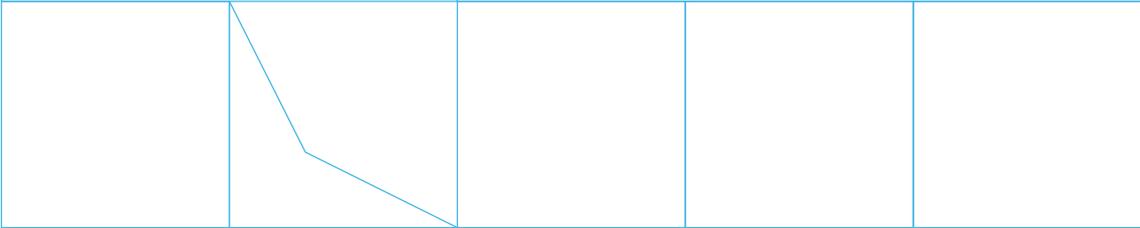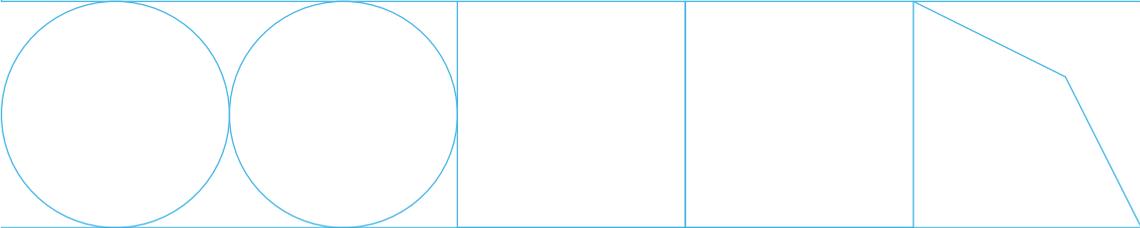# GREATER MANCHESTER INDEPENDENT PROSPERITY REVIEW

LOW PAY

A technical report for the research on
Productivity

March 2019

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The Greater Manchester Independent Prosperity Review was commissioned to provide a detailed and rigorous assessment of the current state, and future potential, of Greater Manchester's economy. Ten years on from the path-breaking Manchester Independent Economic Review, it provides a fresh understanding of what needs to be done to improve productivity and drive prosperity across the city region.

Independent of local and national government, the Prosperity Review was carried out under the leadership of a Panel of six experts:

Professor Diane Coyle
Bennett Professor of Public Policy, University of Cambridge, and Chair of the Greater Manchester Independent Prosperity Review

Stephanie Flanders
Head of Bloomberg Economics

Professor Ed Glaeser
Fred and Eleanor Glimp Professor of Economics, Harvard University

Professor Mariana Mazzucato
Professor in the Economics of Innovation & Public Value and Director of UCL Institute for Innovation and Public Purpose

Professor Henry Overman
Professor of Economic Geography, London School of Economics, and Director of the What Works Centre for Local Economic Growth

Darra Singh
Government and Public Sector Lead at Ernst and Young (EY)

The Panel commissioned studies in four areas, providing a thorough and cutting edge analysis of key economic issues affecting the city region:

- Analysis of productivity, taking a deep-dive into labour productivity performance across Greater Manchester (GM), including a granular analysis of the 'long tail' of low-productivity firms and low pay;

- Analysis of education and skills transitions, reviewing the role of the entire education and skills system and how individuals pass through key transitions;

- Exploration of the city region's innovation ecosystems, national and international supply chains and trade linkages; and sources of global competitiveness, building on the 2016 Science and Innovation Audit; and

- Work to review the infrastructure needs of Greater Manchester for raising productivity, including the potential for new approaches to unlock additional investment.

A call for evidence and international comparative analysis, developed in collaboration with the Organisation for European Cooperation and Development (OECD) and European Commission, also supported this work.

All of the Greater Manchester Independent Prosperity Review outputs are available to download at **www.gmprosperityreview.co.uk**.

This technical report is one of a suite of Greater Manchester Independent Prosperity Review Background Reports.

Contents

Executive Summary

Action is needed from city regions to help tackle low pay and poor productivity growth

Low pay and weak productivity growth have rightly become staples of the public debate in the UK. Despite recent progress, the share of jobs that is low paid remains well above the levels achieved by the best-performing countries in the OECD, while the failure of productivity growth to return to anything approaching pre-crisis levels is the focus of much research and concern. Too often, however, these issues are only discussed at a national level. The varying experiences of city regions and the possibilities that devolution and local industrial strategies offer mean that cities can be major contributors to a higher-paying, more productive economy.

In this report, commissioned as part of Greater Manchester's Independent Prosperity Review, we provide an in-depth look at low pay in Greater Manchester (GM). We explore who is in GM's low-paid workforce, the jobs they work in, their routes out of low pay, the dynamism of the local labour market and the role of employers.

The risk of low pay in GM is particularly high for single parents and black employees

When comparing GM to the country as a whole, in many respects the low-pay landscape appears relatively similar. For instance, as of 2017, 19 per cent of employee jobs in GM were below the low-pay threshold, defined as hourly pay less than two-thirds of the median wage, versus 18 per cent across Great Britain. As nationally, women comprise the majority of those who are low paid. But when compared to other city regions, men are a larger part of the low-paid workforce in GM (42 per cent) than in Great Britain as a whole (39 per cent) or in most other cities (the figure is as little as 33 per cent in Bristol).

Other groups face a higher risk of low pay in GM than in other cities. Comparing the pay outcomes of white, black and Asian employees, across the country as a whole Asian employees face the highest risk of being low paid. In GM, while the proportion of Asian employees who are low paid is high and above the national average, it is black employees who are most likely to be low earners. 33 per cent of black employees in GM are low paid, compared to 22 per cent in Birmingham and 21 per cent across Great Britain.

As well as ethnicity, the odds of being low paid vary by family type. Single parents face an elevated risk of being low paid across the country, but this is especially true in GM. Two-in-five single parents in work are low paid, a figure that is higher than in any other city region and compares to 33 per cent for Great Britain as a whole.

These figures for the whole of GM conceal much variation within its constituent local authorities. Approximately one-in-seven of those working in Manchester and Trafford are low paid, compared to one-in-four in Rochdale, Wigan and Bury. When considering responses to low pay in GM, emphasis should be placed on these areas and groups that are more likely to experience it.

A handful of sectors and occupations account for most low-paid work in GM, with big firms playing a key role

We next turn to the sectors and roles that GM's low earners are employed in. Nearly half of low-paid employee jobs in GM are in just two of the sectors we explore in this analysis: retail and wholesale (27 per cent) and hospitality, tourism and sport (21 per cent). The risk of being low paid is highest in hospitality, tourism and sport, with 54 per cent of employees low paid in 2017. While these numbers match the national figures quite closely, a different picture emerges for employees in health and social care. Nearly one-in-five (19 per cent) employees in the sector in GM is low paid; the corresponding proportion nationally is just one-in-ten (10 per cent). Given GM's devolved responsibilities for health and social care spending, there appears scope to explore and address low-pay-related issues in this sector.

In terms of occupations, many of the key low-paying roles are unsurprisingly found within the two biggest low-paying sectors. Sales and retail assistants, kitchen and catering assistants, bar staff and waiters all feature prominently among the most common low-paid occupations. But other roles are more likely to be spread across GM's economy, including cleaners, care workers, nursing auxiliaries and van drivers. While efforts to tackle low pay should centre on key low-paying sectors, low earners across GM's industries shouldn't be overlooked.

While the kinds of sectors and occupations that low earners work in clearly matter, the role and power of the firms that employ them are under-examined topics. Increasing attention is being paid to labour market concentration and its impact on wages, with concerns that workers in sectors of local labour markets with only a small number of employers have fewer options of where to work, and therefore less power to seek better pay or conditions.

Large firms are certainly important: in 2017, 28 per cent of low-paid employees in GM worked for companies with at least 5,000 employees. Broadening out to consider the concentration of all (not just low-paid) employees within the largest firms in each sub-sector of the economy, GM has lower concentration than any city region other than Birmingham and London, in keeping with its relative size. In line with Great Britain-wide figures, food and drink manufacturing and textiles manufacturing – which are both relatively low-paying sectors – are among the most concentrated sectors in GM, suggesting these would be useful places for local leaders to turn their attention to as part of further work on this nascent topic.

Further analysis of concentration in large firms across sectors suggests that, in line with many cities, a small number of employers play a large role in GM's low-pay labour market. In some senses, this represents an opportunity, because positive moves from these employers could benefit a significant proportion of low earners. But a close eye should be kept on this issue, particularly at lower-level geographies. This is not least because low-paid women in GM travel a shorter distance to work than in any of the other city regions we consider in this report. This could be a positive thing of course, signalling more people finding opportunities close to home. But if it represents an inability or reluctance to travel, and given the higher prevalence of low-paid jobs in parts of GM, it may translate into a dearth of employers or better-paid roles for some or reduced labour market power.

Routes out of low pay exist within low-paying sectors, but switching to other sectors may be a better bet

This question of the options available to low-paid workers is closely linked to the time spent in low pay. In order to explore the medium-term career paths of low earners, we identify those who are low paid in 2012 and present in the data in 2016. Though not a complete picture – for instance those who were low paid in 2012 but unemployed in 2016 do not appear in the data – this nonetheless offers a sense of how the earnings of low-paid individuals develop. We find that one-in-three (35 per cent) of those who were low paid in GM in 2012 were still in low-paid work in 2016. This is a higher proportion than in London (29 per cent) but is lower than the 'stickiest' city region (Newcastle, where the figure is 43 per cent).

Focusing just on GM and over a longer time period, we can compare the industries and occupations worked in by those who moved onto higher wages and those who were still low paid a decade later. Those remaining low paid and those moving to higher pay were found in similar sectors, with food retail and primary education the most common for both groups. But more change was visible in terms of occupations. One-in-three of those still low paid was a

sales assistant or a cleaner a decade later, while those occupations accounted for just 13 per cent of those who had moved onto higher wages. Among those who had moved onto higher pay, occupations including teaching assistants and nursing auxiliaries were relatively more common.

This analysis does not control for other factors that may contribute to whether or not a person moves out of low pay: their age in the initial period, for instance, or their education. Nonetheless, it suggests that remaining as a sales assistant or a cleaner is far from a guaranteed route to higher wages. Focusing on sales assistants in particular given dominance of retail among GM's low-paid population, we find that the most common occupation for these workers a decade later is still sales assistant, with smaller proportion than in Great Britain as a whole progressing into roles that might be considered promotions within retail such as sales supervisors or managers. Again, while low-paying sectors can provide progression routes for some workers, that is far from guaranteed.

GM is ideally placed to be a pathbreaker on new responses to low pay

Our analysis points towards three conclusions for GM as it seeks to respond to the twin challenges of low pay and low productivity growth. First, because the issues facing GM in these areas are shared across much of the country, leadership from GM in the form of innovative interventions could foster more widespread success. GM has led the way on similar topics in the past, for instance on the Working Well pilot which tested holistic interventions for Employment and Support Allowance claimants. Targeted packages seeking to help low earners in low-paying sectors find better-paid work, offer support to overcome skills or financial barriers, and trial new programmes that connect to Universal Credit are the kind of things the city region could explore.

Second, our initial analysis has identified some groups who appear to be in need of particular support in GM. Developing a deeper understanding of the reasons why the risk of low pay appears to be particularly elevated for black people and single parents in GM relative to other cities would be an important first step in getting to grips with low pay. In terms of sectors, given our finding that health and social care contributes more to low pay in GM than nationally, this should be another priority area. Given the devolved powers that the Greater Manchester Combined Authority (GMCA) and the Metro Mayor possess, thought leadership and exploration of new ways of encouraging skills development and progression could help GM's low-paid care workers, while setting an example for the rest of the country.

Third, while labour market concentration does not appear to be more dominant in GM than it is in other cities, it is nonetheless clear that a handful of firms dominate the low-pay labour market here as elsewhere. Changes to labour market concentration should be tracked and further research undertaken, and alongside this policy makers in GM could consider how the dynamism of the labour market might be boosted. Exploring the barriers to job mobility and the reasons why low-paid women in GM travel the shortest distance to work of any city region would be fruitful areas for analysis. Options such as improved transport links, the availability of childcare or the quality of job brokerage should all be considered to help offer low earners in GM routes to better pay and higher living standards.

Section 1

Introduction and literature review

Understanding and working to reduce low pay in Greater Manchester requires an assessment of the drivers of low pay, as well as of the national labour market policy context. In this introductory section we briefly summarise the existing evidence in these areas. In particular, we detail the focus on statutory minimum wages in efforts to tackle low pay in Britain in recent years, and the complex relationship between growth in productivity and pay improvements for low earners. Finally, we find evidence that cities do not – currently – offer better routes to pay and skills progression than non-cities.

A higher minimum wage can't be the only pillar of a low-pay strategy, with tailored approaches needed for places

The UK has a longstanding problem with low pay. For much of the past 30 years, approximately one-in-five employees has been low paid,[1] placing the UK among the worst performers in the OECD. While for much of that period, low pay was not treated as a major priority, in recent years it has risen up the agenda. The Labour Party's 2017 manifesto included a pledge to raise the minimum wage to the level of the voluntary Living Wage, while at the 2018 Budget the government set out a new aspiration to end low pay through further increases in the National Living Wage.

A higher minimum wage is clearly a powerful – and popular – tool for policy makers seeking to address low pay. But the UK's reliance on low-paid jobs and the significant part such roles play in its labour market mean other initiatives alongside a higher wage floor will be needed to achieve lasting and meaningful gains. This is important for low-paid workers but also for productivity overall. Productivity growth in the UK since 2008 has been dreadful. While it is commonly assumed that productivity drives pay rather than the other way round, efforts to reduce low pay could also help the UK's productivity performance pick up. The links between productivity and low pay are explored in more depth below.

What exactly such efforts to tackle low pay should be, and how they should be implemented is, however, a more complex challenge than mandating a higher minimum wage. Policies designed and operated on a national scale are obviously vital, with further and higher education, for instance, able to contribute to a more skilled workforce

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[1]   Low pay here is defined as those earning less than two-thirds of the median hourly wage. Further discussion of definitions is provided in Section 2.

equipped to do better-paying, more productive work.

But new thinking and action on a more local level should also be part of any serious strategy to tackle low pay. A first step in this is understanding how low pay varies across the country. While comparing the severity of an area's low-pay problem with another is useful, in order to discern specific barriers facing low earners in a place, a deeper dive is required. Looking at who exactly is low paid, the sorts of sectors and occupations they work in and the routes out of low pay available is a prerequisite to a plan to encourage better-paying work and progression in any local area.

