Review of Employment Practices in the Modern Economy
Submission from Norfolk County Council

Summary

We ask that the Matthew Taylor Review of Employment Practices in the Modern Economy considers the following needs particular to rural areas:

1) Creative approaches to deliver training and career progression amongst the self-employed, or those employed through informal arrangements. This is essential to help secure the long-term employment prospects for low skilled staff, for whom the projected decline in low wage jobs through the impact of the National Living Wage and automation is a concern.

2) Investment in skills and infrastructure in economically 'stuck' areas directed to ensure low skilled staff can respond to changing practices and to attract high value businesses to break the low wage/low skills cycle.

3) Recognise the impact of automation on rural areas / sectors which are dependent on lower skilled staff, and the likely need for more highly skilled staff.

4) Review employment rights in relation to modern working practices, particularly for the self-employed, to ensure that all employees have the security which derives from core holiday and sick benefits, for example.

5) Incentivise co-investment by employers in in-work training, in SME's in particular, to support the growth in technical skills and specialisation which our economy needs for effective economic growth.

Our response has looked particularly at the impact of the National Living Wage and the linked growth in automation, and the projected reduction in low wage jobs as a result in many sectors. This is likely to become the predominant concern, over and above employment practices, for low wage employees across the economy, and for rural areas with a high proportion of low wage jobs.

Norfolk County Council Priorities

Norfolk County Council has identified 4 priorities it is working to deliver:

- Real Jobs
- Excellence in Education
- Good Infrastructure
- Supporting Vulnerable People

Delivering these priorities in a largely rural setting brings additional complications but all of these priorities are impacted by changes in the work place and modern employment practices. Norwich is experiencing the same challenges as other cities in adapting to the modern work place but we will focus here on some of the unique characteristics of the rural economy adapting to today's world.

Some of the key sectors for the rural economy, such as agriculture and tourism, are adapting fast to new technologies and are major contributors to the jobs markets but many of the entry level jobs in these sectors are seasonal, low paid and unreliable. NCC acknowledges there is no robust way to measure "permanent" jobs and that many people have a preferences for more flexible models of employment so our goal moving forward is to drive economic development and skills development in order to increase job security and wage levels for our local residents[1].

For skilled workers the "gig" economy can offer consistent employment through contract work. However, for those employed through zero hours contracts or who are self-employed undertaking low skilled work such as delivery, driving, or DIY, for example, it is clear that this "gig" work is often not the preferred method of employment of people working in these jobs and offers limited, if any, security. The key issue identified by Norfolk County Council is therefore to increase Norfolk's average earnings, through the creation of higher value jobs and wages.

In addition to raising here specific areas of concern within our rural economy such as labour practices, low wages and the mechanisation of many of our key sectors, there are two areas where NCC will play an active role in supporting the change locally to a more modern workplace. These are:

1. Progression and training

Within our skills and training activity, we are working to align the needs of employers and employees as we facilitate and encourage professional development within the modern economy.

2. Opportunities for under-represented groups

Norfolk County Council also actively seeks opportunities to harness modern employment to create opportunities for groups currently underrepresented in the labour market (the elderly, those with disabilities or care responsibilities)

The points below are supported by research and strategic work carried out by the Norfolk Rural Development Strategy Steering Group, a private sector led group supported by Norfolk County Council which has been working to identify and address barriers to growth in the rural economy .

Employment practices in the rural economy

How staff are employed in rural Norfolk shows significant spatial differences with 'gang labour' employed via temporary employment agencies[2] particularly prevalent in the rural centre of the county and West Norfolk where the food manufacturing sector is strong and the largest areas of intensive crops are grown.

District level data is poor in showing this (as employment agencies operate across district boundaries), but whilst at national level 2.7% of the workforce are employed by temporary employment agencies, it is 10.5% of the workforce in Breckland (the 7th highest district rate nationally) and: 8.6% in Peterborough; 5.4% in Fenland; 4.8% in South Holland, all neighbouring districts with labour providers who supply staff to West Norfolk companies.

