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Quantifying the demand for unskilled labour in areas of low economic activity

Welsh Assembly Government

For and on behalf of Experian	
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Quantifying the demand for unskilled labour in areas of low economic activity

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OVERVIEW AND OBJECTIVES

The Welsh Assembly Government (WAG) commissioned Experian Business Strategies to undertake a review of the demand for labour, particularly unskilled labour, in areas of low economic activity. The areas for analysis and comparison are Merthyr Tydfil, Blaenau Gwent, Cardiff, Newport, Swansea, Bridgend and Wrexham, based on current labour market evidence and to ensure compatibility with past research.

Seventy five per cent of the Welsh population were economically active in 2005, lower than for the UK as a whole (78 per cent). Bridgend, Cardiff and Swansea all have working age activity rates approximate to the Welsh average and Wrexham (79.5 per cent) and Newport (78.5 per cent) have activity rates above the average for Wales, and indeed the UK. In contrast, the activity rates of Merthyr Tydfil and Blaenau Gwent, at 68 and 70 per cent respectively, are a (long standing) policy issue.

Summary labour market characteristics

	Economic activity rate, 2005	Employment rate, 2005	Unemployment rate, 2005	Share of unskilled & low skilled*, 2004		GDP per head, 2005
	% working age population			% Work-force	% Residents	£
Blaenau Gwent	70.0	63.8	8.9	40	43	8,500
Bridgend	74.6	69.9	6.3	36	34	12,000
Cardiff	74.8	70.0	6.4	27	27	22,200
Merthyr Tydfil	67.9	62.5	8.0	38	35	11,100
Newport	78.5	73.6	6.2	34	32	17,000
Swansea	74.1	70.6	4.5	32	32	13,100
Wrexham	79.5	75.6	4.9	30	31	13,700
Wales	75.2	71.2	5.3	31	30	12,900

Source: Annual Population Survey 2005, Experian

* Occupational share comprises the total of Elementary; Process, Plant and Machine Operatives; and Sales and Customer Service

Table 1: Summary statistics

Tackling inactivity is a key policy challenge and WAG research has already been undertaken into characteristics of the inactive population that hinder them from gaining employment (supply side issues). This current study examines the extent of the demand for unskilled labour, because the skills and qualification profile of the inactive population is primarily suited to unskilled work. Unskilled is not tightly defined in this report, but generally refers to jobs that do not require qualifications above level 2. In reality, employers recruiting for unskilled jobs do not demand specific levels of qualifications or skills; instead they speak in terms of personal attributes such as motivation, willingness to work, and reliability.

THE ECONOMIC AND OCCUPATIONAL CONTEXT

The Welsh economy has exhibited robust and consistent growth since the early 1990s (average output growth was 2.3 per cent per year in the decade to 2005[1]). The recent moderate rise in unemployment and a decrease in job vacancies advertised is reflective of a UK-wide slowdown in growth. In 2007 GVA and employment prospects are expected to lag UK rates as manufacturing grows sluggishly while the service sector sees its weakest expansion this decade. This sluggishness is not forecast to persist; Wales will see GVA growth pick up to near the UK average in the next two years.

Manufacturing employment continues to lessen (although there is significant variation in the fortunes of different manufacturing sub sectors) but service sector expansion has remained at levels to adequately match manufacturing job losses. However, the valley areas of Merthyr Tydfil and Blaenau Gwent do lag the rest of Wales in the transition to a service economy.

Some local areas in the study still have an above average proportion of manufacturing employment, but this does not equate to low levels of activity; Wrexham has both high levels of activity and a substantial manufacturing base. The economic activity rate does, however, strongly correlate with the proportion of the workforce or population who work in unskilled occupations (see table 1).

DEMAND FOR UNSKILLED LABOUR

Table 2 shows the key characteristics of lower skilled occupations compared with higher skilled occupations. There are some notable factors linked to low skilled employment, and there are also differences between low skilled occupations.

Low skilled work is more likely to be part-time, temporary, and mostly below level 2 but does not facilitate training. Male low skilled employment is also important to process, plant and machine operatives (more so than sales and customer service and elementary).

A further characteristic of low skilled workers is their relative youth, which in sales and customer service and elementary roles is strongly related to the number of students in the workforce, many of whom move on to higher skilled jobs when their studies finish. Low skilled part time employment for most students in their university years is temporary, but low skilled part time employment for adults is an emerging trend as the demand for labour has altered over time.

[1] Source: Experian Business Strategies.

Key characteristics of low skilled workers
- UK index*, compared to other occupations (SOC 1-5)

	Low skilled			
	Sales and Customer Service (SOC 6)	Process, Plant and Machine Operative (SOC 7)	Elementary (SOC 7)	Total
Part time	279	49	218	188
Temporary	87	77	155	114
Male	58	164	102	109
16-24 year olds	284	61	194	261
45+ year olds	68	119	94	91
Not received training	114	125	123	121
Below NVQ level 2	181	259	273	243

* The index identifies the characteristics that are under- and over-represented in low skilled occupations compared with other occupation. An index of 100 is average, anything below is under-represented, anything above is over-represented.

Source: Labour Force Survey, Spring 2006

Table 2: Characteristics of low skilled labour

Recruitment in most sectors of the economy, high skilled as well as low skilled, is largely driven by churn rather than the net creation of new positions. Our qualitative research confirms that this is particularly true for low-skilled occupations, which reflects low entrance requirements and lower penalties for shifting from one employer or type of role to another.

The number of vacancies for low skilled positions[2] advertised through the Jobcentre Plus network in the areas studied dipped in 2005 and early 2006, although this is consistent with Wales and the UK as a whole and areas of the study were affected by this national slowdown to varying degrees. However, it seems likely that the number of low skilled vacancies advertised will pick up again as the UK and Welsh economies gather speed in 2006 and 2007.

The long-term weakening of manufacturing in the region has not negated the importance of manufacturers in providing employment for lower skilled workers. In terms of detailed job descriptions the type of vacancy most frequently advertised is for manufacturing workers (followed by bar staff and retail assistants). However, low skilled manufacturing jobs are being replaced by low skilled service sector jobs, which demand different types of skills, including social skills and personal presentation.

Low skilled jobs in the areas studied are likely to be temporary, contributing to higher labour turnover. Such jobs are also more likely to be part-time, and areas with a lower rate of economic activity also have a greater rate of part time vacancies. Wages are typically set at the minimum wage level for manual work, though call centres, often seen as low skill, low paid employment, tend to pay above the minimum wage.

Qualitative evidence suggests that low pay, and a lack of job security, makes taking a job, and consequently forgoing some benefits, a risky and unappealing option for certain groups of inactive people, including lone parents and those in receipt of housing benefits. To this extent the nature of demand for unskilled labour has a negative impact on inactivity.

[2] Low skilled is defined as SOC codes 7, 8 and 9.

WHAT EMPLOYERS WANT

Employer requirements for low skilled work appear to present few barriers to the majority of people who are looking for this kind of work, though, as the inactivity statistics indicate, there are still individuals unable to overcome the barriers presented.

Employers most commonly require applicants to fill in application forms; CVs are less commonly required. Vacancies are mostly advertised through job brokers, though word of mouth and shop windows also play a role.

Job brokers offer significant help to candidates seeking jobs. The help available includes filling in application forms and creating CVs, and both types of organisations actively market their candidates to potential employers. For people who have previously experienced difficulty finding employment, interview training, encouragement and support are also available from Jobcentre Plus advisors and initiatives such as Pathways to Work and Want2Work.

Our qualitative research focussed on the criteria employers use to select employees from the unskilled candidates they are presented with. The requirement universally mentioned is an enthusiastic attitude to work, which employers feel would be demonstrated by a commitment to punctuality and a low level of absenteeism. The 'right attitude' is a necessary condition for a job offer, and previous experience is the second most important asset a candidate could have. Employers do not consider formal qualifications necessary, or even relevant, when recruiting low skilled workers.

Our qualitative research also sought to establish whether employers particularly targeted, or discriminated against, certain candidates. Employers expressed themselves willing to hire disabled people and those with a history of unemployment, although job brokers feel that there is sometimes some discrimination against these groups. Having experienced a period of imprisonment is, however, a major barrier to employment.

Importantly, evidence from the vacancy databases and qualitative consultation shows that acceptance in a low-skilled role is seldom the first step on a ladder that can lead from inactivity to a higher skilled, high paid, permanent, full-time role. Employers do not set stringent entrance requirements for low-skilled roles at least in part because they do not anticipate such workers upskilling and making more decisive contributions to the business later in their careers.

SUPPLY-DEMAND IMBALANCES

Future Skills Wales 2005 data shows that while unskilled vacancies do not dominate the occupations that are hard to fill, employers can find it hard to fill process, plant and machine operative positions in the manufacturing sector; sales and customer service occupations in wholesale and retail trade, and elementary occupations in hotel and restaurant businesses (reflecting the dominance of these occupations within such sectors).

Qualitative research suggests that employers in the areas of study do not generally have problems filling unskilled vacancies. They find the supply of candidates is adequate despite the filtering out of unsuitable candidates that takes place as job brokers seek to maintain strong relationships with employers. At the same time the evidence suggests that the local labour markets studied have absorbed a significant amount of migrant workers seeking lower-skilled work, while job brokers remain confident of their ability to rapidly place candidates in low skilled work.

Transport remains a critical issue for some and the source of 'micro-mismatches' in supply and demand for unskilled labour. Transport issues are much more likely to be critical for the low skilled and inactive, the very people who are the target of this study. There are valid cost-benefit rationales for why unskilled workers will not travel, including cost and care responsibilities, but there is also some consultation evidence that workers in the valleys are less willing to travel far to work than in other areas. However, few employers subsidise or provide transport solutions for their workers, suggesting that transport problems are not frequent or severe enough to seriously impact on the macro balance of supply and demand in local areas.

Migrant workers, particularly from the A8 countries, are a recent and important factor in the functioning of local labour markets. They primarily work in low skilled occupations, are very mobile in comparison with locally resident workers, and have a work ethic universally praised by employers. Migrant workers tend to access job opportunities through the existing infrastructure of job brokers, although informal routes are also used, and work across a wide range of low skilled occupations.

CONCLUSION

The cumulative evidence base suggests that across the areas studied the labour market is functioning well with many opportunities available for low skilled workers and with recruitment barriers substantially reduced by the support of job brokers. Migrant workers are operating in local labour markets but they appear to be plugging gaps in the market rather than supplanting local workers. This suggests that low activity levels are not the result of a lack of demand for unskilled labour or other market failure (though transport related micro-mismatches are an issue) but reflect supply side issues.

That said, there could be no doubts that in terms of job security, potential for career advancement, pay, and in some cases job satisfaction, the quality of unskilled jobs is relatively low. This can make the opportunities available unattractive to the inactive who are ready, and otherwise willing, to work. Furthermore, a cultural shift driven by the increasing number of service sector, customer facing roles, requires 'softer' skills.

Employers are more than willing to overlook lack of qualifications, but a good work ethic is a pre-requisite for employment, while experience is also a major advantage. However, intensive support into work is available and job brokers actively seek opportunities for their clients through relationship building with local employers.

Introduction

BACKGROUND

The Welsh Assembly Government's strategic framework for economic development 'Wales: A Vibrant Economy' outlines the Assembly's vision for strong sustainable growth and opportunities for all. Helping more people into jobs is outlined as a key priority and the Assembly's Skills and Employment Action Plan, originally released in 2002 and updated in 2005, contributes to the implementation of this vision.

However, it is noted that economic inactivity is a more significant factor than unemployment in contributing to low rates of employment in Wales. Indeed, economic inactivity is one of the biggest challenges facing the Welsh economy as a whole. Economic inactivity rates are higher in Wales than elsewhere in the UK. In 2005, the economic activity rate in Wales stood at 75.2 per cent of the working age population. While this represents a marked improvement on past years, it remains below the UK average (78.2 per cent).[3] Moreover, economic inactivity is particularly severe in certain areas of Wales such as the Upper Valleys in South Wales and in urban hotspots around Cardiff, Swansea and Newport.

High levels of economic inactivity are closely linked to high levels of poverty and social exclusion and much must be done to address these issues in order to achieve objectives for economic and social prosperity in Wales. For example, the Welsh Assembly Government recently introduced the 'Want2Work' pilots. Past research also commissioned by the Welsh Assembly Government analysed the effect that supply side factors have on economic inactivity rates, such as willingness to work, reservation wages, skills and qualifications and health problems.[4]

However, demand side factors, such as the availability of suitable job opportunities and employer recruitment practices, may also have a key role to play in the picture of economic inactivity in Wales.

RESEARCH OBJECTIVES

In February 2006 the Welsh Assembly Government commissioned Experian Business Strategies to undertake a review of the demand for labour, particularly unskilled labour, in areas of low economic activity. The key project objectives were therefore to understand:

- the extent and nature of demand in areas of both high and low economic activity;
- employer recruitment practices;
- whether there is evidence of recruitment difficulties for unskilled work in areas of high economic inactivity;
- the role of demand side factors in preventing those seeking work from securing employment.

[3] Annual Population Survey (2005)
[4] University of Wales Swansea Department of Economics and WELMERC, Report for the Welsh Assembly Government Economic Research Unit: *Identifying barriers to economic activity in Wales*

Figure 1 in Annex D shows the relationship between the demand for labour and the supply of labour. The focus of Experian's research is on the demand for labour, together with the workings of the recruitment market, the intersection point between demand and supply.

A related factor, explored in a minor way by our qualitative research for this project, is the role of migrant workers in fulfilling a need versus displacement of local workers. The complexity of the migration questions is captured in the flow from skills, qualifications and attitude back to economic performance. The availability of additional labour (the UK's labour market is relatively tight) and a significant flow of workers (such as the A8[5]) can create competition for jobs; the flow of workers also raises demand and can create further job opportunities benefiting both indigenous and migrant labour.

In the reporting that follows we explore various demand side indicators for areas of low economic activity as well as for areas with above or average activity levels. We also analyse indicators of supply/demand mismatches and through qualitative research, the activity and flexibility of the recruitment infrastructure.

GEOGRAPHICAL COVERAGE

To ensure comparability with past research this project focuses on:

- Clusters of economic inactivity in the Upper Valleys: the unitary authorities of Merthyr Tydfil and Blaenau Gwent.
- Urban areas with hotspots of inactivity: the unitary authorities of Cardiff, Newport and Swansea.
- Ties with the Valleys and urban centres: Bridgend.
- Cooler areas where inactivity rates are lower: the local authority of Wrexham.

To offer further understanding, we also look at how the local areas in Wales compare with Easington in County Durham (an area identified in previous Welsh Assembly Government research as having similar features to the Upper Valleys), High Peak in Derbyshire and Calderdale in West Yorkshire (which are mixed areas with a major commercial draw within commutable distance).

[5] The eight eastern European countries that joined the EU in May 2004, consisting of the Czech Republic, Estonia, Hungary, Latvia, Lithuania, Poland, Slovakia, and Slovenia

METHODOLOGY

To meet the project objectives the research methodology entailed a combination of desk-based research and qualitative primary research.

Secondary research

Desk research is crucial to any research project. It plays an important role in setting the scene as well as providing valuable information. For this project, it allowed us to collate and aggregate original data concerning the demand for labour while considering how this relates to past research concerning the supply side picture. Desk research took the form of a literature review and a review of two databases of vacancies in the local areas selected for the study.

- The literature review covered research papers dealing with relevant labour market issues in the UK generally, as well as research specifically focussed on Wales.
- Jobcentre Plus database of all vacancies advertised through the local branches within the geographical coverage of the project for the months of April, May and June 2006.
- Past research suggests that 39 per cent of all vacancies are advertised through Jobcentre Plus, although this varies significantly by occupation.[6] Therefore, we also compiled an in-house database of vacancies advertised through the internet to consider the fullest picture of local vacancies.

Primary research

Primary stakeholder consultations provided qualitative information concerning the nature of labour demand and recruitment difficulties experienced by employers. We conducted 15 face-to-face consultations with local Jobcentre Plus, other publicly funded bodies who have direct contact with jobseekers, and private recruitment agencies. This was augmented with 17 telephone consultations with employers in sectors where there is a high probability that a large proportion of their workforce are unskilled. The semi-structured questionnaires on which the consultations were based can be found in Appendices B and C.

WHAT IS AN UNSKILLED JOB?

In our qualitative consultations we allowed respondents themselves to broadly define what they meant by un- (and low) skilled employment. Interviewers offered guidance where necessary to the effect that few qualifications would imply no qualifications above an NVQ level 2.

In the analysis of the database procured from Jobcentre Plus low-skilled jobs are classified by occupation (personal service occupations; sales and customer service occupations; and process, plant and machine operatives) and industry (parts of manufacturing, wholesale and retail, hotels and catering, transport and communications, real estate and refuse disposal).

In the Jobs Broker Database vacancies are assessed as low skilled on an individual basis, taking into account not only the qualifications and skills requested but also the wages offered.

[6]Usage is highest in the security sector (67 per cent) and in 2005 it was also significantly higher in call centres (63 per cent). Half of employers in the healthcare, construction and hospitality sectors have also used Jobcentre Plus in the last 12 months. Source: Jobcentre Plus (2006) Employer Survey,

1 Economic and policy context

SUMMARY

Economic context

The Welsh economy enjoyed healthy growth in the early years of this decade, despite the drag from a severe contraction in manufacturing. This is partly because the economy has also experienced service sector employment growth, with large numbers of service sector jobs created for the relatively low skilled. Despite this, the Welsh economy exhibits an industry mix that is more reliant on manufacturing than the faster growth regions of the Greater South East.

Local area comparisons

Economic inactivity is primarily due to retirement and long-term sickness, and the associated low employment rates are one of the biggest challenges facing the Welsh economy. Economic inactivity is a particular issue for Blaenau Gwent and Merthyr Tydfil, the latter having very high male inactivity rates.

A breakdown of employment by sector shows areas with similar economic performance vary in their industrial make-up; and it is clear that a large manufacturing base and low levels of activity are not necessarily related.

Disparities in average income and economic output per head are a reflection of the occupational make-up in local areas. Cardiff has an above average proportion of managers and senior officials while Cardiff, Newport and Swansea reflect the demand from their industrial profile, with an over-representation of administrative and secretarial; and sales and customer service occupations. Blaenau Gwent, Merthyr Tydfil, Bridgend and Wrexham largely employ elementary occupations and plant, process and machine operatives.

Almost one-quarter of Welsh residents are educated to level 4 or above. Blaenau Gwent and Merthyr Tydfil have a higher proportion of residents at the lower end of the qualification scale, compared to the Wales average and Cardiff, Swansea, Bridgend and Wrexham. Notably, significant in-commuting of higher skilled workers to the Valleys is evident

Disability remains a key issue for the Welsh population, where 23 per cent are registered as disabled. In Merthyr Tydfil, Blaenau Gwent and Bridgend the comparable figure is 28 per cent. In particular, a very high proportion of the inactive and unemployed population are registered as having a disability of some kind.

Inactivity: a supply or demand side problem?

Inactivity and unemployment in the areas of the study are intrinsically local in character, and are not the result of an economy-wide lack of labour demand. In contrast, some worklessness in hotspots of deprivation is a result of local people being unwilling or unable to work because of barriers to accepting available jobs in the local labour market.

1.1 OVERVIEW

The economic and policy context within which this research is positioned provides a number of important factors linked to, and associated with, inactivity and the demand for low skilled labour in areas of Wales. In the first section we present the demand for labour as revealed by economic trends and the current industry profile, and how this differs between the local areas. This is followed in the second section with a more discursive analysis of the reasons for inactivity, focusing on labour demand but with reference to labour supply.

1.2 ECONOMIC CONTEXT

Historic trends in the composition of the Welsh economy

Heavy and light manufacturing sectors are important for Wales as a whole; and for certain regions in particular. For example, in common with other regions of the UK South Wales' heavy industrial base began to shrink rapidly from the early 1980's onwards, although the principal driver of declining industrial employment switched during the 1990's from high interest rates and macro-economic instability to low-cost competition from increasingly sophisticated East Asian manufacturing economies.

Despite continued contraction in the manufacturing sector, in the years between 1994 and 2005 Wales experienced an average annual increase in GVA of 2.3 per cent a year[7] and in 2004 average GVA per full time employed worker was 90 per cent of the UK average. The broad reduction in overall employment in manufacturing does mask sectors within it that are growing strongly.[8]

The share of total jobs coming from the service sectors in Wales is rising, and an example of service sector employment growth is the establishment of call-centres in Wales, taking advantage of falls in the cost of telecommunications, and relatively cheap labour.[9] These centres have created large numbers of relatively low-skilled service sector jobs, and call centres are mentioned as significant employers during the qualitative consultations, particularly in Cardiff and Merthyr Tydfil. The jobs associated with them also form a significant proportion of jobcentre vacancies (section 2.2.4).

[7] Source: Experian Business Strategies.
[8] Welsh Assembly Government (2005) *Wales: A Vibrant Economy*.
[9] Call centre staff in Wales may be cheap to employ compared with other regions in the UK but wages in contact centres are relatively high by local standards. For example call centres in Wrexham pay between £6.50 and £7.15 per hour plus bonus packages.

Current economic structure

Based on official estimates of the UK economy, table 1.1 summarises the structural features of Wales, compared to the UK.

