

# Fair work in the foundational economy: key data

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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'.

This report analyses data on the retail, accommodation and food services, and social care sectors in Wales. It reveals that these sectors are characterised by quite pronounced job quality challenges:

- a wide prevalence of comparatively low pay - in retail, accommodation, food & drink service and residential care, a majority of workers do not earn a Real Living Wage;
- above average rates of part-time working;
- above average use of zero-hours contracts;
- low rates of in-work training in retail, food and drink service and accommodation;
- some underutilisation of staff and relatively few workplaces with high performance working practices;
- below average trades union membership in retail, but average average in health and social work;
- a strong gender and age dimension to employment.

# 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 constitutes a large and important part of the economy, but it has often fallen outside established approaches to economic development and industrial strategy<sup>1</sup>.

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'<sup>2</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. It also includes activities based on essential household expenditure such as retail and hospitality.

The report is concerned with analysing available evidence from secondary data sources on the characteristics of work in the following sectors:

- Accommodation and food service
- Social care
- Retail

## 1.1. Defining the foundational economy

The foundational economy has been defined in a number of different ways. Here a subset of the foundational economy is used. This is defined on the basis of the Standard Industrial Classification (SIC). Specifically, the following two-digit level codes are used:

- 47 Retail trade, except vehicles
- 55 Accommodation
- 56 Food and beverage service activities
- 86 Human health activities
- 87 Residential care activities
- 88 Social work without accommodation

Alongside the analysis, an all-Wales employment comparator is also included to provide context. The analysis covers Wales and is focused on the workplace population. The workplace population is chosen (as opposed to the resident population) as the focus of the project is on business practices in Wales. As such, support for the foundational economy would manifest through changes at the workplace rather than the resident population level (in reality of course the two substantially overlap).

## 1.2. Data

The analysis draws on two datasets. The reporting of wages is taken from the Annual Survey of Hours and Earnings (ASHE), which is based administrative data on wages. ASHE is chosen for the larger sample and greater precision of estimates that can be derived than from the Labour Force Survey (where earnings are self-reported).

The Labour Force Survey (LFS) is used to provide evidence on characteristics of jobs and workers in the sectors of interest. The LFS analysis is derived from pooling quarterly

datasets to increase the sample size of workers. Sixteen quarters (four years) of data are pooled covering the period – Q1 2016 to Q4 2019. The analysis is focused on workers whose employment is in Wales and is limited to Wave 1 respondents in each quarter to avoid double counting arising from the pseudo-panel design of the survey.

## 2. Wages in the foundational economy

A key characteristic of fair work is pay. The data on wages are taken from the 2018 ASHE (revised version)<sup>3</sup>. Different wage measures and measures of the distribution of wages in the sectors of interest are reported. The ASHE data is based on an administrative sample of wages, so is subject to some uncertainty. This uncertainty is captured by the Coefficients of variation (CV) – the ratio of the standard error of the estimate and the estimate itself (as a percentage). The Office for National Statistics coding and colouring scheme is reproduced here (Table 1) and in the reporting of results.

**Table 1: Coefficients of variation and robustness of estimates information**

Key	Statistical robustness
CV ≤ 5%	Estimates are considered precise
CV > 5% and ≤ 10%	Estimates are considered reasonably precise
CV > 10% and ≤ 20%	Estimates are considered acceptable
x = CV > 20%	Estimates are considered unreliable for practical purposes
.. = disclosive	
: = not applicable	
- = nil or negligible	

The data for weekly and hourly wages are presented in Tables 2 and 3 respectively. Turning first to weekly pay. The Welsh median for all sectors was £415.20 a week. Across many of the foundational economy sectors the figure is significantly lower. Median weekly wages in retail are £247.50, in accommodation £286.60, and in food and drink service £167.40. Weekly wages are higher, but still below the Welsh median, in residential care (£327.50) and social work (£320.80). They are higher than the Welsh median in health activities (£459.70).

Of course, a significant amount of the variation in weekly wages is related to the patterns of hours of work across the sectors, and the balance between full- and part-time jobs. A second measure - of the hourly wage - enables a more like-for-like comparison. The median wage for all sectors in Wales stood at £11.46 in 2018. By contrast the median across much of the foundational economy was significantly lower – in retail it was £8.62, accommodation £8.24, food and drink service £7.83 and residential care £8.62. To put these figures into context, in 2018 the National Living Wage was updated to £7.83 in April 2018; the Real Living Wage outside London in 2017/2018 was £8.75 (rising to £9 in November 2018) – meaning a majority of workers within these sectors did not earn a Real Living Wage.

