

# Fair work in the foundational economy: a review of evidence

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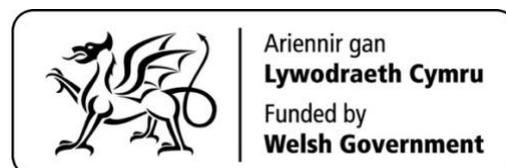
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## Summary

The foundational economy is a large and important part of the whole economy. It comprises 'the goods and services which are the social and material infrastructure of civilised life because they provide daily essentials for all households'. There is increasing interest in the role the foundational economy might play in supporting better employment outcomes and delivering fair work.

### Policy interest in fair work

There is no consistent definition of 'fair work', but key components include fair reward, jobs security and flexibility, opportunity for progression, a safe and inclusive work environment, and employee voice and collective representation. The Covid-19 crisis has led to an increasing appreciation of essential workers, adding impetus to discussions about the importance of the foundational economy, especially social care.

### Promising approaches to fair work

The three overlapping approaches and constituent measures are:

- public policy: the role and actions of government and institutions - including legislation, interventions along the 'good employment' pathway, learning and skills, wraparound policies, business/ sector-focused interventions, and place-based policies and strategic initiatives
- employers: factors and changes which occur at the workplace level at the behest of employers – business models, strengthening management, and employer behaviour – including job design and innovation; signing up to external initiatives; internal initiatives; working with trade unions
- employees coming together to promote fair work – including career development and job changing, nurturing social relations, encouraging involvement in trade unions, and WorkerTech initiatives:

### Lessons for the foundational economy in Wales

- Actions to advance the fair work agenda can take place at different levels – from the UK level to the Wales level to the local level, and at the firm, workplace and worker levels.
- The fair work agenda is not just about a few discrete interventions. Rather it is about making the whole system work better. Working in partnership is crucial.
- The Well-being of Future Generations Act provides a framework for addressing long-term fair work and related challenges.

# 1. Introduction

There is increasing interest in the role that the foundational economy might play in supporting better employment outcomes and delivering fair work. The foundational economy is made up of ‘the goods and services which are the social and material infrastructure of civilised life because they provide daily essentials for all households’ (page 3)<sup>1</sup>. This definition includes physical infrastructure such as utilities, the operating infrastructure of sectors (or parts of) such as banking, food supply chains, and the provision of health, education and public welfare services.

The foundational economy constitutes a large and important part of the economy, but it has often fallen outside established approaches to economic development and industrial strategy<sup>2</sup>.

The report is concerned with undertaking an international evidence review of promising policy and practice approaches to fair work. It has been prepared for the Bevan Foundation by Prof Anne Green (Birmingham University) and Prof Paul Sissons (University of Wolverhampton and previously Coventry University).

## 1.1. Evidence methodology

The evidence review compiles and synthesises existing evidence on promising policy and practice approaches to delivering fair work. The evidence was sourced using a set of search-terms as detailed below. There is a significant, although some disparate, evidence base around public policy and job quality, however there is less that is specific to the foundational economy.

Searches of the grey and academic literature<sup>3</sup> have been undertaken using terms such as:

- (foundational economy OR fair work OR good work OR decent work) AND (policy OR intervention OR project)
- (foundational economy OR fair work OR good work OR decent work) AND (procurement OR earnings OR hours OR security OR insecurity OR progression)
- everyday economy OR essential economy OR mundane economy OR material foundational OR providential economy OR overlooked economy OR ethical economy OR generative economy
- fair labour market OR just labour market
- fair hours OR good hours OR decent hours OR stable hours OR predictable hours
- shared space OR shared learning

Other terms used in searches were:

- Preston model
- Socio-economic duty
- Fair work convention
- Fair work commission
- Grounded firms
- Employment tribunal

More generic policy-related search terms were:

- policy OR intervention OR project

The sectoral search terms used were:

- accommodation and food services OR restaurants OR pub OR cafe OR hospitality OR tourism OR visitor economy OR hotel)
- social care OR domiciliary care OR residential care OR carer
- retail OR supermarket
- arts OR entertainment

A further search focusing more on *collective bargaining* was undertaken using the following terms:

- (trade\* Union\* OR bargain\* OR employee voice OR worker voice OR voice) AND (pay OR progression OR working condition OR condition).

In review of evidence is categorised under three headings, with sub-categories within each:

- **Public policy** – the role and actions of Government and institutions
- **Employers** – factors and changes which occur at the workplace level at the behest of employers
- **Employees** – how workers can come together to promote fair work

However, it is important to note that there are overlaps between these three types of measures and sub-categories as well as linkages between specific measures identified. There is scope to adopt several of these measures in parallel.

Some of the measures require action at UK Government level. The Welsh Government could adopt policies to promote others. Employers could adopt some measures, while workers can also work together to influence fair work.

## 2. Key themes and issues

Some of the evidence on labour market segmentation is relevant. This highlights how labour demand factors (institutions, employer strategies, macro-level structural change) in interaction with supply-side factors may determine labour market outcomes and lead to segmentation.

One-sided flexibility is a common theme. This is concerned with employers using flexible working arrangements as a way of transferring risk onto workers in ways that can drive economic insecurity, for example by not providing any guarantee of work while expecting workers to be available at short notice. This is one of the primary issues discussed in the Taylor Review of Modern Working Practices,<sup>4</sup> which made a series of recommendations to the UK government around seven key principles (see Box 1).

Box 1: Seven key principles highlighted in the Taylor Review	
1	The commitment to increase the quantity of work should be complemented by a commitment to creating better jobs
2	The government's ambition should be that all work is fair and decent with scope for fulfilment and development
3	While there will always be people in work who struggle to meet needs, it should be ensured that such people have dignity in work and a realistic prospect of progressing
4	Insecure and exploitative work is bad for health and wellbeing and generates a cost for society
5	Improving the quality of work is important to improving productivity
6	Technological changes should be seized to make working life better
7	For citizens to be engaged, responsible and active those virtues must be present in the workplace

In particular, the Taylor review outlined the importance of flexibility in the labour market – both for employers to respond to changes in market conditions and for individuals to work when (and sometimes where) they want in order to fit better around non-work responsibilities - emphasising that it must be retained, in part to keep labour force participation rates high. To obviate the negative effects of one-sided flexibility the Taylor Review recommended a series of possible legislative changes:

- tasking the Low Pay Commission with examining how a higher NMW rate might apply to non-guaranteed hours;
- developing legislation to make it easier for all working people to receive basic details about their employment relationship up front as well as updating the rules on continuous employment to make it easier to accrue service;
- reforming holiday pay entitlements to make it easier for people in very flexible arrangements to receive their entitlements in real time as well as extending the pay reference period to 52 weeks for those who do not;
- developing legislation that allows agency workers and those on zero hours contracts the ability to request to formalise the reality of the working relationship.

Technology can play a key role as a facilitator of change – e.g. in providing platforms for lifelong learning, in enabling gig economy workers to come together to organise for improved working conditions<sup>5</sup>, etc. The Covid-19 pandemic has focused the need for businesses to consider their use of technology and opportunities to maximise this, whether for supporting video consultations in care homes or facilitating digital service delivery. In some instances, further investment in digital and mobile communications infrastructure is required to support this, along with enhanced support and skills development to enable this. Some individuals have become more adept in their use of social media out of necessity, while those without easy access to technology can become more excluded, so leading to widening inequalities. Technological shifts associated with digitisation and changing business models (such as platform models) also potentially significantly reconfigure established employment relations, having implications around contractual status, access to skills and training provision, and social security.<sup>6</sup>

Successfully reaching out to engage individuals in initiatives to promote progression in work (either to increase their pay or move towards more stable employment)<sup>7</sup> can be difficult. An advantage for trade unions in unionised workplaces is that they have representatives or an infrastructure to facilitate such activity. However, management and leadership within a business is key. As highlighted in a Timewise study<sup>8</sup> on the retail sector espousing the benefits of flexible working (including in managerial roles), culture change needs to be driven by the leadership team, job design should routinely consider flexible working possibilities, and organisations need to communicate successes in flexible working.

Engaging employers in initiatives to enhance productivity and/or engage in staff development initiatives that might open up opportunities to improve business performance and the experience of work is a key challenge facing policy initiatives. The UK Futures Programme led by the UK Commission for Employment and Skills worked with groups of businesses to tackle workplace productivity through improvements to skills (focused on management and leadership) and workplace practices.<sup>9</sup>

A follow-up study<sup>10</sup> found that a key factor in engaging employers in policy initiatives is use of appropriate accessible language by trusted intermediaries, mutual benefits espoused by peers and continuity of support. It also found that offering bite-sized learning opportunities and dedicated time out for objective self-reflection were valuable elements of policy initiatives for raising productivity amongst businesses in the hospitality and retail sectors and amongst small businesses more generally. This is especially the case for part-time/ vulnerable workers and for small firms. It is important to engage with employers to understand where opportunities and skills needs lie. Awareness raising of initiatives is crucial.

