created. Employment in intermediate occupations is predicted to fall by 1,060,000 between 2012 and 2022, although replacement demand is predicted to be 3,531,000 meaning the net demand is predicted to be 2,525,000.



“Different labour market conditions in cities require a different mix of demand and supply side policy responses”

Box 6: Cities and the growth in care work

All cities saw an increase in employment in caring and personal service occupations between 2001 and 2011, and this is likely to continue over the next decade. The care sector has exhibited strong employment growth since the early 1990s, with the number employed in this sector almost tripling between 1990 and 2012. In 1990, 3.3 per cent of those employed worked in the sector; by 2012 this had risen to 6.9 per cent. The care sector is predicted to see the second fastest rate of growth over the period 2012-2022, accounting for 8.3 per cent of employment by 2022.³²

More than 55 per cent of these jobs are based in cities, meaning that these changes will significantly affect the nature of low paid work in city labour markets. The sector has a reputation for low pay and has experienced one of the largest falls in real wages in the recession. There is a high rate of in-work poverty in the care sector: 17 per cent of those employed in the sector are classed as living in poverty compared to an average of 8 per cent for all those in employment.³³ Jobs in the sector also tend to be less secure and part-time, and are mostly taken up by women.³⁴ However, for some this flexibility of working hours is a main attraction of the job, allowing childcare duties to easily fit around work. The sector is also characterised by low career mobility, partly due to a lack of progression opportunities³⁵ and partly because many jobs in the care sector require few formal qualifications.

This, along with the limited capacity to increase productivity in the sector and financial constraints on the public sector,³⁶ means employers have little incentive to improve working conditions. As such, attempts to improve pay, working conditions and service quality in sectors such as these are likely to require a higher level of funding, if not a reassessment of the current contracting model – both challenging in the current climate of austerity.³⁷

Summary

Cities that have traditionally been less polarised, such as Stoke, Coventry and Luton, have undergone significant changes in the last decade, most notably with the sharp decline of the share of employment in intermediate occupations and the rise in low pay occupations. These changes have potentially significant implications for pay, security and progression – and risk locking more workers into cycles of low and no pay. This will have knock-on effects on the wider economy in these cities as the shift towards low pay work will affect levels of consumption and firm productivity. Meanwhile, in some of the UK’s most affluent cities low paid workers face high costs of living that low pay occupations do not fully compensate for.

Different labour market conditions in cities require a different mix of demand and supply side policy responses, which are explored in the next section.

32. Wilson R, Beaven R, May-Gillings M, Hay G & Stevens J (2014) Working Futures 2012-2022 Evidence Report 83, London: UKCES
 33. Schmuecker K (2014) *Future of the UK labour market*, York: Joseph Rowntree Foundation

34. In 2012, just over half of those employed in this sector were working part-time, compared to just over a quarter of all workers. In 2012 15.8 per cent of females working part-time were employed in caring, leisure & other service occupations, up from 8.7 per cent in 2002.

35. Devins D, Bickerstaffe T, Mitchell B, & Halliday S (2014) *Improving progression in low-paid, low-skilled retail, catering and care jobs*, York: Joseph Rowntree Foundation

36. From 2010/11 to 2013/14 government funding to councils for social care reduced by 19.6 per cent.

37. Additional funding has been pledged, with £3.8 billion set aside from the health service budget to provide adult social care in 2015-16, known as the Better Care Fund. £200 million will also be made available from the NHS budget in 2014-1522 for investment in new systems and ways of working by local authorities.



