

Report of the Corporate Director for Economy and Place

Update Report on Wage Data

Summary

1. This report provides an overview of latest available wage data for York for consideration by the Economic Development & Transport Policy & Scrutiny Committee (EDAT), including key trends and issues of note.
2. It specifically includes:
 - A summary of the most recent average earnings data, as well as variations between different groups (full time, part time, male and female)
 - Analysis of key issues
 - Exploration of possible policy responses

Background

3. It was resolved at the meeting of 19 January 2016 that a report on wages would be brought to EDAT in January 2017 in line with annual national data releases.

Consultation

4. As a report on national data for the committee, consultation is not applicable in this instance. Nevertheless, on the issues surrounding the report e.g. low wages, there has been broad consultation with businesses, Members and other stakeholders through York's Economic Strategy which, among other things, seeks to determine actions which will help raise wages in the City.

Options

5. EDAT Members can:

- a) Note the latest wage data and the potential implications for York
- b) Consider if they wish to reflect on current policy responses to address issues around wages, and whether more, or different, interventions should be recommended by the Committee to the Council's Executive
- c) Give continued support to actions outlined in the Economic Strategy actions aimed at raising wages in the city.

Analysis

Economic context

6. York is generally perceived as a prosperous City with a resilient economy, as well as being a desirable place to live, work and do business.
7. York has excellent employment levels, with very low levels of claimants accessing Job Seekers Allowance (JSA). November figures show the JSA Claimant count for York in November 2016 is 560. This represents 0.4% of the working age population. The region stands at 1.5% and GB at 1.2%.
8. It has a number of economic strengths:
 - **A highly educated workforce** (over 40% with a degree or equivalent), with a continuous supply of new talent from the city's universities and colleges
 - **A key hub on the UK's rail network**, less than 2 hours from London and with direct connections to every major city economy in England and Scotland
 - York is regularly recognised as **one of the most desirable cities to live in the UK**, making it an attractive place for talent, and therefore business
 - **7 million visitors a year** support a large tourism sector, a more resilient city centre and strong brand recognition internationally
 - **Consistently one of the lowest unemployment rates in the UK**: this is good for residents, and also for businesses recruiting people with good record of work

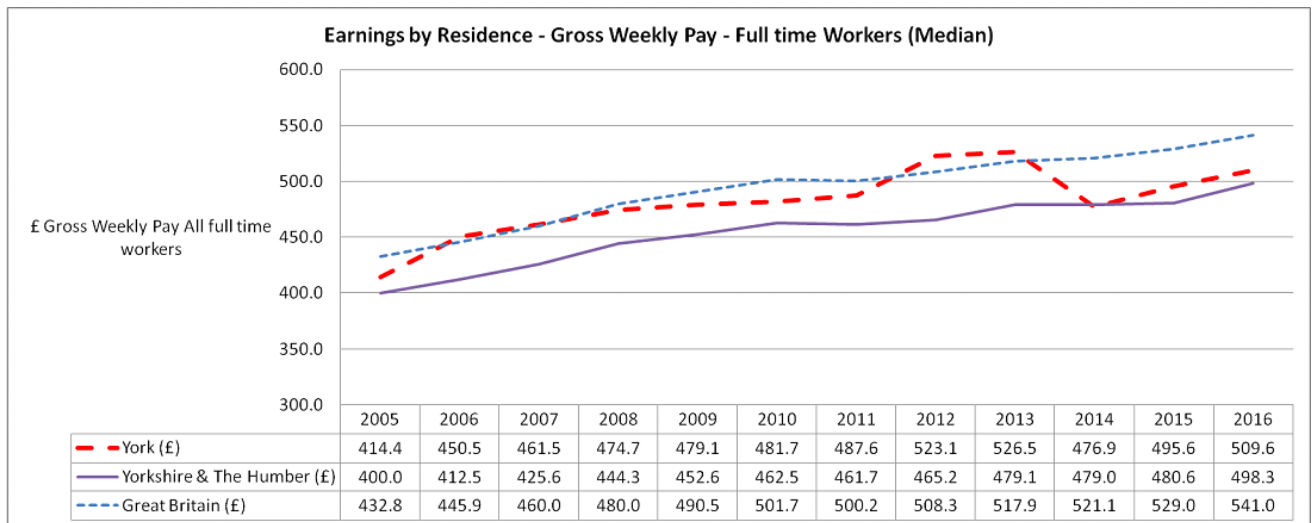
- **World-leading industrial biotech + agri-food research**, major centres of excellence, plus a 'pipeline' of graduates from top bioscience departments
 - **Larger than average insurance and rail sectors** with key employers located in the city
 - **Ahead of the curve on digital infrastructure** with widespread 1gbit/sec fibre connections possible from 2015
9. The city's Economic Strategy acknowledges a number of challenges:
- **Lack of available land and good quality city-centre office space** means it is harder to attract new companies or retain growing businesses, especially ones providing the best jobs.
 - **A skew towards lower productivity sectors** means there are more people on lower wages with poorer chances of progressing to better paid jobs, and there is less money flowing in York's economy
 - **Congestion**, especially around Northern outer ring road, provides a problem for businesses located or travelling in this part of the city; and a lack of demand for business premises there
 - The cost of **owning or renting housing** in York is one of the highest regionally especially in relation to average wage levels.
10. These factors should be taken into consideration when understanding wage data and the Council's response to any particular issues arising.