There is an increasing body of evidence about the relationship between productivity and work quality in the UK. This includes evidence that voice and representation is associated with higher productivity.<sup>11</sup> There is some reference to sectoral analyses merging sectoral productivity data with good work data from the UK Skills and Employment Survey but details of the specific sectoral results are not available in the public domain, although reference is made to sectoral differences. Analyses by employer size are not available. This body of work is pertinent to engaging employers in initiatives to promote fair work.

There is no single established definition of ‘fair work’/ ‘good work’, and no agreed set of indicators of exactly what it encompasses nor metrics for measuring progress towards it,<sup>12</sup> although several

components are common to various definitions. 'Fair work' (as defined in Fair Work Wales<sup>13</sup>) encompasses (1) Fair reward; (2) Employee voice and collective representation; (3) Security and flexibility; (4) Opportunity for access, growth and progression; (5) Safe, healthy and inclusive working environment; (6) Legal rights respected and given substantive effect. What makes this distinctive is the emphasis on legal rights being given substantive effect. A Measuring Job Quality Working Group<sup>14</sup> established following the Taylor Report formulated a set of recommended job quality measures across a series of domains focused on individuals in jobs, not wider labour market conditions or broader aspects of workers' lives. The recommended measures overlap with several of the dimensions of 'fair work' set out above:

- terms of employment - job security, minimum guaranteed hours, underemployment;
- pay and benefits - pay (actual), satisfaction with pay;
- health, safety and psychosocial wellbeing - physical injury, mental health;
- job design and nature of work - use of skills, control, opportunities for progression, sense of purpose;
- social support and cohesion - peer support, line manager relationship;
- voice and representation - trade union membership, employee information, employee involvement; work-life balance - over-employment, overtime (paid and unpaid).

Some earlier studies adopted somewhat broader perspectives. For example, an earlier definition of 'good work' from the Work Foundation sets out a conceptual framework outlining how four sets of factors come together to shape 'good work':

- personal factors – skills/ experience/ ambition, age, gender, ethnicity, values/ motivations, health and well-being;
- work factors – management, performance review, structure/ teams/ discretion, communication – employee voice;
- social factors – lifestyle, support communities, personal networks;
- job factors – income and benefits, health and safety, hours and job security, fairness/ control, development opportunities.

The Carnegie Trust UK uses the concept of 'fulfilling work', and sees this as a function of:

- job availability – how easily and fairly can people find the types and level of work they would like?
- quality of work – do terms, conditions and opportunities at work meet people's expectations?
- work and well-being – do factors around engagement, connection and agency at work support personal development and fulfilment?

Oxfam Scotland has undertaken research on 'decent work',<sup>15</sup> comprising the following dimensions, and has identified within these factors that low-paid workers place particular priority on:

- pay – priority factors include an hourly rate or salary that is enough to cover basic needs (such as food, housing and things most people take for granted without getting into debt), and being paid fairly compared to other similar jobs;
- intrinsic characteristics of work – a priority factor is a good line manager;
- terms of employment – priority factors are job security, paid holidays and sick leave, and a job in which an individual faces no discrimination because of who they are;
- health and safety – a priority factor is a safe working environment free from physical and mental risk or harm; and
- work-life balance.

There is considerable heterogeneity within sectors in business performance on 'good work' criteria. An analysis considering seven aspects of being a 'good employer' - pay and benefits; terms of employment; training and progression; working conditions; work-life balance; voice and representation; and diversity and recruitment – shows that large retail companies are spread across the rankings.<sup>16</sup>

There is an emerging body of literature with suggestions of possible policy initiatives – but many of these have not been implemented or have yet to yield results.<sup>17</sup> However, there is relevant learning from previous co-designed programmes for boosting productivity – such as the UK Futures Programme – which encompassed projects on hospitality and retailing. This short- and longer-term evaluation evidence highlights the importance of 'spaces' for employers and stakeholders to come together to share learning. It also emphasises a role for place-based initiatives here,<sup>18</sup> utilising local stakeholders from local anchor organisations (e.g. Chambers of Commerce, colleges) and their partners. It is easier to use pre-occurring relationships between employers and intermediaries and utilise serendipitous opportunities to bring together employers face-to-face at a local level, to address common challenges in place, and so develop a localised project ecology (as was the case in St Helens in north-west England).

In Wales there would appear to be scope for the Social Partnership Council<sup>19</sup> (with its membership drawn from key public and private employers, trade unions and government) to promote such activity as part of its role in considering how social partnership and fair work can be more effective and efficient in improving people's well-being and contributing to a prosperous Wales. However, local or regional and sectoral partnerships will need to step up to play a role in ensuring activities happen in place. As noted in responses to the White Paper consultation<sup>20</sup> there is also a debate regarding the role for mandation vis-à-vis incentivised compliance in social partnership arrangements and encouraging behaviour change.

Although there is a focus on regulation in the literature and that this has an important role to play, especially in setting minimum standards and helping to tackle the worst abuses in the workplace, it is important to acknowledge that *employers* are central to how fair work might create value and drive productivity. Employers are the gatekeepers to jobs and make decisions about the character of work and workplaces.

The evidence highlights the importance of working in partnership – across policy makers at different levels/ in different domains and with trade unions, the third sector, employers and campaigning organisations.

The macro-economic context will tend to shape both policy measures adopted and impact on their success. This is clear in the response to the Covid-19 crisis with a series of policy measures put in place in the context of economic downturn to support employment in the context of lockdown and in moves to secure and generate new jobs.

Skills and policies to support employability are devolved in Wales and provide an important lever for tackling poverty and strengthening the creation of jobs and growth. The Welsh Government has adopted a stance of explicitly encouraging employers to work with unions and other social partners where possible to invest in the workforce and to plan for the long-term future of their companies and the future of their staff. Uniquely in Wales, the Well-being of Future Generations Act requires

public bodies in Wales to think about the long-term impact of their decisions, to work better with people, communities and each other, and to prevent persistent problems such as poverty, health inequalities and climate change.

Some generic crosscutting themes emerge. First, a tight labour market shifted emphasis from 'job quantity' to 'job quality' concerns. The Covid-19 crisis means that 'job quantity' concerns are at the forefront of the agenda once again. Nevertheless, the importance of the foundational economy has also been made clear at this time, so underscoring the need for 'more and better jobs'.

Second, actions can take place at different levels – from the UK level to the Wales level and local levels within Wales, as well as to the firm, workplace and worker levels. Third, creating space for different actors to come together in collaboration/ partnership is an enabling factor in promoting fair work. And fourth, the fair work agenda is not just about a few discrete interventions. Rather it is about making the whole system work better.

## 3. Evidence on public policy

This section summarises the evidence on the impact of public policy on fair work in the foundational economy. It covers a wide range of interventions including legislation, good employment pathways, learning and skills, support for individuals and families, business and sector interventions, place-based approaches and the role of strategies.

### 3.1. Legislation

#### 3.1.1. Minimum wage regulations

Minimum wage legislation raises the earnings floor so increasing the income of the lowest paid by setting a minimum hourly rate of pay (which some differences by age group and for apprentices) that an employer must legally pay its workers. The Low Pay Commission is an independent body that advises the government about the National Living Wage and the National Minimum Wage through an annual report making recommendations about wage rates and associated matters. The impact of the legislation has been largely positive in terms of reducing pay inequality and improving the standards of living for low-paid workers<sup>21</sup> and increases in the wage rates appear to have had little detrimental effect on job opportunities in the UK. Some exploratory estimates from 2013 about the potential impacts of raising the statutory National Living Wage to the level of the real Living Wage suggest that while a large number of workers (approximately 4 million) would benefit, the policy may also reduce demand in the private sector by around 160,000 jobs (with a larger impact on young lower-skilled employment (Riley, 2013).)<sup>22</sup>

A key issue is whether narrowing of differentials between job roles stifles progression if workers do not see wage increases as worthwhile compensation for taking on extra responsibility.

Reforms to guarantee pay parity for temporary agency workers came into force in April 2020, so that such workers employed on a 'pay between assignments' contract (known as a Swedish derogation contract) are entitled to pay parity with directly hired employees after 12 continuous calendar weeks in the same role.