These sectors are, then, significantly characterised by a wide prevalence of comparatively low pay. They also have relatively compressed wage distributions, whereby even at the 80 percentile wages remain below the all-sector median in the retail and food and drink service sectors.

**Table 2: Weekly pay £ (gross), Wales, 2018**

Description	Code	Percentiles										
		Median	10	20	25	30	40	60	70	75	80	90
<b>All Wales</b>		<b>415.2</b>	<b>136.5</b>	<b>230.0</b>	<b>273.1</b>	<b>307.3</b>	<b>357.1</b>	<b>480.1</b>	<b>569.3</b>	<b>617.5</b>	<b>681.9</b>	<b>846.8</b>
Retail trade, except of motor vehicles and motorcycles	47	247.5	92.1	130.3	144.9	165.0	202.4	290.1	322.9	348.6	372.9	493.0
Accommodation	55	286.6	x	x	132.9	171.0	237.8	313.1	343.5	382.9	400.0	x
Food and beverage service activities	56	167.4	49.8	82.8	94.0	107.5	128.2	220.7	278.4	298.2	329.1	x
Human health activities	86	459.7	215.6	304.4	329.3	350.9	403.1	540.4	628.2	681.9	749.7	903.0
Residential care activities	87	327.5	156.1	225.1	253.0	265.6	293.4	366.2	427.5	464.4	504.0	x
Social work activities without accommodation	88	320.8	117.9	165.1	182.1	210.2	258.5	373.7	442.6	471.0	502.0	x

Source: Annual Survey of Hours and Earnings, 2018



**Table 3: Hourly pay £ (gross), Wales, 2018**

Percentiles												
Description	Code	Median	10	20	25	30	40	60	70	75	80	90
<b>All Wales</b>		<b>11.46</b>	<b>7.83</b>	<b>8.45</b>	<b>8.76</b>	<b>9.16</b>	<b>10.12</b>	<b>13.08</b>	<b>15.49</b>	<b>16.97</b>	<b>18.57</b>	<b>23.49</b>
Retail trade, except of motor vehicles and motorcycles	47	8.62	7.81	7.83	7.93	8.00	8.30	8.92	9.40	9.84	10.42	13.00
Accommodation	55	8.24	7.37	7.82	x	7.83	7.93	8.60	9.14	9.64	9.96	x
Food and beverage service activities	56	7.83	5.90	7.00	7.38	7.50	x	8.00	8.29	8.50	8.89	x
Human health activities	86	14.13	8.66	9.92	10.15	10.88	12.07	15.83	18.18	18.42	20.19	x
Residential care activities	87	8.62	7.79	7.86	7.93	8.00	8.25	9.62	10.92	11.78	13.11	x
Social work activities without accommodation	88	9.21	7.80	7.85	7.94	8.07	8.49	10.14	11.98	13.29	14.30	x

Source: Annual Survey of Hours and Earnings, 2018

### 3. Job characteristics in the foundational economy in Wales

The results relating to employment characteristics reported here are calculated from the Labour Force Survey.

There are some important data issues to note. Table 4 provides information on the sample size. The samples sizes for some sectors remain quite small even when pooling multiple years of data. This is particularly the case for the accommodation sector, where the total number of observations is 74. Reflecting the large employment base of these sectors, the numbers are largest and exceed 500 observations for both retail and human health. Throughout this section the data are weighted using the LFS person weights. The percentages are calculated on valid responses only – i.e. they exclude ‘no answer’ and/or ‘does not apply’. An ‘all Wales’ employment comparator is included alongside the foundational economy sector results to provide a relative benchmark for each of the variables. The analysis covers employees only (i.e. it excludes the self-employed). Figures with an unweighted cell count below 10 are not reported.