The recent wave of devolution, in particular the creation of Metro Mayors, and the development of local industrial strategies mean this evidence base is needed more than ever. This report explores the evidence around low pay in one city region, Greater Manchester (GM), as part of the wider Greater Manchester Independent Prosperity Review.[2]

Past research suggests improved productivity growth should support a move away from low pay, but the relationship is complex

While subsequent sections present evidence on the nature of GM's low-pay problem, first we review the evidence on low pay, with a particular focus on the links to productivity. That there is a connection between the two is immediately evident when considering typical wages and output in sectors. But how exactly both low pay and productivity are defined matters – low-pay definitions will be explored more in the next section.

Economic history highlights that higher productivity has generally led to higher wages. As workers accrue more skills and experience, or are equipped with better machinery or technology, they produce more output per hour worked (the standard measure of productivity), with earnings increases following from this.

As would be expected, productivity is higher in some sectors than others, with key low-pay sectors like hospitality and retail recording lower productivity than the national average. But even focusing solely on productivity in low-paying sectors, the UK lags behind many of its European neighbours. One study found that, grouping together wholesale, retail, transport, accommodation and food services, the UK was 25 per cent less productive in these sectors than France, and 16 per cent less productive than Germany.[3] A range of factors are likely to contribute to this gap, but it nonetheless suggests that there is scope for productivity gains in low-paying sectors in the UK.

While raising productivity in low-paying sectors should raise the wages of low earners in the long term, whether it will in the short to medium term is more debatable. Recent research found little evidence of productivity increases in UK firms or sectors leading to higher wages.[4] The authors do note that the period this analysis was conducted over (2011-15) was an unusual one for the UK's labour market and results may differ at other times. Nonetheless, this suggests that factors such as the nature of productivity gains,

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[2]   For further details, see: _Greater Manchester Independent Prosperity Review: Reviewers' Report_, February 2019
[3]   T Dolphin & I Hatfield, _The missing pieces: Solving Britain's productivity puzzle_, IPPR, August 2015
[4]   T Ciarli, E Salgado & M Savona, Do Low-Wage Workers Benefit from Productivity Growth Recovery?, JRF/University of Sussex, March 2018

the balance of power between employees and employers and the strength of the labour market are all likely to play a role in determining the relationship between productivity gains and pay gains for low earners.

The relationship between productivity and low pay, however, does not only move in one direction. As well as higher productivity leading to higher wages, research suggests that increased pay can result in higher output. For instance, a report for the Low Pay Commission into the impact of the National Minimum Wage found "evidence to suggest that companies responded to these increases in labour costs by raising labour productivity."[5] Another study for the Low Pay Commission reached a similar conclusion, with the strongest productivity gains observed in larger firms.[6]

Minimum wage increases occur regularly and are mandatory, both of which make them particularly useful to researchers in this field. Links between wage increases and productivity have also been studied in firms that have chosen to raise wages voluntarily. The efficiency wage theory suggests that employers paying more than what may be considered the going rate will benefit, for example from improved employee motivation and performance.

The exact paths taken by firms and sectors to improve productivity, particularly in scenarios in which the minimum wage rises, are less clear. Previous Resolution Foundation research used surveys and interviews with employers affected by the introduction of the National Living Wage to explore this question. While efforts to raise productivity were common, the picture varied over time, by sector and by firm size. In a survey completed after the National Living Wage was announced but before it was introduced, raising productivity was the most popular response when affected firms were asked how they would offset the additional labour costs the National Living Wage entailed.[7] Subsequent surveys completed after the National Living Wage's introduction confirm that firms had sought to raise productivity, though other responses such as raising prices had, in practice, become more common.[8]

The practical difficulty of finding ways to boost productivity has been highlighted in interviews with affected firms. Small firms in particular struggled to think of new approaches. This echoes research from the ONS into 'laggard' firms[9] – those in the bottom 10 per cent of the productivity distribution. Small businesses are overrepresented among this group, and employees of small firms are more likely to be low paid.[10]

Similarly, efforts to raise productivity were more common responses to the National Living Wage from employers in some sectors – food processing – than others – cleaning.[11] The nature of the work such firms engaged in was clearly a factor, with improved

[5]   R Riley & C Rosazza Bondibene, '*Raising The Standard: Minimum Wages And Firm Productivity*', NIESR Discussion Paper No. 449, May 2015
[6]   M Rizov, R Croucher & T Lange, '*The UK national minimum wage's impact on productivity*', British Journal of Management, 27(4), October 2016
[7]   C D'Arcy & G Davies, *Weighing up the wage floor: Employer responses to the National Living Wage*, CIPD/Resolution Foundation, February 2016
[8]   C D'Arcy, *Industrial strategies? Exploring responses to the National Living Wage*, Resolution Foundation, December 2016
[9]   G Awano, Understanding firms in the bottom 10% of the labour productivity distribution in Great Britain: "the laggards", 2003 to 2015, Office For National Statistics, July 2017
[10]   C D'Arcy, *Low Pay Britain 2018*, Resolution Foundation, May 2018
[11]   C D'Arcy, *Industrial strategies? Exploring responses to the National Living Wage,* Resolution Foundation, December 2016

technology and training more readily put into action within a manufacturing firm than in more labour-intensive businesses like cleaning. That link between productivity and low pay becomes even less straightforward in some sectors. Social care is a prime example of a low-paying sector in which higher productivity may not translate into better outcomes (for employees or consumers). Resolution Foundation analysis into the cost of and barriers to paying the voluntary Living Wage in adult social care concluded that "the scope to fund higher wages via productivity gains appears minimal given the limited role for technology in the sector and statutory requirements that confine delivery models."[12]

Considering the issue of geography, other analysis has explored whether cities offer a better route to pay and skills progression than elsewhere. Recent analysis of UK cities found that, using an occupation-based definition of low pay, there was little evidence of low-paid workers in cities benefiting from greater learning opportunities or improved job-skills matches relative to those not in cities.[13]

The structure of this report

Our review of the literature around low pay and productivity suggests that improvement is possible. The UK has an above-average share of its workforce in low pay and the performance of low-paying sectors themselves (as opposed to our sectoral make-up) appears to explain at least some of the productivity gap versus other countries. While minimum wages can and have played a positive role, they are unlikely to be sufficient, with some firms, particularly smaller employers, struggling to boost productivity and move away from a low-paying business model. And though cities do offer a number of potential benefits to low earners seeking to progress, as things stand that potential is not being realised. Together, this means much more could be achieved by policy makers at all levels.

The remainder of this report explores the practicalities of this challenge for one city region: Greater Manchester:

- Section 2 outlines the extent of low pay in GM, how levels of low pay compare to other city regions, and the characteristics of those in low-paid jobs, considering education, ethnicity and family type.

- Section 3 then investigates the sectors and occupations that are most important for low earners in Greater Manchester, and the importance of large firms.

- Section 4 offers a deeper dive into the dynamics of low pay in Greater Manchester's labour market, exploring the routes people take out of low pay.

- Section 5 concludes by summarising the findings of this report and making recommendations on how Greater Manchester can begin to tackle low pay and productivity.

[12]   L Gardiner & S Hussein, *As if we cared: The costs and benefits of a living wage for social care workers*, Resolution Foundation, March 2015
[13]   S Velthuis, P Sissons & N Berkeley, '*Do low-paid workers benefit from the urban escalator? Evidence from British cities*', *Urban Studies, June 2018*

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Section 2

Who is low paid in Greater Manchester?

In this section we explore the characteristics of the low-paid workforce in GM, comparing its make-up – and the likelihood of being low paid for various groups within the population – to the experience in other city regions and across Great Britain as a whole. We find that, in many respects, GM's low-paid population is similar to that across the country as a whole. Women and those with lower qualifications are two groups that are both more likely to be on low wages, and comprise a significant proportion of those on low wages overall.

However, GM's low-paid population is slightly younger and slightly more likely to be male than low-paid employees elsewhere. In addition, single parents and black employees are more likely to be low paid in GM than across the country as a whole or in any of the comparator areas we are able to analyse, suggesting further exploration of their labour market experiences in GM would be worthwhile.

220,000 employees fell below the most commonly used low-pay threshold in GM in 2017

While low pay is a commonly discussed topic, how exactly it is defined varies. Three measures often used in the UK are:

- Below two-thirds of median earnings

- Below the voluntary Living Wage

- At, or very close to, the minimum wage.

Each of these is considered on an hourly basis. While from a living standards perspective, weekly or annual pay may be more informative, hourly pay offers the best insight into how a job is valued before factoring in the number of hours worked.

The three measures each have strengths and weaknesses. For instance, the two-thirds of median earnings measure is commonly used for international comparisons and provides a helpful sense of inequality between those towards the bottom of the pay ladder and middle earners. But a fall in median earnings, with no change in pay elsewhere in the

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distribution would lead to an 'artificial' decline in low pay. Similarly, the Living Wage relates to what families need in order to reach a minimum acceptable standard of living. But the numbers falling below it can fluctuate due to policies that do not affect all low earners, for instance the recent introduction in England of an additional 15 hours of free childcare for some three- and four-year-olds.

Acknowledging these strengths and weaknesses, Figure 1 below presents the share of employee jobs in Greater Manchester (GM) that were classed as low paid under each definition. Both the share of low-paid jobs and the change over this time period – 2012 to 2017 – are broadly similar to Great Britain as a whole (GB). In the most recent figures for GM (dating from April 2017), 23 per cent of employee jobs – equivalent to 265,000 roles – were paid below the Living Wage. Using the two-thirds of median measure, 220,000 or 19.2 per cent of employees jobs in GM were classed as low paid in 2017, compared to figures of 18 per cent and 4.9 million for GB as a whole. Considering the third measure – those paid below, at or up to 1 per cent above their age-appropriate minimum wage, or 'at the wage floor' – 8.3 per cent of employees in GM were in this position, equivalent to 95,000 jobs.

Figure 1: Nearly one-in-five employees in GM earned less than two-thirds of median hourly pay in 2017

Proportion of employee jobs in Greater Manchester below selected low-pay thresholds
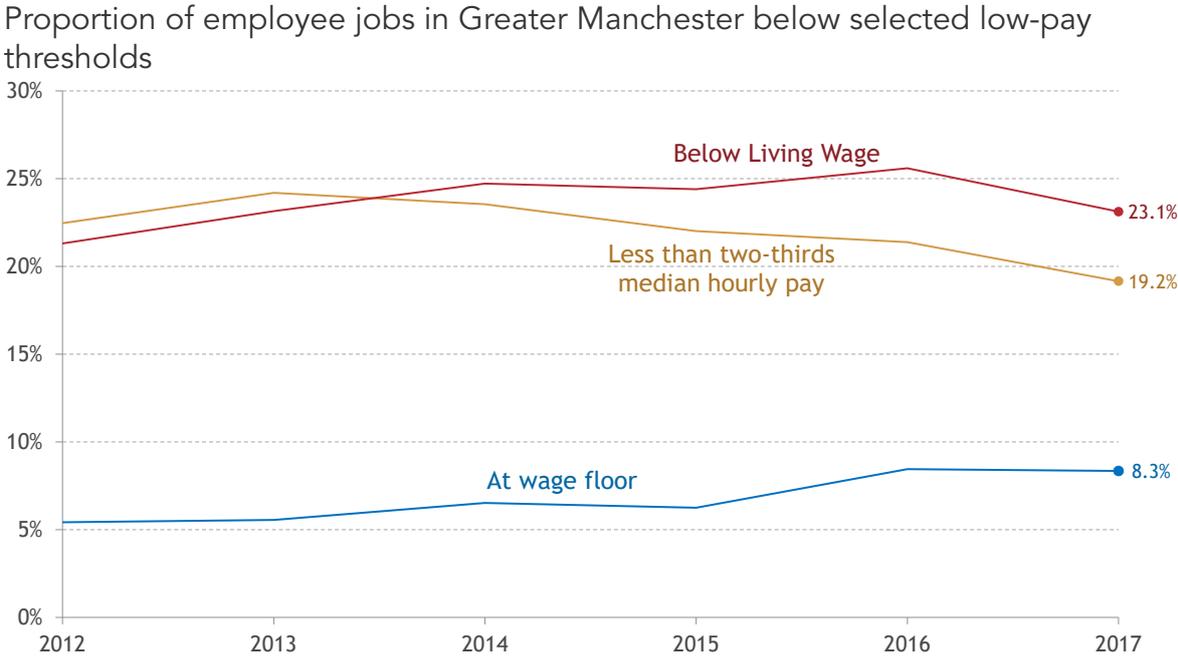
Notes: Gross hourly pay excluding overtime or other payments is used in each case.
Source: RF analysis of ONS, Annual Survey of Hours and Earnings

Looking at change over this period, differing trends are evident. The pattern for the Living Wage is perhaps the least straightforward to explain, with the proportion earning below this threshold rising in 2013 and 2014, relatively flat till 2016 before falling in 2017 though still remaining slightly above its 2012 level. A range of factors, including cuts to in-work benefits and the introduction of the National Living Wage (NLW) in 2016, have contributed to change over this period.

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The patterns for the two-thirds median and wage floor measure are more one-directional. The share paid below the two-thirds threshold – the measure we use most regularly in this report – has fallen consistently since 2013 with the most recent figure being the lowest over this period. The introduction of the NLW is likely to explain the decline in the past two years. The opposite pattern is visible in terms of the proportion at the wage floor, with the share paid at their age-specific minimum wage rising from 6.3 per cent in 2015 to 8.4 per cent in 2016. The so-called 'compression' effect of a rising minimum wage, as firms choose to narrow the pay gaps or differentials between their lowest-paid staff and those on slightly higher wages, is likely to explain some of this.[14]

Low pay varies both across and within city regions

While the direction of these changes has been broadly similar across other city regions, the starting points in terms of the prevalence of low pay do vary considerably. As Figure 2 shows, while GM is not among the worst performers in terms of low-pay proportions, there remains much scope for improvement. The nature of London's economy – higher average wages and higher cost of living – may make the 10 per cent figure achieved in the capital difficult for GM to emulate, at least in the short term. But the low-pay proportions in Glasgow (14 per cent) and Bristol (16 per cent) illustrate that cities beyond London can and do perform better than GM does.

