

Overview of Growth Sectors in Wales

What is a 'growth sector'?

A '**sector**' is a part of the economy which has similar characteristics, for example 'construction', 'agriculture' or 'financial services'. Working out how to categorise different parts of the economy is not straightforward!

Sectors can be broken down into more specific elements (sub-sectors), for example the construction industry can be broken down into sub-sectors including construction of residential buildings, construction of bridges and tunnels and specialist construction such as demolition.

A '**growth sector**' is one which has or is forecast to increase:

- its output¹
- its employment.

The relationship between output and employment is complicated and partly depends on workers' productivity. Very broadly output and employment tend to grow together, although they do not necessarily grow at the same rate. It is possible to have increases in output without increases in employment (so-called jobless growth, as has occurred in UK manufacturing), or increases in employment without growth in output (as has occurred after the most recent recession).

Again very broadly, increases in employment tend to have more direct impact on poverty than increases in output.

Growth sectors in Wales

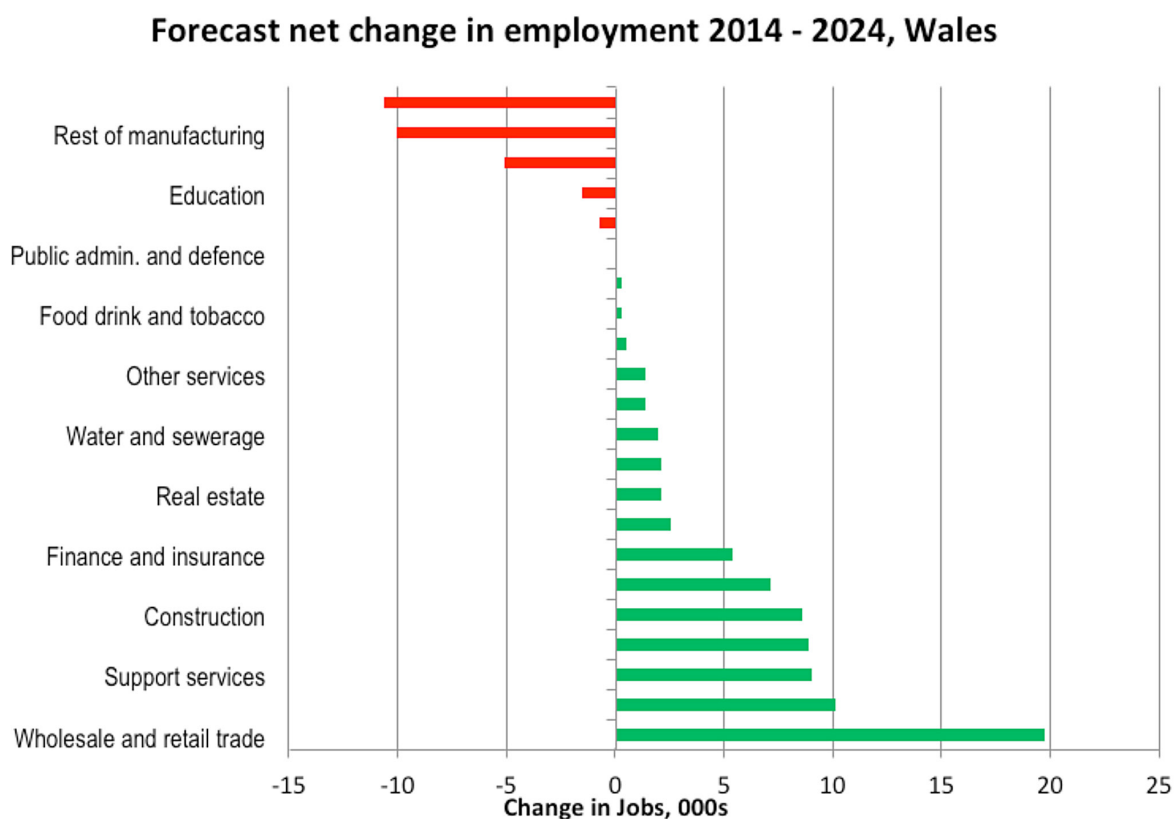
In terms of output, the Welsh Government has identified nine sectors selected because of their 'strategic importance' to the competitiveness of Wales². These nine priority sectors accounted for just over two thirds of VAT or PAYE registered enterprises and 45% of employment in 2015³. The priority sectors are:

- advanced materials and manufacturing
- construction
- creative industries
- energy and environment
- finance and professional services
- food and drink
- information technology and telecoms
- life sciences
- tourism

In terms of employment, the projections commissioned by the UK Commission for Employment and Skills⁴ have identified the sectors expected to experience growth in jobs in Wales between 2014 and 2024. There is some overlap with the Welsh Government's priority sectors but others are not included. The sectors forecast to grow in Wales and the number of jobs expected to be created are:

- wholesale and retail trade (20,000 new jobs)
- accommodation and food services (10,000 new jobs)
- administrative and support services (9,000 new jobs)
- professional, scientific and technical services (9,000 new jobs)
- construction (9,000 new jobs)
- health and social work (7,000 new jobs)
- finance and insurance (5,000 new jobs)

Other parts of the economy such as engineering are forecast to shrink in terms of numbers of jobs, while some, such as public administration, are expected remain broadly static.



Source: UK CES Labour Market Projections for Wales, 2014-2024, Data for 22 industries Wales.
Available at: <https://www.gov.uk/government/publications/ukces-labour-market-projections-for-wales-2014-to-2024>

It is important to remember that there will be many more vacancies over this period – around half a million are expected – as people retire or move on to new posts. The sectors in which vacancies are expected broadly reflects those which are forecast to grow, although there will be vacancies also in sectors with projected net declines in employment.

Characteristics of growth sectors

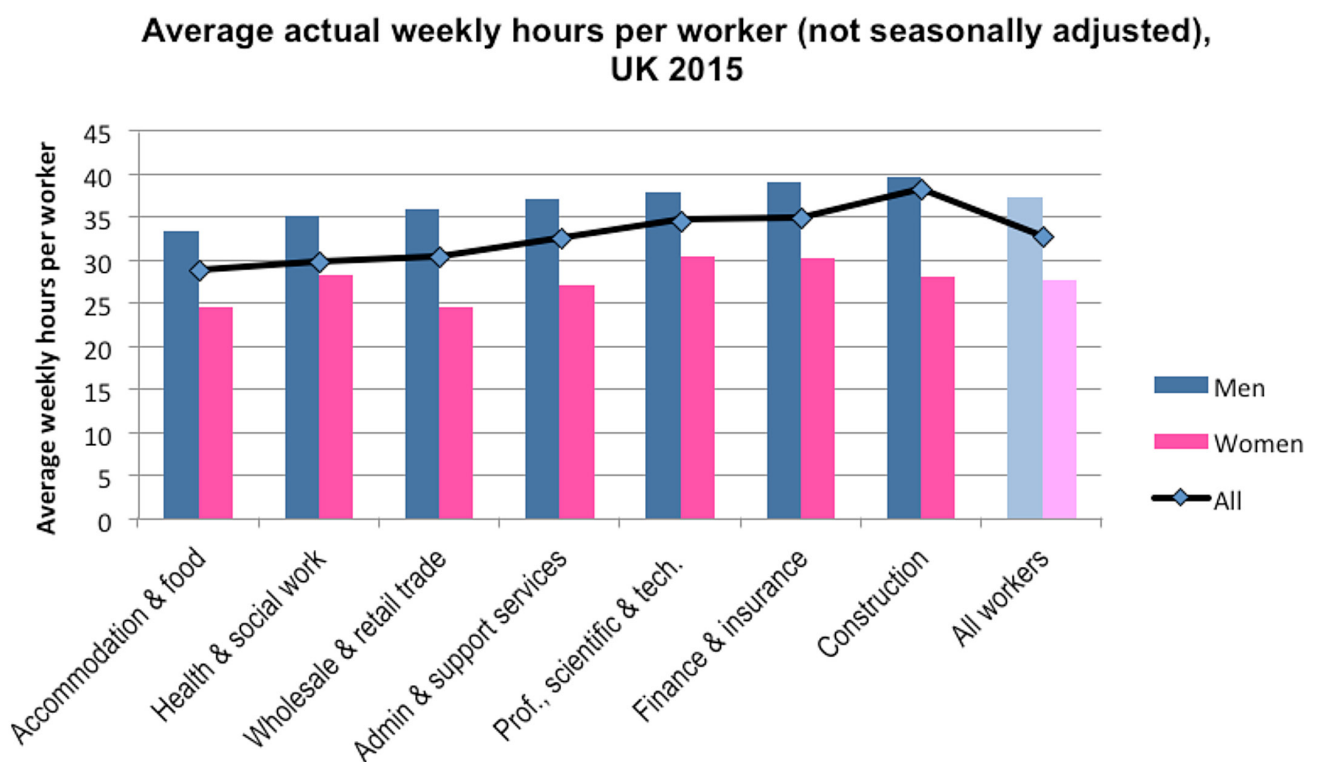
There are marked differences in employment in each of the growth sectors.