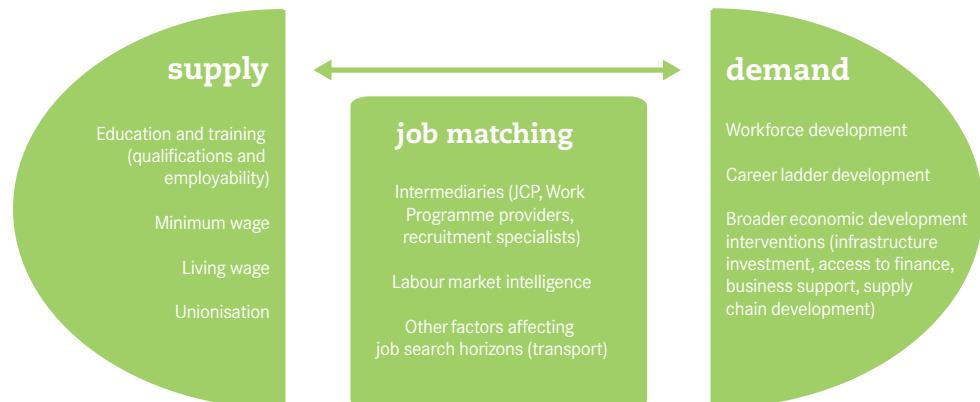
Improving job quality in cities

A range of demand side measures (Figure 13) are required to improve the functioning of city labour markets, and with that access to higher quality jobs as the traditional policy responses, mainly on the supply side, simply won't be enough. For many cities, the biggest challenges are insufficient demand for skills and labour, so addressing this is critical both to individuals' access to employment opportunities and the economic performance of the city as a whole.

This section looks at several examples of supply and demand side initiatives adopted by different cities in the UK and internationally.

Figure 14: Supply and demand side interventions to improve access to better quality jobs

"Policies have focused on equipping people with the skills that are demanded by employers in the changing economy"



Source: Centre for Cities

On the supply side, the main strategies adopted have been based around increasing the supply of skills and introducing or encouraging minimum wage standards.

1. Improving skills of all workers

People without qualifications are clearly at a disadvantage in the labour market. Trends in the labour market have led to a fall in participation among individuals with low or no qualifications. Individuals with no qualifications are more than twice as likely as a graduate to be unemployed and nearly four times more likely to be economically inactive. They are also more than three times as likely to be working in an elementary occupation as compared to those with at least a NVQ level 1 qualification (equivalent to one GCSE at grade D-G).

The Government has aimed to improve attainment and achievement at all stages in the education and training system, starting from early years learning and primary schools through to lifelong learning. A number of strategies have been employed to raise attainment in primary and secondary schools including National Literacy and Numeracy Strategies, London Challenge, Teach First and the Academies Programme. Students that do not achieve at least a C in Maths and English GCSEs are required to continue studying for qualifications in these subjects. In an effort to raise attainment at level 2 and 3, the Government has raised the participation age and by 2015 all young people in England must continue in training until the end of the academic year in which they turn 18. The government has also attempted to boost vocational training through traineeships, apprenticeships and reforms to the FE system. It has focused on widening access and improving participation in Higher Education.



“The continued shift away from large-scale manufacturing has resulted in job losses and long-term mismatches between the skills held by the workforce and the new skills demands of employers”

2. Retraining workers

The continued shift away from large-scale manufacturing has resulted in job losses and long-term mismatches between the skills held by the workforce and the new skills demanded by employers in these cities. In response, policies have focused on equipping people with the skills that are demanded by employers in the changing economy.

A £50 million training package of support was put in place by the UK Government to support the thousands of workers made redundant by the 2005 closure of MG Rover in Longbridge to access other employment opportunities. The training package, part of a wider £176 million package of support put together by a cross-departmental taskforce led by the former Department of Trade and Industry, allowed workers to train for level 2 or below qualifications. The focus was on providing workers with the skills they would need to find employment in a new trade. Courses were provided by local Further Education and specialist colleges, who set up a centre near the MG Rover factory where classes were held, IT equipment installed and college staff seconded. The colleges also provided transport from the plant to the training centre and job centre. Intensive training was provided allowing individuals to gain qualifications in 13 weeks rather than the usual one year period and rules about the time an individual can study without losing benefits were relaxed by Jobcentre Plus (JCP), allowing people to complete training and move into work quickly. By February 2006, less than a year after the closure, 4,000 out of 6,300 claimants were back in work, with 90 per cent in full-time employment.³⁸ Most workers retrained and few are using the same skills they used at MG Rover. One reason the taskforce’s work is viewed as being successful was the focus on workers developing a range of new skills in demand in the region, including IT skills.