#### 3.1.2. Pay uplift

Unpredictable, unstable and often insufficient work hours can be problematic for workers in low-wage industries. Volatile hours translate into volatile incomes, creating challenges for workers as trying to plan ahead for other work and care/ other non-work responsibilities, or to pursue education/ training opportunities. Pay uplift for non-guaranteed hours was a recommendation of the Taylor Review.

In the USA several state and local governments have enacted 'fair workweek' laws providing workers with greater stability, predictability, and flexibility in their work schedules. For example, in Oregon in 2017 the Fair Workweek Act introduced measures designed to provide those facing insecure or uncertain working patterns with more notice, compensation and protections.<sup>23</sup> All fair workweek laws dictate schedules must be shared 7-14 days in advance, depending on the location, and require that restaurants provide 'premium pay' to employees whose schedules are altered after that timing threshold passes. In many cases these laws also require employers to give part-time staff

opportunities to increase their hours before adding new staff. Typically the laws apply to the retail and fast food sector.

In Australia, a system of ‘casual loading’ applies, in which those working on a casual basis receive a premium on top of the agreed pay level for that role. In countries with bans on contracts offering no or few guaranteed hours, there is evidence that some employers switch to using other forms of insecure employment, such as agency workers or self-employment.<sup>24</sup>

### 3.1.3. Enforcement of existing legislation

The UK Director of Labour Market Enforcement is concerned with bringing together a coherent assessment of the extent of labour market exploitation and identifying routes to tackle exploitation. It has a particular emphasis is on partnerships working and targeted enforcement. There is a spectrum of compliance, ranging from:

- negligence – an example is low-paid retail staff have the cost of their uniforms unlawfully deducted from their pay, bringing them below the national minimum wage;
- collusion – an example is where workers accept pay below the national minimum wage as part of an arrangement with an employer, while claiming to work fewer hours than they actually do in order to claim state welfare benefits;
- severe labour abuse (modern slavery) – an example is workers receive very low rates of pay and work in poor conditions, but are too afraid to leave due to lack of alternative or credible threats of violence.

Care is one of the sectors identified as being at risk of exploitation in the UK Labour Market Enforcement Strategy 2019/20<sup>25</sup> due to many workers in the sector not receiving the national minimum wage. Hospitality is also identified as a sector at risk of exploitation due to vulnerable workers being exploited, in some cases indicative of modern slavery, and many more in the sector are not receiving the national minimum wage.

### 3.1.4. Raising awareness of employee rights

Research for the Director for Labour Market Enforcement highlights the issue of employees not being aware of their rights. This is an important issue given that employees have become more central to the enforcement of labour laws in the context of a long-term decline in trade union membership and collective bargaining.<sup>26</sup>

Research in the restaurant sector has revealed that although workers generally felt that they were aware of their rights, when prompted on a range of possible breaches it was evident that many workers were not as clear on their employment rights as they originally thought, and their awareness of external agencies was generally low.<sup>27</sup>

Other research in low-paid workers in selected foundational sectors has revealed that a lack of information about rights and opportunities contributes to a feeling of powerlessness.<sup>28</sup>

## 3.2. Interventions along the ‘good employment’ pathway

### 3.2.1. Tailored active labour market policies

Active labour market policy (ALMP) is a widely used and seemingly embedded approach to addressing worklessness, both in the UK and internationally. Their significance with regard to the foundational economy is that they aim to enable individuals to access the labour market – and with the introduction of Universal Credit as both an in-work and out-of-work benefit – to progress within it (see B3).

The effectiveness of ALMP depends in part on flexibility in content, individualised provision and good management. There is also a trend towards greater engagement in ALMP.<sup>29</sup> Sector-based Work Academies (SBWAs) in England and Scotland are indicative of this trend, since they are designed to help unemployed benefit claimants enter and stay in employment, while enabling employers to fill vacancies; (similar support is available through the ‘Pathways to Work’ programme for claimants in Wales). Typically SBWAs target sectors with high volumes of vacancies (as in various parts of the foundational economy), providing sector-specific training and work experience, and a guaranteed job interview. A quantitative assessment indicates that individuals who participate in SBWAs on average spend more days in employment and less days less on benefit across an 18-month period after starting the scheme.<sup>30</sup>

### 3.2.2. Assisted contracts including subsidies

Subsidies are a mechanism to incentivise employers to take on and/ or retain disadvantaged workers. They are widely used internationally. At the time of writing, the Coronavirus Job Retention Scheme enables qualifying employers to apply for a grant to cover a portion of monthly wage costs for workers recorded as being on furlough where operations are affected by Covid-19.

More typically, wage subsidies – typically targeted at groups of workers such as young people – are used to target recruitment of particular groups of workers. An example is the Youth Contract wage incentive providing incentives to employers to recruit long-term unemployed young people from the Work Programme. An evaluation study showed that more than half of employers said the subsidy had influenced their behaviour in some way. Examples of influence include creating extra vacancies, the choice of candidate, increasing the likelihood of retaining the worker after the subsidy ended, and hours of work offered.<sup>31</sup>

Internationally, studies have found that wage subsidies are efficient in helping disadvantaged workers to find jobs. The main objective is to help disadvantaged workers find jobs, and most studies tend to find that the policy tool is very efficient in this dimension.<sup>32</sup> Yet concerns remain that targeted recruits will crowd out unsubsidised recruits and that wage subsidies allocate workers to unproductive firms that are able to hire and compete only due to the subsidies. However, evidence from Sweden highlights that targeted employment subsidies can have large positive effects on outcomes of the hiring firms, at least if the policy environment allows for pre-screening of candidates by caseworkers.<sup>33</sup>

### 3.2.3. In-work progression initiatives

There are various initiatives that have been or are being evaluated, including the Skills Escalator pilot, Step Up programme, Timewise initiatives, and also in-work progression elements of national

and local programmes. Some of these have been sector-specific while others have not adopted a sectoral focus, although many employees supported are likely to be in foundational economy. These have involved a range of different approaches.

The Skills Escalator pilot was targeted at working people on low household incomes in West London who were living in the private rented sector or in temporary accommodation in receipt of partial Housing Benefit. It aimed to support them to gain better-paid and more stable employment through a programme of personalized advice and skills acquisition. The core pilot offer of funded training provision appeared to be effective in promoting engagement with the pilot and addressing a key barrier faced by low-paid workers of accessing funds for skills improvement. Wraparound adviser support is another central feature of the model and was found to be particularly effective at supporting clients to find a new direction, mapping the steps that they need to achieve their goals, and ensuring that skills acquisition is able to be 'converted' into earnings progression. Around a fifth of clients who enrolled on the programme achieved an earnings outcome within the timescale of the evaluation, with most of these outcomes achieved through job switching rather than through internal progression with the existing employer.<sup>34</sup>

The Step Up programme aimed to motivate and support 80 low income, part-time workers towards progression in work and greater financial independence. The model was based on a motivational coaching programme and found that both individual and peer support sessions were helpful.

Timewise Foundation's Universal Credit earnings progression early proof of concept work, which aimed to support and increase 102 low-income parents' incomes beyond proposed Universal Credit income thresholds while maintaining flexible working. The model provided one-to-one tailored support for parents and employer facing support. Participants valued advice on training, interview and pay negotiation and the emotional support. As in the Skills Escalator Pilot, client job change support and job brokerage was shown to be more effective for achieving progression, rather than aiming to progress participants in their current role, as many employers were SMEs where there was limited opportunity for progression, so underlining the importance of structural factors for progression. In addition, some SMEs reported that they struggled to compete on wages with larger employers, and this contributed to retention problems. It also found In-work support, training grants, extended career guidance with job brokering were found to be important for sustaining progression, so indicating that support for in-work progression often needs to be a 'process' rather than an 'event'.

The UK Futures Programme, run by Timewise in partnership with a national retailer, sought to address progression barriers and increase part-time, entry level, female workers' earnings. The model investigated and implemented job redesign to include part-time and flexible working access for first step promotion to managerial roles. This approach was successful in generating greater knowledge about how to negotiate and design flexible management working patterns.<sup>35</sup> Employer engagement is crucial if the success of such pilots/ programmes is to be extended.

It is also the case that not all workers are interested in progression. Qualitative research with low-paid workers in the retail, hospitality and care sectors has revealed a common reluctance to accept their position as permanent, and a willingness to trade-off current flexibility for a perceived increase in stress and accountability for very little additional pay – even if progression was obtainable. Indeed, for low-paid workers 'pay' is not just about the base rate of pay, but also about how low-paid workers are recognised and recompensed for their time. Improving 'work' is often about

initiatives that will improve their lives outside work, for example, by offering them greater flexibility or security, as much as, or more than, about pay.<sup>36</sup> In the retail sector it has been estimated that about half of workers fall into this category.<sup>37</sup>

Engagement in in-work progression initiatives is most likely to occur on an individual's own terms when they feel individual and household circumstances are suitable. Different people want to work in different ways at different stages of their lives.