Hours of Work

Across the UK economy as a whole, the average hours worked in a week per worker are 32.9. On average, men work more hours than women at 37.4 hours compared with 27.8.

The average number of hours worked are relatively low in four growth sectors: accommodation & food services, health & social work, wholesale & retail services and admin & support services. In contrast, employees in construction on average work 5.4 hours a week more than average.

Women on average work fewer hours than men in each growth sector, with the difference between women and men being greatest in construction and in wholesale & retail trades.



Source: Annual Survey of Hours and Earnings 2015: Average hours worked by sector

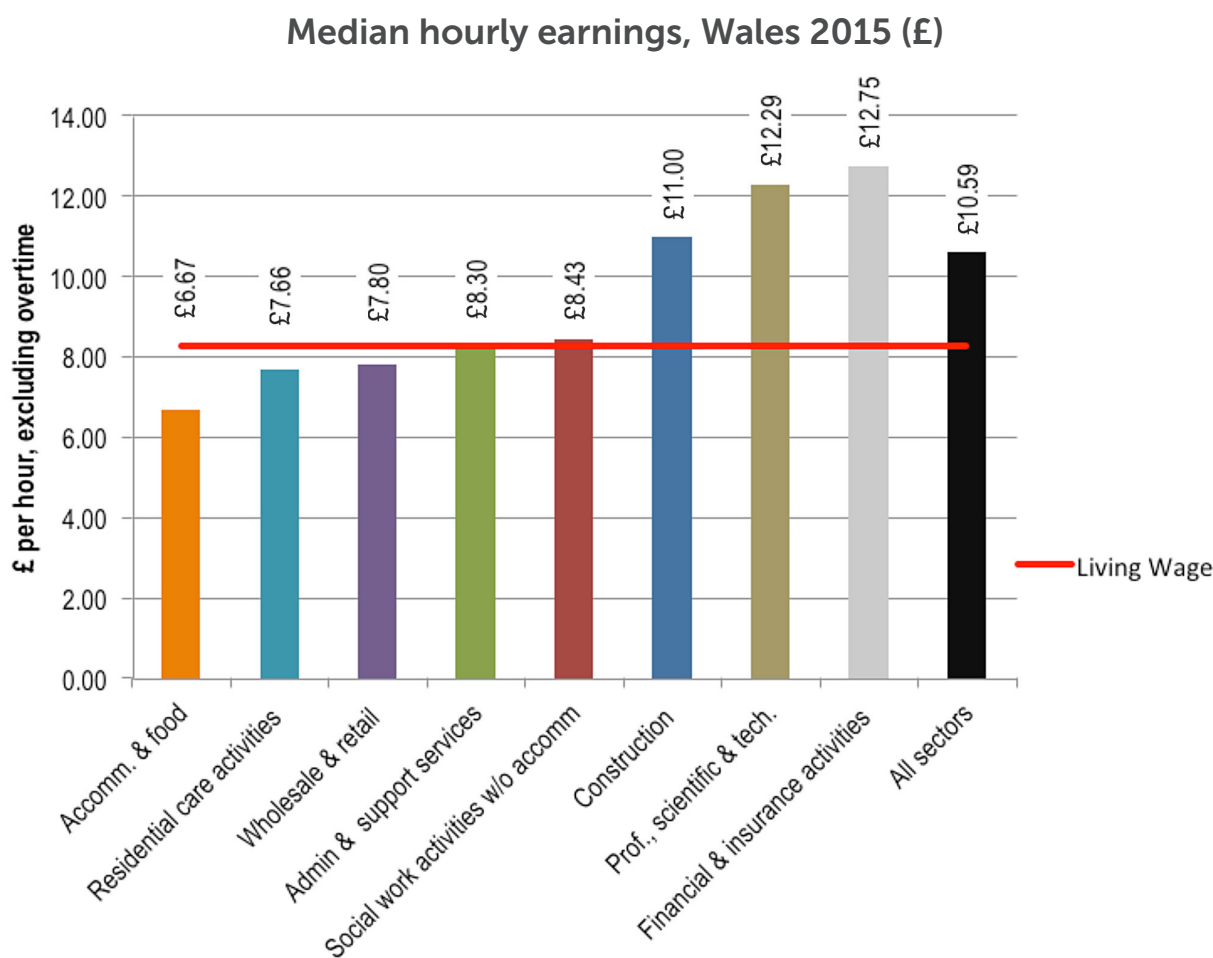
<http://www.ons.gov.uk/employmentandlabourmarket/peopleinwork/earningsandworkinghours/datasets/averagehoursworkedbyindustryhour03>