Overall Wages

What does the data tell us?

11. According to the ONS, the average median weekly salary in York is £509.60 per full time employee. This is 2.2% higher than the regional average of £498.30, but 8.6% lower than the national average of £541.00.
12. Regionally, this places York fifth best out of 22 regional local authorities.

13. The below graph shows the trend over the last 11 years against Yorkshire & Humber and Great Britain averages.



14. The above figures are for York residents regardless of where their workplace is located. The majority of York residents also work in the city though, so the same trends are also reflected in workplace based earnings (e.g. people employed by York businesses who may or may not also live in the city).
15. In relation to the distribution of wages between those who earn and lower earners, the difference between the median gross weekly pay and 25 percentile is £128.30. This is slightly less than the national average where the difference between median gross weekly pay and the 25 percentile was £150, and the regional average for Yorkshire and Humber was £132.80. In other words, while overall the median wage in York is lower than the national average, lower earners do not necessarily earn any less in York than their national counterparts.

Why are average wages lower in York than the national average?

16. Wages in the Yorkshire & Humber and the North of England are lower than the national average in general. However given York's economic assets outlined above, it would be reasonable for the city to aspire to average wages closer to, or even in excess of, national figures. There are also a number of areas in the region which outperform York, for example Leeds and Harrogate.
17. There is no evidence to suggest employees in York are being paid less for doing the same job than their national counterparts, rather

lower figures are largely a reflection of the types of jobs and business sectors in York.

18. The below table outlines the size of York sectors in comparison with the national average, and their relative wage levels. As can be seen, in York, there are fewer jobs in sectors paying higher wages, and more jobs in sectors paying lower wages than the national average.¹²:

Sector	% of population employed in York	% of population employed nationally	Total share	Wages value (banding)	Median gross hourly wage ³
Tourism	13%	7%	35%	Low: median wages nationally below £10 per hour	£7.50
Retail and wholesale	16%	15%			£9.25
Admin and support services	6%	8%			£9.60
Health and Social Care	15%	12%	42%	Medium: median wages nationally £10 - £15 per hour	£12.28
Land Transport, Storage and Post	8%	5%			£12.33
Manufacturing	4%	8%			£13.23
Construction	4%	6%			£13.33
Education	11%	9%			£14.29
IT, Digital, Creative and Media	3%	3%	Below 16%	High: median wages nationally above £15 per hour	Information & Communication £18.07
Professional and Financial Services	12%	14%			Professional services £16.13 Finance & Insurance £18.18
Bioscience, R&D	<1%	No like for like			£19.82

19. Therefore policy responses to improve wages should centre around both accelerating and removing barriers to high value sector growth, and supporting and enabling progression for those in lower value sectors.