Figure 2: GM has a lower proportion of low-paid jobs than many city regions but remains some distance behind the leading areas

Proportion of employee jobs that are low paid, by city region: 2017
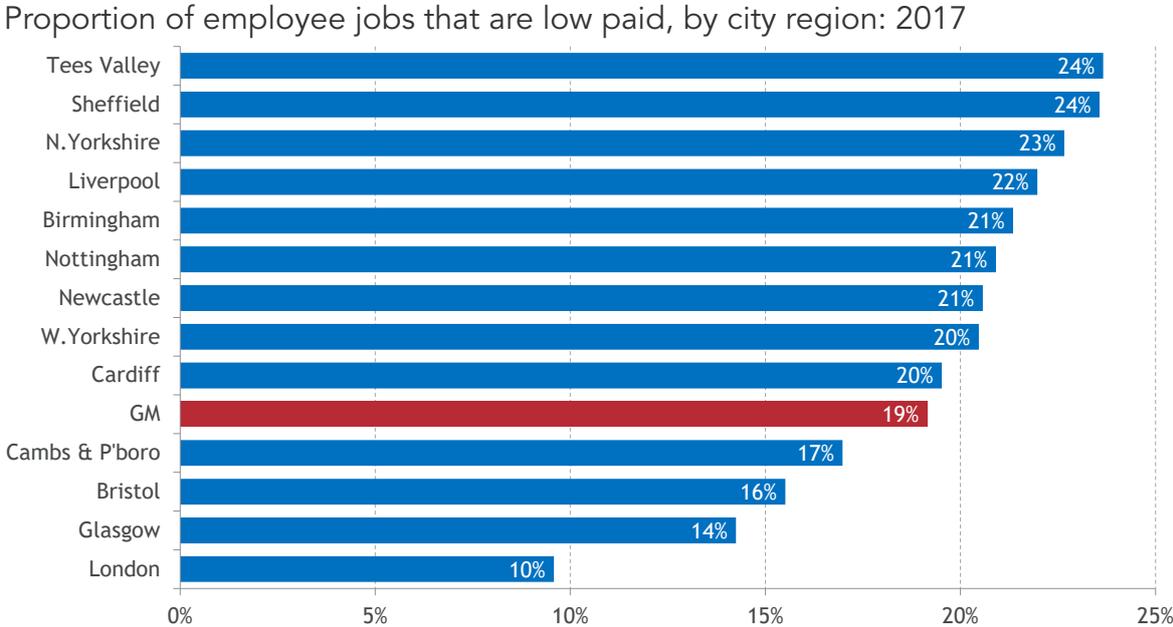
Notes: Low pay here is defined as hourly earnings (excluding overtime and other payments) less than two-thirds of the median hourly wage for all employees. This is the primary measure of low pay used in this report, with analysis using other measures specified. The Annual Survey of Hours and Earnings is a survey of employers rather than individuals. As such, employees can have more than one job and, therefore appear more than once within the analysis. The phrases "employee jobs" and "employees" are used interchangeably throughout.
Source: RF analysis of ONS, *Annual Survey of Hours and Earnings*

[14]   For further discussion of compression around (and just above) the minimum wage, see: Low Pay Commission, *Natwional Minimum Wage: Low Pay Commission Report 2018*, November 2018

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Such variations are also clear within GM itself. As Figure 3 highlights, the headline figure for GM conceals areas in which low pay is much more and much less common. In Rochdale (26 per cent), Wigan (25 per cent) and Bury (25 per cent), one-in-four employees fall below the low-pay threshold. In Manchester and Salford however (both 14 per cent), that proportion is nearer to one-in-seven.

Figure 3: Low pay varies widely within GM, with low-paid roles particularly common in Rochdale

Proportion of employee jobs that are low paid in Greater Manchester, by local authority: 2017
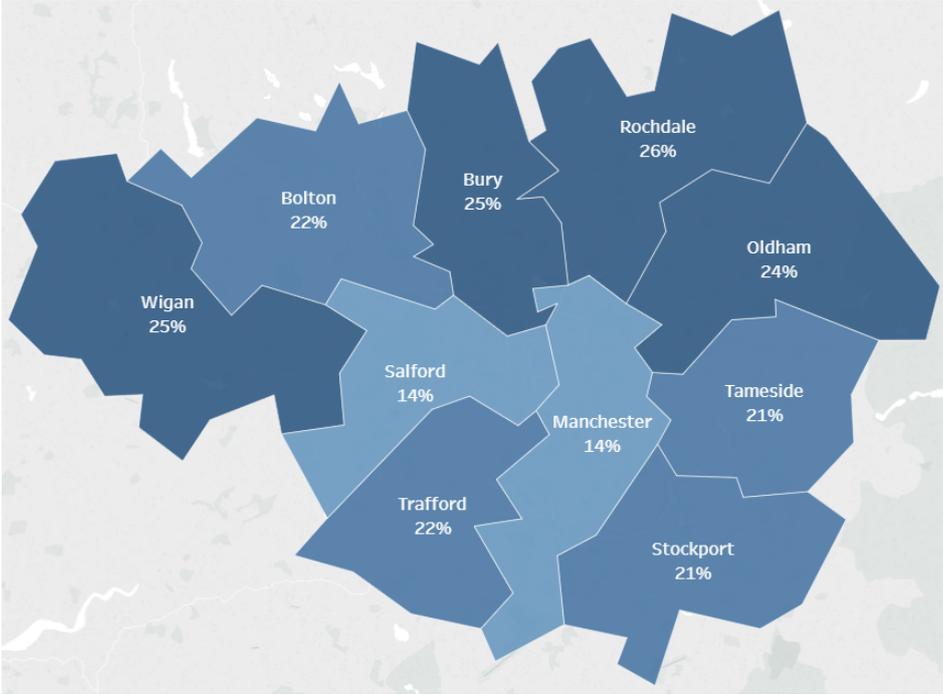
Notes: See notes to Figure 2.
Source: RF analysis of ONS, *Annual Survey of Hours and Earnings*

These calculations (and indeed all those for cities and local areas throughout this report unless specified) are based on where the jobs are based rather than where the individual lives. While at a city-region level there is likely to be broad overlap between the two, this local authority perspective may blur matters somewhat. For instance, though jobs that are based in Rochdale are more likely to be low paid than those in Manchester, it may be that Rochdale residents are commuting into Manchester (or other local authorities). Nonetheless, and as previous Resolution Foundation analysis has explored,[15] inequality within GM is stark and on some measures including employment rates, wider than in many other city regions.

That said, and with the caveat that the smaller sample sizes available in local authorities can lead to greater year-to-year volatility, notable changes – and some narrowing of those

[15]   S Clarke, New Order: Devolution and the future of living standards in Greater Manchester, Resolution Foundation, November 2016

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gaps – are visible between 2012 and 2017. Table 1 shows that, from its peak of 35 per cent of employees being low paid in 2013, Oldham's figure stood at 24 per cent in 2017. Over this period much less change occurred in some areas, with 21 per cent of employees in Stockport low paid in both 2012 and 2017. The factors driving this are difficult to unpick, but this analysis highlights that low pay is not an inevitability and that areas can and do experience change.

Table 1: Low-pay shares have been relatively static in some parts of GM while declining in others

Proportion of employee jobs that are low paid in Greater Manchester, by local authority

	Bolton	Bury	Manchester	Oldham	Rochdale	Salford	Stockport	Tameside	Trafford	Wigan
2012	26%	28%	17%	29%	26%	17%	21%	24%	23%	31%
2013	30%	24%	18%	35%	29%	20%	23%	27%	28%	30%
2014	29%	29%	17%	34%	32%	18%	22%	23%	26%	31%
2015	26%	27%	15%	30%	28%	19%	23%	24%	26%	27%
2016	21%	28%	16%	28%	28%	18%	21%	26%	24%	28%
2017	22%	25%	14%	24%	26%	14%	21%	21%	22%	25%

Notes: See notes to Figure 2.
Source: RF analysis of ONS, *Annual Survey of Hours and Earnings*

Low-paid employees in GM are slightly younger and more likely to be male than elsewhere

In order to understand the nature of GM's low-pay problem, its connections to productivity and which potential responses might be most effective, a clearer picture of who is low paid is key. Our best source of hourly pay data, the Office For National Statistics's (ONS's) *Annual Survey of Hours and Earnings (ASHE),* includes information on a number of useful characteristics, including sex, age, number of hours worked, employer size and distance from work.

But no information is available in ASHE on some of the most economically and socially important factors including education, ethnicity and the family situation of the low earner. These, however, are all available in another ONS survey, the Labour Force Survey (LFS), though the hourly pay variable in the LFS is less reliable than in ASHE. The following analysis, then, provides results from ASHE where variables are available, with analysis of the LFS used otherwise.

Beginning with sex, as in every city region we analyse and Britain as a whole, women comprise the majority of those in low-paid employment in GM (58 per cent, versus 48 per cent of non-low-paid employees). That said, compared to the Great Britain average of 61 per cent, women are less overrepresented in low-paid work in GM. This is truer still when comparing to certain city regions, with low-paid employees in Bristol (67 per cent women), Tees Valley (65 per cent) and Liverpool (64 per cent) all more likely to be female.

While gaps in terms of age are less pronounced, GM's low-paid workforce is nonetheless slightly younger on average than that in other city regions. The mean age of low-paid

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employees in GM is 35, compared to 37 in Nottingham. While GM's non-low-paid workforce (42 years old) is also slightly younger than the GB average, the average age of non-low-paid employees in Nottingham is also 42.

This slightly younger low-paid workforce may help to explain the proportion of employees remaining in the same job from year to year. In GM, one-in-three (34 per cent) low-paid employees in 2017 were not in the same job as a year previously. While similar to a number of other city regions, low-paid employees in GM appear more likely to switch jobs than those in Tees Valley (24 per cent switched jobs) but less likely than London (41 per cent) and Bristol (39 per cent). A number of factors could contribute to this pattern, including, as noted, age, but it may also be an insight into the availability of jobs and the dynamism of the local labour market. Nonetheless, these individuals are those who have switched jobs but still remained in low pay. This implies that changing job is clearly not a fool proof route to higher pay.

In terms of hours worked, GM again appears quite close to the national average for low-paid employees, with 27.6 hours worked per week by the low paid. This is lower than Cambridgeshire and Peterborough (29.9 hours) but higher than in Bristol (24.8 hours). The greater share of women among the low paid in Bristol may explain some of this difference.
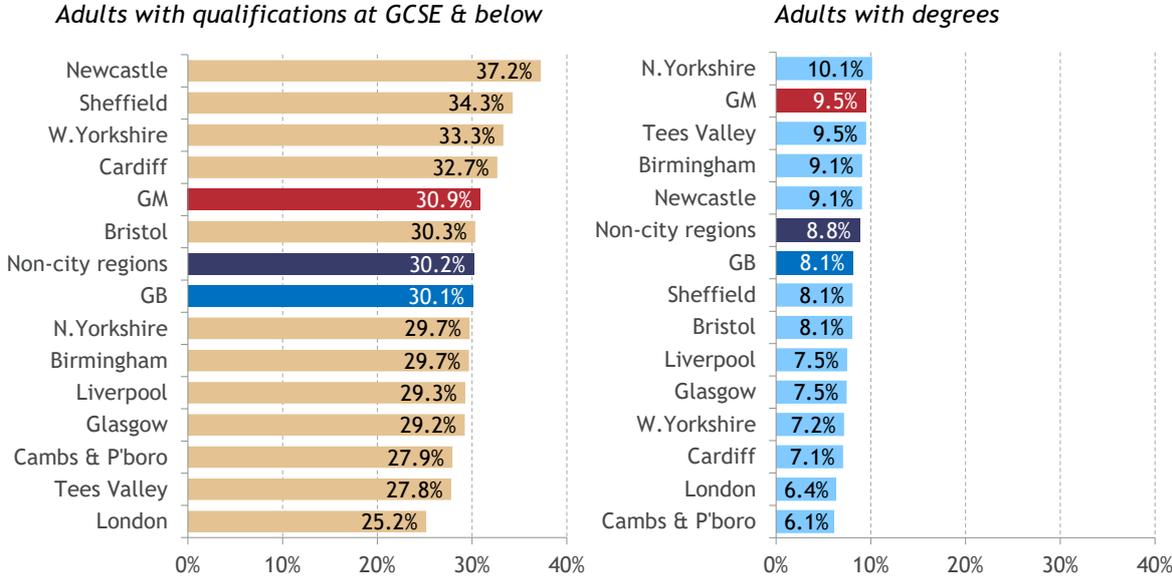
Single parents and black employees face an elevated risk of low pay in GM

We next turn to our analysis of the LFS, examining how low pay varies by qualification. We focus on three groups: those with GCSEs or equivalent or below as their highest qualification; those above this up to and including A Levels; and those with degrees and above. As would be expected, those with lower qualification levels are most likely to be low paid in all of the city regions we assess. As shown in Figure 4, the proportion of people with qualifications at GCSE and below who are low paid in GM (31 per cent) is broadly similar to the GB average of 30 per cent. However, it is noticeably lower than in Newcastle and Sheffield which have the highest rates, at 37 per cent and 35 per cent respectively.

In contrast, GM has among the highest rates of degree-holders in low pay. One-in-ten (10 per cent) of those with degrees in GM is low paid. This is compared to a Great Britain average of 8 per cent and 6 per cent in Cambridgeshire and Peterborough, the city region with the lowest proportion of degree holders in low pay. Clearly, the risk of low pay is still relatively minimal for this group, with those with fewer qualifications most in need of support. Further analysis into the age and length of time since graduation of these low-paid graduates would nonetheless be worthwhile.

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Figure 4: Graduates are more likely to be low paid in GM than in most other city regions

Proportion of employees who are low paid, by qualification level and city region: 2016-18

Adults with qualifications at GCSE & below

Region	%
Newcastle	37.2%
Sheffield	34.3%
W.Yorkshire	33.3%
Cardiff	32.7%
GM	30.9%
Bristol	30.3%
Non-city regions	30.2%
GB	30.1%
N.Yorkshire	29.7%
Birmingham	29.7%
Liverpool	29.3%
Glasgow	29.2%
Cambs & P'boro	27.9%
Tees Valley	27.8%
London	25.2%

Adults with degrees

Region	%
N.Yorkshire	10.1%
GM	9.5%
Tees Valley	9.5%
Birmingham	9.1%
Newcastle	9.1%
Non-city regions	8.8%
GB	8.1%
Sheffield	8.1%
Bristol	8.1%
Liverpool	7.5%
Glasgow	7.5%
W.Yorkshire	7.2%
Cardiff	7.1%
London	6.4%
Cambs & P'boro	6.1%

Notes: Low pay here is defined as hourly earnings less than two-thirds of the median hourly wage for all employees. This is the primary measure of low pay used in this report, with analysis using other measures specified. This analysis is based on the Labour Force Survey, a survey of individuals, and as such low pay figures differ from analysis based on the Annual Survey of Hours and Earnings presented elsewhere in this report. Some city regions are excluded due to low sample sizes.
Source: RF analysis of ONS, *Labour Force Survey*

One driver may be the kind of jobs they find themselves in. While Section 3 will explore the role of sectors and occupations in more depth, Table 2 shows the proportion of people earning less than Living Wage in three key low-paying sectors: retail and wholesale; hospitality, tourism and sport; and health and social care, by qualification level. Here, we use the Living Wage as our measure of low pay in order to maximise the number of individuals included in the sample.