Earnings

Five sectors which are forecast to grow have median earnings that are around or below the voluntary Living Wage rate of £8.25 an hour. This means that half the workforce in these sectors earn less than they need for a basic but acceptable standard of living.

In contrast, in construction, professional, scientific & technical services and finance & insurance services median earnings are higher than average. In these industries, only the least well-paid 10 per cent of employees earn less than the voluntary Living Wage.

In all sectors, women's median hourly earnings are less than men's although the size of the gap varies between sector.



Source: Annual Survey of Hours and Earnings, 2015 Table 5 Region by Industry

<http://www.ons.gov.uk/employmentandlabourmarket/peopleinwork/earningsandworkinghours/datasets/regionbyindustry2digitiscashetable5>

Key questions

The sectors that are forecast to grow currently offer a wide range of terms and conditions, from the below-average pay and shorter-than-average hours associated with many jobs in accommodation & food services, wholesale & retail and social care, to the above average pay associated with jobs in construction, professional, technical & scientific services and finance & insurance.

In terms of reducing poverty and increasing prosperity for everyone, the challenges are:

- **how can people who are disadvantaged in some way be recruited into growth sectors?**
 - what could employers do to facilitate job entry – and then help sustain employment?
 - are there new approaches that could be adopted by training and skills providers?
 - should government programmes that support people into work be changed?
 - is there other government action that should be taken?
- **how can people who are already in low-paid work progress?**
 - what could employers do to encourage progression at work e.g. develop pathways, review job design and work organisation?
 - what can training and skills providers do to support progression e.g. provision of part-time opportunities?
 - what else should government programmes do?
 - is there other government action that should be taken?
- **how can the least well-paid jobs be improved?**
 - could employers re-design jobs to increase skill levels and pay?
 - should there be more government intervention e.g. to increase statutory or voluntary minimum wages, regulate hours of work?
 - what role can employee organisations play?

This briefing has been produced as part of an Economic and Social Research Council project 'Harnessing Growth Sectors for Poverty Reduction: What Works to Reduce Poverty through Sustainable Employment with Opportunities for Progression' Grant reference ES/M007111/1.

For more information please visit <https://www.bevanfoundation.org/current-projects/can-growth-sectors-reduce-poverty/> or email info@bevanfoundation.org

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¹ usually measured in terms of its Gross Value Added (GVA) or Gross Domestic Product (GDP)

² Welsh Government (undated) The Sectoral Approach: Explanatory Note. Available at: <http://gov.wales/docs/det/report/110117sectoralapproachen.pdf>

³ Welsh Government (2016) Priority sector statistics, 2016 - New GVA data 2014, SB39/16

⁴ https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/513801/Working_Futures_final_evidence_report.pdf

⁵ The amount calculated by the Living Wage Foundation to be required for a basic but acceptable standard of living for full-time workers.