¹ Source: 2014, BRES and Annual Survey of Hours and Earnings, Office for National Statistics

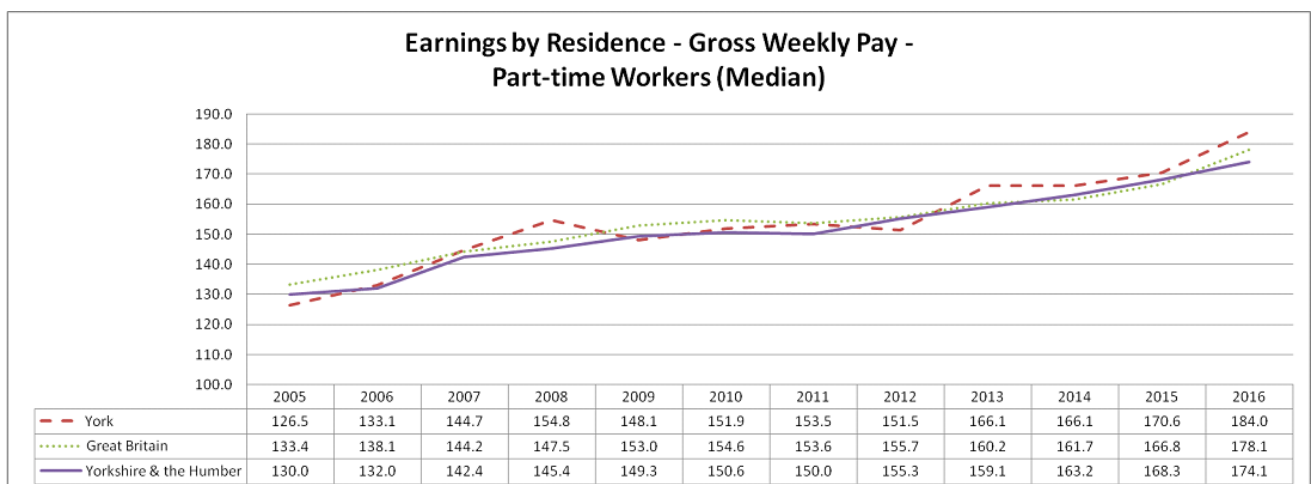
² % of population employed nationally taken from ONS Labour Market Statistics, 14/12/2016, A01, Table 6. N.B. In the table 'Professional and Scientific' services and 'Financial and insurance' are combined. The sector share for these are 9.54% and 3.16% respectively.

³. Taken from Industry (4 digit SIC) – ASHE: Table 16.5a: Hourly pay – gross 2016. Provisional

Breakdown by particular groups - What does the data tell us?