Box 7: Skills supply and demand across UK cities

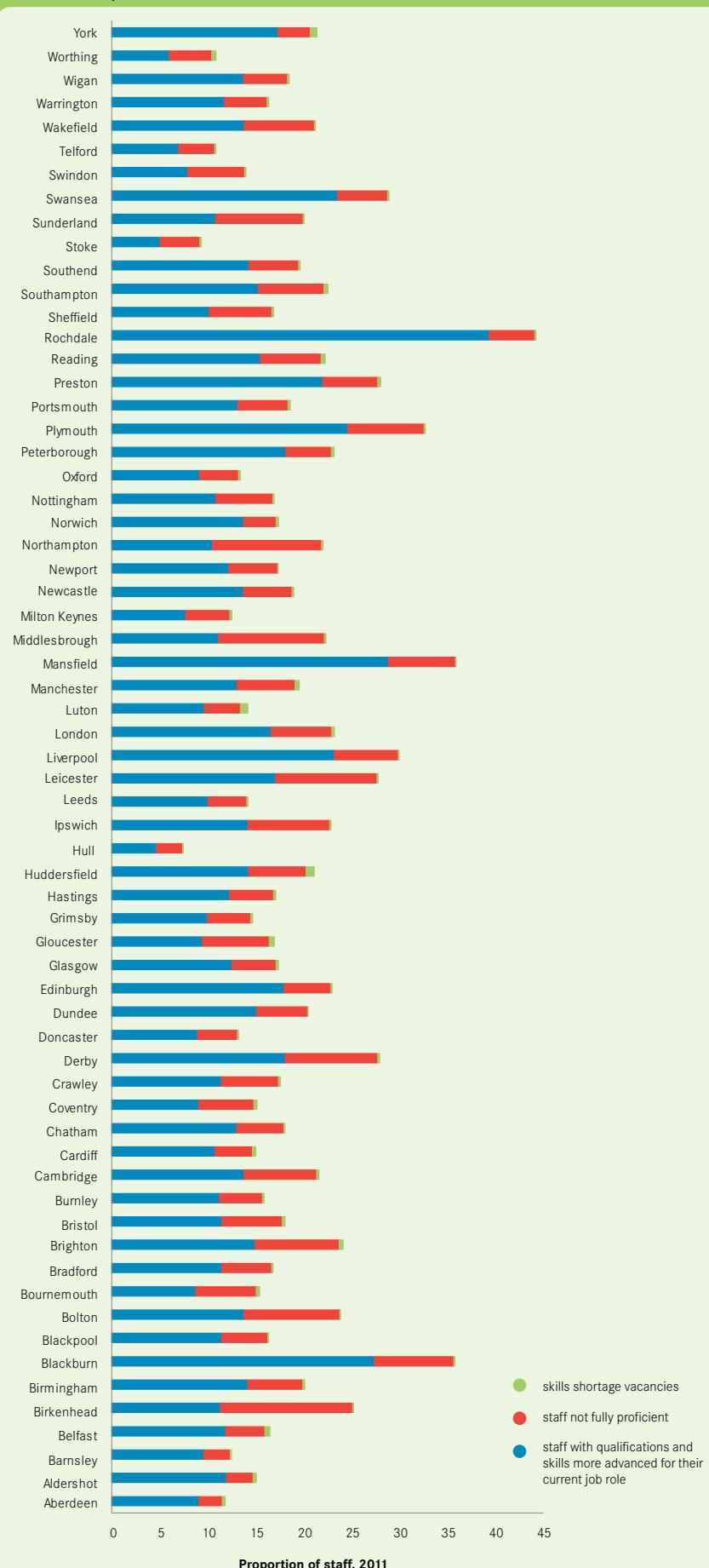
There is no evidence that increasing the supply of highly-skilled workers encourages employers to create jobs that utilise these workers’ skills effectively. Increases in the share of low pay occupations have occurred concurrently with the decline in share of no and low level qualifications, whilst the share of those with higher level qualifications has been increasing.

Evidence also suggests that a far higher proportion of staff are deemed by employers to have qualifications and skills more advanced than required for their current role than staff not fully proficient (Figure 14). In Blackburn and Rochdale, for example, 27 and 39 per cent of employees respectively are considered to be overqualified for the current role. In contrast, less than 10 per cent of staff in the two cities are considered not to have the right skills or experience for their current role.