**Table 4: Sample size of selected sectors in Wales – 2016-2019**

foundational economy - 2 digit SIC based definition	Total weighted sample	Percent of weighted sample	Total unweighted sample size
47: Retail trade, except vehicles	404,782	29.59	532
55: Accommodation	59,209	4.33	74
56: Food and beverage service	203,383	14.87	257
86: Human health activities	381,618	27.89	539
87 : Residential care activities	174,904	12.78	235
88: Social work without accommodation	144,222	10.54	202
<b>Total</b>	<b>1,368,118</b>	<b>100</b>	<b>1,839</b>

Source: Estimates from the Labour Force Survey

In the most recent data covered by the analysis (2019)<sup>4</sup>, these sectors collectively are estimated to comprise 35 per cent of total employment in Wales; with the LFS estimated size of employment in the individual sectors being:

- 47 Retail trade, except vehicles – 113,636 workers
- 55 Accommodation – 20,194 workers
- 56 Food and beverage service – 67,033 workers
- 86 Human health activities – 116,449 workers
- 87 Residential care activities - 59,598 workers
- 88 Social work without accommodation – 48,423

Tables 5 – 8 provide information about the characteristics of jobs in the foundational economy sectors.

## Part-time working

Part-time work (Table 5) is relatively prevalent in parts of the foundational economy, with a slight majority of workers in the retail and food and drink service sectors working part-time. All of the sectors have rates of part-time working above the Wales average.

## Temporary and zero-hours contracts

The picture is more mixed around whether workers are employed on permanent or temporary contracts (Table 5). The use of temporary contracts is not particularly widely spread across the foundational economy: however, the rate of use of temporary contracts is somewhat higher than the Wales average in the food and drink service, residential care and social work sectors. The use of zero hours contracts (Table 5) on the other hand does appear to be significantly higher in parts of the foundational economy. Compared to the Wales average of 2.5 per cent, rates of around or exceeding 10 per cent are found in accommodation, food and drink service, and residential care<sup>5</sup>.

**Table 5: Employment, contract time and zero-hours**

	Full-time	Part-time	Permanent	Not permanent	Zero hours
<b>Wales - all sectors</b>	<b>73.3</b>	<b>26.7</b>	<b>94.2</b>	<b>5.8</b>	<b>2.5</b>
Retail trade, except vehicles	47.2	52.8	95.7	4.3	*
Accommodation	72.7	27.3	*	*	*
Food and beverage service activities	47.3	52.7	91.6	8.4	9.9
Human health activities	66.6	33.4	96.6	3.4	*
Residential care activities	61.2	38.3	93	7	10.2
Social work without accommodation	69.1	30.9	88.8	11.2	*

Source: Estimates from the Labour Force Survey

(\* = not reported due to small cell count)

## In-work training

When considering access to in-work training (Table 6), retail, food and drink service and accommodation are all comparatively low training sectors. As would be expected given occupational requirements, training rates are significantly higher in the human health, residential care and social work sectors.

**Table 6 - Job related training in the last 3 months for selected sectors (%), 2016-2019**

	Yes	No
<b>Wales – all sectors</b>	<b>26.9</b>	<b>73.1</b>
Retail trade, except vehicles	17.3	82.7
Accommodation	17.8	82.2
Food and beverage service activities	16.6	83.4
Human health activities	41.6	58.4
Residential care activities	41.1	58.9
Social work without accommodation	36.6	63.4

Source: Estimates from the Labour Force Survey

## Workplace size

Workplace sizes (Table 7) tend to be smaller in some parts of the foundational economy; this is particularly pronounced in food and drink service where around 70 per cent of workers are employed at workplaces with fewer than 25 workers. There is a clear private sector employment concentration in parts of the foundational economy, including retail and accommodation.

**Table 7 - Workplace size for selected sectors (%),2016-2019**

Employees at workplace	Under 25	25-49	50-499	500 or more	50 or more
<b>Wales all sectors</b>	<b>38.1</b>	<b>12.9</b>	<b>32.7</b>	<b>16.4</b>	
Retail trade, except vehicles	46.4	13.1	34.6	5.8	
Accommodation	42.0	20.1			37.9
Food and beverage service activities	70.3	15.3			14.3
Human health activities	22.7	13.0	19.9	44.4	
Residential care activities*	41.4	24.4			34.2
Social work without accommodation	55.6	15.7	17.5	11.2	

Source: Estimates from the Labour Force Survey. Note: the relatively wide bands are due to the banding of available responses for those who cannot provide a precise estimate and instead opt for 'Don't know but under 25' or 'Don't know but between 50 and 499'. The 50 or more category is used for sectors with small cell counts to the response '500 or more'.

## Trade Union Membership

Finally, trade union membership in retail is below the Welsh average (Table 8) – in some foundational economy sectors the small sample size combined with low memberships makes accurate estimation difficult<sup>6</sup>.