Full time/ part time

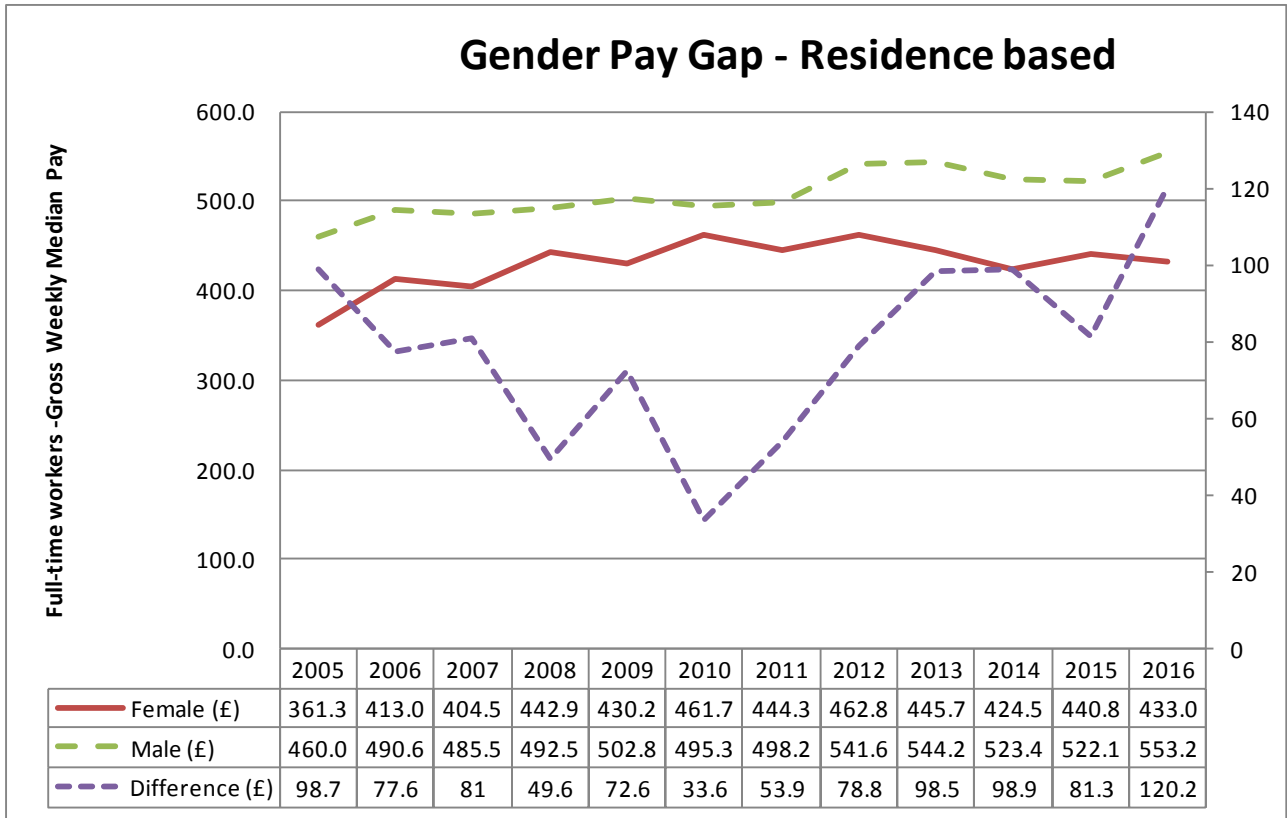
20. Nationally, employees who work part time earn less both overall and per hour than those who work full time. This trend in York is the same, and part-time earnings in York have remained very close to the national pattern over a number of years.
21. Part-time workplace data shows employees in York earn £184 per week, in comparison with £177.60 and £173.80 per week for national and regional figures respectively.



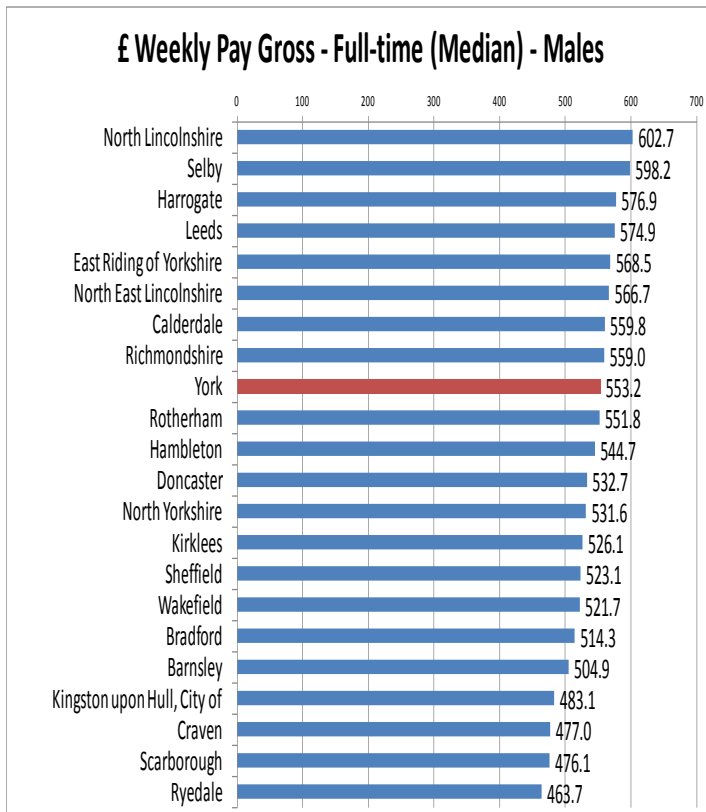
22. Residents who work part time earn £3.53 less per hour than those who work full time, £9.43 per hour in comparison to £12.96 per hour. This is in keeping with national and regional trends. However the difference is slightly less accentuated in York with national part time wages averaging £8.91 per hour, 62 pence less than in York.