Skills underutilisation has a substantial impact on workers and on firm productivity. It is associated with low pay, limited opportunities for progression and higher employee turnover. The widespread underutilisation of skills in the UK highlights the important role broader economic development programmes can play in increasing firm productivity and demand from employers, as discussed later in this section.

38. Bailey D, Chapain C, Mahdon M & Fauth R (2008) *Life after Longbridge: Three Years on. Pathways to re-employment in a restructuring economy*, London: Work Foundation

Figure 15: Skills utilisation, staff proficiency and Skills Shortage Vacancies, 2011



Source: UKCES, 2014. Note: data is unweighted.

“For many cities, the biggest challenges are insufficient demand for skills and labour”



“Many interventions have focused on pay and in particular setting some form of minimum wage standard for those in low paying occupations”

3. Wage standards

Many interventions have focused on pay and in particular setting some form of minimum wage standard for those in low paying occupations. Studies of the effects of the National Minimum Wage have found limited evidence of it having a significant adverse impact on employment.³⁹ Minimum wage standards can directly benefit organisations through increased productivity due to increased employee motivation and lower staff turnover.⁴⁰ Wage increases also reduce individuals' reliance on Working Tax Credits and other forms of benefit.

Living Wage campaigns are found to have a small but positive effect on wages. This is often due to the campaigns being small scale and/or aimed at one industry or one firm in one city. One of the largest efforts is thought to be in Los Angeles, where its estimated impact is in the order of 7,500 workers receiving wage increases. Direct benefits to businesses have also been recorded, with one study reporting that 80 per cent of employers in London believe that the Living Wage had enhanced the quality of the work of their staff, while absenteeism had fallen by approximately 25 per cent.

Box 8: The introduction of a Living Wage in London and York

Living wages are being more widely adopted in the UK. The first campaign began in east London in 2001. It was formed by parents who, despite working two or more jobs, struggled to cover their day-to-day living expenses. The campaign gained political support and in 2005 the Living Wage Unit was established at the Greater London Authority. The London Living Wage, currently set at £8.80 per hour, acts as a voluntary guide for what employers should pay their London workers to ensure they have a basic standard of living.

In 2012, the London Borough of Islington was the first council to become an accredited Living Wage employer. Today, 98 per cent of its contractors pay the Living Wage, benefitting over 500 workers. Unusually, this includes the majority of those employed in adult social care, achieved through informing bidders for homecare contracts they would have to pay the London Living Wage in order for their bid to be successful. Islington social services are also increasing personal budget allowances in a move to enable service users to pay the living wage to any homecare staff or personal assistants they directly employ.

Business Improvement Districts (BIDs) are adopting and promoting living wages. In particular Team London Bridge launched a Responsible Business Alliance. Businesses in the area are encouraged to pay their own employees the Living Wage and to encourage contractors to do the same. The BID also runs the Employ SE1 job brokerage service in partnership with the Waterloo Quarter and Better Bankside BIDs. When employers place vacancies on this site, the London Living Wage is automatically given as the entry level wage. The idea is that this will serve as a nudge to prompt employers to consider the Living Wage as their entry level rate. With 184 Formal BIDs in the UK and the Republic of Ireland, encouraging more BIDs to consider paying the Living Wage could offer a route to further promote the campaign across the UK.

39. Buckle A (2014) *Low Pay: The nation's challenge*, an independent report by Alan Buckle
 40. Buckle A (2014) *Low Pay: The nation's challenge*, an independent report by Alan Buckle



York City Council became the first local authority in Yorkshire to introduce the Living Wage. At the start of this year it ruled to extend this to cover casual employees. This affects 120 staff including cleaners, administration assistants, traffic census staff and lunch supervisors in schools. The estimated cost of this extension is £13,000 for the financial year and will come from council contingency funds.

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A similar intervention to the Living Wage is **industry wage standards** setting. Used successfully in the US, these tend to set out wages at the state or local level. One such example is Chicago, where large retailers in the city are required to pay a minimum wage of \$9.25 an hour, with scheduled increases to \$10.00. In addition, retailers were required to either provide \$1.50 an hour (with a scheduled increase to \$3.00) in benefits or else supplement the wage by the same amount.