Structural features		
	Wales	**UK**
Output and expenditure (2004):		
Gross value added (£bn 2003 prices)	38.7	1017.9
GVA per head (£ 2003 prices)	13,138	16,994
GVA per FTE worker (£ 2003 prices)	35,793	40,378
Industrial structure (sector output as a share of GVA) (2004):		
Manufacturing	18.5	14.5
Engineering	5.7	4.4
Other	6.5	6.1
Services	66.4	72.0
Transport & Communications	6.8	7.7
Financial & Business	15.9	25.5
Other (Mainly Public)	29.7	23.3
Other	15.1	13.4
Labour market and demographics (2005 estimates):		
Employment rate (workplace employment as % of working population)	74.6	76.9
Unemployment rate (% of resident labour force ILO measure)	4.6	4.8
Total population (millions)	3.0	60.3
Working age population (millions)	1.8	37.4
Average weekly earnings (£)	463	529

Sources: National Statistics, Experian Autumn 2006.

Table 1.1

The Welsh economy still exhibits structural features that have constrained growth in recent decades, and its industry mix is unfavourable when compared with faster growth regions of the Greater South East. The economy continues to be more reliant on manufacturing than other regions of the UK.

The employment rate and unemployment rate in Wales are below the UK average, with weekly earning also below the national level. The unemployment rate has risen recently in Wales, although it remains extremely low by the standards of the 1980's and early 1990's. This is partly the result of a healthy economy and a labour market that has become substantially more flexible over the past 20 years.

Steady economic growth resulted in a declining claimant count throughout Wales between 1997 and 2004. The fall in the number of people claiming the Jobseekers Allowance (JSA) is concurrent with a downward trend in the number of working age claimants of incapacity benefit and severe disability allowance (figure 1.1). This suggests that the fall in claimants is a result of recipients finding paid employment rather than moving from the JSA to disability benefit and remaining workless.

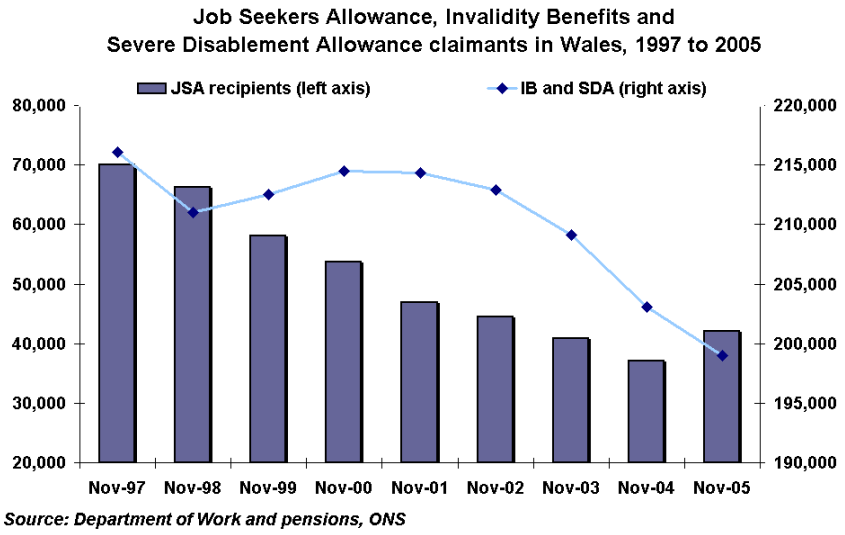


Figure 1.1

Future trends in the Welsh economy

In general terms the outlook for the Welsh economy is good. Experian Business Strategies forecasts that the slower growth of 2005 will not continue and that GVA growth will average 2.7 per cent in the years between 2008 and 2013. The potential for the further development of knowledge economy businesses in the Cardiff city region is good and those regions that have seen below average growth recently, such as Blaenau Gwent, are forecast to see GVA growth in excess of 2 per cent over the same period.

De-industrialization is likely to continue, though Experian forecasts suggest the rate of decline over the next five years will be less than it has been in preceding years. There are some sub-sectors of manufacturing that remain globally competitive and are relatively untroubled by low-cost competitors, such as the cluster of aerospace related industries. However, some of the Welsh Valley regions remain overly dependent on assembly plants, and continued pressure from low-cost manufacturing abroad is likely to fall disproportionately on these areas.

Contact centres also remain under threat from off shoring to lower income English-speaking countries elsewhere in the world, including India and South Africa. However, contact centres based in the UK are likely to retain some customer service advantages over foreign centres and as a result are not faced with the same degree of threat from off shoring as low value-added manufacturers are.

Looking forward, the key issue for inactive areas of Wales is that many large employers, including assembly plants and contact centres, compete on the basis of low costs. This is an effective short-term strategy but may threaten future economic success.

1.3 LOCAL AREA COMPARISONS

1.3.1 Economic inactivity

One of the key factors in determining the rates of economic growth in local areas of Wales is the nature of labour market participation. At a UK level, the reasons for inactivity are as follows:[10]

- looking after family or home (29 per cent of the economically inactive);
- long-term sickness (27 per cent);
- student (22 per cent);
- retired (8 per cent);
- temporary sickness (2 per cent);
- discouraged worker (<0.5 per cent); and
- other (11 per cent).

As highlighted in the background to this study, economic inactivity and the associated low employment rates is one of the biggest challenges facing the Welsh economy as a whole, and magnified in certain unitary authorities. Over the past 20 years or so the number of people classified as economically inactive has significantly increased, in particular through an increased proportion of men giving their reason for inactivity as long-term sickness or disability. Indeed, Wales has higher incidences in inactivity primarily due to retirement and long-term sickness.

Across the local areas of interest in this study, the following patterns emerge:

- The local authorities of Bridgend and Wrexham are considered 'cooler' areas where inactivity rates are lower, and this is illustrated in part in figure 1.2. The average rate of economic activity in 2005 was 79.5 per cent in Wrexham, above that of Wales (75.2 per cent). This is despite the skew of the local economy towards the manufacturing sector (section 1.3.2).
- In contrast, Bridgend experienced activity rates below the average, and below that of Newport and Cardiff. However, we consider Cardiff, Newport and Swansea as urban areas with hotspots of inactivity, rather than areas with generally low activity rates.
- The story for Blaenau Gwent and Merthyr Tydfil is as we expect, in that for these clusters of economic inactivity in the Upper Valleys, economic activity rates are notably below the Wales average, at 70 per cent and 67.9 per cent respectively.

[10] Source: Labour Force Survey, Q2 (April to June) 2005.

- A notable point illustrated in figure 1.2 is the relatively narrow difference between male and female economic activity rates in Bridgend and Swansea, at around 5 per cent (compared to Wales, Bridgend and Swansea offer relatively more employment opportunities in female dominated hospitality, retail, and public services), while the difference rises to 11 per cent in Newport and 12 per cent in Cardiff (this partly reflects the relatively large, male dominated, manufacturing sector in Newport and areas of financial and business services providing male employment opportunities in Cardiff, including financial brokering and computer consultancy activities).

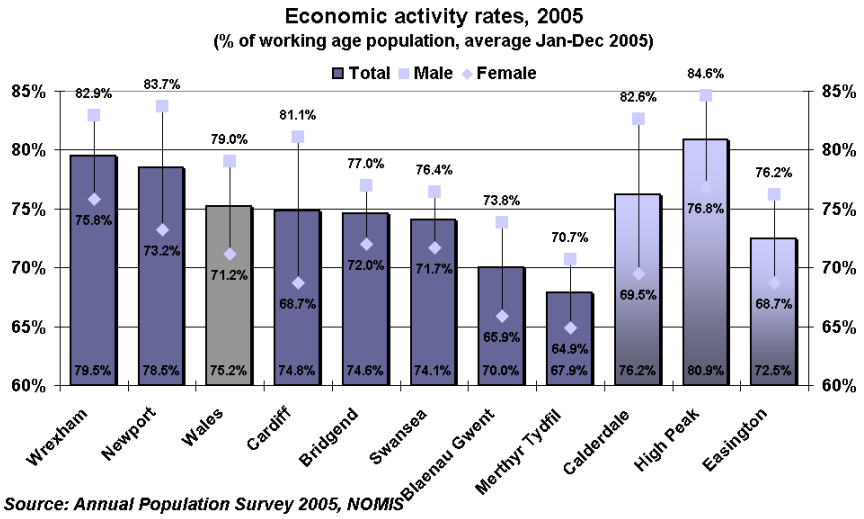


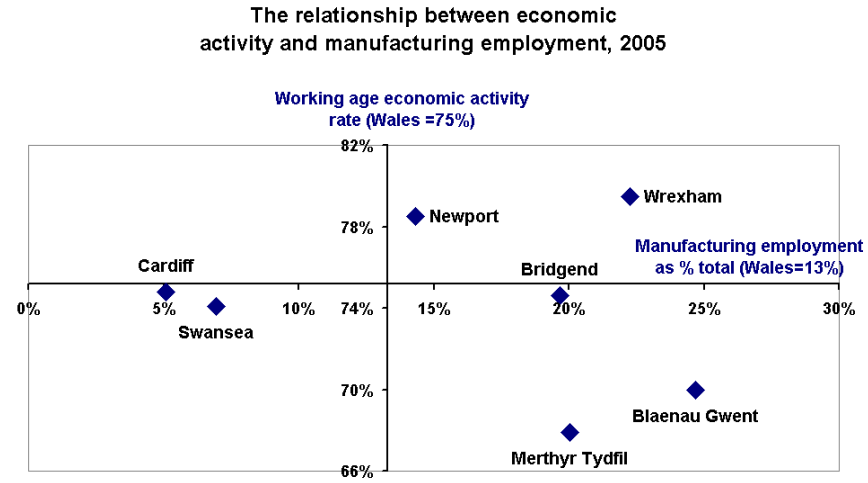
Figure 1.2

The very low male activity rate in Merthyr Tydfil is one of the key determinants of economic activity in the local area. It also helps interpret the demand for un- and low-skilled labour, as Merthyr Tydfil is subject to unique issues for both the nature of individuals in the labour pool, and the job opportunities open and available to males not in employment.

Gently rising unemployment in 2006 has resulted in unemployment rolls being swelled by people who, having being recently laid off, are probably more attractive to employers than people who were unable or unwilling to work when employment levels were higher. There is anecdotal evidence that this may be happening on a local basis in places such as Bridgend.

1.3.2 Industry

The breakdown of employment by sector shows that the difference in workforce composition between the wealthier and poorer regions of Wales is evident, but areas with similar economic performance vary in their industrial make-up. For example, Blaenau Gwent remains extremely dependent on manufacturing employment, yet nearby Merthyr Tydfil, with a similar incidence of deprivation, is less reliant on manufacturing jobs (figure 1.5). Wrexham, one of the more economically successful areas in the study, with an extremely low incidence of unemployment, is also more dependent on manufacturing than any other region (figure 1.6), with the exception of Blaenau Gwent. It is clear that a large manufacturing base and low levels of activity are not necessarily related (figure 1.3).



Source: Experian, April 2006; APS 2005

Figure 1.3

Apart from manufacturing the proportions of the workforce employed in each industrial sector are broadly comparable, though Cardiff remains a clear leader in financial services.

Cardiff, Newport and Swansea

Cardiff dominates the Welsh economy, both in terms of economic size and income per head, although with areas of inactivity associated with large urban cities. This position is likely to continue in the medium term as Cardiff is home to relatively high concentrations of growth industries, including financial services.

Swansea is the second largest city in Wales, but has not experienced the same degree of population expansion as Cardiff. Eligibility for objective 1 funding also demonstrates a GDP per head that is less than 75 per cent of the European average. Newport is predominantly a manufacturing city and port; however this is a declining sector in terms of employment. Concentrated pockets of deprivation exist in Newport near areas of relative affluence and there are concentrations of disadvantaged households that fall within the 100 most deprived wards in Wales.

Figure 1.4 considers the industrial make-up of the three areas in more detail. Financial services account for over twice the proportion of employment in Cardiff, compared to the Wales average. Similarly, business services (real estate, renting and business activities) are over-represented in Cardiff, Newport and Swansea.

While the industrial structure of the three urban areas is quite similar, there are also some notable differences. Newport does differ from Cardiff and Swansea, in terms of its reliance on the manufacturing sector and the significant proportion of employment in health and social work. Meanwhile, Swansea has a relatively large hospitality sector.

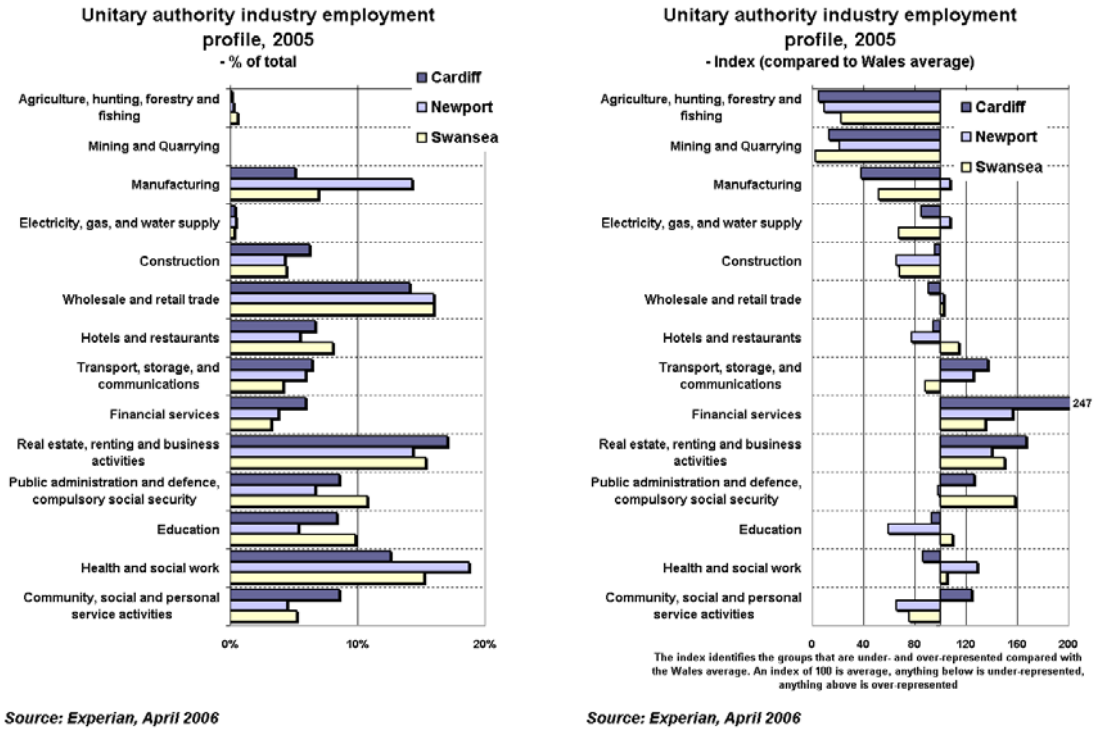


Figure 1.4

Merthyr Tydfil and Blaenau Gwent

Merthyr Tydfil and Blaenau Gwent are towns with industrial roots whose faces have been changed by two decades of reclamation and regeneration. However, GDP per head levels lag behind both the Welsh and European average, and both are recipients of objective 1 funding.

The manufacturing sector accounts for around one-fifth of total employment in Merthyr Tydfil and one-quarter in Blaenau Gwent, compared to the Wales average of 13 per cent (figure 1.5). However, the health and social work sector is of greater importance in Merthyr Tydfil than Wales as a whole.

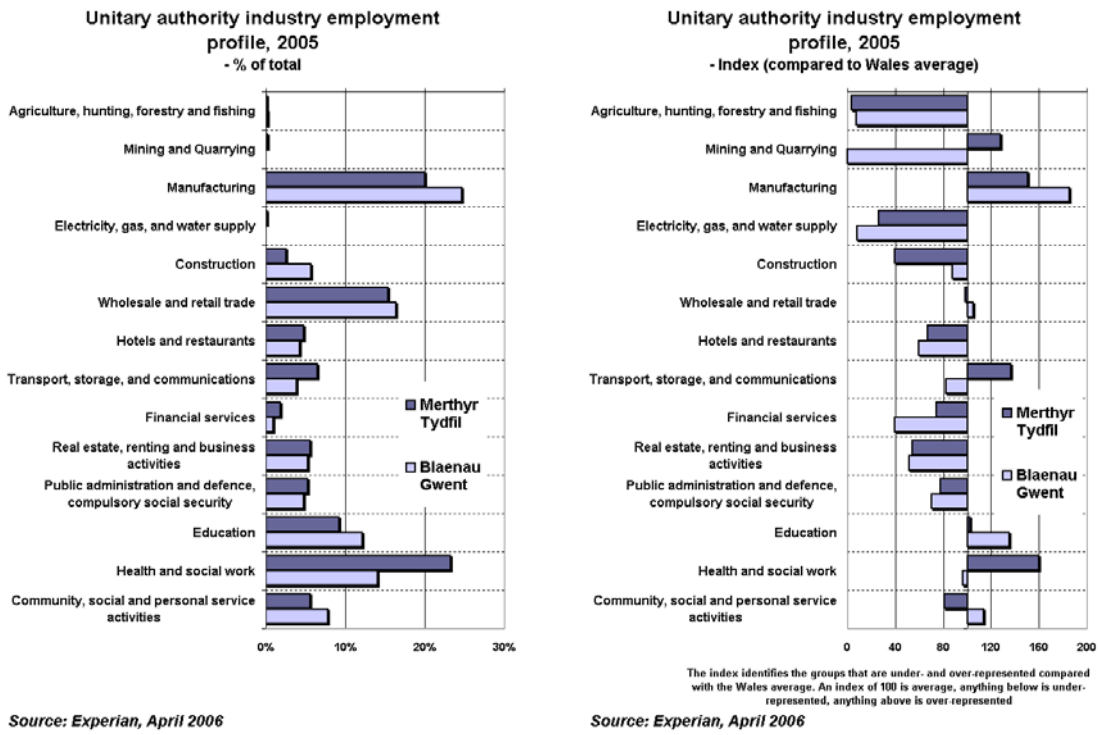
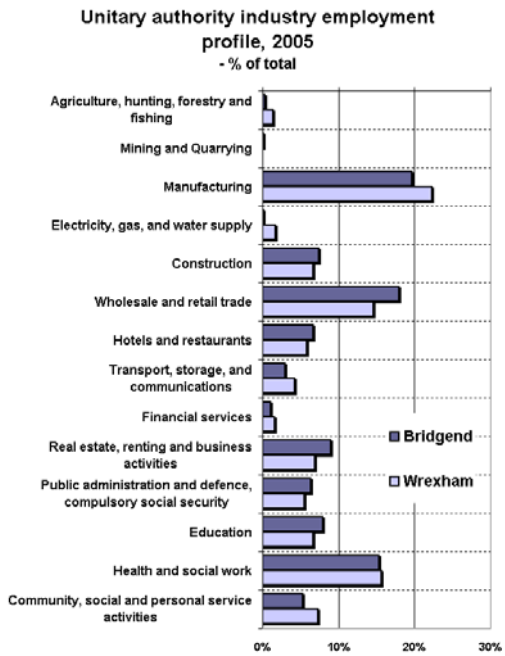


Figure 1.5

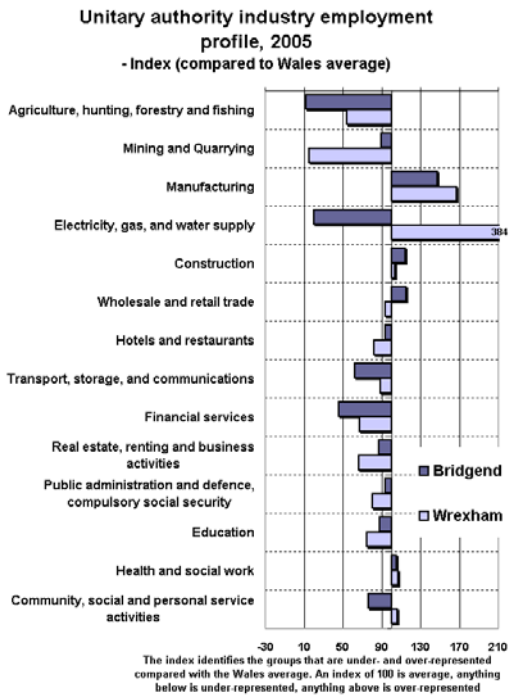
Bridgend and Wrexham

Bridgend and Wrexham have similar levels of economic activity to the Welsh average. Bridgend's local economy is a mix of successful and growing companies, in both manufacturing and service and typically experiences similar employment rates in comparison to Wales as a whole, and average levels of low and non-qualified working age population. Wrexham is now the largest settlement in North Wales and has one of the lowest rates of unemployment.

The industrial profile of employment in Bridgend and Wrexham follows the Welsh trends, although as illustrated in figure 1.6, both economies have an over-reliance on the manufacturing sector and a smaller financial and business service sector.



