

Fair Pay for Merthyr: Employees, Employers and the Living Wage

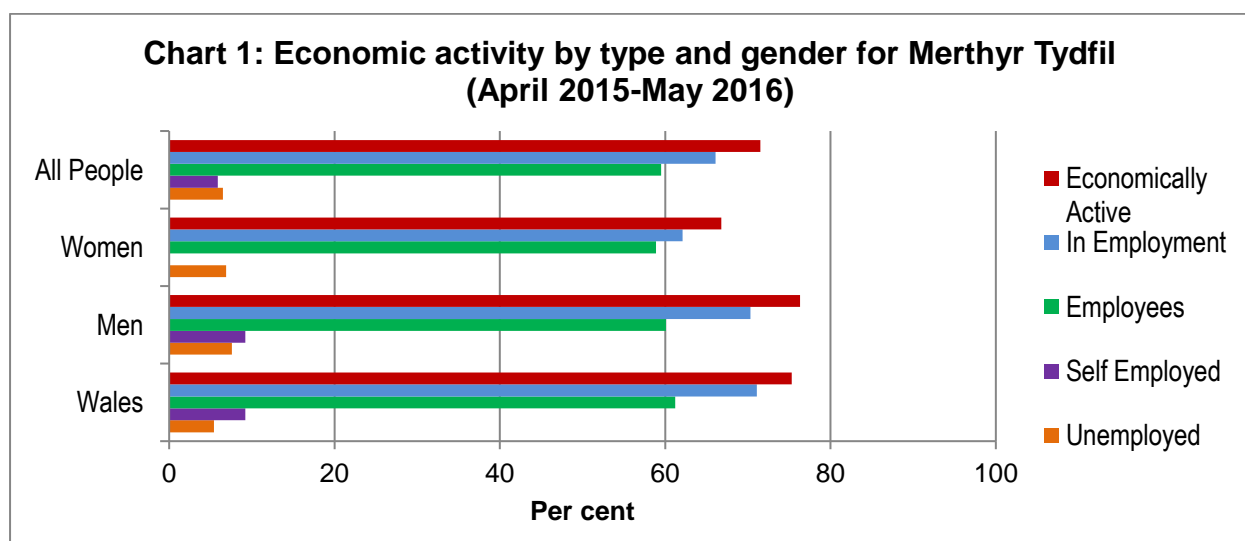
This short paper gives an overview of the population and employment in Merthyr Tydfil, to help identify which parts of the labour market a Living Wage strategy should prioritise.¹ It also compares the voluntary Living Wage with statutory minimum wage rates, as well as estimating the number of workers paid below the voluntary Living Wage rate.

Merthyr's workforce

Economic activity

Nearly three-quarters of Merthyr Tydfil's working-age population (71.9%) is economically active, compared to 75.2% for the whole of Wales. Men are more likely to be economically active than women. The majority of people who are economically active are 'employees' rather than self-employed. Only 1,600 – 5.9% of the working age population – are unemployed.