As the membership of unions has fallen drastically in the US,⁴¹ alternative methods of organising and representing low-wage workers have been developed. Since the 1980s, **Worker Centres** have provided legal and social services to low-wage workers in the US and there are now more than 200. These centres attempt to standardise wages, run campaigns aimed at the employment practices of specific employers and pursue legislative strategy. The Workplace Project in Long Island, for example, succeeded in extending the New York Unpaid Wages Prohibition Act to stop the practice of employers holding back promised wages from a vulnerable population.

Labour market intermediaries play an important role in matching job seekers with employers.

1. Job matching

It is increasingly recognised that it is important to move individuals into the right job, not just move people as quickly as possible into any job they can get. The negative economic effects of individuals taking jobs they are overqualified for have been shown to last a decade or more, while the associated wage impacts can be more persistent than those caused by periods of unemployment.⁴² Similarly, it is important to place people in jobs that are a good match for their skills, particularly for individuals who start work in low pay occupations, to allow them to progress in the job.

Active labour market policies, seeking to (re-)integrate people back into the labour market have a long history in the UK. One of the most notable was the New Deal programme, which sought to widen the approach away from simple job search and related activities towards more intensive job search support and training and employment opportunities. Different options were available for different unemployed groups. The Work Programme was introduced in 2011 to support long-term unemployed people and replaced previous initiatives such as the New Deal, Employment Zones and the Flexible New Deal. Jobcentre Plus retains responsibility for supporting people to find work in the early stages of their benefit claim and the Universal Jobmatch service provided through Government Gateway assists employers find the most suitable job seekers for their vacancies (and vice-versa). As

41 Unions have traditionally made a considerable difference in the probability that an employee will work for low wages through their collective bargaining power and evidence shows that similar supermarket chains can offer different wage rates depending on their union status. Based on 2006 data, the same study also found that 6.9% of union workers are on low wages, while 19.5% of workers not in a union are on low wage.

42. Clark B Joubert C & Maurel A (2014) ‘The Career Prospects of Overeducated Americans’, *NBER Working Paper No. 20,167*, National Bureau of Economic Research



“Workplace training and development, flexible working and the provision of various non-wage fringe benefits can increase the overall quality of work for low paid employees”

well as advertising directly through the site, employers are notified of jobseekers that match their requirements, and can review their CVs and make contact with them via the site.

Taking a more location-specific approach, the Netherlands set up around 30 Mobility Centres to provide a local response to rising unemployment during the recession. These Centres were based on strong partnerships between municipal authorities, regions and sectors, educational institutions, companies, trade unions and job finding organisations. Due to the involvement of all key partners, the Centres had excellent contacts and used these to provide job seekers with information on the regional labour market and which companies were looking to recruit. The Centres also provided companies having difficulty finding suitable candidates with a list of applicants who had the required skills and qualifications. Over 2009 to 2010 the Mobility Centres helped 24,000 employees who faced redundancy move straight into new jobs, avoiding any period of unemployment. In addition 193,000 employees found suitable jobs after being unemployed for less than three months. Since 2011 these services have been offered as part of the Government’s mainstream employment support.

Similarly the Job Match Re-Employment Project in Southern Maryland concentrates on helping those who have been made redundant to find jobs that are a good match for their skill set. In existence since 2009, and open only to those living and looking to work in Southern Maryland, the project is funded by a Federal block grant which was part of the Stimulus Bill of 2009. The programme successfully moved 100 per cent of participants (84 in total) back into work within one year of them joining the programme. The average time taken for job seekers to find work is 4 to 6 months. Services offered include career coaching and skills assessment, interview training, networking opportunities, CV writing assistance and access to computer and printing facilities. Due to its success the programme has now received funding up to 2018.

Other types of intervention address demand side issues, as well as supply side issues, and include workplace training and development, career ladder and broader economic development interventions.

1. Workplace training and development

Workplace training and development, flexible working and the provision of various non-wage fringe benefits can increase the overall quality of work for low paid employees. In turn this can lead to increases in productivity, improve overall performance, reduced labour turnover and lower absenteeism.⁴³

The Council for Adult and Experiential Learning (CAEL) in Chicago⁴⁴ provides an example of how to encourage employers to invest in training. CAEL organised an effort called Workforce Chicago which brought together leading local firms to award and publicise best practice with respect to workforce training. There is considerable local publicity and political interest, with the winning firms holding workshops on how to implement their practices. The initiative also aims to bring together the business community and higher education leaders to discuss common issues. Local political leaders have been impressed with it and are trying to replicate the model in Philadelphia and St. Louis.