**Table 8: Private sector employment and union membership for selected sectors (%), 2016-2019**

	Private	Union membership <sup>^</sup>
<b>Wales – all sectors</b>	<b>68.4</b>	<b>30.0</b>
Retail trade, except vehicles	99.1	22.0
Accommodation	96.2	*
Food and beverage service activities	95.7	*
Human health activities	22.7	61.2
Residential care activities	88.8	*
Social work without accommodation	55.2	34.2

Source: Estimates from the Labour Force Survey. Note: The private sector figure for all Wales is somewhat lower than that usually quoted as this analysis includes employees' only. <sup>^</sup>The question asks about Union or staff association membership. \* Not reported due to small cell count.

## 4. Employee characteristics in the foundational economy

Tables 9-11 provide information about some the demographics of the workforce in the foundational economy – including information about gender and age.

### Gender

Women are clearly over-represented across the foundational economy sectors (Table 9), making up the majority of the workforce in all the sectors, and around four-fifths of the workforce in human health and residential care.

**Table 9: Workforce by gender in selected sectors (%), 2016-2019**

	Male	Female
<b>Wales all sectors</b>	<b>49.1</b>	<b>50.9</b>
Retail trade, except vehicles	39.7	60.3
Accommodation	35.8	64.2
Food and beverage service activities	42.5	57.5
Human health activities	21.0	79.0
Residential care activities	17.8	82.2
Social work without accommodation	22.8	77.2

Source: Estimates from the Labour Force Survey. Note: that this analysis includes employees' only, self-employment is more prevalent among men than women.

### Age

Turning to age (Table 10), compared with the average there is a heavily-skewed age profile in food and drink services, with a far higher proportion of younger workers; more than 40 per cent of the sector workforce is under 25. Retail and residential care also have comparatively high employment of under 25 year old workers.

**Table 10: Workforce age in selected sectors (%),2016-2019**

	16-24	25-34	35-49	50 and over
<b>Wales – all sectors</b>	<b>13.8</b>	<b>23</b>	<b>32.9</b>	<b>30.3</b>
Retail trade, except vehicles	22.3	26.3	25.5	26.0
Accommodation	15.9	34.1	27.6	22.5
Food and beverage service activities	43.9	22.1	18.5	15.4
Human health activities	5.2	21.4	36.0	37.4
Residential care activities	17.7	18.3	29.6	34.4
Social work without accommodation	13.0	18.9	37.2	30.9

Source: Estimates from the Labour Force Survey

## Job tenure

Job tenures in parts of the foundational economy also tend to be comparatively short (Table 11); more than a third of workers in food and drink service have been with their employer for less than a year, in accommodation the figure is 24.3 per cent, and in residential care it is 22.5 per cent. Tenures are longer than average in human health and social work.

**Table 11: Duration with employer in FE sectors (%), 2016-2019**

	Less than 12 months	1-2 years	2 years, less than 5	5 years, less than 10	10 years or over
<b>Wales – all sectors</b>	<b>17.1</b>	<b>11.3</b>	<b>19.1</b>	<b>15.4</b>	<b>37.1</b>
Retail trade, except vehicles	18.9	11.3	26.5	15.1	28.3
Accommodation	24.3	19.5	15.6	21.3	19.3
Food and beverage service activities	37.5	21.7	17.3	10.6	12.9
Human health activities	12.9	8.3	14.9	13.1	50.8
Residential care activities	22.5	18	21.8	14.8	22.8
Social work without accommodation	11.8	12.2	20	17	38.9

Source: Estimates from the Labour Force Survey

## 5. Skills and workplace practices

Some additional evidence on workplace practices in the sectors can be gathered from the Employer Skills Survey (ESS). The sectoral definitions used in the published ESS estimates are not consistent with those discussed above, but they do allow for some broad discussion of salient issues. Table 12 sets out the results.

### Underutilisation

Underutilisation measures staff who have 'both qualifications and skills that are more advanced than required for their current job role'. Underutilisation is important because at the economy level it represents an inefficient use of skills, while at the individual level it can be associated with reduced opportunities for progression.

In Wales the proportion of establishments reporting underutilisation of staff in 2017 was 36 per cent, this is mirrored by the patterns in wholesale and retail, but the rate is somewhat higher in hotels and restaurants and health and social work. Overall 9.5 per cent of staff in Wales in 2017 were estimated to experience underutilisation of their skills; but the rate was higher in hotels and restaurants (at 14.2 per cent).