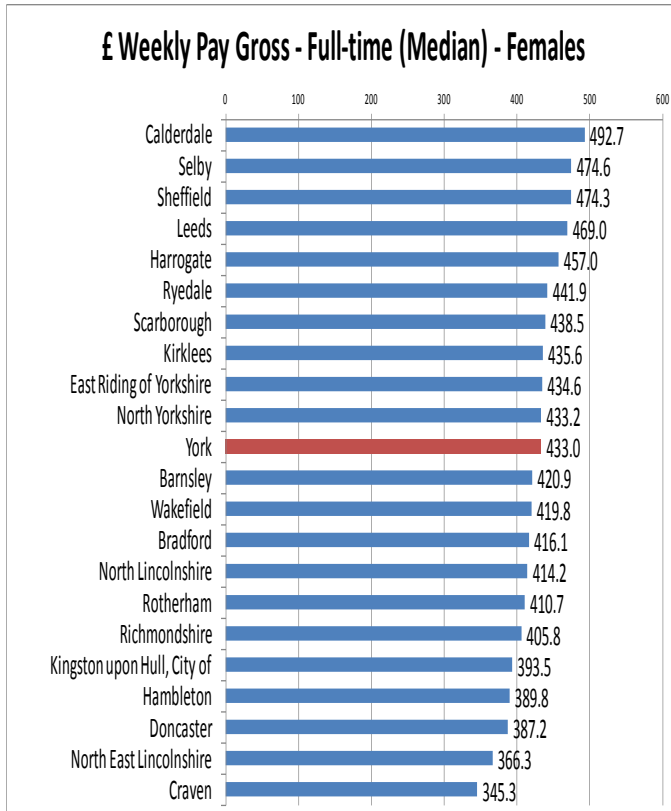
Male/ Female

23. Given that considerably more women work part time than men, it follows that this is one of the factors which impacts the differences between overall pay between men and women. In addition to this though, it is helpful to compare 'like-for-like' in terms of full time male salaries against full time female salaries to understand any trends.
24. As highlighted by the below graph, on average full time female employees earn £120.20 less than full time male employees. This medium term trend has seen this difference increase in recent years.



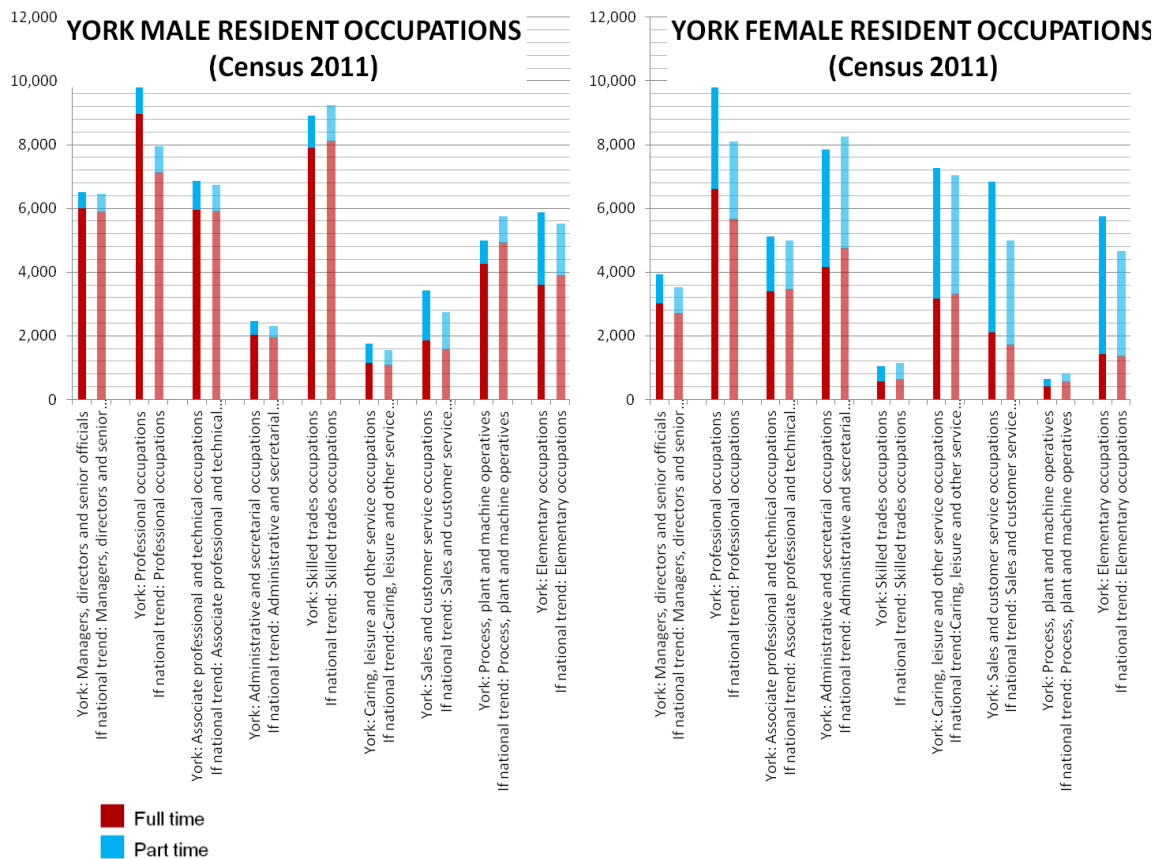
25. By residence, the gender gap nationally is £100, and regionally it is £108, in both instances females are worse off than their male counterparts.