43. Philpott J (2014) *Rewarding work for low-paid workers*, York: Joseph Rowntree Foundation

44. CAEL website available via <http://www.cael.org/Whom-We-Serve/Employers/Workforce-Chicago>



“Industry partnerships aim to address the skills needs of specific clusters of employers”

Industry partnerships aim to address the skills needs of specific clusters of employers. The concept of integrating education and training with a focus on key industry sectors has been introduced in most states and regions in the United States. There are more than 6,300 businesses involved in nearly 80 Industry Partnerships across Pennsylvania. Industry leaders have contributed more than \$9 million in private funds and more than \$30 million in-kind contributions to support training and other initiatives identified through these Industry Partnerships. More than 70,000 workers have been trained since the inception of this initiative in 2005. The Industry Partnerships have resulted in pay rises for workers and improved operational efficiency and productivity for employers. Workers who received training through Industry Partnerships saw their wages rise by an average of 6.6 percent within the first year after receiving training. 84 percent of businesses reported Industry Partnerships and training have helped them significantly increase their productivity. The initiative has also resulted in reduced employee turnover.

Skillsnet in Ireland was established in 1999 with funding from the National Training Fund (NTF) through the Department of Education and Skills (DES), to support and work with businesses in Ireland to address their current and future skills needs. Funding is made available through grants to approved training networks, enabling member companies of the networks to access significant discounts on market training rates. There are 64 training networks, which are groups of private sector companies based in Ireland, in the same sector and/or region that have come together to carry out training-related activities that may not be possible on their own. The member companies contribute match funding to a ratio agreed by the training network and Skillnets. In 2013, over €23 million was invested in training almost 50,000 employees and job-seekers, with Skillnets and member companies each providing around 50 per cent of this funding. 69 per cent of member companies stated that being a member of a Skillnets network had led to some staff being trained for the first time and 82 per cent felt the training provided had a high impact on addressing skills gaps within their organisation.⁴⁵

Employer partnerships have also been established in the UK to address skills and training needs. One such example is the consortium of employers based in Harwich Port that collaborated to help get local people into work using apprenticeships, work placements and a new skills passport. Ten local SMEs were involved in the consortium, with up to 30 more employers identified as having the potential to come on board later. With a mix of employer investment and around £850,000 Employer Ownership funding via UKCES, they were able to pool their expertise and work together for the first time to develop a programme of skills development, shared work experience and support for new entrants to the sector.⁴⁶ Planned outcomes include 90 ready-to-work employees with a passport to work, 30 of which would be employed or on an apprenticeship scheme, 35 supervisory and leadership qualifications and 138 technical training interventions specific to employers' needs.⁴⁷

2. Career progression

Career ladder schemes set out a progression route within a particular organisation or sector. Different roles are identified that require increasing levels of experience,

45. Skillsnets (2013) *Annual report 2013*, Skillsnets

46. Taggart S (2013) *Tricks of the trade for SMEs*, London: UKCES. Available via <http://blogs.bis.gov.uk/ukces/2013/02/28/tricks-of-the-trade-for-smes/>

47. AJ Woods investment portfolio, UKCES Available via <http://webarchive.nationalarchives.gov.uk/20140108090250/http://www.ukces.org.uk/ourwork/investment/portfolio/eop1-aj-woods>



“Career ladder schemes set out a progression route within a particular organisation or sector”

skills and possibly qualifications which in turn provide increasing responsibility and higher pay. Training and/or courses are offered to equip workers with the additional requirements needed to move up to the next ‘rung’ of the ladder. The creation of such intermediate positions allows workers who may lack, for example, the formal education qualifications required to move to a more senior role a way to progress in their career rather than remain stuck in an entry level job.

There is limited evidence of career ladder-type approaches operating in the UK, although large organisations such as Tesco and McDonald’s do adopt them. Career ladders are used to a greater extent in the United States and are regarded as being most successful in the healthcare industry.