### 3.3. Learning and skills

#### 3.3.1. Vocational Education and Training (VET) policies

Skills, education and employment policies are devolved to varying degrees throughout the UK. Nevertheless, viewed in international terms vocational education and training (VET) policies share similar characteristics across the UK. Internationally, UK employers stand out for their preference to recruit rather than train. Moreover, in the UK the number of employees in job-related training of a week or longer has been in steady decline, especially for off-the-job training, over recent years. Internationally, UK employees are slightly more likely to be in non-formal training than the EU average and less likely to be invested in formal, vocational training than across the EU.<sup>38</sup> Key strengths of VET internationally relate to flexibility of provision, the degree of employer and social partner engagement with training, a strong evaluation culture and the value placed on VET within society.<sup>39</sup>

Training can improve employability and facilitate transitions into and within employment. Within foundational sectors training needs to be relevant to employers' or sectoral needs. Analyses suggest that a lower proportion of workers in low-wage sectors have degree-level qualifications, and firms in low-wage sectors are less likely to offer training than across the economy as a whole, so indicating an issue with skills in low-wage sectors, particularly among managers. One solution suggested here is the targeted promotion of degree apprenticeships in such sectors.<sup>40</sup> Apprenticeships are an important part of the solution to increasing employer investment in training, but so are shorter, upskilling and retraining options, with digital solutions seen increasingly as offering flexible solutions.

#### 3.3.2. Lifelong learning

Lifelong learning is key to enabling mobility in the labour market, including reskilling to enable moves between occupations and sectors to gain better quality work. Lifelong learning can support in-work progression for workers and has been linked to financial benefits, particularly in cases where qualifications are upgraded.<sup>41</sup>

A rise in non-standard work in many countries and an increased fragmentation of worker careers has stimulated renewed interest in individual learning accounts. An example is the French *Compte Personnel de Formation* in which training rights are accumulated over time.<sup>42</sup> Vouchers schemes are more frequently implemented, providing individuals with direct subsidies to be used for training purposes. They often involve co-financing from the individual, which is off-putting for low-skilled, low-paid individuals especially given that costs of training include earnings foregone when undertaking training. Navigating training opportunities is also an issue in implementing individual

learning accounts or voucher schemes, suggesting that other policies are needed alongside such schemes to boost participation.

In Wales the two-year pilot Personal Learning Account programme<sup>43</sup> was launched in 2019 by the Welsh Government to equip learners with skills and qualifications needed to switch careers to take up opportunities in priority sectors (initially engineering, construction and ICT sectors), so helping to address skills shortages in those sectors. In due course there may be scope to transfer learning to foundational economy sectors.

At local level, Citizens' Curriculum pilots<sup>44</sup> are also relevant here for improving basic skills for those workers who are trapped in low-paid jobs in the foundational economy because of poor skills. The Citizens' Curriculum is a model developed by the Learning and Work Institute which promotes learning that is locally-led and involves learners in shaping its contents. It takes a locally-tailored approach linking basic skills in language, literacy and numeracy, digital, financial, health and civic capabilities. Its aim is to develop new ways of offering learning that engages and motivates adult learning in order to improve language, maths and other 'life skills'. The idea is to foster better progression, outcomes and aspirations - into and at work, in learning and in personal, family and community life.

### 3.4. Wraparound policies

#### 3.4.1. Family/ individual support policies

Non-work family or individual support policies can help individuals (especially women) to be less constrained in the types of employment (in terms of time constraints, geographical location, etc.) that they feel able to pursue. They may be thought of as wraparound policies than act as enablers to help individuals access and progress in employment. Access to childcare is one of the most commonly thought-of policies but support with other issues, such as access to training and transport, are important too.

Holistic intensive support is needed for the most disadvantaged. One example is the Working for Families Initiative in Scotland which linked childcare and employment support through a key worker – childcare support was needed to enable individuals to participate in employment support. In the USA a review of local and state level employment and workforce development initiatives in the USA, examined career pathway models and cluster skill development model, showing the importance of 'wrap around' services (e.g. transport, childcare, housing assistance, coaching, counselling and subsidies for books and equipment) in supporting low-income adults to complete education and/or attain employment. This highlights the importance of joined-up working across different policy domains.<sup>45</sup>

### 3.5. Business or sector-focused interventions

#### 3.5.1. Business support

Employers rely on various forms of business support (financial and non-financial) and the quality of such support is crucial to the development of successful businesses. In general, business support that employers receive tends not to encompass promotion of addressing in-work poverty. There is potential for advocacy and campaigning organisations to influence providers to business support services to inform them of in-work poverty issues and influence their practice.<sup>46</sup>

*Be the Business* runs a number of business support programmes that are pertinent for employers in foundational sectors. For example, it provides one-to-one mentoring sessions and business peer learning groups that provide business leaders (from organisations with 10-250 staff) with the space and the opportunity to share knowledge, experience and expertise, and access input to help address their challenges. Sectorally, *Be the Business* has built a collaborative network for hospitality and tourism,<sup>47</sup> led by sector experts and *Be the Business*. Communities of local hospitality business leaders in Cornwall and Buckinghamshire are sharing successes and challenges and being open to providing and receiving support as part of a local network. In principle, there is scope for establishing similar networks in other local areas.

Evidence suggests that at sectoral level a hybrid model, which provides support to both employees and business in the same programme, can be particularly helpful as in the US WorkAdvance programme.<sup>48</sup> The logic model underpinning WorkAdvance is that offering low-income individuals education and employment-related skills and experience in high-demand sectors will help them advance in the labour market. WorkAdvance has five components:

- Intensive screening of programme applicants for motivation and readiness, to ensure that participants who can take advantage of the training and qualify for jobs in the target sector
- Sector-appropriate pre-employment and career readiness services, including an orientation to the sector and career advancement coaching
- Sector-specific occupational skills training aligned with employer needs, leading to certifications that are in demand in the regional labour market
- Sector-specific job development and placement services based on strong relationships with employers and intended to facilitate entry into positions that participants have been trained for and that offer genuine opportunities for continued skills development and career advancement
- Post-employment retention and advancement services, including ongoing contact, coaching, skills training, and rapid reemployment help if needed

Evaluation of the long-term economic impacts of WorkAdvance show that sector-focused programmes can lead to career progression and earnings gains, but that not all sector programmes will lead to increases in employment and earnings.<sup>49</sup>

### 3.6. Sector bodies

There is a role for sector bodies (such as the British Retail Consortium in the case of the retail sector) to provide a platform for industry and government to work together to address priority areas for the sector e.g. skills, the impact of technology, the cost of business, employment practices and industrial strategy. There is also scope for the development of sector-specific strategies to address in-work poverty through building consensus and commitment at the sector level to such strategies. For example, the British Retail Consortium has highlighted how changes in the retail sector are likely to lead to fewer but better jobs.<sup>50</sup> Alongside sector bodies, employers and employers' organisations are key actors here. Sector bodies can also help create opportunities for business-to-business learning to promote good practice, including practical insights from other businesses in the sector (as outlined in E1). At sub-national level, sector working groups are active in promoting sectoral 'asks' in strategy formulation and in addressing challenges (such as those stemming from the Covid-19 crisis).

The report of the Fair Work Commission in Wales<sup>51</sup> recommended setting up a forum for social care bringing together the multiple stakeholders within the industry (and including the Welsh Government) to consider how best to promote fair work, including raising pay and improving other conditions of employment. The rationale forwarded for a priority focus on this sector is that it is a core industry that contributes to individual and social well-being, while displaying various features associated with insecurity and poor working environment.

### 3.6.1. Sectoral wage boards/ collective bargaining

Anglo-Saxon economies tend to be characterised by less emphasis on sectoral collective bargaining structures than in countries such as Germany, France and the Nordic countries, where the education and training system and institutional structures are quite different from those in the UK. Hence it is instructive to look at developments in countries where the labour market and institutional structures are more similar to those in the UK.