Source: Experian, April 2006



Source: Experian, April 2006

Figure 1.6

In this respect, both Bridgend and Wrexham have a similar industrial make-up to the lower economic activity areas of Merthyr Tydfil and Blaenau Gwent and this is an important point that we highlight through the report. However, comparing the local authorities at a sub-sector manufacturing level (as shown in figure 1.7), Wrexham is significantly over-represented in food, drink and tobacco (as is Merthyr Tydfil), sectors with a relatively low workforce qualification profile. However, a significant proportion of Merthyr Tydfil manufacturing employment is also found in manufacturers of metals, machinery and equipment, requiring more specialist skills above those held by the un- and low-skilled.

Blaenau Gwent and Bridgend have a relatively similar profile, with both local authorities over-represented in minerals, electrical and optical equipment and transport equipment.

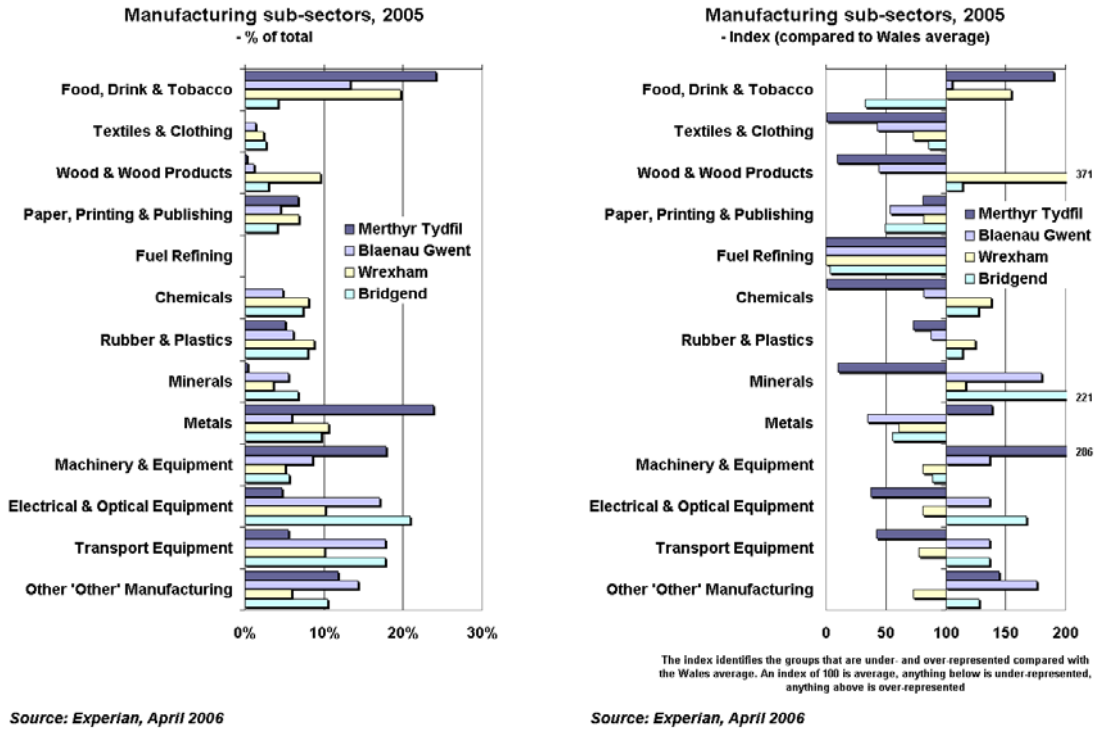


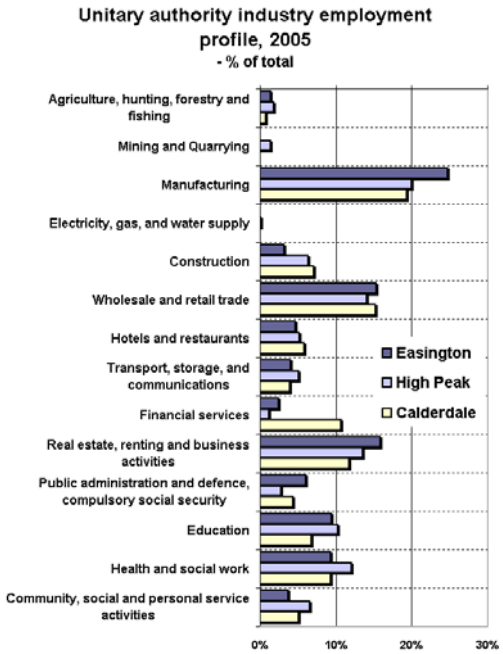
Figure 1.7

Easington, High Peak and Calderdale

The district of Easington in County Durham is situated on the North East coast, south of Newcastle-upon-Tyne. The Welsh Assembly Government views the area as having similar features to the Welsh Valleys, in terms of the population profile, income and level of deprivation.

In contrast, High Peak in Derbyshire and Calderdale in West Yorkshire are mixed areas with a major commercial draw within commutable distance. High Peak covers an area of North Derbyshire, situated to the east of Manchester; Calderdale centres on Halifax and also covers a large area of the Pennines.

As shown in figure 1.8, the manufacturing base of Easington is similar to Blaenau Gwent, accounting for 25 per cent of total employment. The three areas also have large wholesale and retail sectors but notably, Calderdale has a very significant financial services sector in terms of employment, more so than Cardiff.



Source: Experian, April 2006

Figure 1.8

1.3.3 Income and productivity

There are substantial regional variations in average incomes within the Welsh economy. The areas of concern in this report include both Swansea, where the median gross weekly pay of full time workers is just £326, and Bridgend where it is 30 per cent higher: almost £427.[11]

It is worth noting that even areas which are perceived as having high levels of deprivation, such as Blaenau Gwent and Merthyr Tydfil, still have median incomes for full-time workers that are over 90 per cent of the Welsh average. However, on average, those that live and work in Merthyr Tydfil and Blaenau Gwent earn 35 per cent less than those that work in but live outside the area.

Figure 1.9 shows that output per head of the working age population in the regions studied varies to a far greater degree than the median wage. This difference reflects both the high inactivity rates in the less productive regions, and differences in the industrial composition of each region.

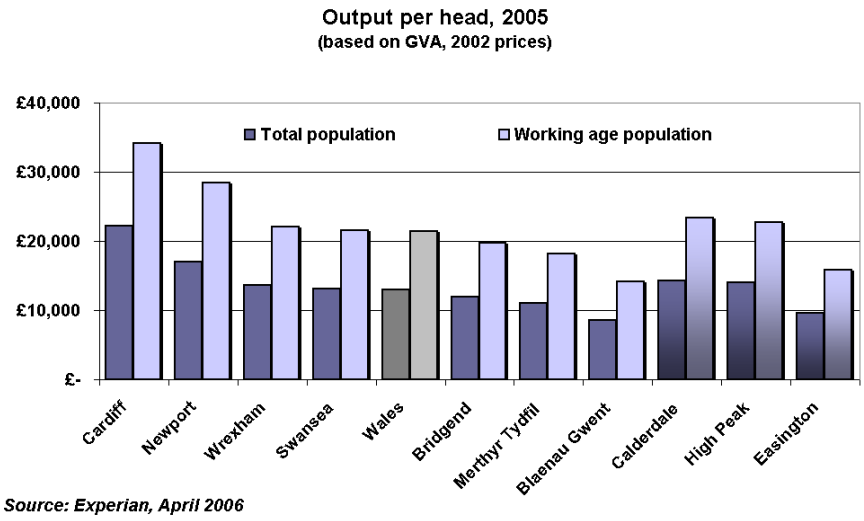


Figure 1.9

[11] ASHE median gross full time weekly wage by workplace, for full time workers in 2005.

1.4 WORKFORCE CONTEXT

1.4.1 Occupations

The average income and economic output per head of local authorities in Wales is a reflection of the occupational make-up of the population (table 1.2 and 1.3):

- Cardiff has an above average proportion of the population and workforce employed as managers and senior officials; professionals; and associate professionals and technicians.[12]
- The occupational make-up of Cardiff, Newport and Swansea also reflects the demand from its industrial profile, in terms of administrative and secretarial; and sales and customer service occupations.
- Conversely the population and workforce in Blaenau Gwent, Merthyr Tydfil, Bridgend and Wrexham has higher than average proportions of relatively low paid occupational groups including elementary occupations[13] and plant, process and machine operatives.[14]
- The difference between Blaenau Gwent and the Welsh average is stark – proportionately, Blaenau Gwent has 43 per cent of its residents (and 40 per cent of its workforce) employed in low-skilled occupations, compared to 30 per cent across the whole of Wales.

Occupational composition of the workforce by local authority area, 2004
(residence based, % of total, column = 100%)

	Blaenau Gwent	Bridgend	Cardiff	Merthyr Tydfil	Newport	Swansea	Wrexham	Wales
Managers and Senior Officials	9	12	15	11	13	13	12	13
Professional	5	9	16	7	11	10	10	11
Associate Professional and Technical	9	14	16	11	12	14	13	13
Administrative and Secretarial	11	10	15	13	13	13	11	11
Skilled Trades	12	13	7	14	10	10	14	13
Personal Service	12	8	5	8	8	8	9	9
Sales and Customer Service	8	8	11	9	10	11	8	8
Process, Plant and Machine Operatives	20	13	5	11	9	8	13	10
Elementary	15	13	11	15	13	13	10	12

Source: Annual Population Survey 2004

Table 1.2

[12] Examples of associate professional and technical occupations include: draughtspersons, nurses, IT technicians etc.
[13] Examples of elementary occupations include: window cleaners, postal workers, bar staff etc.
[14] Examples of plant, process and machine operatives include: crane drivers, construction workers etc.

Occupational composition of the workforce by local authority area, 2004
(workplace based, % of total, column = 100%)

	Blaenau Gwent	Bridgend	Cardiff	Merthyr Tydfil	Newport	Swansea	Wrexham	Wales
Managers and Senior Officials	10	12	15	8	12	12	13	12
Professional	9	8	14	8	11	10	10	11
Associate Professional and Technical	11	14	16	11	14	13	13	13
Administrative and Secretarial	9	8	17	14	14	16	9	12
Skilled Trades	12	13	7	12	9	10	16	13
Personal Service	8	8	5	9	7	7	9	8
Sales and Customer Service	7	9	12	11	9	11	8	8
Process, Plant and Machine Operatives	17	14	5	9	13	8	13	10
Elementary	16	13	10	18	12	13	9	13

Source: Annual Population Survey 2004

Table 1.3

1.4.2 Qualification levels

In terms of Welsh resident qualification levels, these are below the UK average generally, but there are distinct differences in the qualification levels of residents and the workforce at a unitary authority level.

As shown in table 1.4, almost one-quarter of Welsh residents are educated to level 4 or above (equivalent to degree or postgraduate qualifications). This rises to 34 per cent of Cardiff residents but just 13 per cent of residents in Blaenau Gwent.

Notably, Blaenau Gwent and Merthyr Tydfil have a higher proportion of residents at the lower end of the qualification scale, compared to the Wales average and Cardiff, Swansea, Bridgend and Wrexham.

Qualification composition of the workforce by local authority area, 2004
(NVQ equivalent, residence based, % of total, column = 100%)

	Blaenau Gwent	Bridgend	Cardiff	Merthyr Tydfil	Newport	Swansea	Wrexham	Wales
Level 4 +	13	22	34	17	22	25	22	24
Level 3	10	15	16	12	13	20	16	15
Trade apprenticeships	6	6	4	7	6	6	7	6
Level 2	19	17	14	15	16	15	19	17
Below level 2	17	14	12	15	16	13	13	13
Other	10	7	7	8	8	6	7	8
None	26	19	13	26	20	17	17	18

Source: Annual Population Survey 2004

Table 1.4

As we expect, qualification levels of the workforce in Wales exceed those of residents, and this is the case across all the local areas. However, table 1.5 also shows that in the areas of particular inactivity – Blaenau Gwent and Merthyr Tydfil – there is a significant difference in the proportion of the workforce with low-level qualifications compared to residents. This suggests there are relatively fewer employment opportunities for these groups than in, for example, Wrexham, which has a closer qualification profile of residents to the workforce. Indeed, previous research has found that there is significant in-commuting of the higher skilled to the Valleys.

Qualification composition of the workforce by local authority area, 2004
(NVQ equivalent, workplace based, % of total)

	Blaenau Gwent	Bridgend	Cardiff	Merthyr Tydfil	Newport	Swansea	Wrexham	Wales
Level 4 +	21	27	38	23	28	29	24	28
Level 3	11	14	15	11	14	20	18	15
Trade apprenticeships	6	6	5	7	6	6	9	7
Level 2	18	18	16	19	18	15	17	18
Below level 2	17	14	13	14	13	13	13	13
Other	12	9	6	9	8	6	8	8
None	16	12	7	17	13	11	13	12

Source: Annual Population Survey 2004

Table 1.5

1.4.3 Full and part-time work

Trends in recent years have been for a growing number of part-time employment opportunities, at the expense of full-time work, with part-time jobs particularly prevalent in hospitality; retail; education; health and social work; and community, social and personal services. Importantly for the purposes of this study and the links back to the decline in the male-dominated manufacturing sector, these are also sectors where there is an above average representation of female employment.

The ratio of full to part-time workers in the regions of Wales studied in this report is broadly reflective of wider UK patterns, and as shown in table 1.6, local areas differ little from the Welsh average. That said, one-third of residents (and workforce) in Swansea work part-time, reflecting the relatively large hospitality sector.

Full and part-time work, 2004
(% of total workforce, row = 100%)

	Residence based		Workplace based	
	Full-time	Part-time	Full-time	Part-time
Blaenau Gwent	76	24	74	25
Bridgend	75	25	75	26
Cardiff	74	26	76	24
Merthyr Tydfil	76	24	72	28
Newport	73	27	74	26
Swansea	67	33	68	32
Wrexham	78	22	78	22
Wales	75	25	74	26

Source: Annual Population Survey 2004

Table 1.6

1.4.4 Disability

Disability remains a key issue for labour markets in the UK, Wales, and in particular for the areas of relatively low activity considered in this study. The significance of the issue is related to frequently voiced perceptions that the number of people registered as disabled and in receipt of disability benefits is substantially greater than the number of people with disabilities so severe as to preclude all forms of work.

Twenty three per cent of the Welsh population is registered as disabled, though this figure includes work-limiting disability that does not preclude a person from working in at least some occupations (figure 1.10).[15] However, the national figure contains significant regional variation. In Merthyr Tydfil, Blaenau Gwent and Bridgend the comparable figure is approximately 28 per cent, while the figure for Cardiff is the lowest, at 21 per cent.

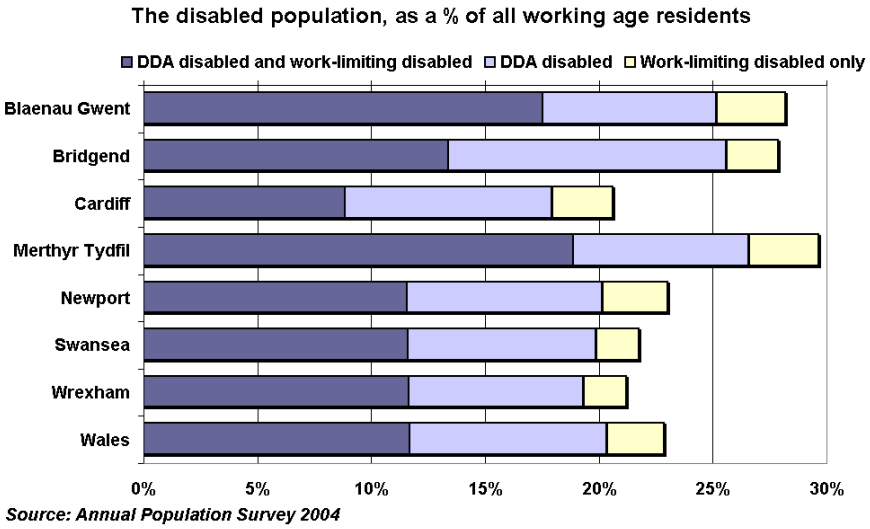
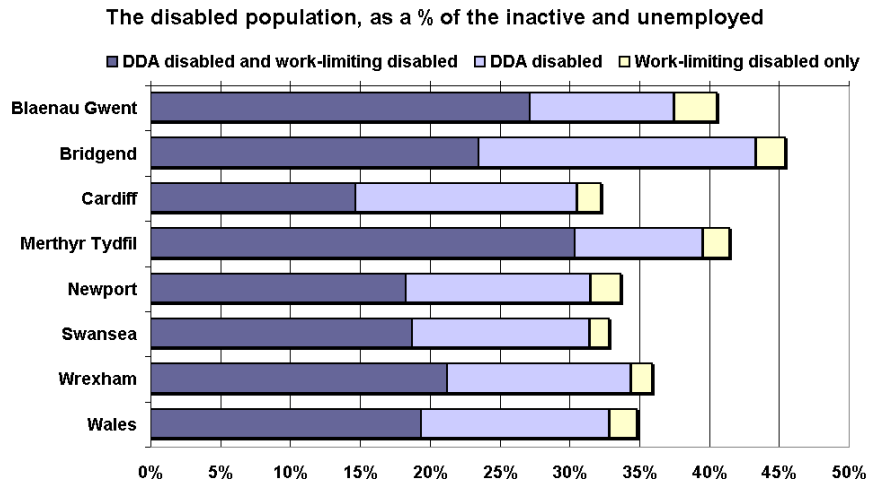


Figure 1.10

Annual Population Survey data from 2004 suggests that a very high proportion of the inactive and unemployed population are registered as having a disability of some kind. For Wales as a whole, 35 per cent of people without a job (including both those who are looking for a job and those who are not) were registered as having some kind of disability (figure 1.11). In Bridgend the figure is as high as 45 per cent.

[15] Office of National Statistics (2004) *Annual Population Survey*



Source: Annual Population Survey 2004

Figure 1.11

1.5 INACTIVITY: A SUPPLY OR DEMAND SIDE PROBLEM?

Labour demand

The UK has suffered from a decline in industrial employment. This decline had the most severe effects in areas of South Wales that were particularly reliant on a single industry, such as coal mining. The demise of industry led to substantial unemployment, but it is not sufficient to explain the persistence of high-levels of unemployment in the decades that followed. Other areas of the UK that were equally affected by the hollowing out of the national manufacturing base have had far more success in re-orientating their economies and replacing the jobs lost.

The current macro-economic climate in the UK and Wales is benign, and GDP growth has been steady since 1994. Levels of demand in Wales, and in the UK nationally, are sufficient to power substantial employment growth in Merthyr Tydfil, Blaenau Gwent, and the more inactive areas of Newport. This suggests that the problems of inactivity and unemployment in the areas of the study are intrinsically local in character, and are not the result of an economy-wide lack of labour demand.

> **"The only issue is people who have previously worked in industrial jobs getting used to a customer service culture."**
> Retailer, Ebbw Vale

Fears have been raised that the employment prospects of UK nationals are being adversely affected by the large increase in economic migration into the UK from the Eastern European countries that acceded to the EU (henceforth referred to as the A8 countries). Evidence shows that 80 per cent of A8 migrants work in low-skilled occupations where the average hourly wage is between £4.50 and £6.00.[16] Given that the inactive and unemployed, should they enter the labour market, are most likely to obtain low-skilled jobs at similar rates of pay it is probable that they will be most affected by the impact of A8 migration. However, thus far, statistical evidence suggests that increased A8 immigration has not impacted nominal wage growth or been responsible for the national rise in the claimant count measure of unemployment in 2005 and 2006.[17]

Romania and Bulgaria are due to accede to the EU in 2007. The UK's position on allowing migrants from these countries free access to the UK labour market has not yet been finalised. It is therefore conceivable that another upsurge in migration may have a cumulative effect on UK wage rates and patterns of unemployment greater than that created by A8 migration alone.[18]

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[16] Source: Department of Work and Pensions, (2006), *The impact of free movement of workers from Central and Eastern Europe on the UK labour market.* Available online at: http://www.dwp.gov.uk/asd/asd5/wp29.pdf

[17] Ibid

[18] More information on potential A2 migration into the UK can be found in: Institute of Public Policy Research, (2006) *EU enlargement: Bulgaria and Romania – migration implications for the UK.*

However, there are two structural features of the UK labour market that mitigate against the possibility of eastern European migrants reducing wages and displacing British-born workers. Firstly, the minimum wage prevents migrants undercutting local labour in the lowest paid jobs. The minimum wage has grown faster than average wages and it provides effective wage protection for a large number of workers.[19] Secondly, migrant workers have been concentrated in distribution, hotels and restaurants, and manufacturing employment.[20] It seems plausible that limited oral, and in particular written, language skills are less disadvantageous in these occupations than administrative and customer service roles in the service sector. Therefore, UK-born low-wage, low-skill workers probably enjoy some protection from migrant job competition in large areas of the service sector.

Labour supply

Previous studies in the UK and Wales suggest that some worklessness in hotspots of deprivation is a result of local people being unwilling or unable because of barriers to accept available jobs in the local labour market. People voluntarily leaving benefits must rationally expect to improve their standard of living by beginning work. If this is not possible, those with access to benefits will be understandably reluctant to accept some low paid jobs. The success of A8 migrants in finding employment at the minimum wage while some local people remain inactive suggests that wage expectations and the benefit trap do have a role to play in unemployment and inactivity.

Substantial anecdotal evidence and survey evidence suggests that a benefit trap exists for the unemployed in the UK, with the result that taking on a minimum wage job will result in a very low increase in income per hour worked. The effect appears to persist despite Government efforts to tackle the issue through the Working Family Tax Credit programme. The Return to Work[21] credit is also aimed at tackling the problem.