One such example is Boston SkillWorks, which established career ladder programmes in several local hospitals.⁴⁸ It focuses on the development of Patient Care Technicians, a low-level job that requires an associate’s degree or the equivalent to move into a more senior role. The programme encouraged hospitals to establish Patient Care I, II, and III positions which offer increasing responsibility and so provide the opportunity for workers to show they have the skills needed to progress. The hospitals also provided tuition assistance to enable people to study to gain the qualification needed to move up in the sector.

An important lesson from career ladder programmes in the US is the need for employers to have a clear incentive to put such programmes into place.⁴⁹ One reason such schemes are successful in the US health care sector is the high turnover and difficulty in maintaining a stable workforce. In turn this increases costs and reduces the quality of the service. By offering an opportunity to raise job quality, career ladders may improve on these issues, providing employers with the incentive needed to develop such schemes.

3. Wider business environment

More diverse, job rich, cities have higher earnings and greater job security. The nature of job opportunities also relates to the characteristics of local businesses and the overall buoyancy of a city’s economy. Cities with high business start-up rates and higher job densities tend to offer access to better job opportunities. These cities tend to be less reliant on low wage industries and employment tends to be less concentrated among low wage occupations. For example, Cambridge has the highest job density of any city, along with one of the lowest proportions of jobs in low pay occupations and high average monthly earnings. In contrast, Barnsley, the city with the lowest job density, is among the cities with the highest proportions of jobs in low paying occupations and has low average monthly earnings.

Businesses and entrepreneurs create the vast number of jobs in the economy and cities need to ensure that the wider business environment offers them good access to skills, premises, finance and markets to enable them to survive and grow. Recent policy has enabled cities to bid to secure additional funding to improve the local business environment through the City Deals and, this year, the Local Growth Deals. These Deals focused on specific projects rather than single funding pots as had been originally conceived by Lord Heseltine.⁵⁰ Many of the Deals had a focus

48. Osterman, P. (2008) *Job Quality: Policies Aimed at the Demand Side of the Low-Wage Labour Market*, Upjohn Institute for Employment Research

49. Osterman, P. (2008) *Job Quality: Policies Aimed at the Demand Side of the Low-Wage Labour Market*, Upjohn Institute for Employment Research

50. The Rt Hon Lord Heseltine, (2012) *No stone unturned in pursuit of growth*



**“Employers’
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on housing, transport and skills. The Leeds City Region Enterprise Partnership, for example, is working to deliver its City Deal Agreement to increase employer and individual investment in skills. Initiatives include increasing links between employers and colleges, universities and training partners and improving career advice both in schools and to the unemployed through providing up-to-date information on what the growth sectors are within the city-region and the routes into these careers.

There are also a number of examples where organisations have worked directly with companies to increase their productivity through technological, process or organisational development, which can have a fundamental impact on the wages that firms can afford to pay. One such example is the Niagara Economic Development Corporation (NEDC) in Canada. This is a government, industry and education partnership that promotes technology and innovation driven quality and productivity improvements in the Niagara Region. The focus is primarily on food processing. Productivity is raised in one of four ways: 1) offering a local product; 2) maintaining high quality to generate consumer loyalty; 3) producing unique goods; and 4) responding quickly to consumer demands and so offering a value-added product. Employers find they either need to increase employee training and education to provide workers with the unique knowledge of their product, and offer higher wages to hold onto workers once they have received specialised training; or to attract workers that already have these skills.

Employers’ productivity gains do not always translate into improved wages for workers, however. While workers often report greater job satisfaction, wages may still be determined by the going rate for a particular type of worker within the regional labour market. As such, these types of initiatives may have the greatest impact on low pay when combined with other initiatives, such as living wage campaigns.

Summary

It is important that cities develop and deliver a mix of supply and demand side responses appropriate to specific local labour market conditions, and that they are supported to do so. The final section makes a series of policy recommendations aimed at national and local government.



“Many of the changes that have occurred in city labour markets are driven by global market forces, which are largely outside the control of policy makers”

Conclusions and recommendations

Over the past several decades, the UK labour market has been changing and the scale and nature of these changes can be clearly seen in cities. But they are experiencing it in different ways, and policy needs to adapt accordingly. All cities should ensure that they have the right package of measures that is specific to the needs of their labour market.