Australia has a hybrid system in which a wage board sets 122 detailed industry level 'Modern Awards' covering 20 per cent of employees. Modern Awards detail minimum standards by industry, including rates of pay and also specify rules around many other features of employment contracts including breaks, hours of work, shift patterns and overtime rates – and not just for the lowest-paid workers but also at different pay bands within each industry. These awards are then supplemented by firm-level bargaining covering a further 40 per cent of employees, meaning that in total six-in-ten Australian employees have their pay shaped by collective institutions. New Zealand has looked at a Fair Pay Awards sectoral collective bargaining system, covering dimensions of employment such as wages, working hours, overtime, leave, redundancy, flexible working arrangements, and] skills and training, with limited flexibility for firm-level exemptions from sector-level agreements.<sup>52</sup>

## 3.7. Place-based policies

### 3.7.1. Place-based work quality policies

Some local and combined authorities have used existing powers and the opportunities of devolution to improve work quality and convene partners who can both drive the Fair Work agenda.<sup>53</sup> They can also enable employers and civil society representatives so that they can experiment with new initiatives that might otherwise be too risky or uncompetitive. There are several examples of place-based policies in the UK, including:

- In Greater Manchester a [Greater Manchester Good Work Employment Charter](#) aims to support employers to develop good jobs, deliver opportunities for people to progress, and help employers in the city-region grow and succeed. It is a voluntary membership and assessment scheme that elevates principles of good employment. Membership requires employers to demonstrate excellent practice in key characteristics of employment practice: secure work, flexible work, a real living wage, workplace engagement and voice, recruitment practices and progression, people management, and a productive and healthy workplace.
- In Birmingham the Birmingham Anchor Network (including a university, a further education college, the city council, a hospital, the police and a housing group) have come together to progress joint action to utilise their spending power, workforces and land and assets to build a more inclusive and equitable city economy, amplifying their individual impact. They have a combined budget of over £6 billion and a workforce of over 50 thousand. As such, the

members of the Anchor Network are major economic agents in shaping the city economy. The work in Birmingham is similar to the work of anchor collaboratives in the USA which seek strengthen local economic ecosystems by more intentionally aligning and leveraging the significant everyday business activities of local anchor institutions in local hiring and purchasing, place-based investing and community wealth building practices to create jobs, increase incomes, build community/local/broadly held wealth.<sup>54</sup>

- The Joseph Rowntree Foundation has advanced similar work in Leeds,<sup>55</sup> producing a progressive framework for harnessing the power of anchor organisations<sup>56</sup>:
  - (1) as employer – policies on recruitment, pay & conditions, progression and health;
  - (2) through procurement of goods and services;
  - (3) through the way buildings, land and other assets are designed, procured and managed;
  - (4) through products and service delivery;
  - (5) through corporate and civic behaviours to systematically share good practice.
- Exemplifying action beyond large regional cities, the Wigan Deal sets out an informal contract between the local authority, residents and businesses, recognising that all need to change and play their part. Key themes for the Council’s work include a new relationship between public services and citizens, an asset-based approach and integrated services that place families and communities at the heart. Wigan’s Economic Prospectus links to the Deal as a whole, with four key strands: a) enabling growth; b) equipping local people to access work opportunities; c) ensuring the right infrastructure connections are in place; and d) building pride and belief in Wigan.<sup>57</sup>

There is also a body of international evidence around place-based policies and fair work which includes use of procurement to drive improvements in employment conditions, alternative forms of business organisation such as supporting cooperatives, and linking Fair Work to broader activities such as access to affordable housing and community wealth building.<sup>58</sup>

The examples above do not focus on a particular sector, but there is scope for place-based initiatives to do so. For example, a Royal Society of Arts Future Work Lab for the Retail Sector involved developing practical solutions to address three challenges facing the retail sector: (1) upskilling and reskilling; (2) survival of high streets and physical stores; and (3) enabling good work in retail. One of the prototypes (i.e. practical solutions) developed was a ‘future high streets sandbox’: a place-based initiative where a deregulated or more competitive policy environment is provided to a group of collaborating major retailers and civil society representatives so that they can experiment with new initiatives that might otherwise be too risky or uncompetitive. The idea of this initiative was that a place-based pilot would be led by the retail industry and supported by civil society organisations. It would involve identifying major retailers interested in collaboration and relevant local civic stakeholders keen to take part and explore opportunities to reconfigure the apprenticeship levy.<sup>59</sup>

### 3.7.2. Procurement

Procurement may be used to drive social value, encourage good work practices (e.g. guaranteed hours, paying the Living Wage, etc.), job progression, etc. This approach may include local charters – which can be effective in setting out what local councils expect from businesses they work with. There is evidence from local authorities such as Preston,<sup>60</sup> Birmingham, Leeds and Glasgow, amongst other cities. In Preston a concerted effort has been made to increase local procurement.<sup>61</sup> Preston has also promoted the real living wage through procurement decisions, to raise the living standards

of local people. Between 2012/13 and 2018 there was an increase in 4,000 employees in Preston earning the Real Living Wage. There is also international evidence, from places such as Barcelona, of using procurement approaches to raise wage rates of low-paid workers.<sup>62</sup>

Change can be driven at a sectoral level – for example, [Social Care Future](#) (a movement bringing together people with lived experience of using care services, families, care professionals, managers, support providers, user-led organisations, commissioners, community groups and others) calls for a shift away from transactional models of care to one in which agency is shifted towards recipients of care. Generically, aspects of ‘good work’ can be built into the different stages of procurement: pre-tender planning and stakeholder engagement, the writing of tender documents and awarding contracts, and managing post-award contracts.<sup>63</sup>

### 3.8.Strategic initiatives

#### 3.8.1. Industrial Strategy

Greater prominence can be given to fair work by ensuring their inclusion in economic or industrial strategy. Inclusive growth is a ‘golden thread’ in several Local Industrial Strategies (with ‘Developing a more inclusive economy’ being a subtitle of the Greater Manchester Local Industrial Strategy) and more recently in Economic Recovery Plans (in the light of the Covid-19 crisis). Typically industrial strategies have not had specific foci on foundational economy sectors, instead focusing on sectors characterised by higher value-added and/ or with specific geographical concentration in the place in question. However, some areas have explicit inclusive growth strategies (e.g. Newham, Doncaster and Leeds). Specific strategies are important: they can help identify priorities, and developing them helps local councils and their partners to identify which levers it can and will seek to use.<sup>64</sup>

Some commentators<sup>65</sup> argue that industrial strategies (and it follows economic recovery plans) need to take into account explicitly sectors such as social care where large numbers of people are employed. In the case of social care such a strategy/plan could encompass new service models and business models associated with better pay, enhanced services and greater opportunities for more fulfilling work. In the case of social care this necessitates closer collaboration between commissioners and providers to foster innovation, including through greater experimentation.

#### 3.8.2. Performance Framework

One way to embed fair work principles in policy is to include associated targets in performance frameworks. In Scotland fair work is explicitly embedded in the activities, strategies, policies, practices and performance indicators of the Scottish Government and its public agencies.<sup>66</sup> ‘Quality jobs and fair work for all’ is one of 11 national outcomes in Scotland’s National Performance Framework.

## 4. Evidence on employers' actions

This section considers evidence on employers' actions to increase fair work, and includes employers' business models, strengthened management, a wide range of employer behaviours from job design to introducing the real Living Wage and union recognition.

### 4.1. Business models

The business model adopted by an employer is crucial in relation to fair work issues. Both a company's product market strategy (determining the markets in which it competes) and its competitiveness strategy (which determines how it will gain advantage in the markets it competes in) are pertinent here. Business models prioritising efficiency and cost-saving, especially when associated with insecure work and low pay, are least conducive to fair work, and may also have costs in relation to high labour turnover (particularly in a tight labour market).

Employers can adopt business models that 'design in' fair work features.<sup>67</sup> Possible influencing strategies to deliver change include providing opportunities to share practice on costs and benefits where businesses have designed in fair work and adopted the real living wage, and direct publicly funded business support towards promoting higher-value business models and deterring cost-minimisation/ low-value business models. Business support providers and employers' organisations are key actors here.

### 4.2. Strengthening management

#### 4.2.1. Management development and engagement

Managers need upskilling to fulfil their crucial role in championing and monitoring learning; currently they are among the occupational groups with the greatest need for upskilling but are the least likely to receive training. Better data and systems to monitor the impact of training, can help managers to foster and support workplace skills development and utilisation.<sup>68</sup>

Examples of management development programmes include:

- An example is the CIPD People Skills Pilot programme, which provided small firms with HR support and advice, with the ambition to support SME growth and productivity by enabling better people management. Specifically it was concerned with: (1) provision of easy access to high quality support for SMEs; (2) unlocking demand for investing in leadership and people management capability; (3) inspiring SMEs to invest in and employ young people; and (4) delivering improved co-ordination of local partnership networks to provide people management support and services. It proved to be a highly effective operating model that met demand efficiently and effectively, although evidence suggests that it worked best where partners were already highly engaged in the local business community. The pilot project demonstrates that there is demand for HR support amongst SMEs, and that a model of bespoke, face-to-face provision by independent consultants is an effective way of meeting that.<sup>69</sup>
- Another example is Be the Business's [Productivity through People](#) SME education programme that focuses on enhancing management capabilities within firms. It is a ten-month industry-led programme delivered in partnership with leading business schools.