Poor public transport links and a lack of private transport may also prevent people who wish to work from finding jobs. The unemployed and the economically inactive of working age hold fewer qualifications than the workforce,[22] and are consequently much more likely to have a low-skilled, low-paid job if they re-enter the workforce. Studies show that the location of a job is far more important for people with low skills and workers with low skills typically commute a smaller distance to work than average.[23]

The high cost and limited availability of childcare is recognised as an important factor in keeping mothers out of the workforce. Childcare is particularly important for lone parents and must be addressed if the government is to meet its goal of a 70 per cent employment rate for this group.

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[19] From 1999 to October 2006 the adult minimum wage rose from £3.60 to £5.35: a rise of 48 per cent. As a proportion of the average hourly wage this compares favourably with, for example, the USA where the minimum wage is $5.15 per hour.

[20] Source: Department of Work and Pensions, (2006) *The impact of free movement of workers from Central and Eastern Europe on the UK labour market.* Available online at: http://www.dwp.gov.uk/asd/asd5/wp29.pdf

[21] A non-taxable payment of £40 per week, available for up to 12 months for people moving into full-time work in certain pilot areas.

[22] In Wales 54 per cent of the unemployed and inactive have no qualification higher than an NVQ level 2, or no qualifications at all; the comparable figure for the workforce in Wales is just 32 per cent. Source: Annual Population Survey 2004.

[23] Source: *The geography of poor skills and access to work* (2006). University of Warwick of behalf of the Joseph Rowntree Foundation.

2 The demand for unskilled labour

SUMMARY

Compared to other occupations, low skilled work is more likely to be part-time, temporary, and mostly below level 2 but does not facilitate training. Relative youth in sales and customer service and elementary roles is also strongly related to the number of students in the workforce

Vacancies

Vacancies notified in Wales have generally been on a downward trend over the past two years, consistent with slowing economic growth. The statistical evidence also suggests that labour demand in terms of the scale of vacancies is lower in areas of low activity. However, anecdotal evidence stresses there are no difficulties in placing low skilled workers in work and that even in areas with a low vacancy ratio there is not an excess supply of unskilled labour.

On the whole there are substantial numbers of job opportunities for workers looking for low-skilled employment in the study areas – approximately half of all vacancies advertised with Jobcentre Plus in Wales, rising to 59 per cent in Wrexham.

Production operatives account for the largest number of low skilled vacancies, particularly in Bridgend and Swansea. Low skilled roles in the service sector are primarily located in Cardiff, Newport and Swansea. Wrexham demonstrates its manufacturing base with a high proportion of warehouse operative and assembly operative vacancies.

Factors affecting local labour demand

The scale of in-commuting in Cardiff makes it the only local authority in Wales to have a jobs density above 1. Merthyr Tydfil and Blaenau Gwent have relatively low job density rates indicating a low number of jobs opportunities and a potential mismatch between local labour demand and supply that prevents positions being filled. Low business density may also contribute to inactivity.

Employment patterns

Blaenau Gwent and Merthyr Tydfil, with the highest levels of inactivity, have markedly more part time vacancies, particularly requiring between 8 and 15 hours. This is partly related to the structure of benefits payments.

The majority of the lowest skilled workers are on temporary contracts, but many temporary vacancies are filled by existing employment agency clients, rather than through direct advertising.

2.1 OVERVIEW

This section draws on data and consultation evidence to present the current demand for unskilled labour in local areas of Wales. Existing labour market patterns are a close proxy to the extent and nature of demand for labour, as over time both supply and demand generally move into alignment and meet what is required from both individuals and businesses (although equilibrium may not necessarily be reached in the short-term due to lags in response).

At a national level, the key characteristics of lower skilled occupations compared with higher skilled occupations are detailed in table 2.1, defined by occupation. There are some notable factors linked to low skilled employment, and there are also differences between low skilled occupations.

Low skilled work is more likely to be part-time, temporary, and mostly below level 2 but does not facilitate training. Male low skilled employment is also important to process, plant and machine operatives (more so than sales and customer service and elementary).

A further characteristic of low skilled workers is their relative youth, which in sales and customer service and elementary roles is strongly related to the number of students in the workforce, many of whom will move on to higher skilled jobs when their studies finish. Low skilled part time employment for most students in their compulsory education and university years is temporary, but low skilled part time employment for adults is an emerging trend as the demand for labour has altered over time.

Key characteristics of low skilled workers
- UK index*, compared to other occupations (SOC 1-5)

	Low skilled			
	Sales and Customer Service (SOC 6)	Process, Plant and Machine Operative (SOC 7)	Elementary (SOC 7)	Total
Part time	279	49	218	188
Temporary	87	77	155	114
Male	58	164	102	109
16-24 year olds	284	61	194	261
45+ year olds	68	119	94	91
Not received training	114	125	123	121
Below NVQ level 2	181	259	273	243

* The index identifies the characteristics that are under- and over-represented in low skilled occupations compared with other occupation. An index of 100 is average, anything below is under-represented, anything above is over-represented.

Source: Labour Force Survey, Spring 2006

Table 2.1: Characteristics of low skilled labour

2.2 VACANCIES

2.2.1 The relationship between vacancies and labour demand

Vacancies are indicative of demand for labour in an area. Employers who are working in a growing market will notify vacancies to fill temporary and permanent positions, as order requests require them to do so. Similarly, in periods of economic downturn, employers are more likely to end all recruitment activity, and even shed workers, and this will be reflected in a fall-off of vacancy openings for new staff.

However, the number of vacancies generated by businesses in an area is not a complete match to the demand for labour. There are three reasons for this:

- Firstly, advertised vacancies may be lower than the number of actual vacancies due to inadequate information or informal recruitment methods. However, our qualitative research suggests that informal methods of recruitment only form a small element of the total (see section 3.3.1).
- Secondly, high labour turnover can distort the relationship between the number of vacancies and the stock of jobs available, and our qualitative research suggests that labour turnover is high in low skilled jobs in the areas of the study.
- Thirdly, even if vacancies are an accurate reflection of the stock of jobs available, people commuting into work from outside the area may fill them. However, given the low travel-to-work times typically exhibited by low-skilled workers, and the particular transport issues in the Welsh Valleys, such considerations are unlikely to be significant in this case.

Not withstanding these caveats, vacancy-based measures remain the best available indicator of underlying labour demand in a local area.

2.2.2 Vacancies nationally

The number of vacancies notified to Jobcentre Plus in Wales has generally been on a downward trend over the past two years (figure 2.1). This is consistent with the slowing of economic growth throughout the Welsh and UK economies, but it is also possible (though unlikely) that a fall in Jobcentre vacancies is being balanced by a rise in vacancies advertised through other sources. However, the decline in vacancy rates is modest, and with the outlook for the Welsh economy fairly robust, the scope for further falls in vacancy numbers is limited, and a small recovery seems the more likely outcome.

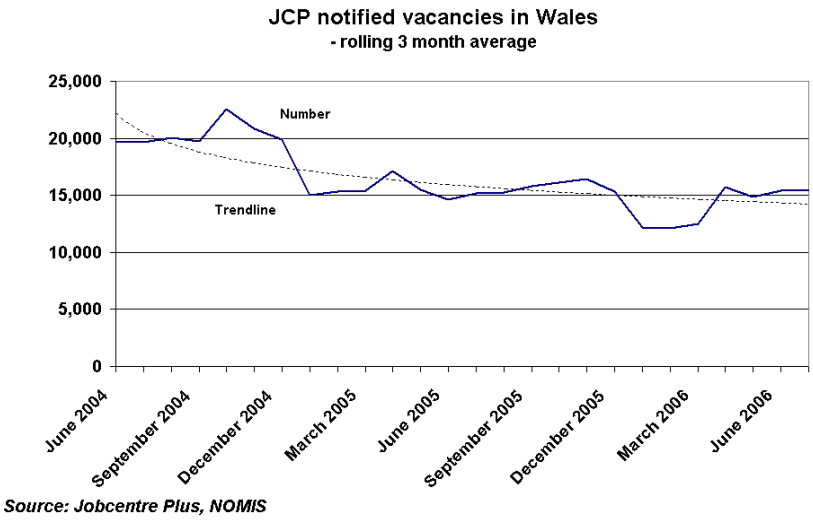


Figure 2.1[24]

2.2.3 Vacancies per head of working age population

As table 2.2 demonstrates, areas of low activity generally do have fewer vacancies relative to the size of their working age and economically inactive populations than areas with higher activity rates. This is particularly the case in Blaenau Gwent, where vacancies account for around half the proportion of the economically inactive compared to Cardiff. Vacancies in Merthyr Tydfil are also below average.

Vacancy rates, 2005
- local authorities ranked by ratio in first column

	All notified vacancies		Low skilled* notified vacancies	
	% of working age population	% of economically inactive population	% of working age population	% of economically inactive population
Cardiff	1.2	4.9	0.6	2.6
Newport	1.1	5.1	0.6	2.8
Swansea	1.1	4.2	0.7	2.5
Merthyr Tydfil	1.0	3.0	0.6	1.9
Wales	**0.9**	**3.5**	**0.5**	**1.9**
Bridgend	0.9	3.4	0.5	1.9
Wrexham	0.8	3.7	0.4	2.1
Blaenau Gwent	0.7	2.3	0.4	1.4

** Defined by SOC*
Source: Annual Population Survey and JCP, Jan 2005-Dec 2005 average; NOMIS

Table 2.2

[24] In September 2001 ONS, with the agreement of the Department for Work and Pensions, deferred the publication of Jobcentre Plus vacancy statistics because of distortions in the data from May 2001 onwards. This data was restored but is available from April 2004 onwards.

The statistical evidence suggests that labour demand in terms of the scale of vacancies is lower in areas of low activity. However, the ratio of vacancies to working age population differs very little, particularly for the low skilled. The ratio of low skilled vacancies to the inactive population in areas such as Blaenau Gwent also reflects the relatively large number of inactive. It is also important to note that job brokers feel that there are no significant difficulties in placing low skilled workers in work and that even in areas with a low vacancy ratio there is not an excess supply of unskilled labour.

2.2.4 Labour demand by occupation

In line with the pattern of total vacancies, the number (and percentage) of unskilled vacancies notified to Jobcentre Plus in Wales has generally also been on a downward trend over the past two years (figure 2.2), particularly for elementary vacancies. Figure 2.2 also demonstrates the seasonal variations in demand for unskilled labour. There is a clear pattern of increased hiring in late summer after the summer holidays have finished, and a dearth of vacancies being posted in the months following the Christmas holidays.

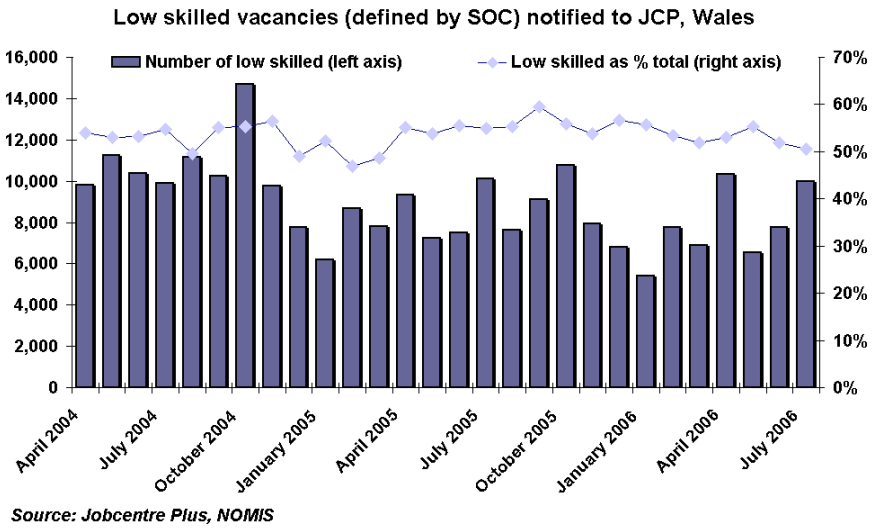
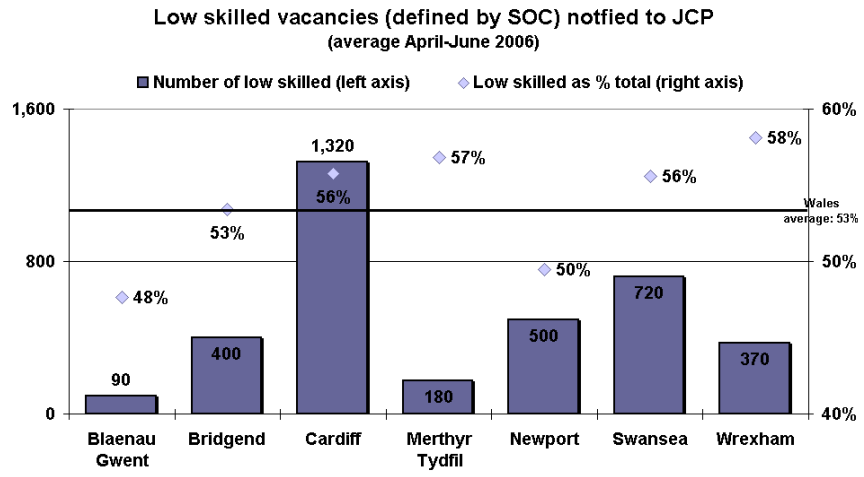


Figure 2.2

Considering the local areas of Wales between 2004 and 2006, Newport, Wrexham and Cardiff appear to be in a situation where the number of low skilled vacancies is rising. Neither Merthyr Tydfil nor Blaenau Gwent has yet seen a sustained increase in vacancies while in Swansea unskilled vacancies still seem to be falling. At the time of writing the labour market appears to have made an upward turn, however there is not enough data to read a trend with certainty.

As figure 2.3 shows, despite the downturn there remain a substantial number of job opportunities for workers looking for low-skilled employment in the study areas, approximately half of all vacancies advertised with Jobcentre Plus in Wales, rising to 59 per cent in Wrexham.



Source: Jobcentre Plus, NOMIS

Figure 2.3

2.2.5 Labour demand by sector

Table 2.3 shows the proportion of all vacancies advertised by Jobcentre Plus by sector: Business services and wholesale and retail trade account for the largest number across Wales. However, Blaenau Gwent and Merthyr Tydfil demonstrate a very high proportion of manufacturing and public administration vacancies (health and social work is also above average in Merthyr Tydfil), while Cardiff is noteworthy for the high proportion of vacancies in business services.

Vacancies notified by sector, compared to Wales average
- % of total (column = 100%, average for April to June 2006)

	Blaenau Gwent	Bridgend	Cardiff	Merthyr Tydfil	Newport	Swansea	Wrexham	Wales
Manufacturing	15	8	2	16	3	3	6	6
Construction	4	4	3	4	1	3	3	3
Wholesale and retail trade	13	11	10	14	8	14	12	12
Hotels and restaurants	7	9	7	4	5	8	6	9
Transport, storage and communications	6	3	4	4	3	7	3	4
Financial services	1	3	1	1	<0.5	5	2	2
Real estate, renting and business activities	27	39	54	27	61	39	45	43
Public admin. and defence; compulsory social security	14	8	5	10	9	8	4	7
Education	1	2	2	1	1	1	1	2
Health and social work	7	5	6	14	5	8	9	8
Community, social and personal service activities	3	7	5	3	3	3	3	4
Total	200	750	2,370	310	1,000	1,300	640	15,410

Source: Jobcentre Plus, NOMIS

Table 2.3

2.2.6 Job title

In terms of presenting members of the inactive population with achievable and realistic opportunities of work, a wide range of vacancies is as important as a large number of vacancies. The top 20 vacancies are presented in table 2.4, where the notable points are highlighted in bold:

- Production operatives account for the largest number, although these vacancies are over-represented in Bridgend and Swansea. Bridgend is also over-represented as the location for service sector roles such as bar staff and entertainment consultants;
- That said, low skilled roles in the service sector are primarily located in Cardiff, Newport and Swansea, as expected from the industry profile of employment in the three areas;
- Wrexham demonstrates its manufacturing base with a high proportion of warehouse operative and assembly operative vacancies;
- (As also illustrated in figure 2.3) Blaenau Gwent and Merthyr Tydfil have relatively few low skilled vacancies compared to other areas (which is reflective of the population base), but the highest number of low skilled vacancies in these areas are brochure distributors, packers, and sales advisors that are specifically advertised as part-time and weekend.

Top 20 low skilled vacancies* notified to Jobcentre Plus in areas of study
(Open vacancies, April-June 2006)

	Total	Bridgend	Blaenau Gwent	Cardiff	Merthyr Tydfil	Newport	Swansea	Wrexham
		% of total (row = 100%)						
Production operative	230	32	-	10	18	5	34	1
Bar staff	190	39	5	27	1	3	17	9
Sales assistant	170	15	3	48	5	3	16	10
Cleaner	160	12	4	21	3	7	30	22
Customer service	150	1	1	54	-	1	44	-
Asset and recovery agent	150	-	-	33	-	33	33	-
Customer service advisor	100	5	-	37	13	5	16	25
Warehouse operative	100	2	1	-	7	3	18	69
Sales advisor	90	16	-	30	1	43	7	3
Security officer	80	18	-	29	8	17	25	4
Telesales executive	70	-	-	-	-	8	92	-
Customer service agents	70	-	-	-	-	-	100	-
Chef	70	14	-	43	-	6	20	17
Assembly operative	60	-	-	-	-	-	-	100
Entertainment consultant	60	33	-	67	-	-	-	-
Food operative	60	-	-	-	-	-	-	100
Telesales staff	60	5	-	9	-	-	86	-
Window cleaner	60	-	3	2	-	-	-	95
Waiting staff	60	9	-	35	4	4	25	25
Brochure distributor	60	20	48	-	20	-	13	-
Total	**7,510**	**11**	**3**	**32**	**5**	**13**	**22**	**13**

* Low skilled defined by occupation or industry (see page 8).
Source: Jobcentre Plus vacancies database, April to June 2006

Table 2.4

Qualitative research targeted businesses in sectors that are highly likely to use a high proportion of unskilled or low-skilled labour. Respondents of the employer consultation came from the following sectors: retail, manufacturing, hotels and restaurants, and transport.

The following is a non-exhaustive list of the unskilled occupations employed by these firms:

- Warehousing staff
- Restaurant staff (excluding chefs)
- Retail staff (cashiers, and salespeople)
- Production line staff
- Hospital porters
- Nursing auxiliaries
- Hotel staff (housekeeping, cleaning, reception, other roles)
- Drivers
- Construction site labourers
- Care workers

From our primary consultation, it is clear that a large majority of hotel, restaurant and retail employers in the areas surveyed employ staff in roles for which no formal qualifications are required. For manufacturing, respondents indicated that, on average, half of their employees are working in such roles.

In addition, qualitative evidence from job brokers suggests that there is a substantial flow of job opportunities for people with low skills and no formal qualifications, though this can vary substantially by region.

2.3 FACTORS AFFECTING LOCAL LABOUR DEMAND

2.3.1 Jobs density

The number of new jobs available locally is a product of the stock of jobs in that area, the turnover of that stock of jobs, and net growth in the stock of jobs. Areas with a lower job density will, other things being equal, have fewer vacancies that need filling than areas with a higher job density. As the job density of an area increases there is likely to be a supply side reaction and an increase in the supply of workers in that area.

Figure 2.4 shows the density of jobs by local authority: the number of filled jobs divided by the adult working age population. As would be expected the more economically active areas have more jobs per head, a result of higher employment rates among residents and commuting from outside the area. The scale of in-commuting in Cardiff makes it the only local authority in Wales to have a jobs density above 1.

Merthyr Tydfil and Blaenau Gwent have relatively low job density rates, which indicate both a generally low number of jobs opportunities available (not solely low skilled), and also a potential mismatch between local labour demand and supply that prevents positions being filled. Indeed, individuals who live outside the Valleys currently fill many of the more skilled jobs.[25]

[25] Welsh Assembly Government (2006) *Turning Heads: A Strategy for the Heads of the Valleys 2020.*

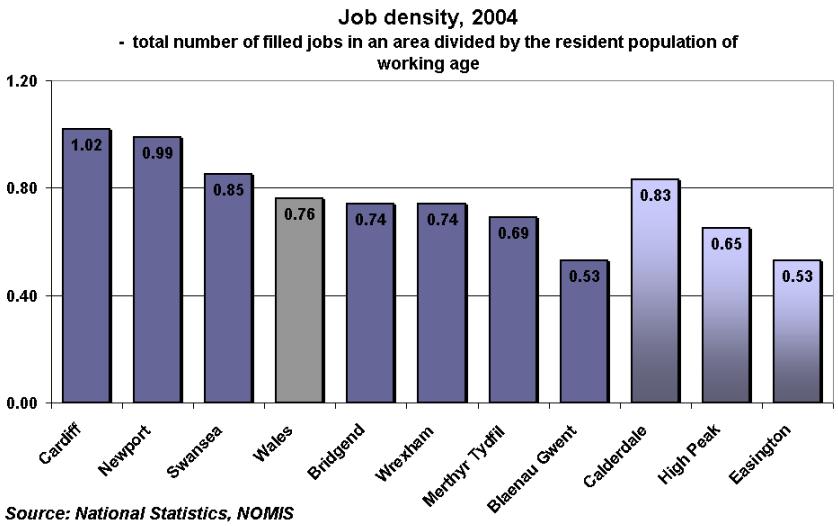


Figure 2.4

2.3.2 Business density and creation

The demand for labour at a local level is also a product of the demand for goods and services locally and nationally and of the number of businesses in the local area who can take advantage of that demand. Table 2.5 shows the number of businesses registered with the Inter Departmental Business Register (IDBR) per 1,000 working age population.[26] As would be expected, Cardiff and Wrexham have the greatest number of businesses relative to their working age population. Lower inactivity rates may encourage business start-ups, but it is also true that high business density may contribute to activity.