Implementing effective economic development strategies

Many of the changes that have occurred in city labour markets are driven by global market forces, which are largely outside the control of policy makers. Rather than try to counteract these changes, cities should ensure that the local business environment enables all new and existing businesses to thrive, create jobs and pay higher wages. Supporting employers through economic development strategies to improve the wider business environment is particularly important for cities that have seen a shift towards low pay work, as is taking a whole economy approach rather than just focusing on specific, high value sectors.

- National government needs to enable cities to create the best environment for businesses by taking a more radical approach to fiscal devolution and allowing city leaders to direct funds towards local priorities.
- Cities need to ensure their economic development strategies are not too narrowly focused on a small number of high value sectors but should cover their whole economy, including low pay/low skill sectors which will continue to generate a significant proportion of jobs in the future.
- Cities should seek to establish strong engagement with businesses and existing business support providers to understand where the local business environment and institutional networks support business activity and where improvements can be made.
- Cities should also consider whether they can facilitate (potentially by working with other organisations) better matching between businesses and sources of finance, as well as peer-to-peer networking and mentoring.

Reducing the cost of living

The cost of living is more variable between cities than wages in low pay occupations, meaning that real earnings are lowest in some of the UK’s most affluent cities. Making cities more affordable for workers to live in is crucial to lowering the prevalence of in-work poverty.

- National government should give cities greater regulatory and borrowing powers, alongside greater flexibility over funding, to address high costs of living.
- Cities with high and rising housing costs should prioritise increasing the supply of housing.
- National government should give cities the power to regulate buses and fares, and to integrate services to make transport more affordable for low paid workers.
- National government should work with cities to make more childcare places available where there are shortages in order to manage rising costs.



“Improving access to training and progression opportunities should be a priority for all cities”

Improving pay conditions

The introduction of living wages has benefits but raise challenges for employers working in cities that have low levels of demand. The issue is much more pertinent to workers in high cost cities, suggesting a city-by-city (or city-region) approach – a metro minimum wage – could be much more effective.

- Local authorities in high cost cities should set out a plan to become a Living Wage employer taking account of current funding constraints. Cities should also work with universities, hospitals and primary schools in the local area to encourage them to adopt a living wage where possible.
- Cities should work with business partnerships and representative organisations, such as Business Improvement Districts management teams and Chambers of Commerce, to encourage businesses in the area to pay a living wage.
- The Low Pay Commission should work with cities that have a strong case for introducing a city-region wide minimum wage to examine the potential impacts on employment and local businesses.

Improving access to training and progression opportunities

Improving access to training and progression opportunities should be a priority for all cities as it has important impacts on individuals' earning potential, business performance and on the economic performance of the city as a whole. Cities have a critical role to play in bringing local partners together and creating networks to align training provision to the needs of individuals and local businesses.

- Employment support organisations should work with local businesses and public sector organisations to develop clearly articulated progression routes in the major employment sectors.
- FE colleges and other local training providers should explore ways to work more effectively with local businesses and employment support organisations to ensure the course delivery and content suits the needs of businesses and individuals.

Developing effective job matching systems

The provision of effective employment services is central to a well functioning labour market. At any point in the economic cycle, there is a large churn of employment in the labour market with jobs being lost and new ones being created, and individuals are more likely to progress if they move jobs. Cities often have a better understanding of local labour market conditions and are better placed to build relationships with local employers, labour market intermediaries and education providers due to their close proximity and shared challenges.

- Cities need to develop strong networks of local employment support providers and agencies to ensure people are matched with the most appropriate jobs and are able to move jobs for progression.
- Government should support cities to develop these networks by introducing single frameworks for organising and commissioning employment support and skills advice locally.



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Developing and sharing high quality labour market intelligence

Effective employment support services and more specific labour market interventions rely on high quality labour market intelligence. There is a role for all partners, at the local and national level, to share information both to inform the design of services and to monitor their impact.

- All cities should seek to understand the nature of employment opportunities and job quality in the local economy.
- Cities should pay particular attention to the growth of employment in the care sector and work with providers to improve employment conditions.
- Cities should work with the Government, the Office for National Statistics and agencies such as the UK Commission for Employment and Skills to develop and disseminate high quality local labour market information.

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