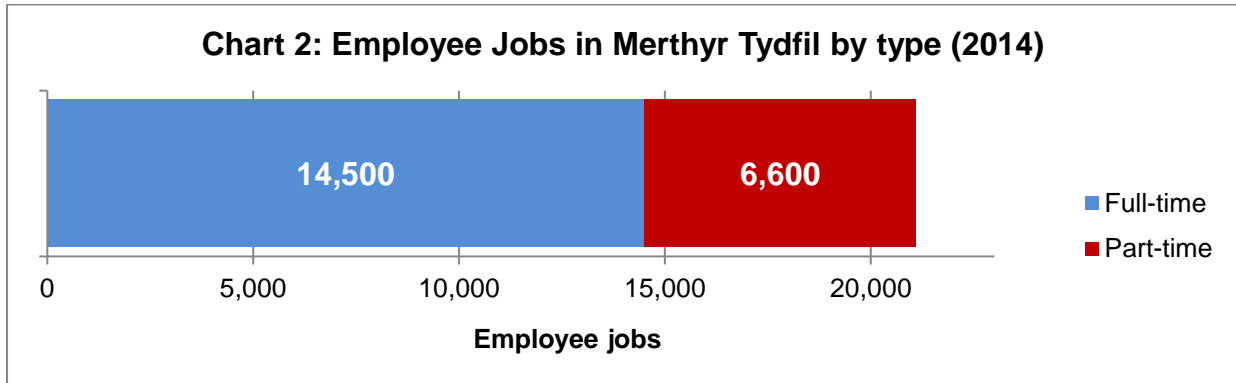
The level of economic inactivity is slightly higher in Merthyr Tydfil than for Wales as a whole, with approximately 10,500 working-age people in the borough not in or seeking employment. The majority (72.1%) are not seeking work, the main reason being long-term sickness. Caring responsibilities and early retirement are also common reasons for why people are economically inactive.



¹ All data used in this paper was accessed via Nomis (2016), Labour Market Profile - Merthyr Tydfil unless specified.

Employee jobs²

There are 21,100 employee jobs in Merthyr Tydfil. Just over two-thirds of employee jobs in the borough were full-time, while 6,600 employee jobs were part-time. Contrary to the trends for Wales and the UK as a whole, Merthyr Tydfil experienced a slight decline in employee jobs between 2009 (when there were 22,000 employee jobs in the borough) and 2014.