Levels of business creation are also indicators of economic dynamism. A high level of business start-ups (or a high level of businesses growing beyond the IDBR £60,000 threshold) suggests that an area has a strong entrepreneurial base that will allow it to continue to grow. It is interesting to note that Merthyr Tydfil and Blaenau Gwent perform relatively well by this ranking.

Business density and creation, 2004

	Number of businesses per 1,000 working age population	Ratio of business start ups to stock of businesses (%)
Cardiff	29	11
Wrexham	29	9
Newport	26	11
Bridgend	26	10
Swansea	25	10
Merthyr Tydfil	19	14
Blaenau Gwent	17	12
High Peak	41	9
Calderdale	39	10
Easington	16	9

Source: IDBR 2005

Table 2.5

[26] Businesses are registered with the IDBR when their turnover exceeds an annually adjusted level. In the 2005 data release of the IDBR this level was £58,000.

In addition, there is also anecdotal evidence to suggest that in areas with low official activity rates and strong communities there is some informal economic activity.

2.4 EMPLOYMENT PATTERNS

The key characteristics of low skilled labour are detailed in the overview to this section, sourced from the Labour Force Survey for the whole of the UK. Supporting this picture for the local areas in Wales, information on the employment patterns of vacancies advertised by Jobcentre Plus are presented in the following analysis.

2.4.1 Part time and full time jobs

Two trends are apparent in the data presented in table 2.6. Firstly, lower skilled vacancies are marginally, but consistently, more likely to be for jobs requiring less than 30 working hours a week. Secondly, the areas with the highest levels of inactivity (Blaenau Gwent and Merthyr Tydfil) have markedly more part time vacancies, and the difference is particularly pronounced for lower skilled part time vacancies requiring between 8 and 15 hours.

The proportion of full and part time jobs advertised by Jobcentre Plus
(% of total, column = 100%)

		Wrexham	Swansea	Bridgend	Merthyr Tydfil	Blaenau Gwent	Newport	Cardiff	Average
All Vacs 3-month Ave. (%)	30+ hours	76	71	78	69	64	73	72	73
	16-29 hours	17	22	17	21	26	21	22	21
	8-15 hours	7	7	6	10	10	5	5	6
	Base	770	1,360	720	340	210	1,110	2,340	6,840
Low skilled* 3-month Ave. (%)	30+ hours	74	64	74	61	48	76	66	68
	16-29 hours	18	27	17	25	36	15	26	23
	8-15 hours	8	9	9	15	16	9	8	9
	Base	430	770	400	200	100	530	1,280	3,710

* Sales Occupations, Plant and machine operators, Elementary occupations
Source: Jobcentre Plus database, April to June 2006

Table 2.6

The particularly high number of vacancies for jobs requiring between 8 and 15 hours a week is partly related to the structure of benefits payments. Anyone working over 16 hours a week loses their entitlement to income support, Job Seekers Allowance, and (in most cases) incapacity benefits as well. Other benefits are also revised downwards, (though the Working Families Tax Credit reduces the benefits trap). This can lead unemployed people to seek a job offering 16 hours a week, and is an example of the nature of supply of unskilled labour affecting the demand for unskilled labour. The higher number of benefit recipients would make this effect more pronounced in relatively inactive areas, and our qualitative research in Merthyr Tydfil particularly supports this interpretation.

However, part time jobs are a component of labour flexibility and may well be the best form of working for both employer and employee:

> **"My business couldn't succeed if I didn't have young mothers working the 9-3pm shift."**
> Employer, Swansea

2.4.2 Permanent and temporary jobs

The Jobs Broker Database (a record of vacancies advertised through local newspapers and employment agencies) indicates that a relatively high proportion of low skilled vacancies are permanent.

However, as shown in table 2.7 (and evidenced from national Labour Force Survey data), Jobcentre Plus vacancies for jobs in lower skilled occupations are more likely to be temporary than higher skilled jobs. The discrepancy is partly a reflection of the different types of vacancies offered by Jobcentre Plus and private job brokers.

The proportion of temporary and permanent jobs advertised by Jobcentre Plus
(% of total, column = 100%)

		Wrexham	Swansea	Bridgend	Merthyr Tydfil	Blaenau Gwent	Newport	Cardiff	Average
All Vacs 3-month Ave. (%)	Permanent	62	79	73	73	79	77	80	76
	Temporary	38	21	27	27	21	23	20	24
	Base	770	1,360	720	340	210	1,110	2,340	6,840
Low Skilled* 3-month Ave. (%)	Permanent	53	77	70	68	81	72	80	73
	Temporary	47	23	30	33	19	28	20	27
	Base	430	770	400	200	100	530	1,280	3,710

* Sales Occupations, Plant and machine operators, Elementary occupations
Source: Jobcentre Plus database, April to June 2006

Table 2.7

Indeed, qualitative research suggests that the proportion of low-skilled vacancies that are temporary is probably greater than is indicated in either database. This is because many temporary vacancies are filled by private sector employment agencies from clients on their books, without the need for advertising.

Anecdotally, the majority of the lowest skilled workers are on temporary contracts, and workers who perform well over a period of time may be offered a permanent role, or workers hired on temporary contracts may permanently fill the job. Construction jobs in particular are almost always temporary: labouring jobs are very unlikely to persist longer than the completion of the construction project in question.

3 What employers want

SUMMARY

Recruitment

A large majority of interviewed employers use the Jobcentre Plus network to advertise low skilled vacancies. The second largest advertising channel is via shop windows, and some employers use private recruitment agencies.

Employers often outsource their selection process for low skilled workers, whereby job brokers select suitable candidates for immediate employment. Beyond this, application forms are the favoured method and the selection process often involves at least one interview. Placing potential candidates on two-week trials with employers also has a high success rate.

Past work experience is the largest single request by employers, although not necessarily in the same field as the job being applied for. Employers are likely to select more experienced candidates when available, although are willing to lower their standards if the pool of prospective workers is limited.

One powerful factor militating against barriers to work in the recruitment process is the amount of help extended to candidates by job brokers. The amount of assistance and encouragement made available to potential workers is comprehensive, and is designed to remove as many barriers to finding a job as possible.

The quality of jobs offered by employers

Anecdotal evidence suggests that a high proportion of unskilled jobs in the areas of study are filled through temporary contracts, not solely the result of employer preferences, but also of worker behaviour.

It would appear that for the majority of unskilled jobs, employers have very low requirements. Moreover low-skilled workers do not face the same career penalties as higher skilled workers when they change from one type of work to another, with limited possibilities for job progression and associated pay increases when remaining with one employer.

Inclusion issues

In recent years awareness of discrimination has risen. That said, candidates who are disabled, over 45, lone parents, or from an ethnic minority are considered disadvantaged in terms of access to the labour market.

Employers are generally unwilling to acknowledge that their procedures may discriminate, but recruitment agencies believe this to be the case, particularly for those whose work history has been interrupted by time in prison.

3.1 OVERVIEW

On the demand side, employers determine the quality and quantity of the workforce needed to deliver output and to improve competitiveness in the local, national and global marketplace. This section details what employers look for when recruiting for low skilled positions, by considering how recruitment, progression and inclusion issues may act as a barrier to groups of the inactive attempting to move into the labour market.

3.2 SKILLS GAPS: THE WIDER EVIDENCE

Since 1998, Future Skills Wales has been an ongoing programme of research, consisting of survey and forecast evidence to plan for future skills needs in Wales. Central to the programme are the Skills Surveys that provide skills shortage, gap and need information from employers.

The existence of skill gaps reflects employer concerns over the skills of its workforce. Employers in the Future Skills Wales skills survey are asked if there is a gap between the types of skills their current employees have, and those their company needs to meet its business objectives.

As shown in table 3.1, skills gaps across the whole economy are concentrated in the occupations we consider low skilled, namely sales and customer service; process, plant and machine operative; and elementary. By sector, skill gaps do reflect the occupational profile of the workforce, so skill gaps amongst sales and customer service staff are to be found in wholesale and retail trade and financial services; process, plant and machine operatives in the manufacturing sector; and elementary occupations in hotels and restaurants.

Skills gaps by low skilled occupational group and sector in Wales
(% of total, all occupations = 100%)

	Whole economy	Manufacturing	Construction	Wholesale and retail trade	Hotels and restaurants	Transport, storage and communications	Financial services	Real estate, renting and business activities	Education	Health and social work	Community, social and personal service activities
Sales and Customer Service	24	5	10	65	29	23	49	17	0	1	16
Process, Plant and Machine Operatives	17	60	7	10	1	29	0	7	1	0	5
Elementary	12	5	5	6	50	18	0	13	12	5	18
Base	63,800	13,870	2,880	13,240	6,260	2,180	3,820	5,740	4,180	6,820	3,740

Source: Future Skills Wales 2005

Table 3.1

3.3 RECRUITMENT

The recruitment process, from initial advertisement of vacancy to criteria used in the selection process, typically used by employers often has the effect of excluding candidates who could successfully fill the role. This is more likely to be the case for individuals experiencing a period of time away from the labour market, and who have lost some of their job related skills that would smooth the movement back into employment.

3.3.1 Methods of advertising jobs used by employers and recruitment agencies

It is clear that different methods are used to advertise different categories of vacancies. The Jobs Broker Database, populated by searches of websites, contained far more administrative jobs, and far more permanent jobs than the Jobcentre Plus database.

A large majority of interviewed employers use the Jobcentre Plus network to advertise vacancies, which then makes the vacancies available online and to visitors to the Jobcentre. The second largest advertising channel is via shop windows, presumably because of its cost effectiveness compared with other methods. Some employers use recruitment agencies but in practice these agencies will advertise these vacancies in their windows, on the internet, and also through the Jobcentre Plus network. Newspapers are seldom used and only one employer held their own recruitment event.

3.3.2 Job application and selection process used by employers

Employers often outsource their selection process for low skilled workers, whereby job brokers select suitable candidates for immediate employment. Agencies will advertise and interview workers, and the first time employers see their new employees is the day they start work. However, our qualitative research does suggest that only large employers use this method, and only do so for temporary staff.

Application method required for Jobcentre Plus vacancies
(% of total, column = 100%)

		Wrexham	Swansea	Bridgend	Merthyr Tydfil	Blaenau Gwent	Newport	Cardiff	Average
All Vacs - 3-month Ave. (%)	Interview	13	20	19	17	15	9	16	16
	Application form	13	14	18	34	25	15	12	15
	Written app and/or CV	13	17	12	12	16	12	16	14
	Ring before sending	60	47	51	36	43	64	56	54
	Go straight round	1	2	1	1	1	1	1	1
	Base	770	1,360	720	340	210	1,110	2,340	6,840
Low skilled - 3-month Ave. (%)	Interview	12	21	22	22	17	12	16	17
	Application form	9	9	17	33	30	11	9	12
	Written app and/ or CV	10	14	6	6	11	10	10	10
	Ring before sending	67	53	54	37	42	67	64	59
	Go straight round	1	4	2	2	1	1	2	2
	Base	430	770	400	200	100	530	1,280	3,710

Source: Jobcentre Plus database, April to June 2006

Table 3.2

Beyond this, employers interviewed in qualitative consultations typically required candidates to apply using application forms. CVs are less commonly requested. There is no evidence of employers requiring candidates to apply online.

Qualitative research indicates that the selection process often involves at least one interview. The nature of the interviews varies from an informal chat, to a semi-structured face-to-face questionnaire format. In some customer facing roles an interview is supplemented by a short (one day or less) trial on the shop or restaurant floor. Permanent workers are also often selected from temporary staff, so in effect employers can benefit from a (paid) trial period of several months.

3.3.3 The selection criteria used by employers

As part of the qualitative research employers were asked what criteria they use to select candidates. By far the largest single request is for past work experience, although not necessarily in the same field as the job being applied for. However, some job brokers also feel that employers will lower their standards, particularly in areas where low unemployment has reduced the pool of willing workers.

> **"Employers expect clients to be able to work immediately so experience is valued. Employers look for 'reliability, turn up on time, experience."**
> Recruitment agency, Swansea

> **'…Not really interested in qualifications as such…'**
> Caterer, Swansea

> **"All occupations such as customer support and warehouse are open to individuals with some or no qualifications."**
> Retailer, Cardiff

This point of view is corroborated by the high percentage of vacancies available to candidates with no experience (table 3.3). However, it is also true that this table probably overstates the opportunities available to candidates with no, or very limited experience as employers are likely to select more experienced candidates when available, even if experience is not an absolute requirement.

Length of experience required for JCP vacancies
(% of total, column = 100%)

		Wrexham	Swansea	Bridgend	Merthyr Tydfil	Blaenau Gwent	Newport	Cardiff	Average
All Vacs 3-month Ave. (%)	No experience required	71	81	77	73	73	66	58	67
	Up to 1 year	9	9	13	19	13	21	22	17
	Up to 2 years	13	5	3	4	4	8	15	10
	Between 2 and 5 years	7	4	6	5	9	5	5	5
	More than 5 years	<0.5	1	1	<0.5	1	<0.5	1	1
	Base	380	610	410	180	80	730	1,470	3,860
Low skilled 3-month Ave. (%)	No experience required	76	87	87	77	86	57	57	69
	Up to 1 year	7	7	10	19	13	31	24	19
	Up to 2 years	15	4	-	-	-	9	17	10
	Between 2 and 5 years	2	-	2	4	-	2	2	2
	More than 5 years	-	-	-	-	-	-	-	-
	Base	190	340	220	100	40	340	830	2,070

Source: Jobcentre Plus database, April to June 2006

Table 3.3

Other qualities that employers mentioned in qualitative consultations are team working and enthusiasm, skills identified as important in the Future Skills Wales skills survey. Employers in the hospitality and retail sectors needed staff with communication, customer-handling and presentation skills.

Providing required work experience could be a problem for support agencies. However, a local Jobcentre Plus finds that placing potential candidates on two week trials with employers (a period during which the candidate continues to receive benefits while gaining experience) has a high success rate.

3.3.4 Support offered to jobseekers

One powerful factor militating against barriers to work in the recruitment process used by employers is the amount of help extended to candidates by job brokers. There is a very substantial and well-established system of initiatives and programmes aimed at ensuring that candidates are helped and supported through the process of applying for jobs. The process of application does not appear to offer significant barriers to those who wish to work. The criteria employers use to judge candidates are not demanding but are a far greater barrier to candidates than the selection process itself.

Recruitment agencies will often complete application forms on behalf of their clients. Jobcentre Plus, with its mandate to help weaker candidates, engages third party firms to write candidates'

CVs, and in some cases also offer candidates practice interviews. The Jobcentre network is also employer orientated with active attempts made to market their clients to local employers. To strengthen relationships with employers Jobcentre Plus facilities are made available for employer interviews and recruitment events. The amount of assistance and encouragement made available to potential workers appears to be comprehensive, and is designed to remove as many barriers to finding a job as possible.

In areas of severe deprivation (such as Merthyr Tydfil) Jobcentre Plus is augmented by the Working Links initiative. The Employment Zone part of Working Links deals with people who have been unemployed for more than 18 months and ex-offenders, and attendance is compulsory. Working Links advisors offer one-to-one engagement with their clients over an extended period of time and help their clients to find, apply for, and keep jobs. Both Jobcentre Plus and Working Links can offer well signposted routes to free training programmes.

Since 2003 the DWP has been piloting the Pathways to Work programme that aims to engage with people on incapacity benefits and help them to find work where and when appropriate. One of the seven pilot areas is Bridgend. Early evidence is that the programme has been successful in moving people in receipt of incapacity benefits into paid work.[27] The Want2Work programme, also aimed at improving work outcomes for people on incapacity benefit or income support, is rolled out in 2005[28] and currently operates in four locations in Wales, including Merthyr Tydfil.

3.4 THE QUALITY OF JOBS OFFERED BY EMPLOYERS

3.4.1 Job security and labour turnover

Anecdotal evidence suggests that a high proportion of unskilled jobs in the areas of study are filled through temporary contracts. Qualitative consultations found this to be the case even for process, plant, and machinery operatives, who nationally are less likely than average to be temporary (see table 2.1). The high number of temporary contracts is not solely the result of employer preferences, but also of worker behaviour.

It would appear that for the majority of unskilled jobs employers have very low requirements. This means that a production worker will be considered suitable for a role in another factory producing an unrelated product, or even on a construction site, or possibly a retail environment. Anecdotal evidence from Merthyr Tydfil suggests that there are a number of workers who have experience working at most, if not all, of the town's main industrial employers. Low entrance requirements make it relatively easy for employees to change companies, provided local demand for unskilled labour is sufficient to enable them to find a similar job nearby. Furthermore, with limited possibilities for job progression and associated pay increases (section 3.4.2 and 3.4.3), low-skilled workers do not face the same career penalties as higher skilled workers when they change from one type of work to another. This further raises the rate of labour turnover.

Unwillingness on the part of employers to commit to longer term labour contracts without first testing the employees' performance may also be behind high levels of temporary working and

[27] Assessments of Pathways to Work are limited by the length of time the pilot programmes have been running for. Further information on the Pathways to Work programme can be found in: Department of Work and Pensions, (2006) *Early Quantitative Evidence of the Pathway to Work Pilots.* Available online at: http://www.dwp.gov.uk/asd/asd5/rports2005-2006/rrep354.pdf

[28] There is no official data on the outcomes of the Want2Work project but as of September 30 2006 Want2Work has to date engaged with over 2,720 beneficiaries, of whom over 600 have been helped into employment through the project.

turnover. Another way in which employers contribute to high levels of labour turnover among temporary staff is through seasonally adjusting their labour requirements. Manufacturers in some industrial sectors increase hiring of production in summer in order to meet orders due to be delivered prior to the Christmas retail boom. Similarly retailers substantially increase hiring immediately prior to the Christmas shopping period.

High turnover also reduces the willingness of employers to train workers, which reduces the opportunities workers have to upskill and achieve more demanding and rewarding posts. High turnover clearly also imposes recruitment and induction costs for manufacturers, while also reducing the average levels of experience and consequently productivity of the workforce. Having people alternating between periods of employment and unemployment also imposes administrative and benefit costs on government agencies.

Despite the disadvantages of high labour turnover, the ability to rapidly increase and decrease staff numbers in response to demand is a key element of competitiveness for local companies, and current economic orthodoxy holds that it is precisely this flexibility that has created the sustained fall in unemployment seen in Wales and elsewhere from the mid 1990's onwards. It may be the case that a less flexible workforce would result in a less successful economy and a decline in the number, and possibly quality, of jobs available. The net effects of high labour turnover are hard to discern and beyond the scope of this study.

3.4.2 Wages

The wages on offer for the lowest skilled work are overwhelmingly minimum wage,[29] although at the extreme evidence from Wrexham suggests that unskilled labourers can normally expect an hourly wage between £6.00 and £6.50 an hour.

The Jobs Broker Database, populated by searches of websites, contains far more administrative jobs, and far more permanent jobs than the Jobcentre Plus database. As a consequence, these jobs are also, on average, better paid than Jobcentre vacancies; and, according to qualitative research, better paid than the average vacancy that recruitment agencies have on their books.

3.4.3 Career progression opportunities

Our qualitative interviews with employers and jobs brokers uncovered few examples of workers taken on in unskilled jobs later progressing to more senior roles, though there are some exceptions:

> **"some members of staff are now training for higher skilled roles - of which there is a real shortage"**

In addition, some large retail and restaurant sector businesses do have official programmes that identified and trained workers with management potential, which has the potential to upskill and promote unskilled workers.[30] (For more information on training offered by employers see section 4.5.)

[29] The introduction and rapid rise in value of the minimum wage, has according to interviewees, flattened the differential between different categories of work. For example, anecdotal evidence suggests that administrative positions in Cardiff no longer command the premium over manual work that they once did.
[30] For example the restaurant chain McDonalds states that 80 per cent of its restaurant managers started in the company as paid-by-the-hour staff.

3.5 INCLUSION ISSUES

3.5.1 Inclusion: the employer perspective

> **"I often interview people who have been without work for 2 years, once even for 3 years and I am more than happy to hire them if they want to work."**
> Food processing, Merthyr

In recent years awareness of discrimination has risen, for example, the Prince Charles Hospital in Merthyr Tydfil runs a substantial, and nationally recognised pre-employment programme aimed at recruiting people with limited participation in the labour market.

That said, candidates who are disabled, over 45, lone parents, or from an ethnic minority are considered disadvantaged in terms of access to the labour market. Therefore, a result of general awareness of discrimination is that employers are less willing to acknowledge that their procedures may discriminate against any candidate. Of all the employers interviewed, only one says that he has trouble with employees who have previously been long-term unemployed or been in receipt of incapacity benefit and would not be willing to employ such people again in the future. One other employer acknowledges that their shift patterns preclude the employment of people with childcare responsibilities.