## 4.3. Employer behaviour

### 4.3.1. Job design

Internationally, evidence suggests that High Performance Working (HPW) environments have helped support managers at all levels to better deploy employee talents. HPW is an approach to managing organisations that aims to stimulate more effective employee involvement and commitment in order to achieve high levels of performance.<sup>70</sup> However, generally the take-up of HPW practices in Wales and the UK has been relatively limited.<sup>71</sup>

Employers can examine how jobs can be designed differently to yield enhanced outcomes both for the business and for workers. This might involve developing structured career pathways, opportunities to broaden skills, enabling more senior roles to be undertaken on a part-time basis, etc. (External support may be necessary to facilitate this.)

Research focusing on improving pay, progression and productivity in the retail sector has suggested that employers can explore redesigning jobs in order to combine responsibilities that were previously separated between entry level grade and first tier managers in order to increase pay at entry level. A further recommendation is that to promote fair work job redesign should enable jobs to be performed on either a full-time or a part-time basis, with modular qualifications linked to progression routes.<sup>72</sup>

The Quality Part-time Work Fund supported twelve projects to provide learning about what helps support quality part-time employment<sup>73</sup>. The evaluation evidence from the programme found:

- The challenges in delivering part-time work varied across organisations and sectors and so understanding the sectoral and employer context is a precondition to developing effective approaches.
- Line manager training is critical to support informed and constructive decisions to support quality part-time working
- Wider dissemination is needed of the availability and options of part-time posts
- Clarifying HR policies can help to signal the importance of flexible working in organisational strategy
- The support and buy-in of senior management is critical in supporting organisational approaches to improving quality part-time work.

There are important links between 'job design' and 'empowering staff'.

### 4.3.2. Explicitly creating space for experimentation

There are various approaches employers can take here to encourage more productive and fulfilling working practices, some of which overlap with the 'job redesign' and 'empowering staff'.

In the case of social care one such approach that has been adopted is a structured and rapid innovation process, incorporating coaching support, called '100 day challenge', which enables employers, staff, care recipients and commissioners to come together to collaborate and experiment with new ways of working. The aim is to redesign services to achieve better results over a period of 100 days of intensive action and collaboration. The 'challenges' can bring a detailed level of insight to issues and challenges in complex systems that can inform longer-term strategy. 100 Day Challenges create the conditions for front-line innovation at pace. Teams develop and test ideas.

They create their own ambitious goals, focusing on specific changes to improve how things work. Ideally, frontline teams track these changes with data, and senior leaders unblock obstacles and help scale successful approaches. Learning suggests that eight conditions are critical to rapidly testing ideas within health and care settings: coaching, data, experimentation, urgency, sponsorship, permission, diverse place-based teams and goals.<sup>74</sup> Crucially, this structured approach is not just about employers, but also involves workers, commissioners and service users.

#### 4.3.3. Empowering staff

Investment in, and empowerment of, staff is a key feature of Zeynep Ton's 'Good Jobs Strategy'<sup>75</sup> – as part of a broader strategy to invest in staff, provide better more interesting jobs and deliver a better service to customers in sectors such as retail. The concept underpinning the 'Good Jobs Strategy' is that retailers (and other service companies) operating in a competitive environment need to create and implement a human-centred operational strategy. This in turn will deliver customer loyalty, motivates and inspires employees to find dignity in their work and opportunities for improvement while rewarding them accordingly, and that this will drive high performance and ultimately stronger revenues. The emphasis is on empowering staff to interact more with customers, which in turn makes their jobs more interesting. Hence, a 'Good Jobs Strategy' contrasts with a low pay model that can bring substantial costs to a business through high staff turnover and absence rates, operational inefficiency from team members not emotionally owning their responsibilities, and poor customer service.

Another example of empowering staff is the Buurtzorg model in social care. The Buurtzorg model<sup>76</sup> from the Netherlands is a nurse-led holistic care model in which small local self-managing teams are empowered and encouraged to develop a relationship of understanding with the people that they care for, in order to deliver better care outcomes for patients. The emphasis of the model is on building relationships and on greater autonomy than in more conventional ways of working, with workers having greater opportunity to exercise creativity in their roles. This results in increased job satisfaction. Coaches and an IT system support the self-managed teams. There has been considerable interest in policy transfer to the UK, with initiatives in [London](#), [West Suffolk](#), [Cambridgeshire](#) and the [Medway](#) (amongst others).

#### 4.3.4. Implement the real Living Wage

Employers can voluntarily adopt living wage standards above the statutory minimum. This can help support the financial well-being of their employees. The real Living Wage is based on the cost of living. At the time of writing the real living wage is £9.50 outside London. There are nearly 6,000 UK business voluntarily paying the real living wage who are accredited by the [Living Wage Foundation](#).

There is evidence from employer case studies that employers that pay staff the real Living Wage and invest in training and development consider that there is a relationship with discretionary effort, ideas generation and enhanced productivity.<sup>77</sup>

Working together employers and other stakeholders can use a place-based approach to uplift low-paid workers to the real Living Wage and so work towards becoming 'Living Wage Places'. The rationale for a place-based approach is that place identity and local pride can be a powerful motivator in improving lives of the communities in which they are based. A Living Wage Places Toolkit<sup>78</sup>

highlights the importance of partnership working and establishing an Action Group comprising existing Living Wage employers plus the relevant local authority, large anchor institutions, third sector champions, an SME representative and an employer network representative (e.g. a Chamber of Commerce).

#### 4.3.5. Employment charters

Employers can sign up to voluntary employment charters/ pledges/ standards (where they exist) to achieve recognitions of adopting good employment practices. Signing up is indicative of acceptance of raising expectations regarding job quality and being open to changing business practices accordingly. Hence, signing up to an employment charter is an ongoing commitment rather than a 'one off' action. Placing the bar to signing up too high means that many employers in the foundational economy would not do so; hence there is a case for making categories of support to charters accessible to a wider range of employers.

Typically employment charters call on employers to commit to fair terms and conditions of employment, including:

- promoting fair and/ or flexible contracts
- voice at work: including constructive engagement with trade unions and other forms of worker representation
- increasing investment in skills and training for employees
- promoting health and well-being at work
- following best practice regarding equalities and other policies.

They also involvement commitment to enhancing access to employment opportunities through:

- creating local jobs and training opportunities – in some cases targeted at local residents
- targeted recruitment – for those disadvantaged in the labour market
- offers of work experience, internships and mentoring
- engaging with schools/ training providers.

Broader commitments can include:

- increasing local spend;
- business-to-business ethical practice - such as prompt payment of invoices
- protecting the environment
- supporting community initiatives.<sup>79</sup>

In social care an example of a charter is the [UNISON Ethical Care Charter](#) for commissioning of home care services. The over-riding objective behind the Charter is to establish a minimum baseline for the safety, quality and dignity of care by ensuring employment conditions which: (1) treat clients with respect and dignity, giving them the service they deserve; and (2) ensure the recruitment and retention of a more stable workforce through more sustainable pay, conditions and training levels. There are also opportunities to build further on existing charters to include new elements.<sup>80</sup>

#### 4.3.6. Work towards providing guaranteed/ predictable hours

These practices help workers in terms of providing predictability about their pay. They have been the subject of increasing attention internationally.<sup>81</sup> In addition to complying with legislation, employers can choose to work towards providing more guaranteed/ predictable hours.

#### 4.3.7. Employer-led sectoral in-work progression initiatives

There is scope for employers to come together to address common issues in particular sectors at local level. An example was Jamie Oliver's Fifteen Cornwall ['Experts Grow' Project](#), initially funded as part of the UK Futures Programme, to prototype practical tools leading to job enrichment and possibilities for progression across enterprises. It engaged 15 hospitality businesses and over 400 low-wage employees benefited from the development of clear progression pathways and a lasting increase in wages. Employers reported productivity gains that were sufficient to offset the costs of their investment.

The programme was relaunched in 2019 by the Cornwall Food Foundation, with finance from the European Social Fund. The aim was to support the local economy and create progressive, attractive workplaces by helping SMEs in the Cornish hospitality and agri-food sectors progress talent using tailored support, practical tools and collaboration with like-minded businesses the programme in order to support both the local economy and to help create progressive, attractive workplaces. The rationale is that a focus on skills and knowledge increases passion and loyalty, leading to improved customer experiences and profits. The WorkAdvance model is also relevant here.