What might be the reasons for these trends?

26. These are national rather than York specific trends, with national average wages for both female and part time employees less than male or full time employees respectively.
27. Nevertheless, in relation to York, we know there is correlation between the occupations more prevalent for part time workers and women, and their relative wages.
28. The different roles filled by males and females is illustrated in the Census data below, with more men in Manager/ Director roles, for example, and many more females in the Caring and Sales categories which on average earn lower wages.



29. This is not to say that this is the whole issue, but there is not the data to be able to draw conclusions on salaries by gender within occupations at a York level.
30. As a nationally recognised trend, there is plenty of research on the gender pay gap, all offering different reasons and rationale, with correspondingly broad solutions to the issue.
31. For example, a Deloitte Study in 2016 stated that, based on current salary progression ‘the hourly pay gap between men and women of 9.4%, or about £1.30 was narrowing by just two and a half pence per year.’ One of the solutions offered was to encourage more female students into careers such as medicine, dentistry, engineering and technology where there was no starting salary gap, as well as encouraging more female students into ‘STEM’ careers; science, technology, engineering and mathematics.
32. Forbes counters the Deloitte findings with the suggestion that the gap actually may never close because it is as a result of the sectors in which people opt to work, family choices and primary childcare.
33. These arguments are as diverse as they are plentiful, but highlight the range of possible, but untested, interventions to choose from. Therefore, at a York level, bespoke research would be required, and

investment made to do so, to understand the issue further, and whether it is for voluntary reasons that female residents are working part time or in particular roles, or if there are particular barriers to higher value jobs. Following this, more specific interventions tackling the root causes could be considered, otherwise policy responses may be ineffective.

Possible policy responses to the issues

34. It is important to understand many of the drivers around pay, both overall and for particular groups, lie with private sector or national Government rather than the Council. There are things we can do as an authority, but there is also a limit to our powers, therefore, interventions should be focussed where the Council specifically has the decision making powers and influence to make most difference.

Raising average wages

35. York's economic strategy sets out key actions for city partners to help create the right environment for high value sectors and well paid jobs in the city, and it is these activities which should continue to be our primary focus to address the issues in question. Specifically these are:

- *Deliver York Central Enterprise Zone + high speed hub:* available business accommodation is a key barrier for inward investment and indigenous business growth within high value business sectors. This new development will offer quality City Centre accommodation to meet business demand and enable new inward investment opportunities which are current difficult for the city to meet
- *Deliver a Local Plan that supports a high value economy:* again, to ensure there is a clear plan and market confidence to achieve business space of sufficient quality in locations the market is demanding to encourage high value jobs. As well as this, the plan should ensure provision for the housing need to support this so that people who work in the City can also afford to own a home here, while balancing the need to protect the natural environment and character of the City
- *Take practical steps to develop and retain talent in the city e.g. SME graduate brokerage:* York's pipeline of graduate and apprenticeship talent is essential to its economic vibrancy, and particularly within higher value jobs which can be harder for

SMEs to recruit to, so there is more that can be done to signpost and match up opportunities and talented people.