'Gang labour' has been extensively publicised, often negatively, as a form of employment practice linked with poor employment rights. It is worth noting that some local organisations, for example Anglia Farmers, have been working hard to ensure that gang labour is used responsibly, and it enables the highly seasonal input of labour which agriculture has traditionally relied on. However, the section about automation below indicates that the National Living

Wage will very quickly swing the balance away from cheap manual labour to automation across many sectors, including agriculture. While a review of the employment rights associated with gang labour would clearly be beneficial, we believe the long term skills and job prospects of people who have been employed in this way are likely to be a greater concern. As is the possible unavailability of EU migrant labour to carry out seasonal agricultural tasks in the future, which is also driving the move towards automation.

Wages

Norfolk wages are on average (median) only 91% of the national level based on residency and 89% for workplace[3], showing that there is a net outmigration to higher paid jobs in other counties. A Resolution Foundation Report [4](January 2016), looked at 33 cities nationally and found that the most affected city would be Norwich, where it estimated that 32% of the workforce were expected to be affected by the National Living Wage (NLW) by 2020.

However, more detailed analysis shows that the underperformance from the national wage level is much greater in some rural districts in Norfolk. Whilst average hourly wages in Norwich[5] are lower than the national average, wages for both males and females are much lower in some rural districts[6].

Clearly the expectation must therefore be that the NLW will have even more impact in Norfolk's rural districts than in Norwich. Whilst at first sight this is positive for workers, the low qualification levels in these workforces mean that many staff are potentially unprepared to deliver the productivity increases employers are likely to demand as wages rise. There is also an increasing expectation for employers to invest in lifelong learning for their workforce especially as the demand for a skilled workforce escalates which generates an additional and growing cost. This is only sustainable for businesses experiencing sustainable growth and may be more unlikely to take place in our rural districts.

Self-employment levels in Norfolk, at 10.9% of the workforce, are higher than the national average of 10.6%[7]. A recent report[8] published by The Resolution Foundation (Earnings Outlook) shows that self-employment is on the rise yet typical earnings are much lower than they were 20 years ago. The report also shows that the pattern of self employment is changing: self employed workers are now much less likely to be business owners with staff of their own or to work full time. A pattern of lower wages and part-time hours is emerging here too, with a corresponding impact on incomes, skills and productivity.

Automation

Unpublished work by Martin Collison[9] (2016) for Greater Lincolnshire LEP has looked at the impact of the NLW on the food chain and estimated the impact at between £7.0-10.5billion per annum of increased wage cost (UK wide) by 2020. With robotic costs falling, potential restrictions on labour supply (following Brexit) and low borrowing costs, this makes the widespread adoption of robotics very likely. The Guardian recently summarised IPPR research[10] (2017) on robotics by saying: 'The IPPR research said that in four sectors alone – retail, hospitality, transport and manufacturing – 5m jobs were at risk, adding that a particular concern to ministers should be industries ripe for automation with a high proportion of workers least able to adapt'.

The Norfolk rural economy is over-represented in manufacturing, hospitality and care sectors, all of which have large numbers of relatively low paid, low skilled jobs, with the added complication in tourism and hospitality of seasonality and part time working. These industries have no alternative but to automate to retain their international competitiveness through improved labour productivity.

The challenge this creates is that whilst new jobs will be created, to integrate, install, maintain and manage automated systems, these new jobs will demand higher skill levels which many of the workers displaced by robots currently lack. Locally investment, including ESF, will support the development of In Work Pay and Progression practices for a range of sectors including Health and Social Care. This is critical to address issues of recruitment and retention into a sector that is predicted to grow rapidly, and may also be impacted by labour shortages in the future if access to a migrant workforce is reduced.

Skills, Progression and Training

Workforce qualification levels of residents across Norfolk are generally below the national average, except for Norwich and South Norfolk which both perform slightly above the average level[11].