Across all the geographies we consider, low pay is most common in hospitality, tourism and sport, with the risk of low pay highest for those with qualifications at GCSE level and below. In this sector, GM graduates appear to fare particularly poorly relative to Great Britain as a whole. More than half (54 per cent) of graduates in hospitality, tourism and sport in GM earn less than the Living Wage, compared to 42 per cent across Great Britain. Smaller gaps between GM and GB – 2-3 percentage points – are evident for those with lower qualifications in hospitality, tourism and sport. Again, the extent to which this is a quirk of GM's large student population or a more concerning trend would benefit from further analysis.

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Table 2: Graduates in the hospitality sector and those with A Levels in health and social care sector are more likely than average to be low paid in GM

Proportion of employees who are paid less than the Living Wage, by sector, qualification level and city region, 2016-18

	Greater Manchester	London	Non-city regions	Great Britain
Retail & wholesale				
Degree	37%	38%	33%	35%
A Level & equivalent	61%	62%	51%	53%
GCSE & below	63%	70%	59%	61%
Hospitality, tourism & sport				
Degree	54%	39%	40%	42%
A Level & equivalent	65%	55%	64%	63%
GCSE & below	75%	69%	72%	72%
Health & social care				
Degree	12%	10%	12%	12%
A Level & equivalent	45%	36%	36%	36%
GCSE & below	49%	56%	52%	54%

Notes: Low pay here is defined as hourly earnings less the Living Wage. This analysis is based on the Labour Force Survey, a survey of individuals, and as such figures differ from analysis based on the Annual Survey of Hours and Earnings presented elsewhere in this report. Only areas with sufficiently large sample sizes are shown.
Source: RF analysis of ONS, *Labour Force Survey*

In health and social care, perhaps the most striking result in Table 2 is for those with A Levels. In GM, 45 per cent of such employees are paid less than Living Wage while in London, non-city regions and Great Britain as a whole, this figure is 36 per cent. Section 3 explores this issue in more depth, but it points to potential underutilisation of skills within GM's health and social care workforce.

Turning next to ethnicity, we know from previous research that across GB as a whole workers from black, Asian and minority ethnic (BAME) backgrounds are more likely to be low paid than white workers. In order to better understand outcomes for different groups, the data splits GM's population into a number of ethnic groups. However, because BAME workers comprise a minority of the workforce, and the low paid are also only a sub-section of those in the data, detailed comparisons for some ethnic groups are not possible due to sample size restrictions.

Figure 5 focuses on the three groups for whom we can be more confident about the analysis given larger numbers. We do not, however, control for a number of potentially relevant factors, such as age, country of birth or qualifications. The differences between groups therefore should not be treated as being solely or primarily due to issues of race or ethnicity. That said, they nonetheless provide a helpful insight into how the odds of being low paid vary for different groups within GM. This knowledge may help to shape responses aimed at improving labour market outcomes.

Comparison of the outcomes of black, Asian and white employees in Figure 5 shows that Asian groups are most likely to be low paid across most city regions and in Great Britain as a whole. But in GM, black people have the highest risk of low pay. One-in-three black employees is low paid in GM, a figure that is 12 percentage points higher than that for

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white people in GM. This is compared to a 2 percentage point difference in Birmingham and an 8 percentage point difference in London. In contrast, Asian employees are only 6 percentage points more likely to be in low pay than white people in Manchester, but the difference is 8 percentage points in Birmingham and 9 percentage points in London.

Figure 5: One-in-three black employees in GM is low paid

Proportion of employees who are low paid, by ethnicity and city region: 2016-18
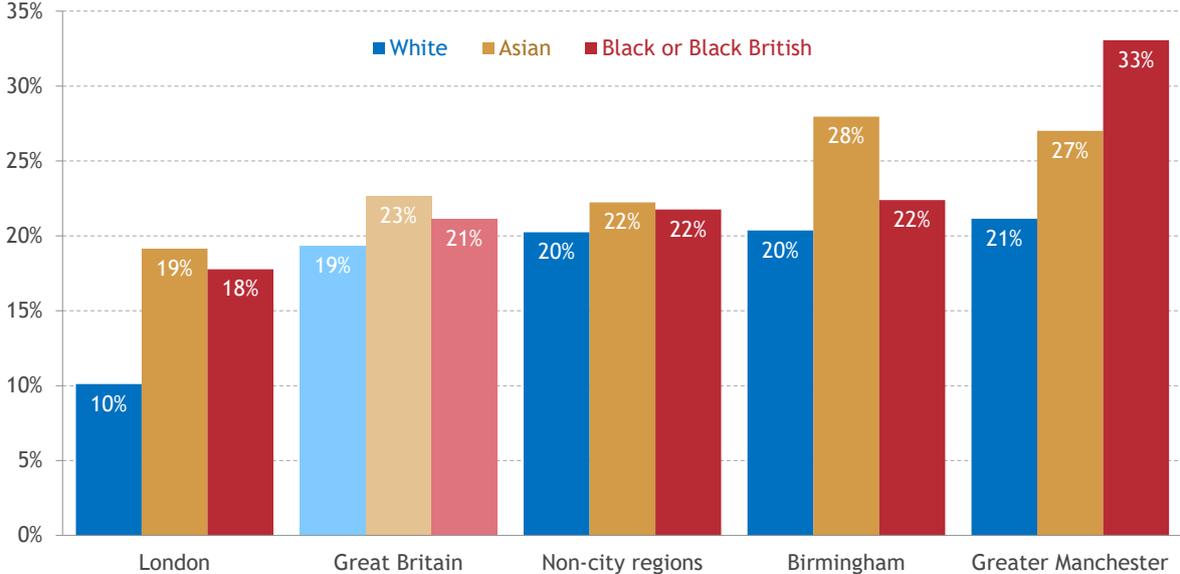
Notes: See notes to Figure 4.
Source: RF analysis of ONS, *Labour Force Survey*

While the rate of low pay for black people is highest in GM, it is important to note that the absolute numbers of white (215,000) and Asian (20,000) people in low pay remains higher than the number of black people in low pay (15,000).[16] This is because GM has greater populations of Asian and white people. Nevertheless, this smaller population of black people evidently face a higher risk of low pay in GM than black employees in other parts of Great Britain.

One factor that could be contributing to this pattern is the sectors that people of different ethnicities work in. Table 3 explores this, showing the proportion of white and BAME employees earning below the Living Wage (again, we use this measure of low pay here to boost sample sizes) in different industries across the country. Across sectors, GM does not stand out as particularly different to the country as a whole in terms of the 'low-pay gap' between white and BAME workers.

In all of the three sectors we assess, BAME employees are more likely to be low paid in GM than nationally. That gap is widest in hospitality, tourism and sport, where 73 per cent of BAME employees earn less than the Living Wage compared to 65 per cent of white employees. Though this 8 percentage point difference is smaller than the 13 percentage

[16]   These numbers differ from the 220,000 total low paid figure used earlier in this section, because they are calculated using a different survey: LFS as opposed to ASHE.

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point gap we find in Birmingham, it is nonetheless larger than the Great Britain average. Sample size limitations prevent us from exploring the extent to which the kinds of occupations individuals work in drive these differences. Such differences are likely to be an important factor but previous Resolution Foundation has shown that, even after controlling for where individuals are born, live, the qualifications they have and the role they work in, ethnic minority pay penalties still persist for certain groups.[17]

Table 3: BAME employees in hospitality in GM are more likely to be low paid than white employees

Proportion of employees who are paid less than the Living Wage, by sector, ethnicity and city region: 2016-18

|	Greater Manchester	Birmingham	London	Non-city regions	Great Britain
Retail and wholesale					
White	57%	53%	52%	52%	53%
BAME	62%	45%	64%	55%	59%
Difference	5 ppts	-8 ppts	11 ppts	3 ppts	6 ppts
Hospitality, tourism and sport					
White	65%	61%	53%	63%	63%
BAME	73%	74%	60%	64%	65%
Difference	8 ppts	13 ppts	7 ppts	0 ppts	2 ppts
Health and social care					
White	31%	34%	19%	32%	31%
BAME	33%	43%	35%	31%	33%
Difference	2 ppts	8 ppts	16 ppts	-1 ppts	2 ppts

Notes: See notes to Table 2.
Source: RF analysis of ONS, *Labour Force Survey*

The final characteristic we consider in this section is family type. Figure 6 shows that in each of the city regions we analyse, single parents – represented by the blue bars – face the highest risk of being low paid. Across Great Britain as a whole, one-in-three single parents is low paid. But there is much variation around the country. Single parents in GM are more likely to be low paid (42 per cent) than in London (28 per cent), Birmingham (30 per cent) or Glasgow (31 per cent). Beyond single parents, GM's performance is roughly similar to other cities with 15 per cent of those in couples with dependent children low paid and 16 per cent for couples without children. Singles without children, however, are more likely to be in low pay in GM (23 per cent are) than the national average, higher than all areas we analyse other than Liverpool.

[17]   K Henehan & H Rose, *Opportunities Knocked? Exploring pay penalties among the UK's ethnic minorities,* Resolution Foundation, July 2018

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Figure 6: Single parents face a higher risk of being low paid in GM than in other cities

Proportion of employees who are low paid, by family type and city region: 2016-18
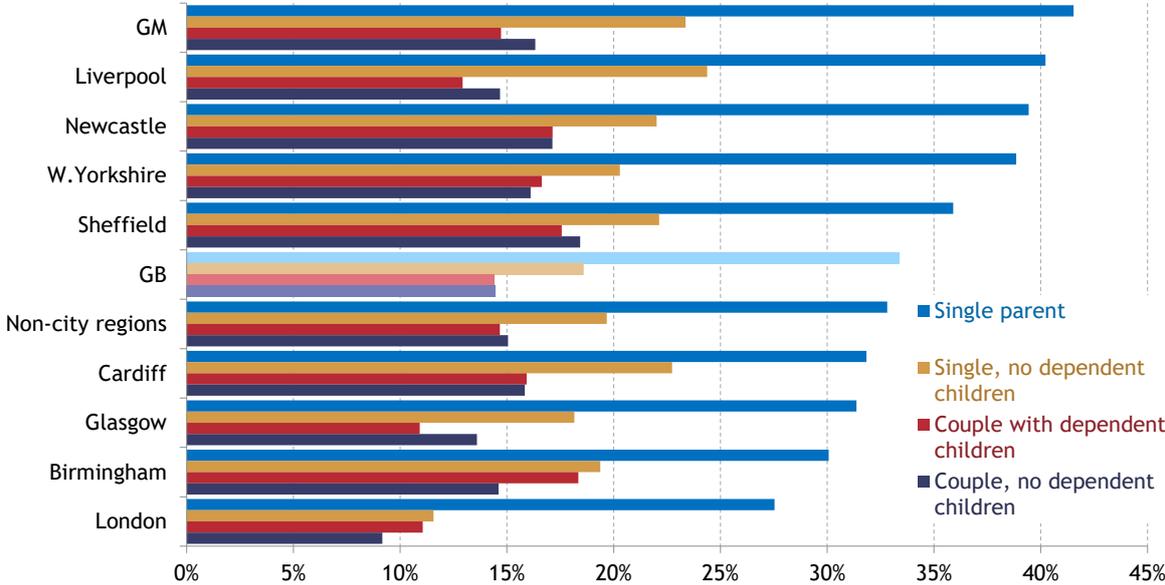
Notes: See notes for Figure 4.
Source: RF analysis of ONS, *Labour Force Survey*

Conclusion

Our analysis has shown that, in many respects, GM's low-paid population is similar to that across the country as a whole. Women and those with lower qualifications are two groups that are both more likely to be on low wages and comprise a significant proportion of those on low wages overall. Identifying the barriers and opportunities facing these workers – likely to include the availability and affordability of childcare and the chance to undertake further training – should be a first step in any effort to tackle low pay in GM. For some, particularly those with caring responsibilities who may be less willing or able to travel, geography may be an issue, with low-paid jobs more common in some parts of GM. A better understanding of commuting patterns among low-paid workers, particularly in areas like Rochdale where one-in-four jobs is low paid, could help to expand opportunities available to low earners in such places.

Beyond geography and these large groups, there are other kinds of employees in GM who appear to face a higher risk of being low paid than in other city regions. Single parent and black employees are more likely to be low paid in GM than in the comparator areas we have analysed. While we have not attempted a deep dive into the issues affecting these groups, and whether they appear more severe in GM than elsewhere, our work does indicate that further exploration of the labour market experiences of single parents and black people in GM would be worthwhile.

Section 3

The structure of Greater Manchester's low-pay labour market

In this section we explore the jobs that low-paid workers do and the firms they work for. We find that over half of low-paid employees in GM work in three sectors: retail and wholesale, hospitality, tourism and sport, and health and social care. Among these, health and social care stands out as presenting a noticeably higher risk of being low-paid to its employees in GM than health and care jobs elsewhere do. 25 occupations account for three-quarters of low-paid jobs, and while many are found in these three lowest-paying sectors, others are dispersed across the economy.

Our analysis goes beyond the sectoral and occupational mix of low-paid work in GM to consider issues of monopsony and bargaining power. Labour market concentration is lower in GM than in most other city regions, in line with the fact that GM is one of the biggest cities we analyse. But more broadly, a handful of large firms play a dominant role in the low-pay labour markets in GM and elsewhere. The fact that low-paid women in GM travel shorter distances to work than women in other city regions underscores the need to consider issues of firm dominance and the effective labour markets accessible to people in order to better understand the experience of low pay.

While hospitality and retail dominate, health and social care plays an above-average role in GM's low-paid labour market

As the previous section discussed, a clearer picture of low-paid workers in GM is crucial to understanding where policy action should be targeted. But a profile of the sectors they are employed in and their occupations is perhaps more closely linked to an agenda focused on improving productivity, and opens up another range of policy interventions that could help to tackle low pay in GM.