> **"In the past we've had bad experiences hiring individuals who have been out of the workforce and have found them to be unable to adjust to the working environment…They failed to turn up on time and quit within a week or so."**
> Manufacturer, Bridgend

Two employers admitted positively discriminating in favour of workers from the A8 countries, although this could possibly work to the detriment of local jobseekers.

3.5.2 Inclusion: the job broker perspective

In contrast to the views of employers, half of all job brokers interviewed believe that employers discriminated against applicants who have been out of work for a long period of time, or have been in receipt of sickness benefits. Comments include:

> **"Employers are reluctant to recruit the long-term unemployed…many also stay for just a few days before quitting…. (they have a) bad attitude to work and inability to adapt to working life"**

> **"Application forms from employers aim to weed out people who have big gaps in their CVs. This is something of an emerging trend"**

> **"(Employers are) very reluctant to hire those who have been outside of the workforce for a significant period of time. They are concerned that people who have been out of work for a reason, like they are not employable."**

Job brokers also feel that it can be difficult to place the disabled in work. This may be partly due to ignorance of the impact of specific disabilities on productivity, and their legal obligations.

> **"There is a certain fear of what their (employer) responsibilities might be if they take on a disabled person with reasonable adjustments."**

One issue that emerged from consultations is that even employers who are broadly sympathetic towards people who have experienced long periods of unemployment or joblessness are less prepared to employ people whose work history has been interrupted by time in prison.

However, what is clear is that employers most worry about hiring somebody who lacks the commitment necessary to turn up on time, attend regularly and work hard. They want to avoid the loss of time and money experienced by the employer who recounted:

> **"A number of people have left immediately on taking cleaning positions because of the hard physical work involved."**

Employers do not appear to discriminate against recipients of incapacity benefits, or those who have previously been long term unemployed for those reasons per se, but because they see these traits as symptoms of a lack of a genuine work ethic. One of the key concerns of job brokers is to convince employers that their clients, despite a history of unemployment or incapacity benefit, do genuinely want to work; and to filter out applications for jobs from those who lack the motivation to hold down a job for more than a few days or weeks.

4 Employer response to local labour markets

SUMMARY

The balance of local labour demand and supply

A large majority of employers have no difficulties in recruiting unskilled workers, although recruiting people for anti-social shift patterns is raised as an issue. Employers do not consider a lack of suitable candidates as a problem.

Job brokers feel that employers have unrealistic expectations of the quality of labour they can recruit at the wages (normally minimum) that they are prepared to offer. Still, there is an element of negotiation between employers and candidates, and in this way a perception may be created that employer standards are higher than they actually are.

Evidence that substantial numbers of A8 migrants have found low-skilled work with local employers adds credence to the view that local labour demand is adequate for people who meet the required standards.

Characteristics of the current balance of demand and supply

The consensus of opinion seems to be that people who want to work are prepared to do so for at, or near, the minimum wage. However, feedback suggests there is a reluctance of low-skilled jobseekers to travel far for minimum wage employment, particularly in the Valleys.

An unwillingness to travel, compounded by poor transport links, means that unskilled workers in the most inactive areas do not benefit from employment opportunities beyond their immediate locale.

Migrant workers In Wales

A8 countries dominate the nationalities working in Wales, with Polish being the most numerous. However the number of migrants employed as a proportion of firms' total headcount remains very small. Anecdotal evidence suggests that migrants are more willing to travel from their accommodation to find work than domestic workers.

Migrant workers appear to work in the lowest skilled sectors, as production line workers, cleaners, and unskilled care-workers. The attitude of employers towards migrant labourers is very positive and they offer a viable alternative to the existing population, but the arrival of migrant workers in the areas of the study has not as yet had a negative impact on the wages available to unskilled workers.

Training

There is a mismatch between the skills of some people seeking low-skilled jobs and the requirements (soft skills) that employers have for such roles. However, a low proportion of such workers receive training and rapid turnover exacerbates this. Furthermore, for training to have a beneficial affect on output and productivity there needs to be a demand for the skills of trained workers and the opportunity for movement into more demanding and rewarding positions.

4.1 OVERVIEW

Matching demand to the supply of low-skilled labour in Wales can be strengthened by the actions of employers in terms of the nature of their demand, wages on offer and access to transport and training. The issue of migrant workers has also moved to the fore of labour market analysis in recent years. Each of these themes is discussed in turn to fully reflect on the demand for low skilled labour.

4.2 THE BALANCE OF LOCAL LABOUR DEMAND AND SUPPLY

4.2.1 National evidence

While vacancies represent the normal workings of the labour market, hard-to-fill vacancies are indicative of problems. That said, the reported distribution of hard-to-fill vacancies will, in part, reflect the distribution of occupational employment across the economy overall. Other factors that will have an impact are the differential employment growth rate across occupations, the number of job openings due to replacement demand, and the extent to which businesses use the internal rather than external labour markets to fill vacancies.

Across Wales, and for the occupations that we define as low skilled, sales and customer service are largely hard-to-fill in wholesale and retail trade; process, plant and machine operatives in the manufacturing sector; and elementary occupations in hotels and restaurants (table 4.1).

Hard-to-fill vacancies in Wales
(% of total, column = 100%)

	Manufacturing	Wholesale and retail trade	Hotels and restaurants	Real estate, renting and business activities	Health and social work	Whole Economy
Managers and Senior Officials	6	2	2	4	2	3
Professional	4	0	0	23	7	6
Associate Professional and Technical	9	4	1	28	29	15
Administrative and Secretarial	9	6	1	7	7	5
Skilled Trades	40	28	25	12	3	18
Personal Service	0	0	4	6	45	13
Sales and Customer Service	4	45	2	4	0	12
Process, Plant and Machine Operatives	27	9	1	6	1	9
Elementary	2	6	65	9	5	18
Total	**870**	**1,960**	**2,850**	**1,850**	**1,580**	**13,240**

Source: Future Skills Wales 2005

Table 4.1

4.2.2 Employer perceptions of their local labour market

Qualitative consultations with employers in areas of Wales covered by this research suggest that a large majority of employers have no difficulties in recruiting unskilled workers and there are no easily discernable differences by business type. Of those employers who do report problems, recruiting people for anti-social shift patterns appears to be the largest single issue.

Furthermore, a small number of these employers have experience of managing and recruiting staff elsewhere in Wales and England, and who suggest that there is little difference between their experiences currently and experiences in other locations.

That said, recruitment conditions in local labour markets do vary substantially. For example one respondent feels that recent redundancies in the manufacturing sector at Bridgend would make it very easy for the remaining local employers to fill any vacancies they might have. In addition, transport links make a major difference to the size of the area from which a business is able to attract (unskilled) workers.

Employers do not see a lack of suitable candidates as a problem, and potential barriers to offering jobs to candidates such as a lack of skills, poor health, poor attitude, or childcare responsibilities are seldom mentioned. However, our qualitative consultations with job brokers show an unwillingness to put candidates with such issues forward for interview out of concern that this will adversely affect their ability to place candidates with that employer in the future. It is also the case that those with poor health or childcare responsibilities are unlikely to seek work. Therefore, employers' contacts with the inactive and unemployed are limited to those willing to rejoin the labour force; they have little or no contact with the hard to reach jobless and inactive.

4.2.3 Nature of employers' labour demand

The majority of job brokers feel that employers have unrealistic expectations of the quality of labour they could recruit at the wages (normally minimum wage) that they are prepared to offer. This feeling is particularly prevalent for staff that are tasked with moving the inactive and hard-to-employ into work rather than more experienced and more highly motivated clients.

However, there is an element of negotiation between employers and candidates or their intermediaries, for some employers it is rational to start by demanding the best quality worker for the lowest possible wage, and only reduce their requirements or raise the wage level if they cannot fill the vacancy. In this way a perception that employer standards are higher than they actually are may be created.

There is a difference between employers having expectations that are beyond the majority of candidates, and expectations that are high per se. Conditions for recruitment of low-skilled workers centre on reliability, punctuality, and having a good work ethic, and these are skills that employers take for granted. However, it is also the case that some of the inactive and long-term unemployed lack these soft skills.

Some job brokers feel that there is sufficient demand for the labour of those who are prepared to work. The evidence that substantial numbers of A8 migrants have found low-skilled work with local employers adds credence to the view that local labour demand is adequate for people who meet required standards.

4.3 CHARACTERISTICS OF THE CURRENT BALANCE OF DEMAND AND SUPPLY

4.3.1 The impact of low wage levels

Low wages may deter some people of working age from entering the labour market. The effect is increased by the withdrawal of state benefits as wage income increases. Low wages may also affect the demand for labour by making certain positions, such as those with anti-social shift patterns, hard-to-fill and contribute towards job turnover.

None of the employers contacted believe that low wages are a factor impinging on their ability to recruit low-skilled members of staff. However, it is probable that self-selection is taking place among candidates: those unwilling to work at the wage levels advertised would not contact an employer.

A richer source of data comes from job brokers. The consensus of opinion seems to be that people who want to work are prepared to do so for at, or near, the minimum wage, with the important exception of older people with familial responsibilities.[31]

However, the benefits trap is still very much in operation for some inactive people:

> **"Money alone is not enough to get our clients to work… (we) sell the idea of employment, the advantages of a marginal increase in income……..with no requirement to come and visit us every two weeks……. the social aspect of a new job and new friends."**

This comment is also revealing in that it illustrates that work has a role in people's lives beyond the exchange of labour for money.

It is probably true that higher wages would encourage more of the inactive to seek work. However, it is also true that the long-term benefit-dependent are, at least initially, the least productive workers, and for this reason they are the workers employers can least afford to pay more.

4.3.2 Worker transport issues

Transport issues are mostly a supply-side problem, and are not the focus of this research. However, without prompting in our consultations, employers almost universally mentioned transport as a key factor in local labour demand and thus we consider this as part of our analysis. Some comments indicative of the difficulties also found by job brokers are reproduced overleaf.

Willingness to travel

A key finding from qualitative consultations is that potential candidates for low-paid, low-skilled jobs are not prepared to travel far in order to work. For example, respondents in the Valleys feel that this reluctance to commute formed part of a broader complex of work related attitudes. Respondents in areas outside the South Wales Valleys also remark upon the reluctance of low-skilled jobseekers to travel far for minimum wage employment.

[31] This insight is developed partly through experience of the New Deal programmes, which put staff in contact with those who have not hitherto been actively seeking work.

"People expect work on their doorstep."

"People do not expect to have to travel more than 30 minutes to work, at the outside."

"(In the absence of public transport) a two to three mile walk to work is not acceptable to our clients."

It is worth noting that some workers will have justifiable reasons for not wishing to travel far to work. These include caring responsibilities, the cost of travel by public transport as a proportion of take-home pay (which can be substantial for lower-skilled workers), and the opportunity cost of spending substantial amounts of time travelling. However, the general perception of respondents in our qualitative research in the Valleys is that a reluctance to travel is a serious barrier to finding work above and beyond the considerations listed above.

This unwillingness to travel has a significant impact on the effective demand for labour in an area by excluding labour demand from employers beyond the distance low-skilled workers are prepared to travel. The geography and relatively under-developed transport links of the Valleys exacerbates the situation.

Travel times by car

To assess the impact of limited transport we use travel time maps[32] that assume car ownership. Evidence related to the prevalence of private car use among the inactive is presented later in the report. As the figures 4.1 to 4.5 demonstrate, a 30 minute driving time radius from the centre of Ebbw Vale or the centre of Merthyr Tydfil in peak traffic conditions excludes significant numbers of nearby employers.

As figure 4.1 also shows, the centre of Merthyr Tydfil, despite being on one of the South Wales Valleys major transport arteries, is not within 30 minutes peak driving time of substantial numbers of businesses in Bargoed or parts of Pontypridd, let alone the massive concentration of economic activity in Cardiff.[33]

[32] Travel time maps are generated using Experian software that makes assumptions of average travel speeds based on time of day and type of road used.

[33] 2001 Census data, the latest source of data on migration issues, indicates that just 589 workers commuted from Blaenau Gwent to Cardiff; from Merthyr Tydfil 1,829 did so. The likelihood is that most workers prepared to commute this far are in higher skilled and higher paid occupations.

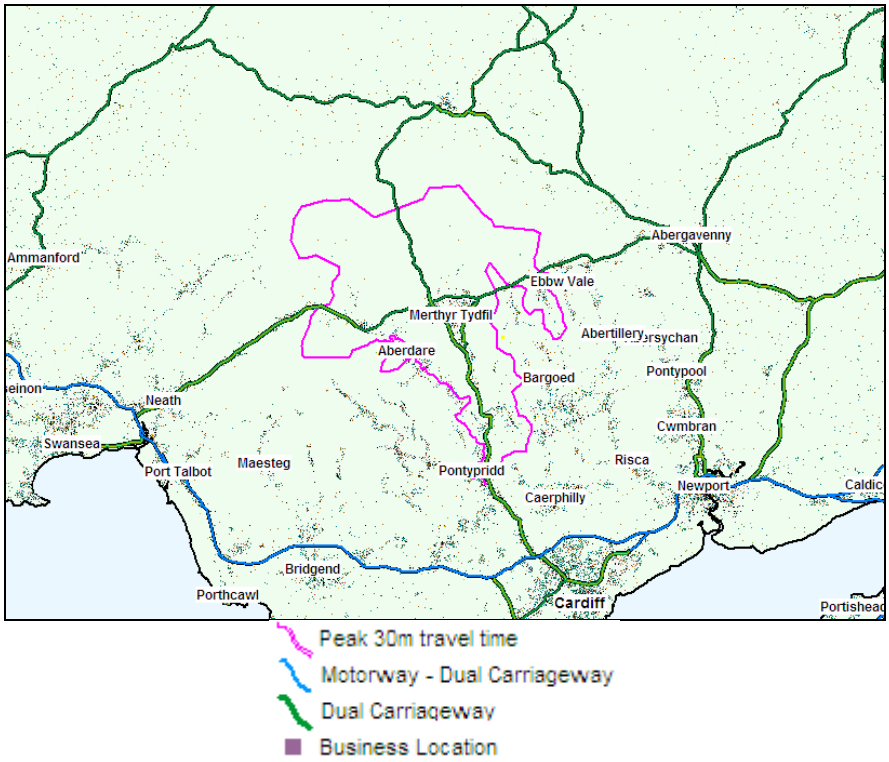


Figure 4.1: 30 minute peak hour drive-time radius from Merthyr Civic Centre

Figure 4.2 suggests that the situation in neighbouring Blaenau Gwent is similar, with the centre of Ebbw Vale isolated from the major centres of employment closer to Cardiff and the coast.

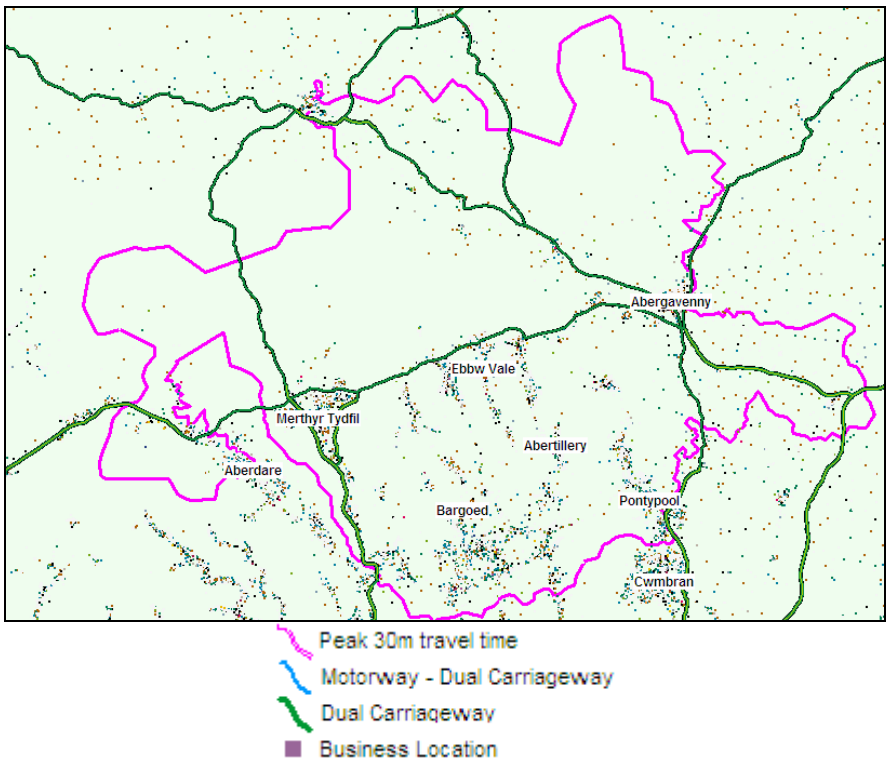


Figure 4.2: 30 minute peak hour drive time radius from Ebbw Vale Jobcentre

However, the smaller villages in the Valleys suffer from even more acute economic isolation. Figures 4.3 and 4.4 show the limited employment opportunities available to a jobseeker prepared to drive for 30 minutes from the centre of Abertillery. This travel time map also illustrates the fact that transport links from North to South in the region are vastly superior to East-West links. The consequence of this is that employers as nearby as New Tredegar and Pontypool would not be considered practical employment propositions for many unskilled workers in Abertillery.

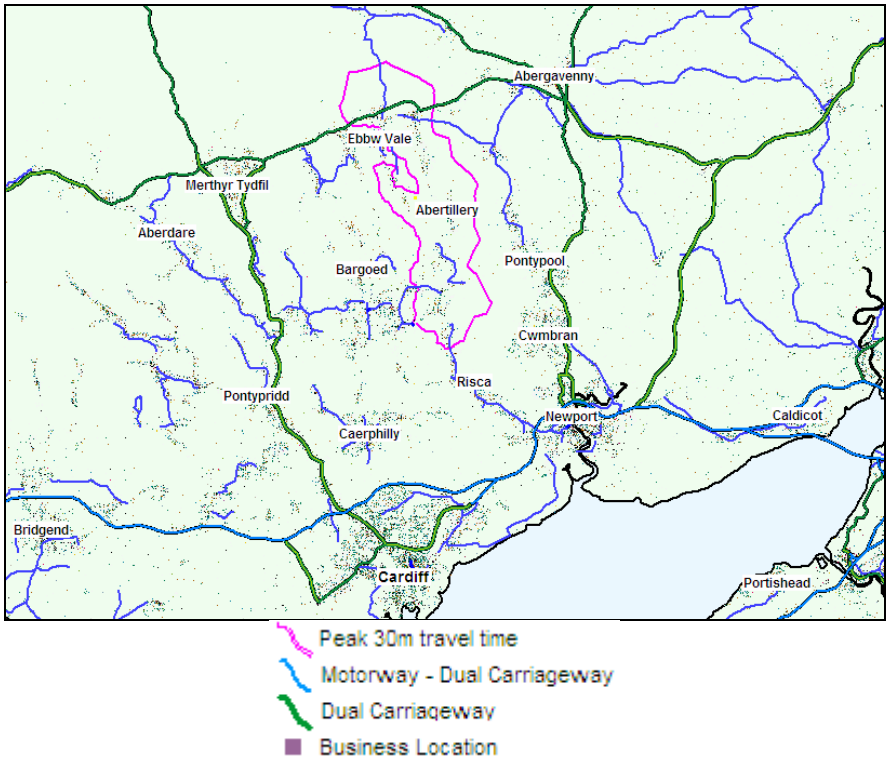


Figure 4.3: 30 minute peak time drive time area from Abertillery Jobcentre

Figures 4.1, 4.2, and 4.3 are in contrast to the vastly superior transport links of Cardiff, Newport, Swansea and Bridgend shown in Figures 4.4 to 4.7. The greater distances that can be travelled by road from these four locations are largely due to the presence of the M4 motorway.

These four locations also benefit from a relatively dense network of rail links, giving commuters without cars more options. The fact that good transport links coexist with hotspots of inactivity in cities like Cardiff shows that while poor transport has a role to play in rates of inactivity it is neither a necessary nor a sufficient condition for high levels of inactivity.