In all other districts qualification levels are significantly lower than the national average. New Anglia has a net outflow of students to access Higher Education, with HEFCE[12] showing that whilst the outflow has fallen from over 10,500 in 2008-09 to 8,500 in 2013/14, it is still much higher than comparator LEP areas. Over half of those who leave New Anglia to study went to London, Cambridgeshire and Essex.

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To address this the New Anglia LEP invested capital funding from round 1 of Growth Deal to build an HE centre at the College of West Anglia. It is anticipated further investment into HE will be needed in other areas and that FE colleges will need to work with HEIs and employers to create more flexible, tailored provision.

As work roles change this over-representation of employees with low qualifications is a growing problem. UKCES[13] report that the proportion of staff employed in elementary occupations in Norfolk's traditionally strong agri food sector, will have halved from 26% in 2004 to a predicted 13% by 2024. In contrast the proportion in skilled trades which was 40% in 2004 is expected to reach 59% by 2024. Projections for future demand for agrifood skills is therefore focused on higher skills[14] .

Unless we address local skills weaknesses, local residents will be not be ready to take up new opportunities, but with shrinking public funding available this needs to come in the form of co-investment which gives employers the opportunity to design bespoke courses. As part of the Greater Norwich and Greater Ipswich City Deals a **Skills Deals** programme is being piloted. This allows employers to work with local FE providers to create new sector specific training. In Norfolk one of our pilots is testing the take up of Passivhaus construction methods with many of the larger contractors operating in Norfolk. The training is being delivered to those already in work as well as to L2 and L3 students at Easton and Otley College. Our aim is to deliver more **Skills Deals** in Norfolk across a range of sectors.

Opportunities for Under Represented Groups.

In Norfolk, more than 50,000 people are long term claimants of health related benefits and have been unable to access the workplace for many years. To address this, Norfolk County Council has begun work on an Integrated Employment and Health Service project. This project would be targeted at individuals who typically received limited support from mainstream DWP provision. Aligned to the ambitions of the LEP Skills Board we hope to access the area's allocation of ESF funding to enable NCC and partners to develop this Integrated Employment and Health Service and offer more traditional employability support alongside health related interventions. Currently, DWP employability programmes place no value on health related interventions and outcomes and therefore do not support a sustainable transition into the work place.

Rural districts with a cycle of low wages and low growth

A 2017 Localis report[15] identified Norfolk as having four of its seven districts in the 'stuck category' - 'the thirty most structurally challenged local economics in England, which perform poorly on multiple indicators, both long term demographic trends & more immediate short term economic performance'.

All these 'stuck' districts are rural and/or coastal: Great Yarmouth; Kings Lynn & West Norfolk; North Norfolk; South Norfolk. As we have seen several of these districts have a high level of employment through temporary agencies, and low average earnings. Modern employment practices have contributed to a cycle of low wage jobs and lack of skills development linked with poor investment by companies offering high value jobs as the local workforce does not meet their needs.

Conclusions

Modern employment practices bring flexible working to many people's lives and have become integral to the business practices of many employers – clearly, there is a need to review these mechanisms in the light of employment rights and responsibilities. However, we believe that the impact of the National Living Wage and automation will very soon bring a different agenda to the fore, with particular urgency in rural areas stuck in a self-perpetuating cycle of low wages and low skills. As low wage employers automate, there is a real concern that the cycle will be broken with a significant number of low wage rural districts potentially seeing a precipitate decline in employment, and newly unemployed residents ill-equipped to find alternative jobs.

Breaking the cycle in 'stuck' areas

Modern employment practices contribute to the cycle of low skills and low wages which characterises 'stuck' districts and inhibit growth. Creative approaches to ensuring that flexible employment practices still enable training and career progression are needed.

Strategic investment in infrastructure and skills in 'stuck' or economically stagnant areas may be required to ensure the supply of an increased number of skilled staff to newly automated businesses and to ensure that low skilled staff are equipped to retain employment in the changing workplace.