- *Drive real University and research-led business growth in key sectors such as agri-tech and biosciences:* through collaborative work with partners in the city to build on the leading research assets we have and translate this into real business opportunities, and support indigenous SME growth and relocation of businesses
- *Lobby for investment in key transport networks:* to support an infrastructure which enables excellent movement of people and goods between York and other cities in the UK, and within York itself, and as such a conducive environment for high value business
- *Use local business rate freedoms to encourage high value growth:* as proposed national policy on local retention of business rates comes into effect, this becomes a major lever available to the Council to achieve its policy outcomes, so further consideration should be given once there is more detail on how this will work at a national level.

Supporting and enabling progression for those on low pay, particularly women and part time workers

36. To support and enable progression for those on low pay, particularly women and part time workers, there are a range of policy options which could be explored, have been undertaken in York or taken forward by other cities. For example:
- Leading by example in the Council's employment practices e.g. living wage, flexible working, targeted leadership programmes
 - Introducing programmes of mentoring and support for progression for particular groups on lower pay
 - Boosting and subsidising childcare provision for particular groups
 - Targeted in-work training and education, or apprenticeship programmes
 - Use of business rate freedoms to encourage good employment practices

- Targeted careers education advice and guidance, and encouraging 'STEM' careers (science, technology, engineering and mathematics) to raise aspirations
37. Some of the above would require significant investment and full business cases would need to be developed. Therefore, given there is limited intelligence on reasons, aspirations and barriers for access to higher value jobs for part time employees and women in York, further research on understanding the issue would ideally need to be commissioned first in order to design effective interventions to tackle the right issues and make a genuine difference.

Council Plan

38. This report supports the following corporate priority for the Council, as set out in the Council Plan

Prosperous city for all - where local businesses can thrive and residents have good quality jobs, housing and opportunities

Implications

- **Financial** – Financial implications of wage levels are made clear in the report above.
- **Human Resources (HR)** – There are no HR implications for this report.
- **Equalities** – The Equalities implications on equal pay between men and women, and for part-time employees are set out in the report above.
- **Legal** – There are no legal implications for the Council in this report.
- **Crime and Disorder** – There are no implications for this report.
- **Information Technology (IT)** – There are no implications for this report.
- **Property** – There are no implications for this report.
- **Other** – There are no other known implications for this report.

Risk Management

39. As set out in this report, the primary risks relate to failing to address the wage issues highlighted.

Recommendations

40. The Committee is asked to:

- a) Note the content of this report and consider if it wishes to reflect on current policy interventions to address issues around wages, and whether more, or different interventions, should be recommended to the Council's Executive

Reason: So that Members are aware of key trends in relation to York's economy and wages of residents, and are able to implement suitable policy interventions if necessary.

- b) Give continued support to actions outlined in the Economic Strategy actions aimed at raising wages in the city

Reason: To continue to encourage and stimulate economic growth for the City alongside partners.

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**Report
Approved**

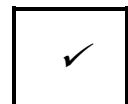


Date 09.01.2017

Specialist Implications Officer(s) - Not applicable

Wards Affected:

All



For further information please contact the author of the report

Background Papers:

Economic Strategy for York, 2016 – 2021, launched in summer 2016

Source data:

IHS Markit Living Wage Research for KPMG 2016 Report

<https://www.gov.uk/national-minimum-wage-rates>

ASHE data (Annual Survey of Hours and Earnings)

BRES data (Business Register and Employment Survey)

Office for National Statistics

NOMIS Official Labour Market Statistics

Annexes

Annex 1 – ASHE Briefing October 2016

Abbreviations

ASHE – Annual Survey of Hours and Earnings

BRES – Business Register and Employment Survey

EDAT – Economic Development & Transport Policy & Scrutiny Committee

GVA – Gross Value Added.

JSA – Job Seekers Allowance

ONS – Office of National Statistics

R&D = Research and Development

SME – Small and Medium-sized Enterprises

STEM – Science, Technology, Engineering & Mathematics

UC = Universal Credit