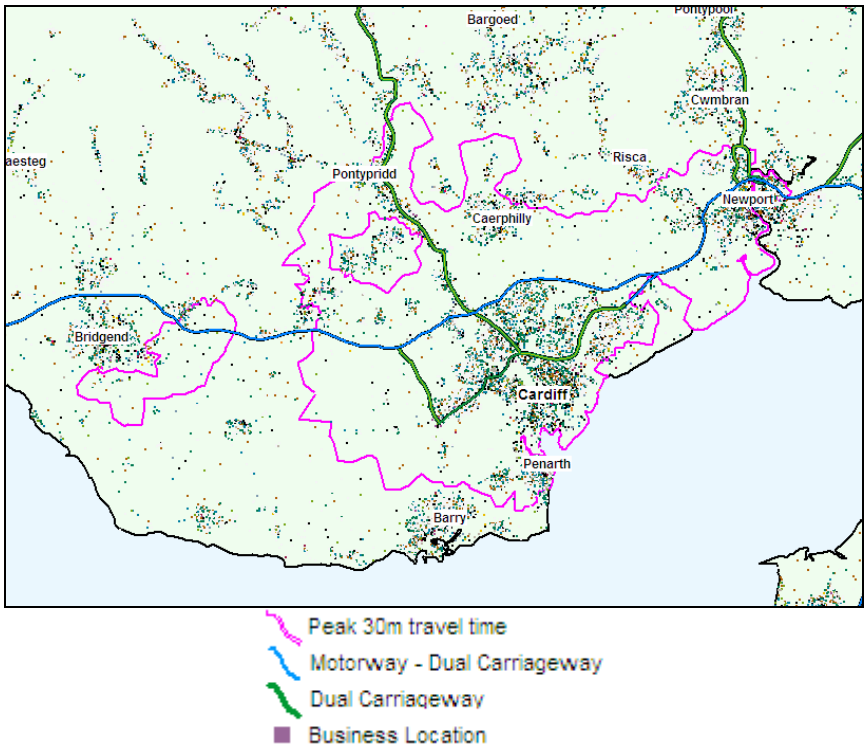


Figure 4.4: 30 min peak time area from central Cardiff[34]

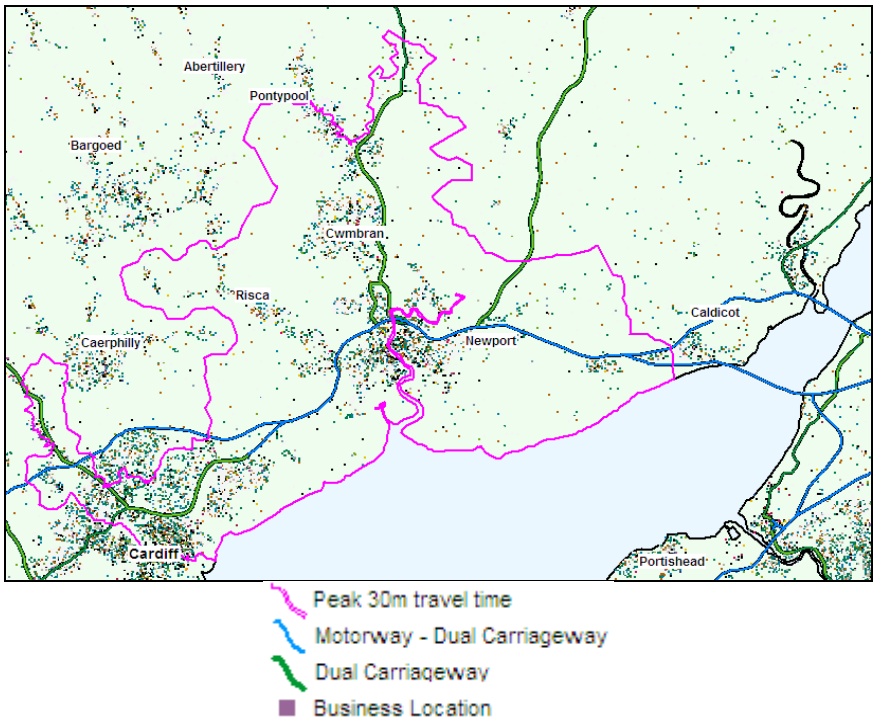


Figure 4.5: 30 min peak time area from central Newport

[34] Two separate travel zones appear on this map: this reflects the fact that the area around the motorway can only be accessed from motorway junctions which are spaced several miles apart. An area between two motorway junctions can take longer to reach than the junction that is furthest from your starting point. This is because access requires you to reach the furthermost junction and then turn back in the direction from which you have come, using minor roads.

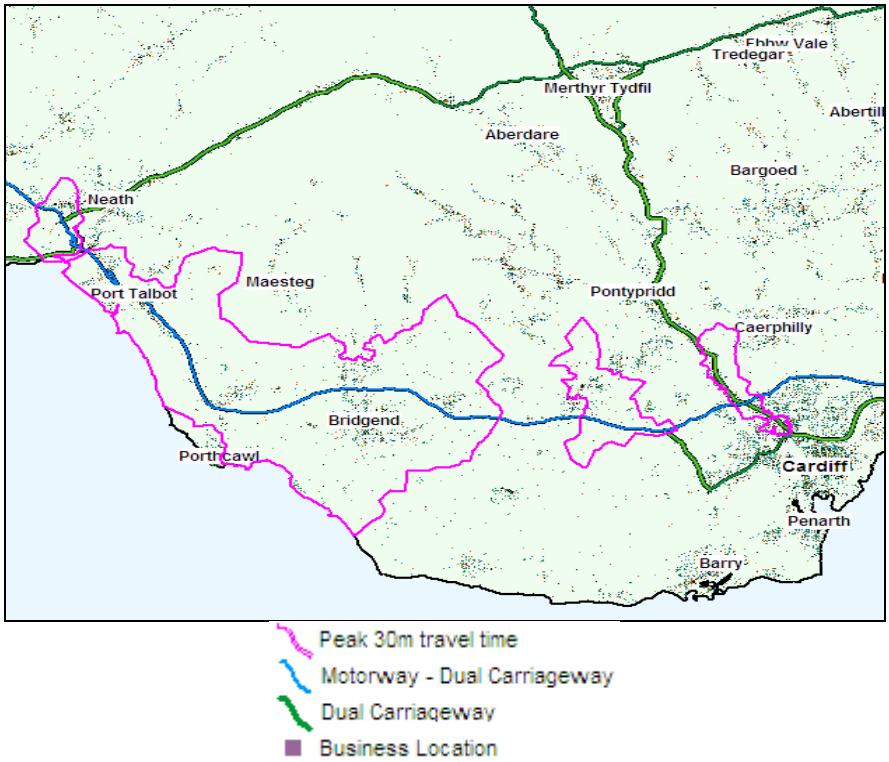


Figure 4.6: 30 min peak time area from central Bridgend[35]

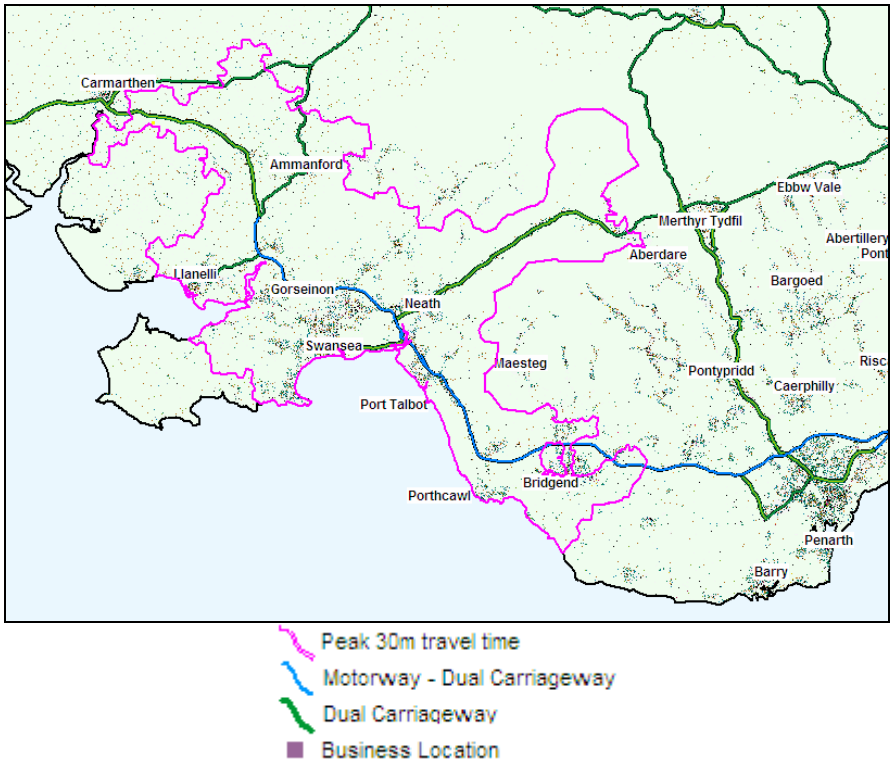


Figure 4.7: 30 min peak time area from central Swansea

[35] The non-contiguous appearance of the travel zones is a consequence of the configuration of motorway access junctions. See footnote 34 for more details.

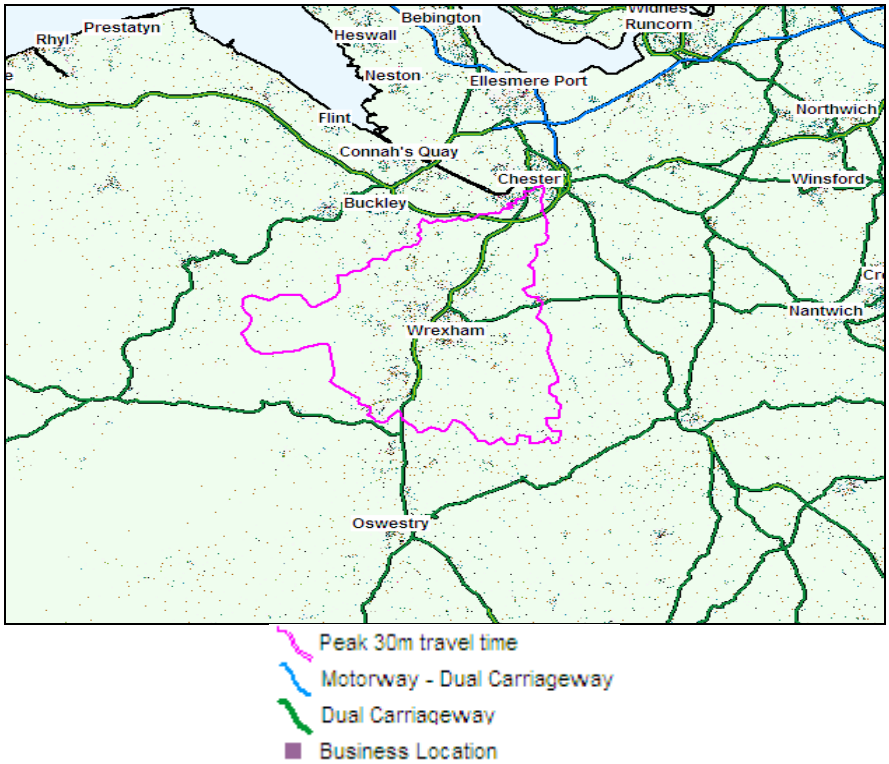


Figure 4.8: 30 min peak time area from central Wrexham

Lack of private transport

Lack of private transport is a major issue for low skilled workers, particularly in the Welsh Valleys. The drive time maps represent a best-case scenario, but the actual ability and willingness of low-skilled and unskilled workers is, on average, lower than these maps indicate.

> **"There are transport issues – lots of people don't drive, public transport is not good, buses stop too early, even taxis are hard to come by at night."**
> Hospitality employer, Merthyr

> **"The vast majority of our clients can't drive; many have been disqualified for driving without a license"**
> Job broker

> **"(one of our clients) in Barry recently achieved an NVQ level 3 in woodwork but simply can't find work without a car"**
> Job broker, Cardiff area

Census data shows that typically around a third of the inactive (excluding students and the retired) live in households with neither a car nor a van. The number of people who are active in the labour market without access to private transport is much lower.

Car ownership
- % population living in households with no car or van

	Inactive (excluding students and the retired)	Active
Cardiff	38	13
Newport	37	12
Blaenau Gwent	36	13
Merthyr Tydfil	36	13
Swansea	33	10
Wrexham	30	9
Bridgend	29	9
Easington	37	15
Calderdale	37	14
High Peak	26	7

Source: Census 2001

Table 4.2

For people without cars walking or public transport are the only alternatives. However, public transport is an inadequate substitute for private car-ownership: this is a consistent theme throughout the qualitative consultations, both with employers and recruitment agencies.

> **"At this retail park we are not a bus route and this means that some applicants turn down job offers."**
> Retailer, Cardiff

> **"Public transport is a major issue. Poor bus service. Individuals often have to have own transport. Industrial parks in particular can be difficult to reach."**
> Job broker, Swansea

Rail routes are very limited as, for example, Ebbw Vale has no rail link to Cardiff.[36] Buses are the only public transport service for most people in the region, and they do not provide comprehensive coverage. A respondent from Ebbw Vale notes that:

> **"The Rassau Industrial Estate – one of the biggest estates in Europe and a major employer in the local area, is not covered by a bus route"**
> Job broker, Ebbw Vale

[36] At the time of writing a commitment has been made to construct this link, although timescales are not confirmed.

For those who can access public transport the distance that can be covered by bus within a thirty minute travel time is considerably less than that covered by car. For example a bus journey from Ebbw Vale to Pontypool in rush hour is timetabled to take thirty five minutes,[37] not inclusive of any travel to and from the bus route, yet Pontypool is within a 30 minute car journey of Ebbw Vale.

The inadequacies of public transport are particularly evident in the early morning and late evening. For example, the direct Pontypool to Ebbw Vale bus route does not function in the early morning, if it is necessary to start shift work in Pontypool at 8am the total journey time would be in excess of ninety minutes.[38] Meanwhile, should late night shift work, such as that in the leisure or hospitality industry in Ebbw Vale, require a worker to begin his return journey to Pontypool after 11pm then he/she would have no public transport options until 6.15am the following morning.[39]

It is clear that a lack of willingness to travel, compounded by poor transport links, means that unskilled workers and potential unskilled workers in the most inactive areas do not benefit from employment opportunities beyond their immediate locale.

Responses to transport issues

Generally speaking employers will not adjust their shift patterns to accommodate the limitations of public transport. They have no incentive to do so, as there is no shortage of unskilled workers to fill their vacancies (section 4.2). A further problem is that with shifts starting at many different times on a single industrial estate, early morning bus services can be uneconomical: this has proven to be the case on Bridgend Industrial Estate.

The Want2Work programme has an advisor's discretionary fund (ADF) whereby grants of up to £100 can be made for activities that might help a client find work, such as paying for driving lessons. Working Links in Merthyr Tydfil has also made efforts to address the transport issue by helping its clients to pay for driving lessons, and on one occasion helping a client to purchase a moped.

There are some instances of larger employers providing subsidised transport for their workforce. One major electrical manufacturer in Bridgend arranges and heavily subsidises buses that collect workers as far as 40 miles away from the plant. There is also an example of an employment agency arranging transport for its candidates to local factories, with the cost deducted from their wages. Some employers encourage car-share schemes though we also encountered an employer who discourages this on the grounds that if the driver is absent the company lost two to five workers for the day, rather than just one.

[37] Estimates of bus journey times come from Traveline Cymru. Available online at: http://www.traveline-cymru.org.uk, last updated in 2006.
[38] Ibid.
[39] Ibid.

4.4 MIGRANT WORKERS IN WALES

4.4.1 The supply of migrant workers

Of the employers contacted during the qualitative consultation, just under half have some experience of hiring foreign-born workers. However, in each case the number of migrants employed as a proportion of the firm's total headcount is very small. A wide range of countries of origin are mentioned, including:

- Poland
- Portugal
- Slovakia
- Lithuania
- Czech Republic
- Hungary
- India
- Refugee groups (e.g. Kurds)

As the list shows, A8 countries dominate the nationalities working in the areas covered by our consultations. Of these nationalities Poles are clearly the most numerous, though it is clear that Portuguese workers also comprise a significant amount of the migrant total.

Anecdotal evidence suggests that migrants from the A8 are more willing to travel from their accommodation to find work than domestic workers. One respondent mentioned that groups of Polish workers would club together to hire and drive their own minibus in order to work. In other cases where a recruitment agency sourced the workers from their home country they may also provide transport or nearby accommodation. Migrant workers are normally without caring responsibilities, are not yet eligible for state benefits (apart from Work Tax Credit, and Child Tax Credit), and find the minimum wage highly remunerative by the standards of their home countries; all these factors make them very likely to accept longer travel times than local people.

Application methods

Our consultations with employers and job brokers showed that migrants typically use the same channels to find work as British born workers. Only one employer uses a specialist recruitment agency to bring in workers from A8 countries. The other employers interviewed typically acquired their migrant workers through direct applications, local recruitment agencies, or word-of-mouth among the migrant workers themselves.

It would seem that local recruitment agencies have a significant role in placing migrant workers in work. One agency, based in a small Welsh town, accepted 200 migrant workers onto its books in the period between the start of 2005 and summer 2006. Another reports being visited by 15 migrant workers seeking to register every day. There is anecdotal evidence that private sector agencies have responded to the new opportunities offered by A8 migrants by hiring recruitment consultants with the relevant language expertise.

It is harder to gauge use of Jobcentre Plus facilities by migrant workers due to the way they serve different groups of jobseekers. No A8 migrants are yet eligible for UK state benefits and therefore they have very little in-depth contact with Jobcentre Plus advisors. However, they do use the self-service job searching facilities available at Jobcentres and use the information to apply directly to employers.

Occupations

The businesses that appear most likely to use migrant labour are manufacturers and hotels. Migrant workers appear to work in the lowest skilled sectors as production line workers, cleaners, and unskilled care-workers. These positions are almost always temporary, at or close to the minimum wage, and offer few opportunities for training or promotion. However, these characteristics are a feature of employment in these positions for all workers, not just migrants.

There is no evidence of migrant workers from the A8 being used to fill local skill shortages in occupations where a higher level of qualification is necessary. The only substantial community of higher skilled workers mentioned in our qualitative research are Phillipino healthcare professionals working for NHS hospital trusts. However, this is a phenomenon that predates A8 immigration.[40]

4.4.2 Employer attitudes toward migrant labour

The attitude of employers towards migrant labourers is very positive. A8 nationals are universally praised for their hard work and enthusiasm and this contrasts unfavourably with the attitude of UK nationals towards similar jobs. Consultations reveal no evidence of negative perception of migrant workers, and the attitude of everyone consulted appears to be that the migrants are filling jobs that locals do not want, rather than out-competing locals in the labour market. Typical comments include:

> **"Employers actually specifically request migrant workers…(because they find them) to be more reliable, willing to work longer hours and happier with just accepting the minimum wage"**
> Job broker

> **"(I have asked) current employees (who are migrant workers) to recommend friends and family when available."**

Qualitative research does not find any evidence that language barriers are a major problem for using migrant workers. One large employer has signs in foreign languages as well as English in its buildings, another says:

> **"(Our) migrant workers do have language problems but this does not impact their ability to do the job."**

[40] Recent expansion in the number of UK-born nursing graduates suggests that the NHS will recruit smaller numbers of nursing professionals from abroad in the foreseeable future.

4.4.3 The impact of migrant workers on wages in Wales

At a national level, research indicates that there is no evidence that increased A8 migration has had a negative impact on wage growth, compared with the period before 2004.[41] We encountered no anecdotal evidence to suggest that migrant workers are having a negative impact on wages. Furthermore, the minimum wage prevents wage competition in the lowest-paid jobs. Our conclusion is that the arrival of migrant workers in the areas of the study has not as yet had a negative impact on the wages available to unskilled workers, although they offer a viable alternative to the existing population.

> **"UK based workers are reluctant to work for min wage – benefits trap make it not worth while. Foreign workers will."**
> Job broker, Swansea

4.5 TRAINING

There is a mismatch between the skills of some people seeking low-skilled jobs and the requirements that employers have for such roles. Jobs that do not require any formal qualifications still require what are termed soft skills and the Jobs Broker Database shows that the following are frequently required:

- motivation/self-motivation
- communication skills
- being a team player
- confidence
- customer service skills
- good presentation
- professional attitude (e.g. punctuality, meticulousness)
- organisational skills

It is clear that some unemployed and inactive people lack these skills, yet many employers view them as more important that job-specific skills, which they feel can be taught to a person with the right attitudes and motivation.

4.5.1 What training do employers offer to low-skilled workers?

Overall, around one-third of the workforce in Wales received education or training in the three months preceding the survey. Notably, this proportion is greater in areas identified as higher skilled according to their occupational profile (section 1.4.1) – Cardiff, Swansea and Newport – while areas of lower skilled employment such as Blaenau Gwent and Merthyr Tydfil are less likely to receive training through work.

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[41] Source: Department of Work and Pensions, (2006), *The impact of free movement of workers from Central and Eastern Europe on the UK labour market.* Available online at: http://www.dwp.gov.uk/asd/asd5/wp29.pdf. NB: Any estimation of the impact of migrants on wages involves the positing of an unknowable counterfactual (i.e. what would have happened if the migrants never arrived). However, nominal wage growth does not appear to have a correlation with increased A8 immigration.

The picture of training for the low skilled is consistent with national level evidence in section 2.1, in that a lower proportion of workers employed in these occupations receive training, compared to the workforce average. The discrepancies between local areas also still exist for low skilled workers.