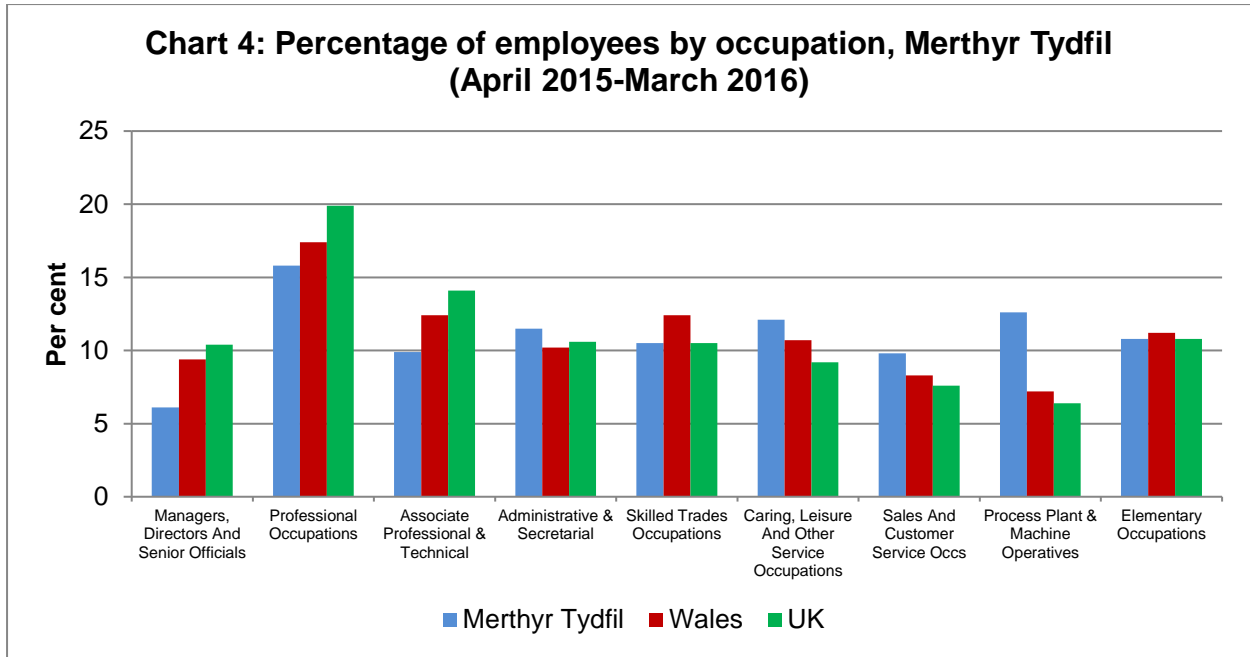


Occupation

Compared to the whole of Wales, Merthyr Tydfil has a significantly lower proportion of employees working as managers, directors and senior officials, professional occupations, skills trades occupations and associate professional and technical roles. In contrast, it has a much greater proportion of employees working as process plant and machine operatives compared to Wales as a whole, and a higher proportion of workers in sales and customer service occupations, caring, leisure and other service occupations and administrative and secretarial roles.

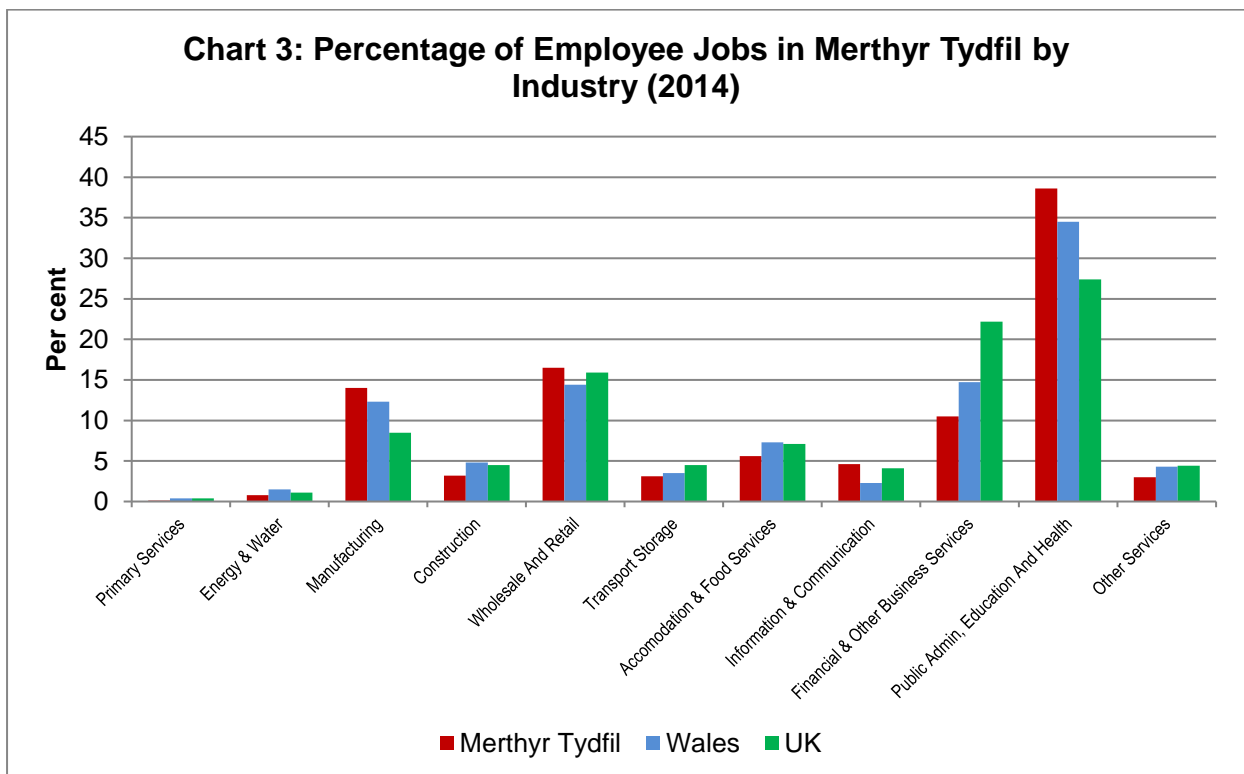
Merthyr Tydfil has a significant number of people employed in low-paid occupations such as process plant and machine operatives, sales and customer service occupations, caring, leisure and other service occupations and administrative and secretarial roles. The percentage of the borough's population employed in these low-paid sectors is higher than the proportion for Wales as a whole.