### High Performance Working

Turning to the use of High Performance Working (HPW) practices, 8 per cent of establishments in Wales were HPW workplaces (calculated as having the presence of 14 or more individual HPW practices [of the total 21]). The figures are similar in the foundational economy sectors but are somewhat higher in health and social work (11 per cent). One area where there are differences in the individual measures is around there being less task variety and task discretion in the wholesale and retail and hotels and restaurants sectors compared to the Wales average. Overall, the foundational economy does not stand out markedly on measures on HPW, but perhaps the most important point is that HPW more generally tends to have relatively limited adoption at the Wales (and UK) level.



Table 12: Skills and workplace practices, Wales, 2017

	Wales – all sectors	Wholesale & Retail	Hotels & restaurants	Health & social work
Proportion of establishments reporting skills underutilisation of staff	36%	36%	43%	52%
Proportion of staff under-utilised	9.5%	10.6%	14.2%	10.2%
HPW workplaces	8%	9%	9%	11%
<b>HPW practices:</b>				
Awards performance related bonuses	30%	43%	32%	15%
Individual performance related pay	24%	31%	23%	15%
Flexible benefits	35%	44%	29%	38%
On or off job training	64%	59%	67%	92%
Training plan	48%	47%	46%	83%
Training budget	35%	29%	27%	66%
Annual performance review	59%	60%	59%	93%
Work shadowing/stretching/supervision	21%	27%	24%	6%
Formally assess performance after training	43%	43%	45%	78%
IIP	15%	18%	16%	25%
Holds ISO9000	13%	12%	8%	11%
Employee consultation / trade union	16%	16%	19%	33%
Creates teams to work on projects	10%	10%	10%	18%
Business plan	54%	50%	45%	81%
Task variety	50%	43%	30%	50%
Task discretion	46%	38%	32%	51%
Flexible working	41%	33%	46%	39%
Equal opportunity policy	80%	86%	77%	99%
Processes to identify high potential or talented individuals	13%	17%	14%	28%
Trade union consultation	12%	12%	9%	15%
Training needs assessment	49%	48%	46%	74%
None	2%	1%	3%	*%

Source: Employer Skills Survey, 2017

## 6. Conclusion

This paper has presented new analysis of foundational economy sectors in Wales. There is clearly significant diversity across the different sectors brought together here to represent the foundational economy. Overall, the size of these foundational economy sectors is large – representing around one-third of employee jobs. The individual sectors vary in terms of pay and conditions as well as by the characteristics of employees.

The analysis has shown that:

- Parts of the foundational economy are characterised by low pay. In retail, accommodation, food and drink service and residential care, a majority of workers did not earn a Real Living Wage.
- Part-time working is more prevalent in the foundational economy sectors. Parts of the foundational economy are also typified by low rates of in-work training.
- There are differences across the foundational economy in terms of workforce composition, but women are clearly over-represented across the foundational economy sectors. There is a skewed age profile in parts of the foundational economy, with significant proportions of younger workers (aged under 25) in the food and drink services, retail and residential care sectors.

The analysis demonstrates some sizeable job quality concerns on objective characteristics of pay and contracts in parts of the foundational economy, but also differences across sectors.

Pay concerns are particularly apparent retail, accommodation, food and drink service and residential care where pay rates are low and pay distributions are compressed. The low rates of in-work training in sectors including retail and food and drink service are also concerning in relation to wider issues of pay progression and social mobility. In short, the foundational economy in Wales, and particularly in some individual sectors within this (constituting collectively large parts of the labour market), face quite pronounced job quality challenges, and ones which also have a significant gender dimension.

## Endnotes

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<sup>1</sup> Heslop, J., Tomaney, J., and Morgan, K. (2019) 'Debating the Foundational Economy' *Renewal* 27(2), 5-12.

<sup>2</sup> Foundational Economy Collective (2019) *Foundational Economy: The Infrastructure of Everyday Life*, Manchester University Press, Manchester.

<sup>3</sup> ASHE data are published initially as Provisional Estimates, before being published later as 'Revised' estimates

<sup>4</sup> Note: this data is the quarterly average for the LFS for all waves of respondents.

<sup>5</sup> These figures are best viewed as indicative as the specific variable measuring zero hours contracts (FLED10) is not asked at all waves, so the estimates are based on a reduced sample size.

<sup>6</sup> These figures are best viewed as indicative as the specific variable measuring union membership (UNION) is not asked at all waves, so the estimates are based on a reduced sample size.