#### 4.3.8. Initiatives to support on-the-job learning

On-the-job learning has always been an important part of skills development; however, it is well evidenced that low-paid workers are more likely to experience a reluctance from employers to invest in their training and development.<sup>82</sup> Peer learning and sharing of experience is important in sectors such as social care, and is of heightened importance in collaborative ways of working, such as the Buurtzorg model. In the face of declining participation in formal training there is indicative evidence that on-the-job learning and bite-sized digital learning is becoming more important.<sup>83</sup> Trade unions can play a supportive role here in promoting learning. These can include simple mentoring schemes, career conversations, etc. Trade unions can play a supportive role here. Employers can also support a positive attitude to on-the-job learning through career conversations: honest, open discussions between a manager and an employee to ascertain career goals and make plans for learning (both on-the-job and off-the-job) that would be mutually beneficial for the employee and the organisation.

#### 4.3.9. Openness to trade unions

Employers can adopt an open strategy to trade unions, recognising the role that they can play in collective bargaining, providing support to employees at work, encouraging learning, etc. Unions can also support employers to innovate in workplaces practices and develop High-Performance Working approaches<sup>84</sup>. International evidence finds that with higher levels of union density, coverage and centralisation of collective bargaining are associated with reduced prevalence of low-paid work.<sup>85</sup>

In terms of fostering a positive attitude to learning, unionlearn has an evidenced successful track record of supporting learners' activity since 2008. Successive evaluations of the Union Learning Fund have revealed positive outcomes. The funding helps engage a large number of learners across a wide variety of learning opportunities. It is inclusive in that it engaging those less likely to have formal qualifications and from minority ethnic backgrounds. It helps break down barriers to learning

including negotiating time off, access to learning resources. It builds learner confidence through peer-to-peer support and supports skills acquisition for future employability.<sup>86</sup>

Unions are in a unique place to engage with a wide range of partners and communities effectively engaging and supporting learners in the workplace and beyond. Since 2017 six key Supporting Learners themes are:

- Promoting Apprenticeships
- supporting the union approach to English, Maths and Digital Skills
- helping disadvantaged learners
- supporting learning and progression for all ages by facilitating access to quality, impartial information and advice about learning and work
- supporting older workers
- working with key partners and stakeholders.<sup>87</sup>

Unionlearn is well placed to respond to the continuing move towards 'digital by default' focusing on web-based online resources, support and learning materials. Unionlearn provides a well-tested and valued wraparound service to unions and learners delivered through effective partnership working.

## 5. Evidence on employees' actions

This section considers evidence on employees' actions to increase fair work, and includes career development and job changing, relationships with colleagues and involvement in trades unions.

### 5.1. Career development and job changing

As noted in the discussion on in-work progression earlier, advancement in work may not be on an individual's agenda, and non-work concerns may take priority over advancement at work.<sup>88</sup> For some workers, flat progression structures in the firms where they work means that there is limited opportunity for career development.

One key way of improving experience of work is to move jobs – and this could mean moving out of the foundational economy. Indeed, analyses of low pay and earnings mobility by sector have shown the existence of a 'sector effect' independent of the characteristics of workers in some sectors. For example, workers in accommodation and food services are 25% more likely to be in low pay than workers in Manufacturing, when controlling for age, gender, qualifications, ethnicity, disability and migration status.<sup>89</sup>

Evidence from the 2020 UK Working Lives Survey (based on a sample of 6,681 workers across the whole economy) reveals that 12% of respondents changed their job between 2019 and 2020. Around four-fifths of those who move jobs move to a better-paid job – i.e. a key indicator of extrinsic job quality improves. Overall, job movers who moved to a new employer saw substantial improvements in job design and relationships at work. This finding ties in with analyses revealing that relationships at work and job design are the most influential dimensions of job quality for the probability of changing jobs.<sup>90</sup> It also highlights the importance of intrinsic factors of job quality in influencing propensity to change jobs.

There are a range of factors why individuals may be reluctant to change jobs. Skills and qualifications may limit access to other jobs, while the geography of labour demand shapes opportunities locally and caring responsibilities may influence in part the choice of sector of employment and hours of work.

Evidence from an in-work progression advice trial<sup>91</sup> conducted in 2014 with Tax Credit recipients (i.e. lower-paid workers) revealed a diverse group of individuals with different goals and wide-ranging support needs. The sorts of advice required included:

- broad discussion of options – to navigate systems, identify options, signpost and motivate;
- practical support – including 'what to do next';
- specialist advice.

The trial revealed that there is a role for self-directed or self-service advice, but that such advice is likely to be most helpful when combined with initial or later advice. It showed that careers guidance is likely to be helpful in identifying goals and pathways and providing ongoing support around sustaining activity, but is less well placed to deliver advice around benefits and income.

## 5.2. Nurture social relations

For employees to come together to discuss possibilities for improving working conditions and redesigning jobs they need to have safe spaces – either physically or virtually (through meetings or newsletters) where they can interact (see also Ja2). This is particularly important for workers who work alone/ rarely see their colleagues/ managers, as in the case of home care workers.<sup>92</sup> Employees also need to engage with employers and other intermediaries if such improvements to job quality are to be realised.

Evidence on developing workplace solidarity amongst gig economy couriers emphasises the importance of coming together in ‘free spaces’ (physical and virtual) and using a variety of means (including social media) to nurture social relations with a view to lobbying to improve working conditions.<sup>93</sup>

## 5.3. Encourage involvement of colleagues in trade unions

As noted in the opening general comments, trade union membership levels are low in many parts of the foundational economy. There is clear scope for growth in trade union membership, including through existing union members encouraging their non-union colleagues to become members of/ be involved in the work of unions to lobby for a fair work environment.

## 5.4. WorkerTech initiatives

WorkerTech initiatives are about how technology could be used to support workers’ rights – for example through use of collective voice platforms for organising, lobbying for/ accessing benefits, etc. Technology can give workers a stronger voice once again by enabling them to unite and organise across vast distances. One example is [CoWorker](#): a platform that enables workers to build campaigns and petition for changes in their workplace. Individuals can start petitions and their colleagues, even if they are geographically remote, can support the campaign digitally to lobby for workplace change.<sup>94</sup>

[Bethnal Green Ventures](#) has entered a partnership with the Resolution Trust and Accenture UK to fund and support ambitious ideas for using technology in a ‘tech for good’ fashion to improve the lives of low wage workers, by increasing their bargaining power, boosting pay, extending training opportunities, or reducing hours-insecurity – for some examples see [here](#).

## 5.5. Crosscutting themes

It is clear from the evidence that increasing interest in the foundational economy arises out of dissatisfaction with generic industrial and regional policy focusing primarily on high value tradeable industries. The evidence underlines that despite providing a significant proportion of workers, the foundational economy tends to be characterised by low wage and part-time employment and precarious contracts in some instances. Issues of poor pay and working conditions can also influence recruitment and retention. Use of subcontracting and outsourcing agencies by some employers mean that employment relationships can be fragmented, informal and fissured where different organisations manage and employ workers.

Despite the fact that there is a significant ‘human’ element to many job roles in the foundational economy, there is a risk from automation (especially in the retail sector). Yet technology can also provide a means of engagement and worker mobilisation.

Discussions of the foundational economy as a whole are less common than research on individual sectors. ‘Good work’ and ‘fair work’ are subjects of increasing interest and emerge in discussions of the ‘everyday economy’ and the ‘well-being economy’, which partly overlap with the foundational economy. Discussions of ‘inclusive growth’ also overlap with several of the issues discussed regarding the foundational economy and good work. The Resolution Foundation, the Carnegie UK Trust, the Joseph Rowntree Foundation, the Royal Society of Arts and the Centre for Local Economic Strategies (CLES) are amongst the organisations active in contributing to relevant debates. Policy-related discussions regarding improving work in the foundational economy appear further advanced in policy terms in Scotland and Wales than in the rest of the UK.

The Covid-19 crisis has led to an increasing appreciation of essential workers and has added impetus to discussions about the importance of the foundational economy – especially those parts that cannot be shut down,<sup>95</sup> notably social care where workers continued to provide services, often at increased risk to their personal health. This stands in stark contrast to sectors such as accommodation and food services.