² 'Employee jobs' excludes self-employed, government-supported trainees and HM Forces.



Industry

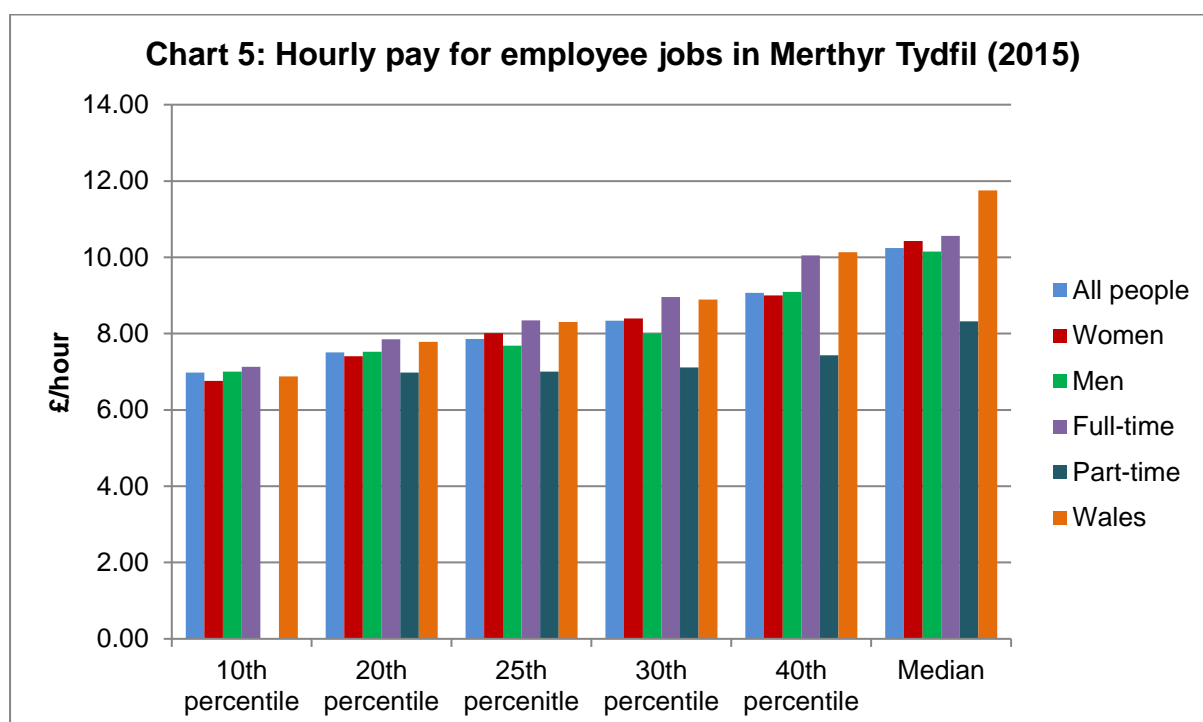
Like the rest of Wales and the UK as a whole, the majority of employee jobs in Merthyr Tydfil are in services. However, it should be noted that approximately 14% of employee jobs in Merthyr Tydfil are in manufacturing. Merthyr Tydfil has a lower proportion of jobs in construction and 'financial and other business services' compared to Wales as a whole. It has a higher proportion of jobs in wholesale and retail, as well as public administration, education and health, which accounts for over a third of employee jobs in Merthyr Tydfil.



Earnings

Earnings for the lowest-paid quartile of employees in Merthyr do not differ significantly from the rest of Wales. However, a gap begins to emerge in higher paid jobs, with a difference of £1.51 between the median hourly pay in Merthyr Tydfil (£10.24) and the median hourly pay for the whole of Wales (£11.75).