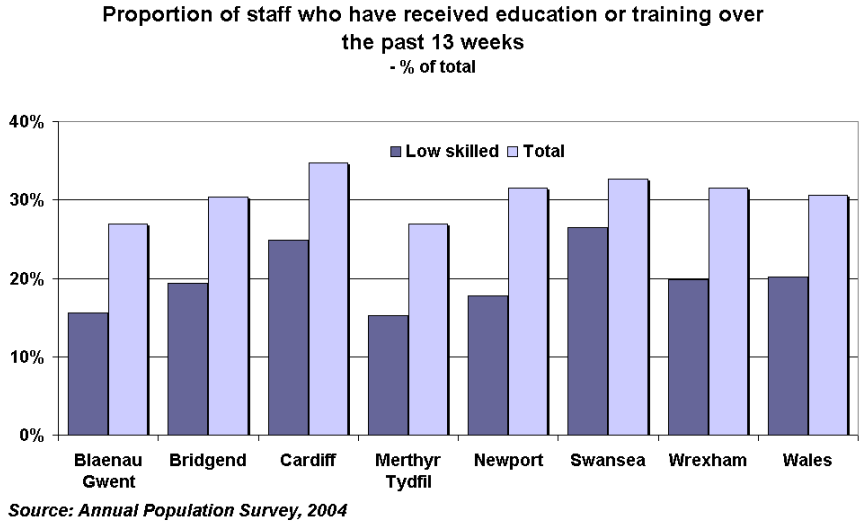

Figure 4.9

As a general rule NVQ related training is provided under contract to an employer, normally by a privately owned training provider, while employers provide all other types of training internally.

Training by sector

Qualitative consultations suggest that the quality and quantity of training employers offer to their workers varies considerably by sector. Hotels appear to be the employers most likely to offer training options that could allow staff to move into higher-paid and more responsible roles. In some cases training up to NVQ level 3 is available in areas such as customer service. Some retailers in the qualitative consultations also offer routes towards promotion through training. A local private training provider, rather than further education institution, typically provides NVQs.

Some call-centres are remarked upon for offering exceptionally thorough induction courses, some as long as four weeks. This reflects the fact that customer service call-centres can be the most prominent customer-facing units of large and well resourced companies such as mobile telephone operators. In contrast, manufacturing employers offer very little training. Employers normally offer health and safety training, and basic induction courses (where relevant this might include basic food hygiene). In a minority of cases recruitment agencies might undertake to give workers basic training before supplying them to customers.

In the Jobs Broker Database of vacancies, that contains a high proportion of administrative and sales jobs, less than one in ten advertisements mention the prospect of career advancement or upskilling for the successful candidate.

Modern apprenticeships

Employers seldom offer modern apprenticeships. When they do, competition is intense and they are filled by better qualified candidates. In other words, the modern apprenticeship system helps people with a degree of motivation, confidence and formal education not possessed by those with the very lowest employment prospects. Apprenticeships are not a viable option for the lowest skilled workers who are the focus of this report.

Training in temporary jobs

A key issue is the relationship between temporary work and training. The lowest paid workers are typically hired on a temporary basis; this allows employers to rapidly adjust output to demand, but also results in a higher level of labour turnover. Rapid labour turnover makes employers unwilling to engage in training beyond what is required by law.

4.5.2 Limitations of training

Training has a role to play in improving the productivity of the low-skilled workforce. However, it is not a panacea for the problems of areas of inactivity. For training to have a beneficial effect on output and productivity there needs to be a demand for the skills of trained workers and the opportunity for movement into more demanding and rewarding positions. Whether this demand exists, especially in inactive and isolated communities is a moot point, and beyond the scope of this report.

The second major limitation of training is the attitude and aptitude of the lowest skilled members of the workforce at acquiring qualifications. Low skilled workers are likely to have achieved poorly at school, and evidence suggests this will discourage them from further study. In some cases a failure to achieve functional literacy before leaving school can offer significant barriers to participating in training and assessment processes.

Some recruitment consultants believe that offering training when seeking to fill a role encourages applicants. However, there is no consensus of opinion that this is the case. Indeed, some employers, particularly in the restaurant and hotel trade, feel that the staff are not interested in gaining further qualifications.

> **"…the reception (to employers training provision) hasn't been great, no staff members want to study for NVQs – they prefer to do their job and go home."**
> Employer

> **"We used the local college to provide NVQs in Customer Service at level 2 for customer facing staff, and offered the opportunity to cleaners (in relevant subjects) but we had little staff interest."**
> Employer

It is also possible to question whether the soft skills required by employers can be taught in a training course, or whether they come through accumulated experience of life and work. However, the pre-employment course offered by the Prince Charles Hospital in Merthyr Tydfil suggests that well-designed courses and support networks can have a role to play.

5 Conclusion and policy implications

5.1 CONCLUSION

Wages for unskilled work are low and work is frequently repetitive with very limited opportunities for upskilling and advancement. Yet evidence from employers clearly indicates that they have no problems filling unskilled, low wage vacancies, with many reporting an excess of candidates for such roles. At the same time, the impression given by our qualitative consultations is that people who are prepared to work hard do not have serious difficulty finding a job. This view is supported by the presence of A8 migrants in the area.

Our conclusion is that the labour market is functioning well, insofar as there are low skill jobs available in reasonable numbers in all the local areas, and those who seek work of this type are generally able to find it. Of course, low skilled positions are not well paid, and do not necessarily offer the level of security important to those moving from inactivity to employment. This is primarily driven by factors beyond the local labour market, such as globalisation and technological change, and the demand for a flexible workforce offering the greatest levels of value added (difference between wages and the value of output produced).

Barriers to employment are low on the demand side, though they do serve to exclude some members of the community. However, these general truths are often belied at the local level by the fragmentation of the local labour market, caused by a combination of geography, poor transport links in some areas and an unwillingness of workers to travel.

To summarise, the key findings of the study are:

- **Demand for low skilled labour is adequate:** Evidence suggests that the demand by local firms for labour is sufficient for candidates with no qualifications, but individuals must possess an adequate work ethic to find a position. This remains the case even after the A8 accession.
- **Unskilled labour is not only required in declining sectors:** Unemployment and inactivity may be partly a legacy of previous economic disruption and the closure of heavy industry. However, while industrial lay offs continue to this day there is sufficient economic activity to create new unskilled jobs. However, support is needed for workers to make the transition from manufacturing to service sector opportunities that are fundamentally very different whilst still being low skilled (for example, the emphasis on softer skills like communication and personal presentation as well as the prevalence of part-time roles).
- **Application processes do not prevent the unskilled from finding jobs:** Job brokers undertake much of the application process for potential workers. Barriers to applying for a job, even for people with severe literacy problems, are low.
- **Employers have very low requirements for unskilled workers:** Employers require soft skills; a requirement for any kind of formal qualification is very rare. Some of the long-term unemployed lack these skills but the most important requirement is a willingness to work hard. Unskilled labour is a broad term that includes both productive hard-working individuals and individuals with severe problems adjusting to a work environment.
- **Transport problems can be significant to some, especially in the Valleys:** Supply-side issues, such as the lack of access to private transport, severely limit the number of

workers employers have access to. The problem is made considerably worse by a lack of willingness to travel among low-skilled workers.

- **The quality of low skilled jobs is very low:** The jobs available to those with low skills are overwhelmingly low paid, insecure, and offer very little opportunity of progression within the company to better-paid, more secure work (although some opportunity does exist).
- **Little spatial variations in the demand for unskilled labour:** There is demand for unskilled labour evident in all local authorities, but the growth of the local economy (and differing economic activity rates) is partly dependent on the ability to move towards service-orientated low skilled roles.

5.2 POLICY IMPLICATIONS

- **Existing government activity to help people into employment is extensive and well planned:** Substantial, and effective, government activity to help people find work is ongoing. The Jobcentre Plus network is focussed on finding employment for those who have previously found it hard to access the labour market. A substantial amount of support is available to jobseekers and pro-active approaches to find potential employers are made. The Working Links organisation offers even more intensive support.
- **Linking supply and demand:** By linking trainer and employer through training courses and guaranteed job interviews there is a lower probability of the candidate completing the course but failing to find a job afterwards. There may be a role for similar programmes with other employers, although the model is less likely to appeal to private sector employers who would be unwilling to expend resources on such a programme when they are not facing shortages of unskilled labour.
- **A culture of benefit dependency and worklessness:** If there is a culture of benefit dependency and worklessness, as there appears to be in some areas studied, demand for unskilled labour is simply not a determinant of unemployment for some parts of the working age population. Only measures that make people want to work more will be effective, delivered at an early age through the school and careers system.
- **Migration supplements rather than supplants:** Our qualitative research in Wales suggests that local people have not suffered from the arrival of A8 workers, but that the positive experience of working with migrant workers may encourage employers in the future to focus on this source of labour.
- **More research is required at a local level:** While this research focused on local areas in Wales to understand the demand for unskilled labour, the primary consultation was relatively constrained in terms of scale. Further on the ground evidence should be gathered before policy decisions are implemented.

Appendix A

Employer Questionnaire

INTERVIEWEE DETAILS:

Name:

Job Title:

Organisation:

Industry sector:

Location:

WORKFORCE CHARACTERISTICS:

1. Do you offer employment opportunities for individuals with no qualifications?

2. Which types of role/occupations could these individuals fill?

3. Approximately what proportion of your total workforce is employed within these occupations?

RECRUITMENT PATTERNS AND EMPLOYER PERCEPTIONS

4. Have you recruited for these less skilled positions in the past 12 months? On how many occasions?

5. What methods have you used to advertise or recruit for these posts?

   - JCP?
   - Recruitment agencies?
   - Newspapers?
   - Shop windows?
   - Website?
   - Informal channels- e.g. word-of-mouth?

6. What means do you ask applicants use to apply for these positions?

   - CV?
   - Application form?
   - Open recruitment event?
   - Telephone contact?

What happens next? Interview / written exam / other? Are basic skills tested either directly or indirectly?

7. What attributes do you look for in candidates looking to fill these roles?

- Past Experience?
- Qualifications?
- Confidence?
- Enthusiasm?
- Welsh language skills?
- Communication skills?
- Customer handling?
- Team working?
- Other 'soft skills'?

8. Do you actively target any particular individuals for these roles?

9. Do you have any concerns associated with recruiting those who have been outside of the workforce for a period of time (e.g. through unemployment, health problems, family/childcare responsibilities)?

10. Do these concerns deter you from recruiting such individuals?

RECRUITMENT DIFFICULTIES

11. Did you find any of the vacancies you had for less skilled positions hard to fill?

- Yes- what proportion were hard to fill.
- No- were they oversubscribed, and by how much?

12. Has the problem of hard to fill vacancies has got better or worse over time?

13. Does rapid turnover of staff prove problematic? Has this got better or worse?

14. What measures, if any, have you used to address the problem?

15. To what reasons do you attribute recruitment difficulties? *[Do not prompt]*

- Lack of basic skills? Lack of other skills or experience? Lack of confidence?
- Attitude of candidates?
- Lack of appropriate equipment/clothing?
- Poor health or disability?
- Lack of applicants generally
- Too much competition from other employers?
- Poor terms and conditions?
- Poor career progression/lack of prospects?
- Poor public transport?
- Lack of childcare locally?

16. (If appropriate) do you have experience recruiting for similar positions elsewhere in the UK?

- Yes- have you found similar problems in other locations? If so, where? Are they more / less severe here than elsewhere?

.

- No- do you consider these problems to be unique to the local area or would you ` expect to face similar problems if recruiting for these roles elsewhere?

17. What measures have you put in place to overcome these recruitment problems?

18. Which measures have you found to be most successful?

MIGRANT WORKERS

19. Have you recruited migrant workers to fill these positions in the past?

20. Approximately, how many migrant workers are employed in less skilled positions within your organisation?

21. From which countries are these migrant workers originally from?

22. How do have you recruited them?

- Actively seek or just receive applications from migrant workers?
- Using specialist agencies?

23. Is there any particular reason why you recruit migrant workers?

- Unable to recruit from local labour market
- Better skilled, more reliable, lower wages, etc

WORK ISSUES

24. Do any of your existing workforce, employed in less skilled occupations, experience problems that impact their ability to fulfil their role?

25. What types of problems?

- Lack of basic skills?
- Language difficulties?
- Health problems?
- Difficulty adjusting to working life?
- Childcare arrangements?
- Transport issues?
- Other…

26. What measures have you put in place to overcome these problems?
- Subsidised childcare, transport?
- Training provision?
- Mentoring?
- Flexible working?
- Job Share?
- Paid time off for illness?
- Unpaid leave/career break?
- Other….

27. Which measures have you found to be most successful?

28. Do you use outside agencies to support your workers address these issues?

- Local colleges?
- Learndirect?
- Local childcare or transport providers?

THANKS AND CLOSE

29. Would you be willing to have your organisation's name passed onto the National Assembly for Wales as having participated in this research?

- Yes
- No

30. Would you be willing to have your company name passed onto the National Assembly for Wales in connection with your comments?

- Yes
- No

Appendix B

Questionnaire for recruitment agencies and jobcentres

INTERVIEWEE DETAILS:

Name:

Job Title:

Organisation:

Location:

DEMAND FOR UNSKILLED WORKERS:

1. Approximately how many vacancies do you have per month that are suitable for individuals with few (below level 2) or no qualifications? What proportion of all vacancies do these positions comprise?

2. Where relevant- would all positions for unskilled workers be added to your database of jobs or be presented on your website?

2. Which type of roles/occupations are these for?

3. Which sectors are these vacancies typically within (e.g. retail, hospitality, manufacturing)?

3. How has the sectoral profile of vacancies changed in recent years and how do you anticipate it will change in the future?

   - Increasing service sector jobs?
   - Upskilling of manufacturing jobs as labour intensive processes are moved overseas?

4. How is the changing business base impacting the availability of jobs for those with no formal qualifications?

4. Are there any areas within the locality where these vacancies are concentrated?

EMPLOYMENT ARRANGEMENTS

5. How do employers typically ask candidates to apply?

   - CV?
   - Application form?
   - Open recruitment event?
   - Telephone contact?

6. What attributes do employers look for in candidates looking to fill these roles?

- Past Experience?
- Qualifications?
- Confidence?
- Enthusiasm?
- Welsh language skills?
- Communication skills?
- Customer handling?
- Team working?

7. What wage rates (per hour, week or annum) are typically attached to such roles?

8. What working arrangements are usually attached to these roles (e.g. flexible working, shift work, overtime payments etc)?

9. Do these roles typically offer an opportunity for future career progression and advancement?

TRAINING PROVISION AND ADDITIONAL EMPLOYEE SUPPORT

10. From you experience do employers often provide training as a means of developing those they recruit for these types of positions?

11. If yes, what type of training?

- Induction training?
- Health and safety?
- IT training?
- Job specific?

12. Do employers typically offer the opportunity to obtain accredited qualifications (e.g. Modern Apprenticeships or NVQs)?

13. Do employers make use of external training providers (e.g. FE colleges or Learndirect) to deliver this training? Which providers in particular?

14. Do employers typically offer any assistance to these types of workers in the form of childcare or transport provision?

15. Do they offer opportunities that lone parents or disabled individuals would be able to access?

DEMAND/SUPPLY MISMATCH AND EMPLOYER PERCEPTIONS

15. How does the demand for unskilled labour compare to the supply of these workers? Are positions requiring few or no skills difficult to fill or would you consider there to be more people looking for these roles than positions available?

16. If relevant, what do you think causes this mismatch?

Demand side factors

- Unrealistic expectations/ employer perceptions?
- Poor terms and conditions?
- Poor career progression/lack of prospects?
- Inflexibility in working practices?

Supply side factors

- Unrealistic wage expectations among jobseekers?
- Lack of affordable public transport?
- Lack of affordable childcare locally?
- Lack of skills, experience or qualifications?

17. Do you find employers are reluctant to recruit individuals who have been outside of the workforce for a period of time (through unemployment, health problems, looking after family etc.) for low skilled positions?

18. Do you find employers often use migrant workers to address any shortages in suitable low skilled local labour?

19. From which countries are these migrant workers originally from?

THANKS AND CLOSE

20. Would you be willing to have your organisation's name passed onto the National Assembly for Wales as having participated in this research?

- Yes
- No

21. Would you be willing to have your company name passed onto the National Assembly for Wales in connection with your comments?

- Yes
- No

Appendix C

Database details

Details recorded in the JCP database:

1. Job title
2. Job category (e.g. sales/catering)
3. Wage or salary
4. The amount of experience required
5. Whether the job was permanent or temporary
6. Method of application required
7. Whether job was permanent or temporary
8. Hours of work

Websites searched

The following websites were searched as they included vacancies placed by a wide range of recruitment agencies:

1. Blue Arrow
2. Fish4jobs
3. Hotrecruit
4. Jobsearch
5. JobsWales
6. Reed
7. Retail Choice
8. This is South Wales
9. Totaljobs
10. Welsh Jobs

Criteria for inclusion in the databases

1. The post advertised was within the project's geographical coverage;
2. The post fell within the following economic activities:
    - Catering
    - Customer service and call centres
    - Distribution and warehousing
    - Domestic service
    - Hospitality, travel and leisure
    - Manufacturing
    - Public sector and charity
    - Regional assembly bodies
    - Retail
    - Sales
    - Secretarial and administrative

Details of vacancies recorded in the database

1. The website advertised on
2. The recruitment agency placed the advert
3. Date advertisement was put online
4. Role/Job Title
5. Job category (e.g. sales/catering)
6. Location
7. Wage or salary
8. Additional financial benefits
9. Non financial benefits
10. Whether career progression opportunities were mentioned

11. Type/level of qualifications required
12. Skills required
13. Method of application required
14. Mention of EOC employer/attracting under-represented groups?
15. Whether job was permanent or temporary
16. Whether job was full or part time
17. Hours of work (where specified)
18. Specialist working arrangements (e.g. shift work, or flexitime)
19. Whether Welsh language skills are required

Appendix D

Labour market supply and demand

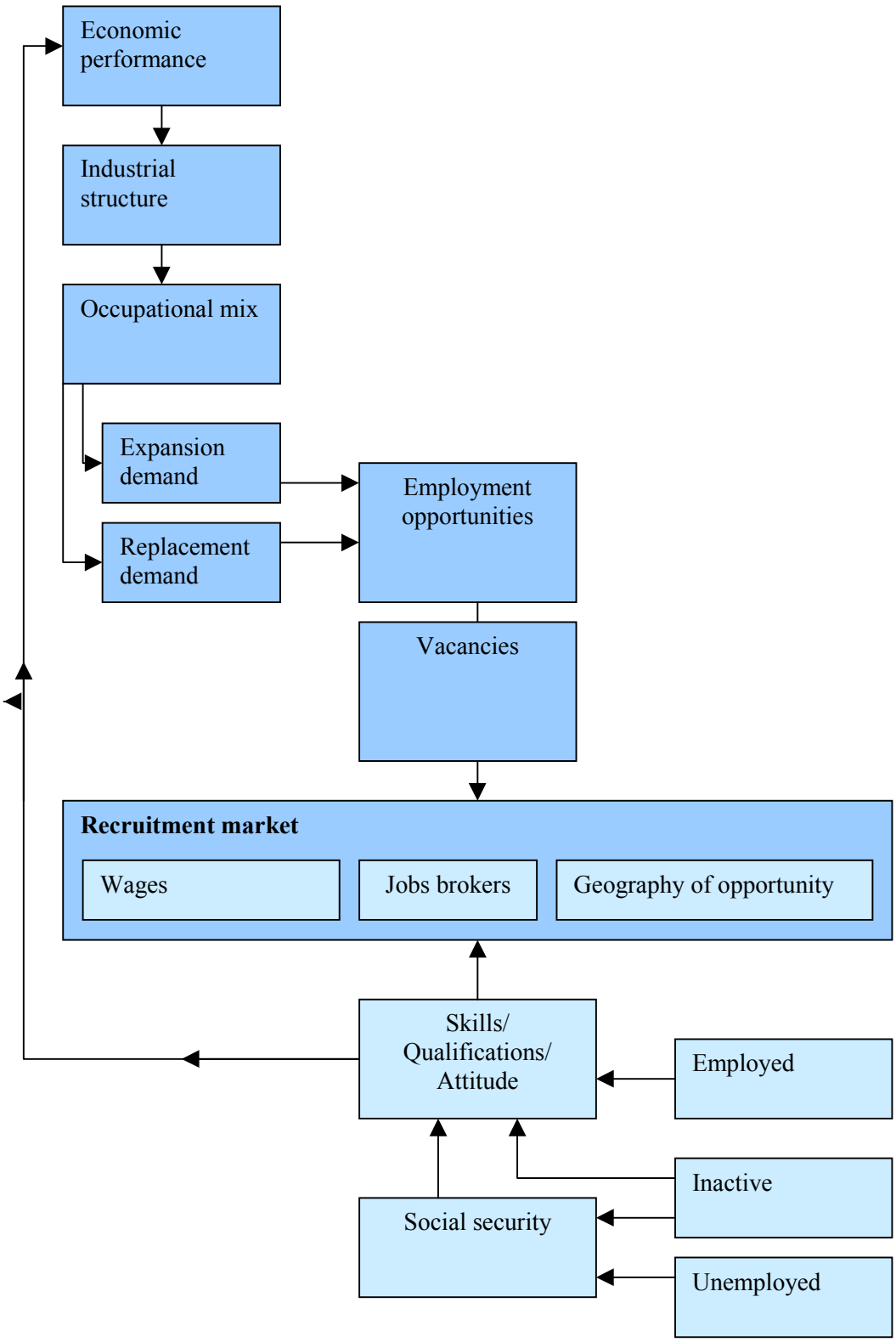

Figure 1: Relationship between labour market supply and demand

The areas in dark blue focus on the demand for labour whilst the light blue areas highlight the supply of labour.