Figure 7 provides an overview of the sectors in GM's labour market and the extent to which they are low paying. The majority of GM's low earners work in just three sectors: retail and wholesale (27 per cent), hospitality, tourism and sport (21 per cent) and health and social care (15 per cent). These figures are the product of a combination of the size of these sectors and the relative risk of being low paid for those within them. For instance, while the share of those in hospitality, tourism and sport that are low paid (54 per cent) is higher than in retail and wholesale (35 per cent), more of GM's low-paid employee jobs are in the latter because of the size of retail and wholesale.

Figure 7: GM's low-paid workforce is spread across a variety of industries, with hospitality and retail dominating

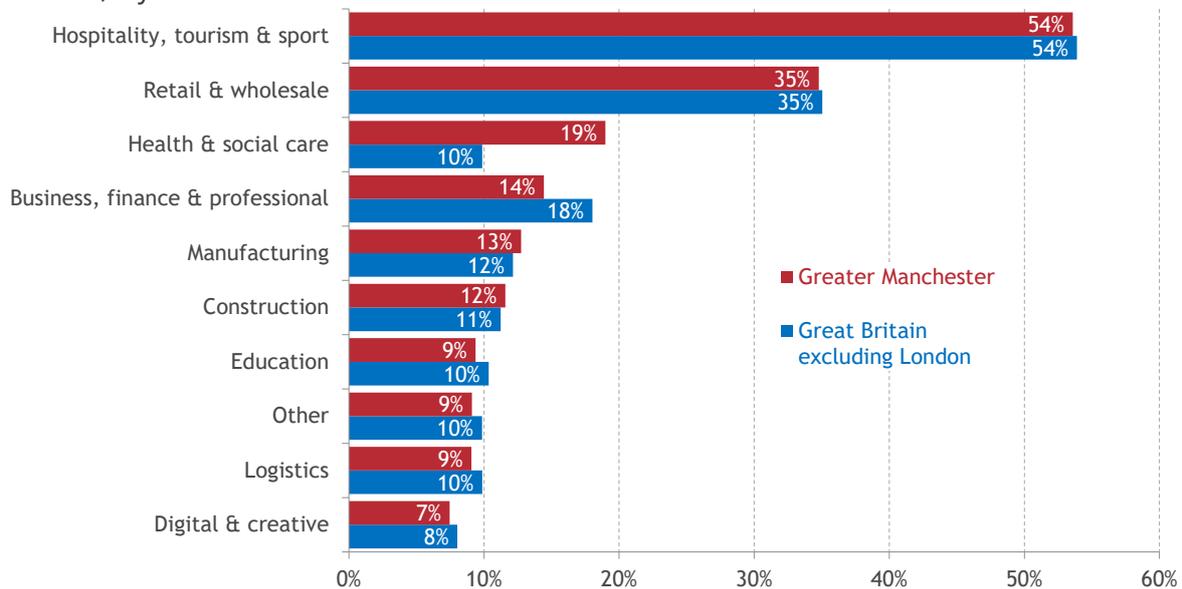Sectoral mix of low-paid employee jobs in Greater Manchester: 2017
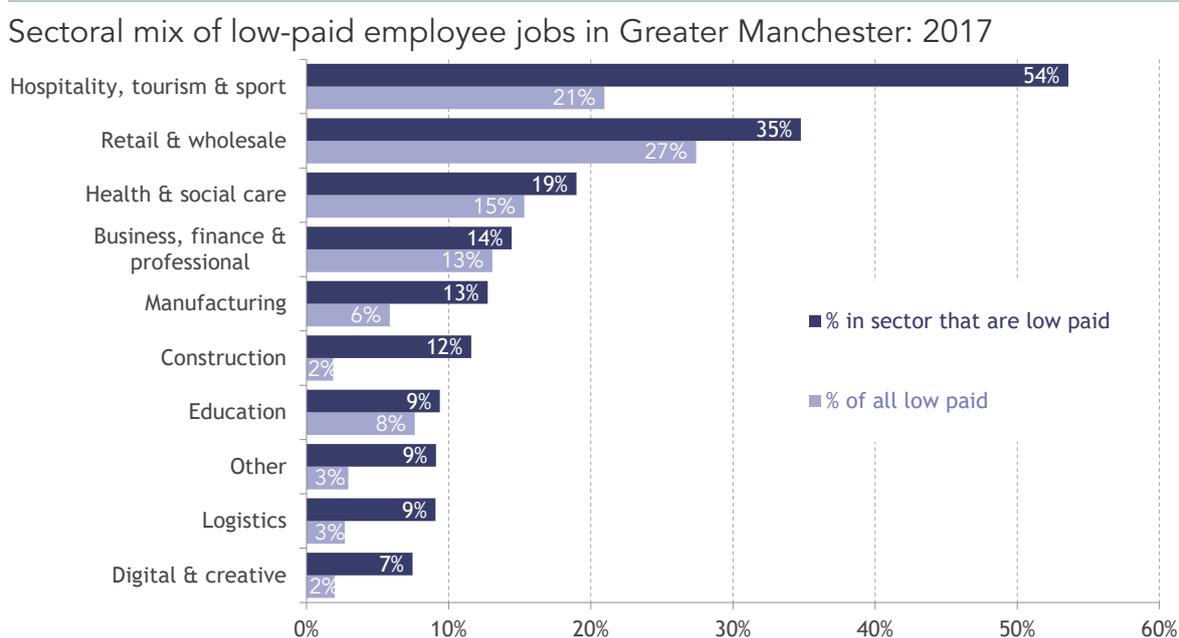
Notes: See notes to Figure 2.
Source: RF analysis of ONS, Annual Survey of Hours and Earnings

While this sectoral mix and the relative risk of low pay is broadly similar to the national picture, there are some noteworthy differences. As Figure 8 illustrates, although the odds of being low paid in hospitality, tourism and sport, and retail and wholesale, are virtually identical in GM and Great Britain excluding London,[18] a more noticeable divergence is evident for employees in health and social care. Nearly one-in-five (19 per cent) employee jobs in the sector in GM is low paid; the corresponding national figure is just one-in-ten (10 per cent). Given the powers GMCA has been devolved in relation to this sector, there is scope to explore and address this issue.

[18]   In order to minimise the role that head offices and generally higher-paying roles in London may play, we exclude it from this sectoral analysis.

Figure 8: A greater share of GM's health and social care workforce is low paid than the national average

Proportion of employee jobs that are low paid in Greater Manchester and Great Britain, by sector: 2017

Notes: See notes to Figure 2.
Source: RF analysis of ONS, *Annual Survey of Hours and Earnings*

A relatively small number of occupations account for the majority of low pay, with caring roles growing in importance

While this sectoral overview is helpful in understanding the kinds of firms involved in the low-paid labour market in GM, from the point of view of individuals in low pay, the kinds of jobs that are low paid is arguably of greater relevance. In terms of occupations, roles within the key low-paying sectors listed above figure prominently. Many of the occupations listed in Figure 9 – the most common occupations among low-paid employees in GM in 2017 – are prevalent within retail and wholesale, and hospitality, tourism and sport, including sales and retail assistants, kitchen and catering assistants and bar and waiting staff.

But other occupations in Figure 9 are found across industries, such as cleaners, administrative occupations and receptionists. While responses to low pay are most likely to have the biggest impact when focusing on the major low-paying sectors, those on low pay in generally higher-paying industries should not be completely overlooked. This is particularly the case when it comes to those in the public sector, with care workers/home carers, nursing auxiliaries and teaching assistants all among the most common low-paying occupations. Policy makers may have more scope to directly support workers in these sectors.

Figure 9: 25 occupations account for three-quarters of low pay in GM

Proportion of low-paid employee jobs in Greater Manchester, by occupation: 2017

Notes: See notes to Figure 2.
Source: RF analysis of ONS, *Annual Survey of Hours and Earnings*
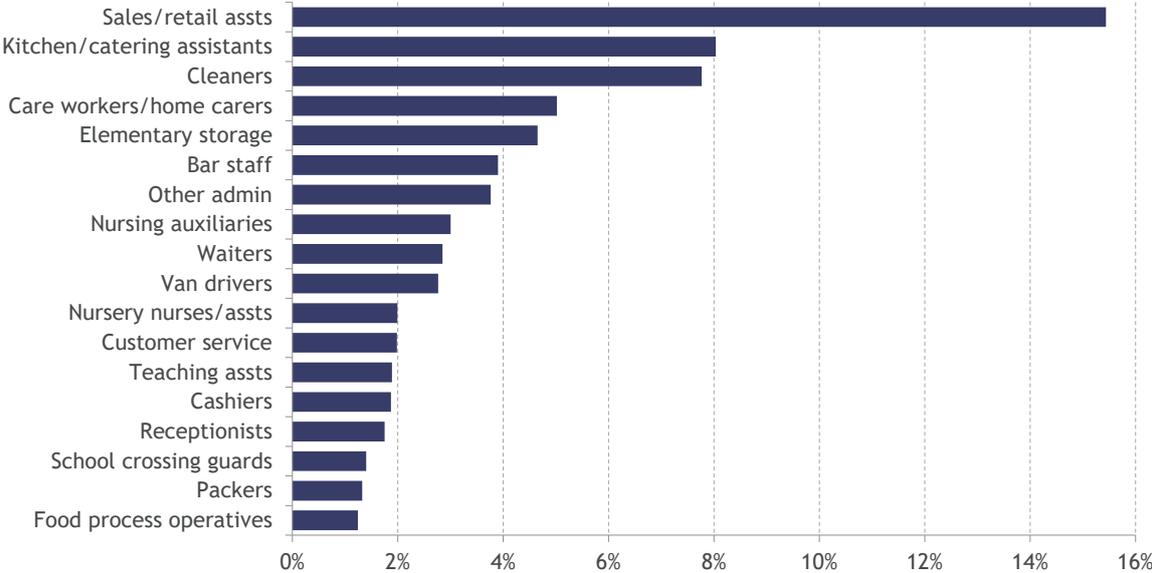
Of course, the occupations that low earners work in are not stagnant: some grow in importance and others decline, with potentially important consequences for people's opportunities to earn more and progress. Looking at change since the turn of the millennium, some low-paying occupations have become more important within GM while others have dwindled.[19]

Figure 10 shows how the share of total hours worked in GM has shifted between 2001-03 and 2016-18. Each bubble represents an occupation, with the size of the bubble reflecting the relative number of hours worked in each. Bubbles towards the left-hand side of the chart are lower-paying and those towards the right are higher paying, with the horizontal axis showing the average wage percentile of that occupation over the period. The vertical axis reflects whether the occupation is making up a larger or smaller share of total hours than in the past, with those towards of the top of the chart rising in importance and those towards the bottom decreasing.

The figure suggests something of a mixed picture when it comes to low- and mid-paying roles. Some occupations linked to manufacturing, including elementary plant process occupations, have declined, and now account for a smaller share of total hours than in the past.

[19]   For further detail on how these effects have varied across different groups, see: S Clarke, *'A-typical' working day in Greater Manchester*, Resolution Foundation, October 2017

Figure 10: Caring occupations have grown in importance within GM since the turn of the millennium

Change in log share of total hours worked in Greater Manchester (2001-03 - 2016-18)
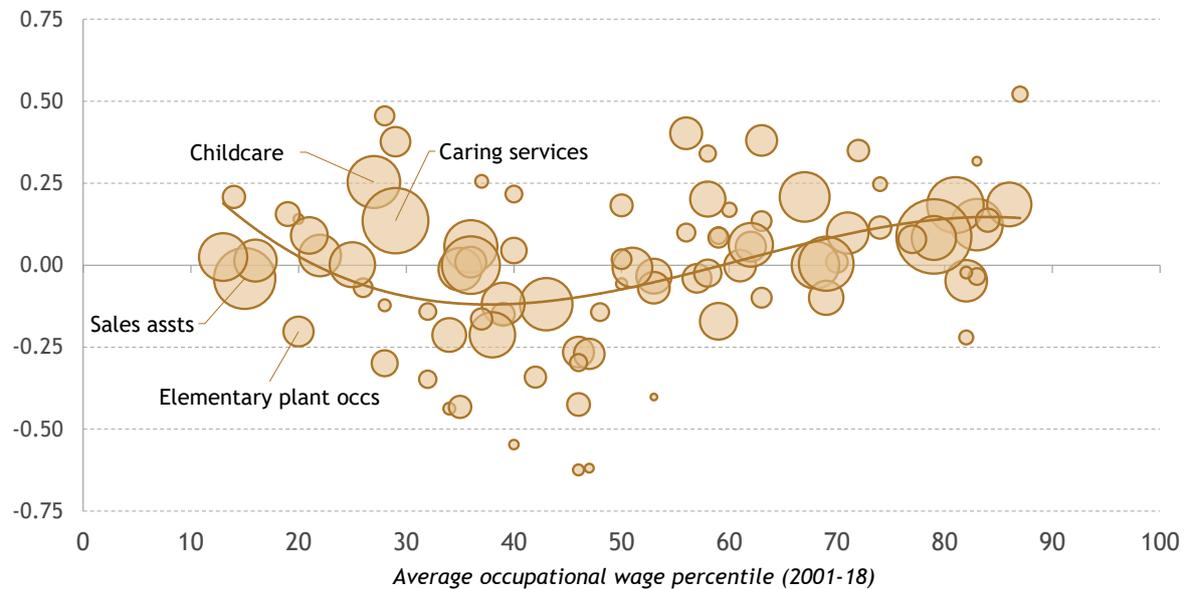
Notes: Bubble size represents the hours share of the occupation.
Source: RF analysis of ONS, *Labour Force Survey*

This, and wider debates about the impacts of automation, could lead to fears of rising technological unemployment. Previous Resolution Foundation research has found, however, that declines in manufacturing have been driven primarily by fewer younger workers entering such industries, with older workers already in the sector more likely to continue in those jobs until retirement.[20] Nonetheless, policy makers should be aware of the challenge that occupational shifts and declining industries can pose for workers and areas.

Other low-paying jobs have expanded over this period, with the number of hours worked in childcare and caring services in GM rising. Again, given greater involvement from central and devolved government in these occupations, there may be greater scope for policy action here.

Labour market concentration is a new and important area of analysis in terms of understanding wage trends

The sectoral and occupational mix in GM is, of course, crucial in order to understand the types of jobs that are low paying and where potential interventions could pay dividends. But an often overlooked question, beyond the types of business present in an area, is their size and the power they wield.