From the evidence on collective bargaining and the role of trade unions a clear (potential) challenge emerging from the evidence for engaging workers in the foundational economy is that many of the workers in the retail and hospitality sectors are young and work part-time, often at weekends and/or in the evenings. While different data sources provide different results on measures of density, presence and coverage of trade unions,<sup>96</sup> according to Labour Force Survey data for 2019, in Wales 31 per cent of employees were trade union members, 33 per cent of employees’ pay was affected by a collective agreement between an employer and a trade union, and in 56 per cent of workplaces an employer was present.

Sectoral analysis at UK level<sup>97</sup> reveals that the likelihood of belonging to a trade union varies substantially by sector, with employees in accommodation & food service activities having the lowest likelihood of any broad sector, and with retail and arts, entertainment & recreation also displaying below average proportions. 58 per cent of public sector workers in Wales in 2019 were trade union members, compared with 18 per cent of private sector employees. 42 per cent of employees in Wales in larger workplaces (with 50 or more employees) are trade union members, compared with 20 per cent in smaller workplaces with fewer than 50 employees).<sup>98</sup> This means that it can be difficult to engage them in conventional collective bargaining structures - trade union membership in several foundational economy sectors is lower than average.<sup>99</sup>

Low levels of union membership are one of the key drivers of non-compliance of existing labour market regulations in the restaurant sector.<sup>100</sup> Other factors include cost pressures, the nature of contracts, the use of agency and umbrella companies that disjoint the employer and employee relationship, the level of more vulnerable workers in the industry (including young people and migrant workers) and insufficient enforcement or guidance from government. It is also the case that the workforce in the foundational economy predominantly comprises women, who tend to be less likely than men to be involved in trade unions. This underlines the challenge for trade unions in engaging workers in the foundational economy to lobby for improvements in pay, training and skills development. It suggests that trade unions themselves need to adapt to appeal to new members,

including gig workers, young people and people whose jobs may be at risk from automation. One way to do this could be through collective sectoral bargaining.

The challenges and opportunities for good work vary across different sectors within the foundational economy. The social care sector is characterised by low pay, with often relatively weak human resource management practices (HRM), which can inhibit workforce development and innovation. HRM and employment practices in adult social care have been found to provide little support for flexible working or to develop internal labour market opportunities<sup>101</sup>. In the hospitality sector high rates of turnover and a high reliance on students and temporary workers reduce incentives for employers to train staff while opportunities to progress in the internal labour market tend to be highly constrained<sup>102</sup>. Retail has a high proportion of part-time working and non-standard hours<sup>103</sup>, with job design tending to be relatively narrow, limiting the use of worker skills<sup>104</sup>. Furthermore, the sector is undergoing significant changes and challenges particularly due to new technologies and associated patterns of consumption<sup>105</sup>.

## 6. Conclusions: lessons from the evidence

The analysis and evidence presented here has highlighted that foundational economy sectors are large and important parts of the Welsh economy, but they are quite diverse. Parts of the foundational economy are also characterised by comparatively low-pay, limited access to training and narrow job design. In the current context of Covid-19, the different constituent sectors also face differing challenges in their operation and economic pressures.

When the evidence base is viewed alongside the Fair Work Commission (2019) *Fair Work Wales* definition, it is clear that parts of foundational economy underperform relative to other economic sectors on a number of the measures. **There is no simple single policy intervention which will shift this current situation** – actions are taken at different levels and these interact to generate outcomes, but the current position of the sectors is also historically entrenched and change relies not on discrete interventions but on seeking changes to make the whole system work better.

What does the existing evidence suggest such these changes should encompass?

Clearly, institutions and legislative aspects strongly frame the nature of UK labour market. While decisions about elements such minimum wages, employment regulation and enforcement are made by the UK government, devolved administrations and a range of other stakeholders have an important role in generating upward pressure on job quality and the structure of enforcement of existing rights. Mechanisms such as the minimum wage and enforcement of existing regulation tend to have large impacts in parts of the foundational economy given the characteristics of the sectors. Hence maintaining a voice for upward pressure on job quality will remain important.

In the current context it is critical to ‘get right’ the notion of a ‘good employment pathway’. This will mean ensuring active labour market policies (ALMPs) are well-designed and effectively delivered on the ground in a period when unemployment is expected to rise sharply. Parts of the foundational economy are under considerable pressure and better understanding the employment consequences and needs of workers being displaced from the foundational economy can help inform ALMP design. Better understanding the potential employment consequences can also help support an analysis of how potential impacts might be mitigated through business support offers, and how these can be linked to associated employment and skills interventions.

Parts of the foundational economy, such as social care, will also continue to offer an important and steady stream of job vacancies to match into over the coming period. This can be complemented by seeking to develop associated *in-work progression* activities. There is international evidence of ways in which entry to social care jobs can be linked to longer-term career developments in the health sector, as well as a number of current pilot activities in other parts of the UK which seek to link employment entry to social care to longer-term progression.

While in the current context much of the focus will be on job entry, there is also an opportunity to use this existing learning to ‘design in’ longer-term career outcomes. Parts of the foundational economy are also important employers of young people, and the new Kickstart scheme announced by the Chancellor of the Exchequer in July 2020 will provide an opportunity to support employment growth for younger workers.

Learning and skills policies will also take on increased importance in the coming period, including through skills matching and skills training to support entry into employment (including in parts of the foundational economy which continue to generate vacancies). Lifelong learning has been shown to have an impact on individuals' outcomes and supporting workers to continue to retrain, learn new skills and adapt, so cushioning the employment impact from Covid-19. Importantly, employers in the foundational economy can play a role in terms of increasing the currently low levels of in-work training to help both workforce and businesses adapt to the changing economic situation, but employers can help also through signposting workers to available lifelong learning activities.

In the present and longer-term, business and sector-focused interventions also have an important role to play in improving Fair Work conditions in the foundational economy. Business support policies aimed at enhancing the productivity and profitability of businesses in the foundational economy, including those focused on organisational and performance working practices, can help to create the conditions for fair work, including higher pay. Areas that such support might focus on include improvement of leadership and management to enhance firm performance and to develop more inclusive and productive organisational and HR practices – such as opening-up more flexible and quality part-time opportunities, and rethinking job design to provide more variety, responsibility and to better utilise workers skills. There is also more scope to work with employers, or through employer-bodies, to generate evidence about the benefits of clear progression routes for employees. Parts of the foundational economy in the public sector might set the example through identifying progression routes and doing more to promote equitable access to training.

Government should also look to embed fair work principles in strategic and funding *decisions* relating to industrial strategy, economic recovery and procurement policy. While place-based policies can also seek to develop localised approaches to good work linked to established and newer initiatives such as Living Wages and Employment Charters. Social partners, including unions, also have an important role in supporting fair work, as well as employee learning and innovation in workplace practices.

Changes in the employment opportunities base in the foundational economy could provide an important boost to fair work in Wales (given the size and characteristics of the sector). However, there is also a danger of holding to a sectoral definition too strongly at the expense of other policy options. Supporting individuals to develop and progress their careers remains an important aim – whether or not that means moving in, to or from a foundational economy sector. Supporting individuals to change jobs can help to support progression and career development where they are employed in a sector or employer where opportunities are limited, but rates of job changing have fallen over the past two decades; such movements may also trigger employers to consider the terms and conditions they offer.<sup>106</sup>

Overall, there is much to be done in more strongly aligning fair work and the foundational economy, but the prioritisation and interest in the foundational economy presents an important opportunity to link more closely support for the sector with the deepening and broadening of fair work within it.

The evidence base has highlighted that a multi-strand approach is needed to developing fair work. In addition to the importance of institutions and regulations at the national level a number of policy and practice recommendations can be identified. The current situation around Covid-19 is clearly challenging for much of the foundational economy, but opportunities such as Kickstart are potentially particularly relevant to parts of the foundational economy that are large employers of

young workers, these opportunities should be maximised. Place-based and sector-focused initiatives can help create an environment of upward pressure on good work and can be targeted at parts of the foundational economy. The social care sector is less impacted by the economic cycle but career pathways can be truncated. There are existing models on which to draw of linking career pathways across social care and health to develop longer-term careers for care workers.

Firm performance can be targeted by business support and links made to fair work through this means, in particular leadership and management needs are core in the current uncertain environment. However, a more holistic approach to business support is often needed which embraces change in workplace practices and job design to support more inclusive outcomes for workers. At a more basic level, different parts of the foundational economy face vastly differing economic pressures at the current time, and developing more sectorally-tailored approaches to safeguarding and developing employment in the different constituent parts of the foundational economy is likely to be more important than a focus on the foundational economy per se. Understanding the nature of these pressures and developing responses at the sectoral level can potentially help to put in place approaches to safeguard jobs and to effectively support displaced workers to transfer their skills to access alternative opportunities.

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