

# MIDLANDS ENGINE OBSERVATORY ACADEMIC INSIGHTS

## Creating high-wage high-skill jobs



This is based on [this article](#) in The Conversation

### **Theme:**

Changes to the labour market can produce good economic results

### **Area of Focus:**

There will have to be significant changes to the labour market if Johnson's visions for high-wage, high-skill jobs can be realised.

### **Key Findings:**

While there are some sectors that seem to be seeing an increase in wages, this is due to certain groups a spike in earnings due to a shortage in their skills. However, currently any wage gains are being eroded because of higher prices.

The only way wage growth can be sustained is through productivity growth. However, there are some aspects about the UK labour market that make increasing productivity challenging.

- The costs of hiring people are low. However, this impacts people in poorer areas or entry level jobs, as firms have little incentive to train or develop staff when hiring a new person is cheaper.
- Sectors are deliberately structured to exploit this. 'Low productivity' activities are outsourced to low wage areas in the UK and overseas.
- The UK governments pay the lowest paid 'in-work benefits' which has subsidized low productivity, disincentivizing firms and workers who continue in low-wage and low-skill scenarios.
- To break this cycle, large investments in skills and training to give workers access to more job opportunities and encourage innovation.

Despite this 'low productivity' work allows 'high productivity work to happen. This work should be higher paid, recognising the contribution these professions make to productivity.



### **Midlands Engine Impact:**

- The Midlands Engine has a high proportion of low skilled workers and low paid jobs. Encouraging employers and trainers to invest in staff, would decrease the number of low paid and low skilled workers.
- The high-productivity, high-wage jobs in the Midlands Engine are supported by low-paid workers, for example health workers enabling children of elderly parents to work in research.
- Policy should be focused around encouraging employers to upskill their staff. National, regional, and local policy should be aimed at supporting this.
- A growth of higher-wage, higher-productivity growth in the Midlands Engine should be distributed to areas with higher levels of deprivation.

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