[20]   A Corlett, *Robot wars: Automation and the labour market,* Resolution Foundation, July 2016

While there is no single, agreed-upon view of how wages are set, many theories note the potential importance of worker power. Wage-setting is frequently a negotiation, with the broad aim of the worker being to receive as much as possible and the goal of the employer to give as little as needed. While, in theory, the worker and the employer may be viewed as two equal participants in this negotiation, employers often have the upper hand. Power imbalances become starker when employers wield greater power, especially when they are few in number and there are many potential employees. This field of work is often referred to as monopsony. In the labour market, monopsonistic employers (more properly, given few markets have only one employer, they should be termed oligopsonistic employers, but the term monopsony is much more commonly used) are those with such dominance in an area or an industry that they have much greater control over wage-setting. Workers in that place or sector will have little alternative but to accept the wages offered by the employer, or face unemployment.

Identifying monopsony in the real world is not straightforward, but the concentration of workers in a small number of firms can be observed. It should be emphasised that measures of concentration do not directly tell us about monopsonistic power, and, as such, high levels of concentration should not always be interpreted as a negative outcome (or low levels of concentration a positive outcome, as we shall discuss). Nonetheless, understanding the concentration of local labour markets helps shed light on the experiences of (particularly low-paid) workers. Previous research by the Resolution Foundation has shown that labour market concentration appears to have fallen over the 21st century, undermining speculation that the growing labour market power of a few firms could be part of the cause of recent weak wage growth in the UK. However, it is concerning that labour market concentration is much higher for low-paid workers and in low-paying sectors.[21] This analysis is the first to disaggregate these findings to the city-region level.

We measure concentration in 2016 for the city regions and sectors of interest in this study using the Business Structure Database (BSD), which records data (including employee numbers) for all private sector businesses in the UK. Our measure of concentration is the 'CR10', which captures the proportion of employees working for the 10 largest private sector businesses in each sub-sector of the economy.[22] An overall CR10 is then derived for different geographies and for the broad sectors of interest in this study by taking the average across sub-sectors, weighted by their employee numbers. In contrast to previous Resolution Foundation analysis of employee concentration which focused on 'enterprise units',[23] we measure businesses at the 'local unit' level, i.e. each site of a large retail chain with shops across the country is measured separately. This may not always accurately map onto the locus of wage-setting power (another reason to treat these findings as exploratory rather than in any way definitive in terms of what they tell us about monopsonistic practices), but is unavoidable when conducting analysis of concentration for different areas within Great Britain.

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[21]   T Bell & D Tomlinson, Is everybody concentrating? Recent trends in product and labour market concentration in the UK, Resolution Foundation, July 2018
[22]   Sub-sectors are defined using five-digit Standard Industrial Classification 2007 codes.
[23]   T Bell & D Tomlinson, Is everybody concentrating? Recent trends in product and labour market concentration in the UK, Resolution Foundation, July 2018

While we focus on the CR10, we have cross-checked results against other measures of concentration used in previous analysis by the Resolution Foundation and others (including the 'CR100' and the Herfindahl-Hirschman Index), on which cross-city and cross-sector patterns are very similar.

Labour market concentration in GM is in line with its size, but some lower-paying sectors are among the most concentrated

Figure 11 plots this composite measure of concentration across UK city regions (excluding London due to its much greater size), setting it against the number of employees in each city recorded in the BSD. We do this because the overall size of a labour market or sector has an important bearing on concentration, with smaller markets or sectors (with fewer firms) naturally likely to be more concentrated that large agglomerations.

Figure 11: Manchester has relatively low employee concentration compared to other cities

CR10 and private sector employee numbers, by city region: 2016
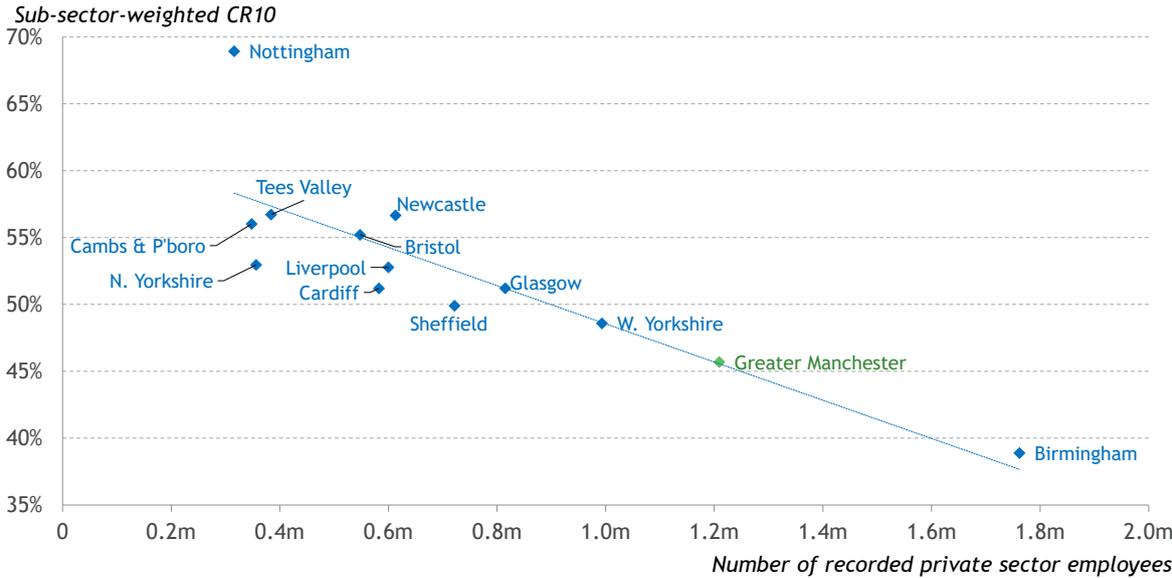
Notes: Local business units are included in the sample if they employ more than one employee.
Source: RF analysis of ONS, *Business Structure Database*

On this basis it is unsurprising that Birmingham – larger than all the other city regions explored in this analysis – has the lowest CR10, and that there is a clear inverse relationship between the CR10 and employee numbers. GM very much follows this pattern – its relatively large size means that concentration is lower than in all other areas explored in this analysis other than Birmingham (and London). Indeed, the only city that appears to substantially deviate from this relationship is Nottingham, echoing findings from previous Resolution Foundation analysis.[24]

[24]   C D'Arcy, *Low Pay Britain 2018, Resolution Foundation, May 2018*

Turning to the sectors of the GM labour market, Figure 11 shows those industries acting to drag down its overall CR10, and those pushing it up. These are presented in comparison to the UK figures, which, while they are lower across the board (due to the UK being a much larger labour market), display similar cross-sectoral patterns.

Figure 12: Food, drink and textiles manufacturing are the most concentrated sectors in Greater Manchester

Sub-sector-weighted CR10s, Greater Manchester and Great Britain: 2016

Notes: Local business units are included in the sample if they employ more than one employee.
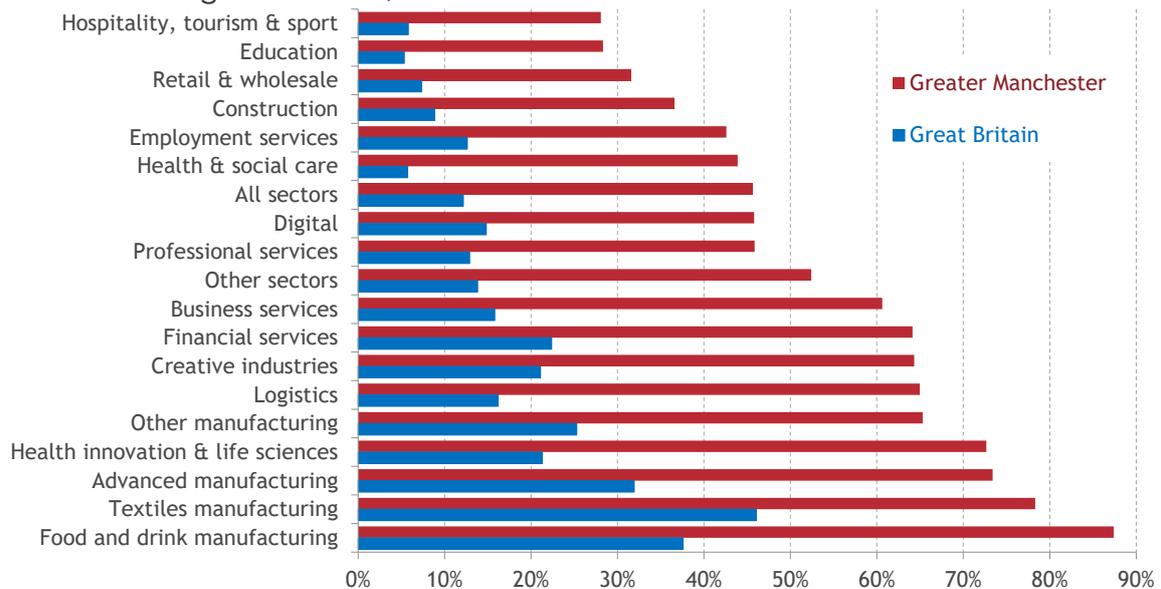Source: RF analysis of ONS, *Business Structure Database*

Table 4 provides further background to Figure 12, detailing the size of each of these sectors in GM and Great Britain in terms of number of private sector employees. The expected pattern of smaller sectors being more concentrated is clearly evident – high concentration in textiles, and food and drink manufacturing, is to a large extent a result of these being relatively small sectors. There are a couple of interesting divergences from this pattern – advanced manufacturing (which is relatively higher paid) has high concentration for its size, and the digital and construction sectors have low concentration for their size. These divergences are very much consistent across GM and GB.

Of particular note is that the two sectors with the highest levels of concentration in GM (and GB) – food and drink manufacturing and textiles manufacturing – both pay below the average (mean hourly employee pay across the UK was £14.05 in food and drink manufacturing and £12.40 in textiles manufacturing in 2018, compared to a figure of £14.90 across sectors[25]). While understanding of the relationship between concentration and the bargaining power of low-paid workers remains relatively limited in Britain, this analysis suggests that these parts of manufacturing are ripe for further exploration of such dynamics, both in GM and elsewhere.

[25]   Source: ONS, *Annual Survey of Hours and Earnings*

Table 4: Smaller sectors tend to be more concentrated in both Greater Manchester and Great Britain

CR10 and private sector employee numbers, Greater Manchester and Great Britain: 2016

	Greater Manchester		Great Britain	
	Number of recorded private sector employees	Sub-sector-weighted CR10	Number of recorded private sector employees	Sub-sector-weighted CR10
Hospitality, tourism & sport	112,000	28%	2,780,000	6%
Education	110,000	28%	2,544,000	5%
Retail & wholesale	193,000	32%	4,337,000	7%
Construction	50,000	37%	1,199,000	9%
Employment services	43,000	43%	946,000	13%
Health & social care	161,000	44%	3,777,000	6%
Digital	29,000	46%	791,000	15%
Professional services	92,000	46%	1,727,000	13%
Other sectors	90,000	52%	2,429,000	14%
Business services	88,000	61%	1,715,000	16%
Financial services	44,000	64%	1,015,000	22%
Creative industries	28,000	64%	742,000	21%
Logistics	61,000	65%	1,273,000	16%
Other manufacturing	34,000	65%	815,000	25%
Health innovation & life sciences	3,000	73%	189,000	21%
Advanced manufacturing	44,000	73%	1,145,000	32%
Textiles manufacturing	8,000	78%	101,000	46%
Food & drink manufacturing	19,000	87%	385,000	38%

Notes: Local business units are included in the sample if they employ more than one employee. Each column is shaded separately.
Source: RF analysis of ONS, *Business Structure Database*

Another sector worthy of note is health and social care. While this has around average levels of low pay in Greater Manchester overall (as explored above), the fact that this analysis of concentration only captures private-sector employees means it will be skewed towards the lower-paid social care side of the sector (i.e. excluding public sector health workers who tend to be relatively better paid). Previous analysis by the Resolution Foundation and others has highlighted the challenges created for employees in the social care sector by highly fragmented markets (driven by time-and-task based commissioning practices on highly populated framework contracts with fierce price competition between providers).[26] In this respect, it is over-fragmentation rather than over-concentration that may be associated with the low-paid nature of social care work.

As such, it is encouraging that while GM has below-average concentration in the health and social care sector, the CR10 is closer to the overall average than it is in Great Britain. Nonetheless, given GM's relatively greater local control over social care spending than other city regions, it may be prudent to investigate what steps could be taken to further reduce any impacts fragmentation is having on the experience of low-paid care workers in GM.

[26]   L Gardiner & S Hussein, *As if we cared: The costs and benefits of a living wage for social care workers*, Resolution Foundation, March 2015

Large firms play a major role in GM's low-paid labour market

While the BSD is, as discussed, ideal for exploring many forms of concentration, it does not provide information specifically on the wages of workers, thereby preventing us from exploring the labour market conditions facing low-paid employees in particular. Other datasets can, however, be used to fill this gap. Perhaps the simplest approach is to identify low-paid employees using ASHE and explore the firms that they work for.

As a first step, Figure 13 focuses on the largest firms – those with 5,000 employees or more. In 2017, 28 per cent of low-paid employees were employed by such firms, similar to the share across Great Britain. Visible for both GM and Great Britain over this period is a decline in this proportion. In 2012, 36 per cent of low-paid employees in GM worked for very large employers. While a number of factors may explain the shrinking share since then – increased hiring by smaller firms as the recession eased and the economy strengthened is one possible driver – it shows that large firms are an important, although not growing, part of GM's low-pay landscape.

Figure 13: A significant, if decreasing, share of low-paid employees in GM work for large firms

Share of all low-paid employee jobs in firms with 5,000+ employees, Greater Manchester and Great Britain

Notes: See notes to Figure 2.
Source: RF analysis of ONS, *Annual Survey of Hours and Earnings*

Within firms, we can focus on those that are the most important for low earners. To do this, we identify the five firms employing the highest number of low-paid individuals present in the data within the city region.[27] As Figure 14 shows, and in line with our BSD analysis, GM does not appear particularly concentrated when compared to other cities,

[27]   While this resembles the 'CR10' measure discussed earlier, because of the limitations of this data (covering only 1 per cent of employees rather than a full sample of private sector firms) it does not function in exactly the same way. For further discussion, see: C D'Arcy, *Low Pay Britain 2018*, Resolution Foundation, May 2018

with 11 per cent of low-paid workers in the data employed by five companies. In addition, the share of low-paid employee jobs that are with the five biggest employers in GM has remained relatively stable between 2012 and 2017.