For median earners and those in the lower deciles, there is a small difference in hourly pay between women and men. However, there is a much greater gap between the hourly pay of full-time and part-time earners. The median hourly pay for full-time employee jobs in Merthyr Tydfil is £10.56, while for part-time employee jobs this is £8.32 – a difference of more than £2 an hour.



Source: ONS (2016), [Place of Work by Local Authority - ASHE: Table 7](#)

Living wage

The latest figures suggest that there are fewer than a thousand employee jobs in Merthyr Tydfil in accredited Living Wage employers in Merthyr Tydfil.³

There are many more in non-accredited employers. The major public sector employers (the health board, Merthyr Tydfil College, Merthyr Tydfil County Borough Council) all currently have agreements to pay the Living Wage. These employers

³ The largest accredited Living Wage employers in Merthyr Tydfil are Miller Argent and Welsh Government. Smaller accredited Living Wage employers include the Bevan Foundation, Lloyds, Santander and Nationwide.

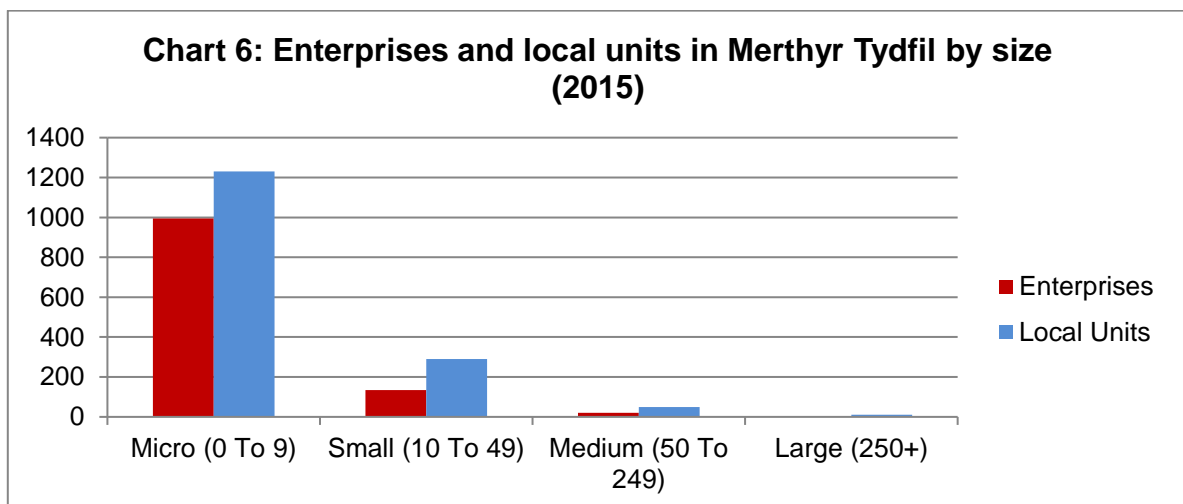
have not committed to pay sub-contracted staff the Living Wage, and in some cases do not do so.

Only one private sector employer headquartered in the borough is currently accredited. Merthyr Tydfil is not alone in Wales in having such a very low level of accreditation, which suggests that much more could be done to increase take up.