Impact of the National Living Wage

The enormous potential impact of the National Living Wage on business practices, and the likely increase in automation in a number of sectors, with particular impact in the rural economy, should be acknowledged. This will tend to lead to a reduction in gang labour, for example, as an employment practice in agriculture, but will also leave many low skilled workers vulnerable to unemployment and potentially not well placed to secure jobs in the future. As the above statistics demonstrate, this impact will be particularly great in rural districts where a low wage economy prevails.

Employment Rights

To ensure an effective economy in the longer term and to enable workers to be self-reliant, modern employment practices need to be reviewed in terms of provision of holiday and sick pay and other core employment rights which enable workers to be effective and stay healthy at work.

Integration of Lifelong Learning into Employment Practices

Not all skills shortages can be address by training the current generation of students. We need to find new incentives to encourage employer co-investment into training and progressing their workforce. However, this is only possible if economic growth is taking place and it will be critical to manage the level of investment expected from employers and to find methods of making it available to small and micro enterprises also.

Annex

Skills levels of Norfolk Districts

District	Highest qualification by % of residents age 16-64				
	No /other qual-	L1	L2	L3	L4+
Breckland	16.6	12.1	18.3	22.8	30.2
Broadland	15.1	15.7	21.7	18.9	28.6
Great Yarmouth	22.1	25.2	18.2	11.6	22.9
Kings Lynn & West Norfolk	25.7	12.1	15.1	22.0	25.1
North Norfolk	13.9	22.4	19.8	16.1	27.8
Norwich	13.5	12.4	16.8	18.6	38.7
South Norfolk	9.5	9.4	18.6	20.7	41.8
England	14.5	11.3	17.5	18.8	37.9
NOMIS, Official Labour Market Statistics 2016					

[1] The Council lags behind the national average, with median weekly pay for 2016 of £494.60 compared to the UK average of £541.00, or 91.42% (ONS Annual Survey of Hours and Earnings – Resident Analysis).
[2] ONS (April 2015) % of total employment provided by 78200: Temporary employment agency activities
[3] ONS (2016), Annual Survey of Hours and Earnings
[4] Corlett Adam (January 2016), Paved with Gold: Low Pay & the National Living Wage in Britain's cities, Resolution Foundation Briefing
[5] £12.13 for male full time staff (8% lower than the English average) and £10.83 for female full time staff (16% lower than the English average),
[6] In Breckland male full time staff earnt on average £11.79/hour in 2016 (14% below the England average) and £11.03/hour in North Norfolk (20% below the England average). In Great Yarmouth female full time staff earnt on average £9.20/hour in 2016 (29% below the England average) and in North Norfolk £9.71/hour (25% below the England average), NOMIS, Earnings by place of work (2016).
[7] https://www.nomisweb.co.uk/reports/lmp/la/1941962835/printable.aspx
[8] http://www.resolutionfoundation.org/media/press-releases/typical-earnings-of-the-self-employed-lower-than-20-years-ago/
[9] Collison, Martin (2016), Collison & Associates Limited, member of Norfolk Rural Development Strategy Steering Group
[10] 15th April 2017 Guardian: Robots to replace 1 in 3 UK jobs over next 20 years, warns IPPR
[11] NOMIS, Official Labour Market Statistics 2016
[12] HEFCE, student mobility 2008-'09 – 2013-'14
[13] UKCES, Working futures
[14] The net demand (including replacement demand) for new staff across New Anglia over the period 2014-'24 estimated to be: +600 for QCF8 (Doctorate); +6,700 for QCF4-6 (HNCs, FD and degrees); +2,000 for QCF3; +2,500 for QCF2, but no net increase in demand for QCF 1 and a fall in the number of jobs for those with no qualifications.
[15] Localis (2017), The Making of an Industrial Strategy: Taking Back Control Locally