Figure 14: Five employers account for 11 per cent of low-paid employee jobs present in the data in GM

Share of sampled low-paid employees jobs that are with the five biggest employers, by characteristic and city region: 2017

Region	Share
Nottingham	28%
Cambs & P'boro	20%
Liverpool	18%
Tees Valley	16%
Glasgow	15%
N.Yorkshire	14%
Cardiff	14%
Newcastle	13%
W.Yorkshire	13%
GM	11%
Birmingham	11%
Sheffield	11%
Bristol	10%
London	7%
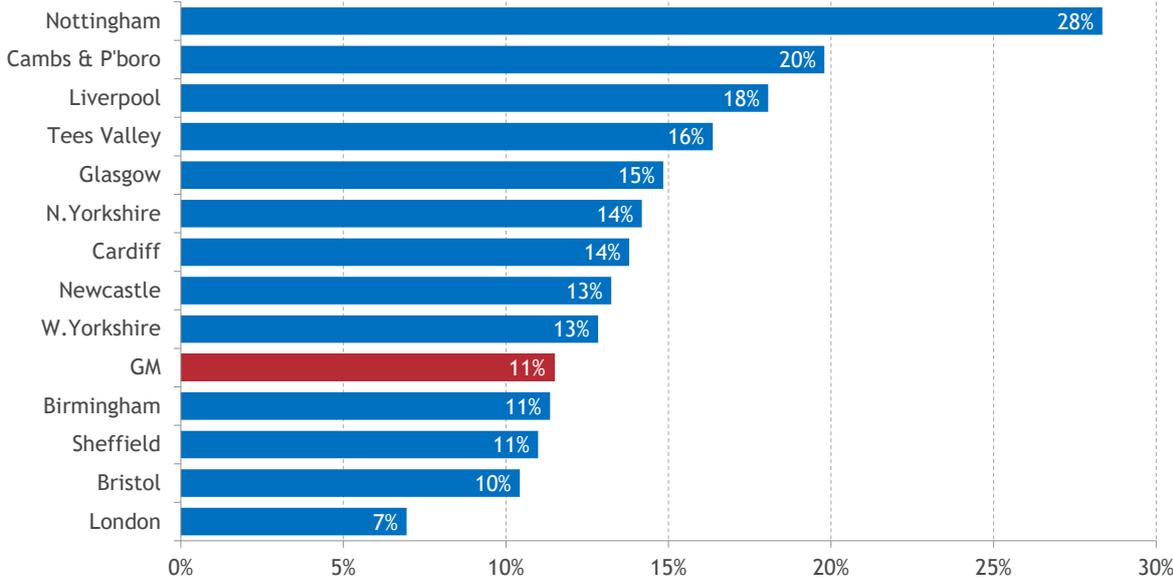
Notes: See notes to Figure 2
Source: RF analysis of ONS, *Annual Survey of Hours and Earnings*

As noted above, the size of city regions is clearly a factor, with smaller areas potentially more prone to be concentrated. As we can see, however, this is not necessarily the case, with Bristol, one of the smaller city regions we consider, among the least concentrated cities on this 'five low-pay firms' measure and Glasgow, one of the largest, more concentrated.

Low-paid women in GM travel the joint-shortest distance to work of any city region

Even accounting for the variation in size across city regions, in many cases and particularly for low-paid workers, these geographies will not reflect the true shape of their labour market. As work by the ONS has explored, the effective travel-to-work areas of those with low qualifications is much smaller than for more highly qualified individuals.[28] In short, those with low qualifications do not travel as far for work as others. This means that the limits of their labour market – and the number of jobs and employers available to them – are smaller than analysis at the city-region level might suggest.

[28]   R Prothero, *Travel to work area analysis in Great Britain: 2016*, Office for National Statistics, September 2016

An in-depth understanding of the employment opportunities accessible by people requires analysis of public transport options as well as the affordability of travel.[29] But one simple metric that provides an insight into the commutes that low earners currently do is the distance between an individual's home and place of work. While these 'as the crow flies' distances may be misleading in terms of the time taken to travel from place to place, and will of course vary greatly depending on the travel options available, it nonetheless offers an insight into how 'local' labour markets are for low earners, and how this varies.

Rather than presenting a single figure for each city region, we split results into those for men and women. This is because in (almost) all city regions low-paid women travel shorter distances than men, so the varying gender composition of the low-paid workforce noted in the previous section could influence the distances travelled.

The median 'as the crow flies' distance travelled by low-paid women in GM is 2.8 kilometres. This is the joint-shortest median distance travelled by low-paid women in any city region, with those in Tees Valley typically commuting the same distance. Low-paid men in GM are closer to the average across the city regions we consider, typically commuting 4 kilometres to work. This is farther than Bristol (3.1 kilometres) and Liverpool (3.5 kilometres) but well behind London (6 kilometres). In terms of the difference between the sexes, this means men in GM typically travel 43 per cent, or 1.2 kilometres, further to work than women. This gap varies from city to city (and is actually negative in Cambridgeshire and Peterborough where low-paid women typically travel 700m further) but is largest in Tees Valley (2 kilometres).

While a deeper understanding of this finding and its consequences is required, it implies that the opportunities available to low-paid women in GM may be more geographically restrained than in other cities.

Conclusion

A handful of sectors, occupations and firms play a major role in the work GM's low earners do. Over half of low-paid employees in GM work in three sectors, with health and social care more low paying than across the country as a whole. 25 occupations account for three-quarters of low-paid jobs, although these are spread across a range of sectors. Large firms employ more than one-in-four low-paid employees, with the five largest employing one-in-ten.

What does this tell us about GM's low-pay labour market and the consequences for low earners? One positive conclusion is that improvements in a relatively small number of industries, roles and firms could overhaul the experience of low pay in GM. By focusing on these biggest players and working towards better pay, conditions, training and the chance to progress, a huge number of low earners could benefit.

[29]   For more on this topic, see: R Crisp et al., _Tackling transport-related barriers to employment in low-income neighbourhoods_, JRF, August 2018

But there are also potential downsides. While our analysis does not suggest GM is more concerned than other cities, the dominance of a handful of employers can potentially hold wage growth down and worsen terms and conditions for workers. Given low-paid workers are less likely to travel than higher earners, this means understanding how well local labour markets are functioning for the low paid – in terms of bargaining power and opportunities to move jobs and progress – is key. The next section investigates this question of the opportunities available to low earners in more depth.

Section 4

The dynamics of low pay

This section moves from a static picture to an understanding of the extent to which low pay endures for individuals over time. We find that more than one-in-three low-paid employees in GM are still low paid four years later, the same as the figure for GB as a whole. Focusing on the sectors and occupations that initially-low-paid workers find themselves in over the longer time-span of a decade, our analysis suggests that a move out of low-paying sectors and occupations is likely to be the surest route to progression from low pay. For example, one-in-three initially-low-paid employees in GM was a sales assistant or a cleaner a decade later, compared to just 13 per cent of those who had moved onto higher pay.

Understanding low pay's role in people's careers is key

Low pay is an important contributor to people's day-to-day living standards – trying to support a family on a low wage is clearly challenging. But the role that low-paid jobs play over a longer timeframe is arguably just as crucial. If low-paid jobs act as stepping stones to better-paid employment, allowing people to build up their skills, experience and confidence, their prevalence may be less concerning. If, on the other hand, individuals find themselves in low-paid work over the long term, with the consequences this can have for earnings as well as their skillset, the picture appears more problematic.

To explore this question of the paths taken by low earners, in this Section we analyse longitudinal data, that is, data that tracks the same individual over a period of time. This enables us to examine, over different periods and in different occupations, the sorts of roles low earners move into. The analysis that follows is descriptive, meaning we cannot say that moving to certain sectors or having particular traits will lead to better outcomes in terms of pay. In part, this is due to the smaller sample of individuals in the data in GM or other city regions.

First, we identify those in the data who were low paid and working in GM in 2012. We then follow them ahead to 2016, regardless of where they work, to explore how their wages have changed. An important caveat to this analysis is that individuals only appear in the data when they are in employment. This means that people who were low paid and in the data in 2012 but who by 2016 have left the labour market for whatever reason or who have become self-employed will not be present. The outcomes of those included in this analysis – those who were employed in both 2012 and 2016 – are therefore unlikely to be representative of the outcomes for the entire group of those who were low paid in 2012.

Taking this approach, we find that while most people remaining in the sample had moved out of low pay, a significant majority remained on low wages four years later. In GM, a little over one-in-three (35 per cent) of those who were low paid in 2012 were still in low-paid employment in 2016. This proportion varies from city region to city region, with GM in the middle of the pack, as Figure 15 shows. Those who were low paid in London and Cambridgeshire and Peterborough in 2012 were least likely to still be in low pay in 2016 (29 per cent); the generally higher wages and smaller share of people who are low paid is likely to explain this trend. The risk of still being low paid was highest in Newcastle (43 per cent), despite the city being closer to the national average in terms of the overall proportion of employees in low pay (see Figure 2 in Section 2).

Figure 15: More than one-in-three low-paid employees are still in low pay four years later

Proportion of employee jobs that were low paid in 2012 and still low paid in 2016, by city region
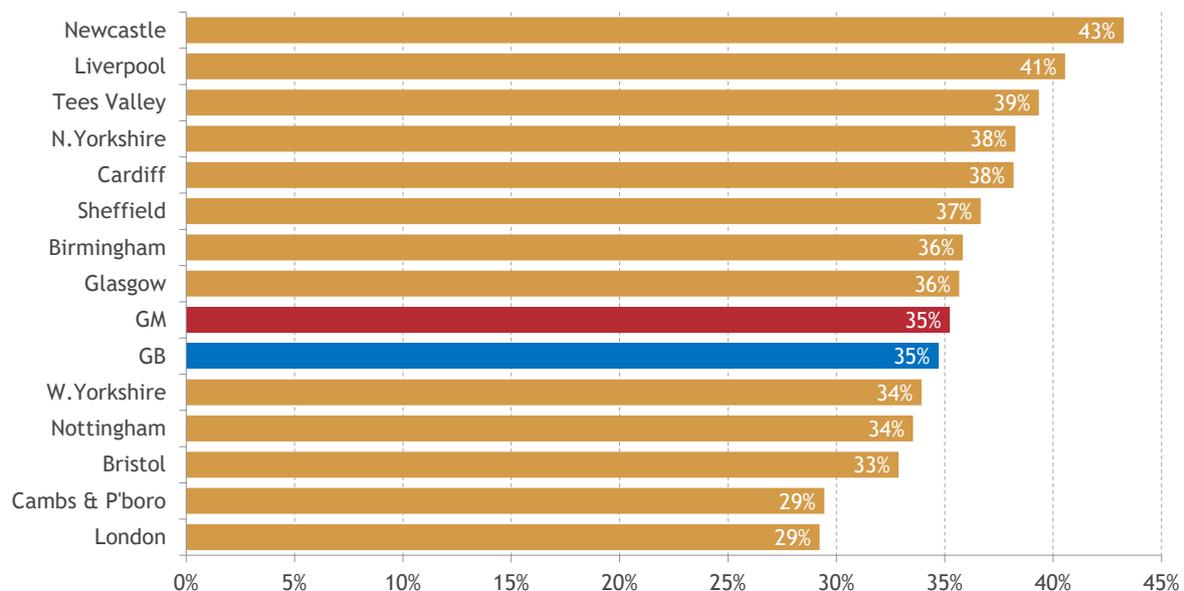
Notes: City regions are those worked in during the initial period of the analysis.
Source: RF analysis of ONS, *New Earnings Survey Panel Dataset*

Moving out of low-paying sectors and occupations may offer the best route to progression

Having established the short-term picture, we next turn to outcomes over a decade, focusing on the specific sectors and occupations that low earners move into, and how these intersect with wages. To do so, we take those who were low paid in GM in 2004-06 and follow them through to 2014-16. The same caveats as above apply, with only those in employment in the latter period present in the data. Similarly, we have not divided the sample by age, wage or other factors which may help to explain these results. As such, this analysis doesn't suggest that simply moving into these sectors or occupations is a guaranteed route to higher pay. While certain roles are of course more likely to attract higher pay, there may be a range of unobserved characteristics that influenced people's earning trajectories.

Figure 16 presents the nine most common sectors that that those previously-low-paid employees who remained in low pay (top panel) and those who had moved onto higher wages (bottom panel) found themselves in a decade later. The two most common sectors are the same both for those who have moved out of low pay and those who remain: food retail and primary education. What is notable, however, is the greater role played by primary education for those who were not low paid in the later period. This suggests that while primary education does include many low-paying jobs, it may also provide routes for those seeking pay progression.

Figure 16: Food retail and primary education play an important role both for those who leave low pay and those who stay put

Employees leaving low pay and employees remaining in low pay between 2004-06 and 2014-16 in Greater Manchester, by industry

Industries in 2014-16 of those low paid in Greater Manchester in 2004-06 and low paid in 2014-16

Industries in 2014-16 of those low paid in Greater Manchester in 2004-06 but on higher pay in 2014-16
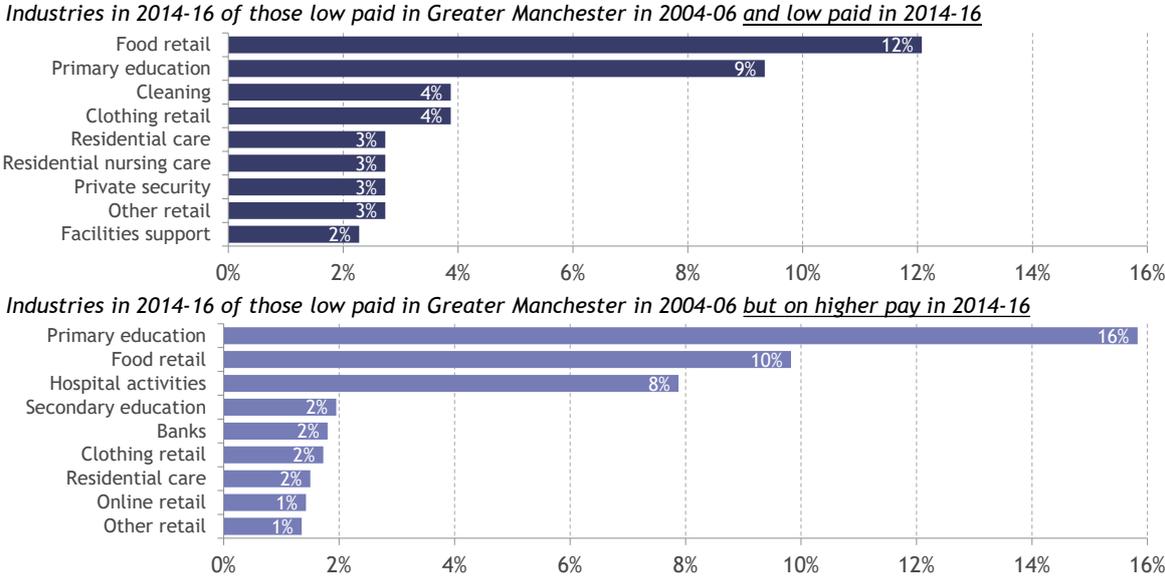
Notes: See notes to Figure 15.
Source: RF analysis of ONS, *New Earnings Survey Panel Dataset*

While there are other industries that appear for both groups – clothing retail, other retail and residential care – there are a number of differences too. For instance, among those still in low pay (top panel), cleaning is one of the most common industries, but it does not feature for those now on higher pay.