Employers

Employer size

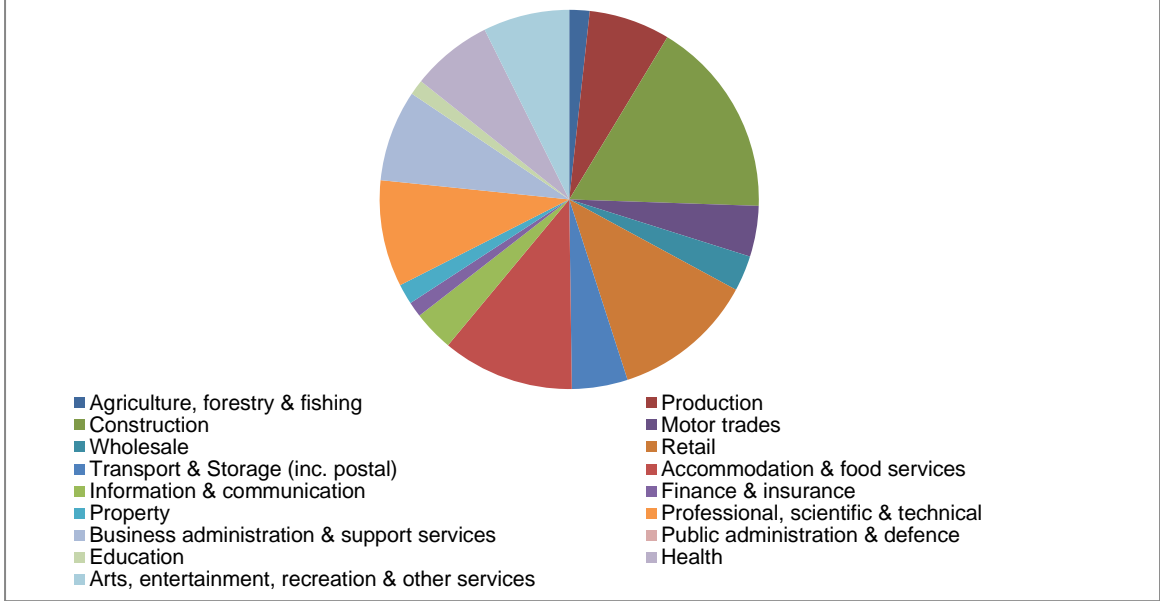
Like the rest of Wales, micro (0-9 employees) enterprises and local units dominate Merthyr Tydfil's economy, making up 86.1% and 77.6% of these types of businesses respectively. Large enterprises (those with more than 250 employees) make up less than 1% of all enterprises in the borough. Micro-employers make up around four in every five local units in Merthyr Tydfil.



Industry

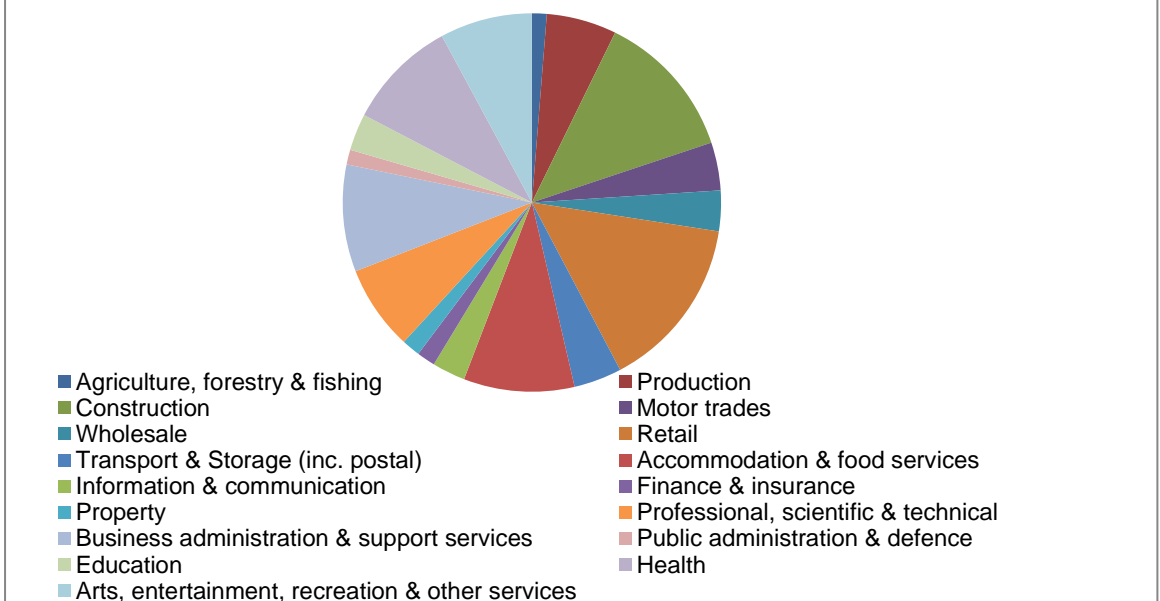
Merthyr Tydfil's economy is dominated by retail, construction, and accommodation and food services businesses, as well as business administration & support services and health. These industries also account for a high percentage of total employee jobs in the borough.