In addition to the sectors people work in, Figure 17 reinforces the importance of job roles. Perhaps the most striking difference between those who are still in low pay in 2014-16 and those who aren't is the extent to which the latter are concentrated in just two occupations. One-in-three of those still in low pay is a sales and retail assistant or a cleaner. These two occupations are also the most common among those no longer in low pay, but they only account for 13 per cent of this better-paid group. While acknowledging that for some people this has proved a route out of low pay, it would appear that these two large and important low-paying occupations do not provide a reliable route to higher pay.

Figure 17: Those still in low pay after a decade are much more likely to be working as sales assistants or cleaners

Employees leaving low pay and employees remaining in low pay between 2004-06 and 2014-16 in Greater Manchester, by occupation

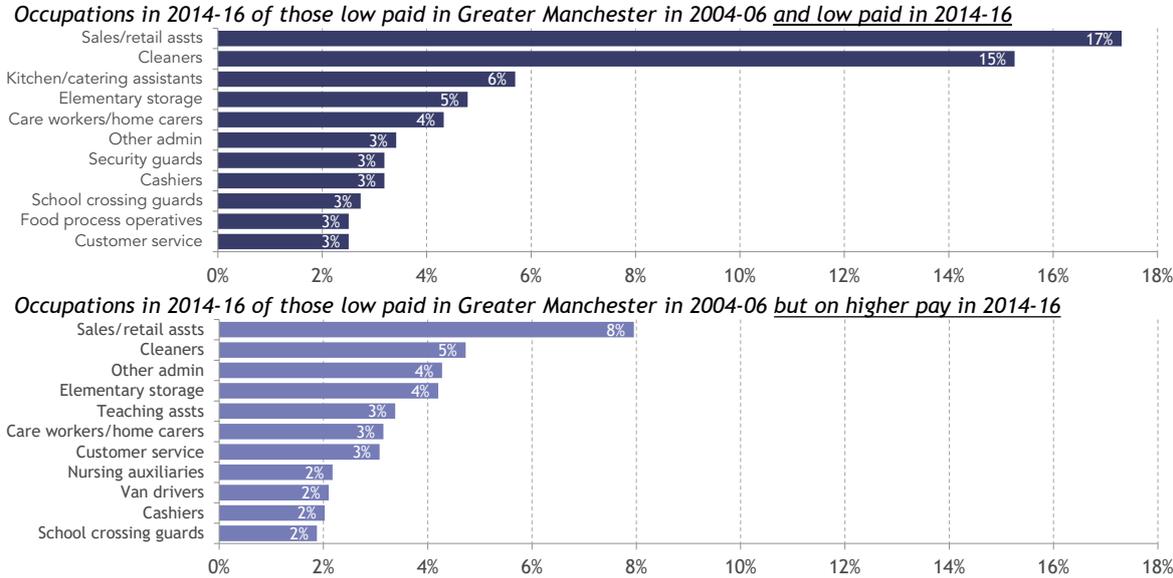*Occupations in 2014-16 of those low paid in Greater Manchester in 2004-06 <u>and low paid in 2014-16</u>*

Occupation	%
Sales/retail assts	17%
Cleaners	15%
Kitchen/catering assistants	6%
Elementary storage	5%
Care workers/home carers	4%
Other admin	3%
Security guards	3%
Cashiers	3%
School crossing guards	3%
Food process operatives	3%
Customer service	3%

Occupations in 2014-16 of those low paid in Greater Manchester in 2004-06 <u>but on higher pay in 2014-16</u>

Occupation	%
Sales/retail assts	8%
Cleaners	5%
Other admin	4%
Elementary storage	4%
Teaching assts	3%
Care workers/home carers	3%
Customer service	3%
Nursing auxiliaries	2%
Van drivers	2%
Cashiers	2%
School crossing guards	2%

Notes: See notes to Figure 15.
Source: RF analysis of ONS, *New Earnings Survey Panel Dataset*

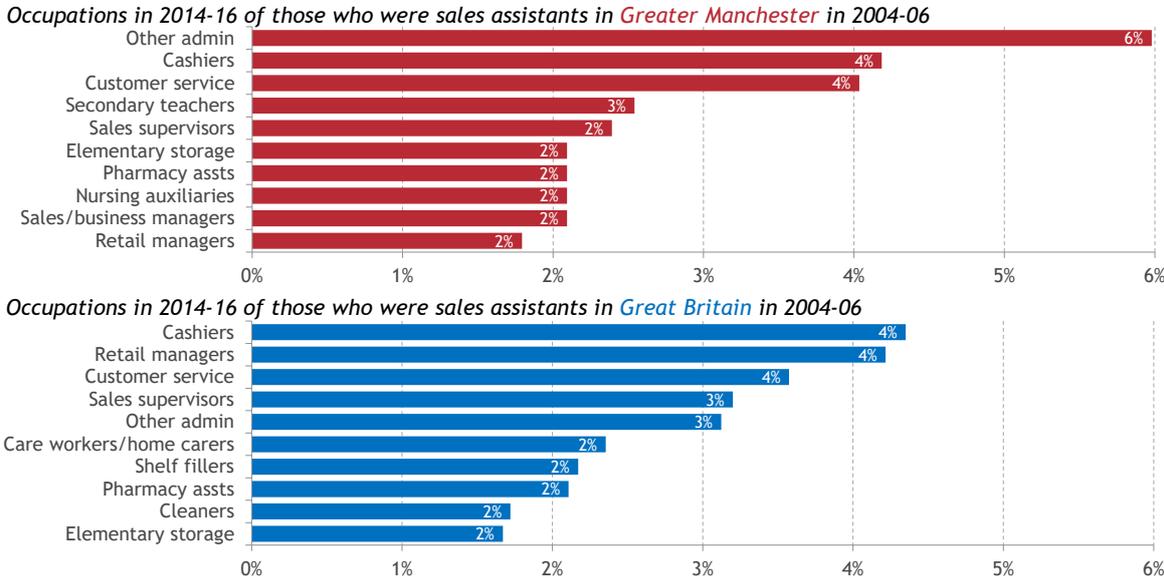## Only a minority of sales assistants progress into more senior positions in retail over a decade

Given the size and importance of retail, and in particular sales and retail assistants, within GM's low-paid population, we explore their paths in more detail. Focusing solely on GM, we take those who were sales assistants – regardless of pay level – in 2004, 2005 or 2006 and follow them forward to 2014-16 to explore what occupations they have moved into. Over one-in-four (28 per cent) stayed as sales and retail assistants (though this does not necessarily mean they were employed by the same organisation). This is noteworthy, given previous Resolution Foundation analysis has found that, at a Great Britain-level, occupational movers experienced a pay boost of roughly a fifth relative to sales assistants who stayed put.[30]

This still means that the majority do move into other positions over the decade. Figure 18 highlights the ten most common occupations that sales assistants that do switch find themselves in, comparing GM with Great Britain. It is striking that in both GM and Great Britain, roles that may be thought of as representing progression within retail – sales supervisors, sales and business managers or retail managers – only account for a minority of roles in 2014-16. This suggests that while sales assistant positions can offer a route to more senior positions within retail, this is far from guaranteed.

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[30]   C D'Arcy, *Low Pay Britain 2018*, Resolution Foundation, May 2018

Figure 18: Relatively few sales assistants in GM progress into more senior roles in retail over a decade

Occupations in 2014-16 of those who were sales assistants in 2004-06 in Greater Manchester and Great Britain

Occupations in 2014-16 of those who were sales assistants in Greater Manchester in 2004-06

Occupation	%
Other admin	6%
Cashiers	4%
Customer service	4%
Secondary teachers	3%
Sales supervisors	2%
Elementary storage	2%
Pharmacy assts	2%
Nursing auxiliaries	2%
Sales/business managers	2%
Retail managers	2%

Occupations in 2014-16 of those who were sales assistants in Great Britain in 2004-06

Occupation	%
Cashiers	4%
Retail managers	4%
Customer service	4%
Sales supervisors	3%
Other admin	3%
Care workers/home carers	2%
Shelf fillers	2%
Pharmacy assts	2%
Cleaners	2%
Elementary storage	2%

Notes: See notes for Figure 15
Source: RF analysis of ONS, *NESPD*

Figure 18 in some respects paints a more positive picture for progression in GM than Great Britain. While broadly similar, 3 per cent of sales assistants in GM had become secondary teachers a decade later while 2 per cent were nursing auxiliaries. Neither of these appear within the top 10 most common occupations nationally. Further investigation of the individuals who make these transitions out of low-paying jobs in retail and into occupations and sectors that, on the surface at least, appear to offer more potential for progression would be valuable.

Conclusion

The analysis of the dynamics of low pay in GM closely matches the existing literature on this topic. While some do appear to make genuine progress out of low-paid jobs, many do not. Our analysis here has not explored the characteristics of those for whom low-paid work was a ladder to better-paying work, and how those traits differed to those who found rungs missing. But previous research has identified particular groups who appear to be struggling.[31] Part-time workers, those who stayed in hospitality or sales roles, people with disabilities and single parents were among those less likely to escape low pay, even when controlling for other factors like education, region and age. Understanding the needs of these workers and the barriers facing them would be a useful first step in making

[31]   See: C D'Arcy & A Hurrell, *Escape plan: Understanding who progresses from low pay and who gets stuck*, Resolution Foundation/Social Mobility Commission, November 2014; C D'Arcy & D Finch, *The Great Escape? Low pay and progression in the UK's labour market*, Resolution Foundation/Social Mobility Commission, October 2017

progression from low pay more common in GM.

That does not mean, of course, that all low-paid employees will be eager to progress. For some families, low-paid work will be a welcome supplement to another income rather than the money relied upon to pay for daily essentials. For such workers, or those who place a greater emphasis on other aspects of the job, efforts to promote progression would most likely be unproductive. Instead, and as the final report of the Intergenerational Commission argued,[32] supporting younger workers in particular with a voluntary support scheme would likely be the most targeted and cost-effective focus. Helping them overcome the barriers they face – be that requiring a new qualification, new equipment or moving closer to better-paying roles – would help to promote a more dynamic labour market. GM could lead the way nationally by piloting such a scheme, identifying a group who would likely be keen to progress. The continued roll-out of Universal Credit and its introduction of in-work conditionality could also be a way of directing people towards such support.

Employees are only one half of the equation, however. Employers in low-paying sectors in GM could and should do more to help promote progression. A practical step encouraged by organisations like Timewise is to offer better-paying roles on a part-time basis. Mothers – one of the biggest groups among the low paid – would be among the main beneficiaries of such a move, with too few part-time roles offering the scope and pro-rata wages of typical full-time positions. More broadly, engaging with low-paying sectors – particularly hospitality, retail and social care – and identifying routes to better pay and blockages facing workers would be a helpful first step, and achievable within GM's borders.

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[32]   Resolution Foundation, *A New Generational Contract: The final report of the Intergenerational Commission*, May 2018

Section 5

Conclusion and recommendations

Our analysis has shone the spotlight on low pay in Greater Manchester. With nearly one-in-five employees low paid – some 220,000 people – a large section of GM's population could benefit from efforts to raise pay and make progression more accessible. For policy makers seeking to achieve this, the two main questions are which groups, if any, should be targeted, and what support would be most effective.

On the question of targeting, identifying key groups is a sensible approach. In common with the rest of the country, some groups are overrepresented in low pay in GM, particularly women and those with fewer qualifications. But a number of smaller groups experience the combination of a high risk of being low paid than others groups in GM, *and* an elevated risk of being low paid in GM than their counterparts in other parts of the country. Chief among these are single parents and black people. Developing a deeper understanding of the reasons why the risk of low pay appears to be particularly elevated for these groups would ensure that responses are better informed.

Viewing low pay and low productivity through a sectoral lens is another useful way of approaching this question of interventions. In the main, the big low-paying sectors in GM are the same as elsewhere, with retail and wholesale and hospitality, tourism and sport the most important. Because this sectoral profile in GM is shared across much of the country, leadership from the city region in the form of innovative interventions could provide lessons for other areas. Working with large employers in these sectors to help map progression routes and skills gaps across GM would both improve the information available to low earners, and help firms to access new workers or tap unused skills among their existing workforces.

Our finding that health and social care contributes more to low pay in GM than nationally suggests this should be another priority sector, particularly given the devolved powers in this area in the city region. Thought leadership and exploring new ways of encouraging skills development and progression for care workers could again help set an example for the rest of the country. And while labour market concentration does not appear to be the main driver of low pay in GM, it is nonetheless clear that a handful of firms wield much power in low-pay labour market across the country. Policy makers in GM could help by considering how to boost labour market dynamism. The focus should include understanding the barriers to job-to-job moves and why low-paid women in GM travel the shortest distance to work of any city region, with a view – perhaps – to improving

transport links, the availability of childcare and the quality of job brokerage.

Alongside a focus on sectors and firms, more targeted packages of support could pay dividends. GM has led the way on similar topics in the past, for instance on the Working Well pilot which provided holistic employment support to claimants of health-related benefits who hadn't secured employment on the government's Work Programme. Efforts to help low earners find better-paid work, offering support to overcome barriers whether they be skills-based or financial, or trialling new programmes that connect to Universal Credit could all make a major difference. Such interventions could be focused on those groups that appear to be struggling in GM's labour market, like single parents and black people.

With renewed focus on the issues of low pay and low productivity not least as part of the Independent Prosperity Review, GM is well placed to be a pathbreaker on efforts to tackle low pay in Great Britain, earning itself the reputation of a place that offers low earners routes to better pay and higher living standards.