Chart 7: Enterprises by industry in Merthyr Tydfil (2015)



Source: ONS (2015), [UK Business - Activity, Size and Location: UKBAA01b Enterprise/local units by Industry and GB Local Authority Districts \(including UK total\)](#)

Chart 8: Local units by industry in Merthyr Tydfil (2015)



Source: ONS (2015), [UK Business - Activity, Size and Location: UKBAA01b Enterprise/local units by Industry and GB Local Authority Districts \(including UK total\)](#)

Private, public and third sector employers

The public sector is a significant employer in Merthyr Tydfil, accounting for three out of ten jobs in 2016. It is especially important for women, providing more than four out of ten of women's jobs.

Of the different public sector employers, the civil service employed 950 people in 2015, while the local authority employed approximately 1,700 people, excluding those employed in education.⁴ Other significant public sector employers in the borough include Cwm Taf University Health Board and Merthyr Tydfil College.

It is much harder to get a comprehensive picture of for-profit organisations in Merthyr Tydfil, as well as the not-for-profit sector. The Wales Council for Voluntary Action estimates that there are 695 third sector organisations based in Merthyr Tydfil, the majority of which (646) are local organisations. Many of these organisations are purely voluntary, such as sports clubs, without employees.

Implications

The structure of the labour market and the local economy have important implications for efforts to increase take up of the Living Wage.

On virtually every measure, the local labour market is relatively weak. Employment levels are relatively low, while economic inactivity and unemployment rates are above average although improving. One of the most important consequences of this is that arguments in favour of the Living Wage that assume a relatively tight labour market, such as recruitment and retention, may be less likely to be relevant in Merthyr than elsewhere – a different case may need to be made.

The size and sectoral composition of the economy also makes increasing take-up of the Living Wage challenging. In the private sector, there is a relatively high proportion of employment in sectors that are characterised by low pay, such as retail. These sectors often base their business model on keeping costs including pay costs at a minimum. Many of Merthyr Tydfil's larger private sector employers are headquartered elsewhere and are unlikely to be responsive to local campaigning. A strong trade union presence in these establishments will probably be more effective than local action.

However, the importance of the public sector and to a lesser extent the third sector in the economy is a potential asset, as organisations in these sectors are more likely to have wider concerns than their bottom line and have more capacity to determine the terms and conditions of their employees.

⁴ Merthyr Tydfil County Borough Council (2015), Pay Policy Statement (Draft V3)

About the Bevan Foundation

The Bevan Foundation develops ideas to make Wales a fairer, prosperous and sustainable place. We are independent of government or any political party, and are funded by subscriptions, donations, grants from charitable trusts and foundations and commissions.

About this project

Following on from research on the Living Wage in Wales and the Cardiff Capital Region, the Bevan Foundation has been considering what it would take for there to be a significant increase in the number of people earning the voluntary Living Wage in Merthyr Tydfil.

The Bevan Foundation has been speaking to employers, workers' representatives and community organisations throughout the borough as part of its research, and has published a series of briefings and research publications on the benefits of the Living Wage to Merthyr.

The Bevan Foundation is grateful to funding from the Coalfields Regeneration Trust and Oxfam Cymru to carry out this research.



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