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**REGIONAL ECONOMIC TRANSITION IN WALES: THE ROLE OF LABOUR
MARKET INTERMEDIARIES**

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Abstract

Current academic and policy prescriptions based on supply-side human capital theory assumptions are inadequate for understanding and adjusting to labour market unpredictability in regional economies like Wales, in the United Kingdom. This paper presents arguments in support of alternative more integrated approaches that match supply and demand in regional labour markets. The role of regional Labour Market Intermediaries (LMIs) in performing this matching function and brokering employment relationships is an important research issue. Here, one LMI in Wales, Shaping the Future, is explored using qualitative ethnographic methods.

Regional economic transition in Wales: the role of Labour Market Intermediaries

1. Introduction

Competitive pressures associated with increased globalization, unstable regimes of capital accumulation, financialization, neo-liberalism and related factors, have generated substantial restructuring of organizations and regional economies across the United Kingdom and elsewhere (STUART *et al.*, 2013; THOMPSON, 2013). Economic restructuring has resulted in a shift away from traditional industries like mining and metal production (deindustrialization) to new service industries. Deindustrialization has fuelled high unemployment and labour precariousness, especially in regions that formerly had big concentrations of traditional industry. Closure of large traditional employments, especially in isolated ‘closed system’ communities, creates a vacuum and a debilitating ‘multiplier effect’ down the supply-chain that can severely undermine community resilience (KOTVAL and MULLIN, 1997; PHELPS *et al.*, 2003; KITCHEN and MARSDEN, 2011; MACKINNON *et al.*, 2011; MACKAY and DAVIES, 2012; AUTHOR REF1). As MACKAY and DAVIES (2012:869) note, large-scale unemployment connects to ‘a collapse in the underlying industrial structure’ and leaves an empty space in regional economies that individuals, families and communities struggle to fill – and if not dealt with ‘lasting divorce from the labour market’ may occur. The dynamics of economic restructuring and adjustment to it are being played out in places like Wales (MACKAY, 1992; BLYTON and JENKINS, 2012; MACKAY and DAVIES, 2012; AUTHOR REF1). The upshot is that regional economies like North West Wales - the focus of this article - have become more fragmented, casualized, and unpredictable; increasingly evidenced by ‘unsustainable employment portfolios’ (BUCHANAN *et al.*, 2013).

Heightened instability in regional labour markets has resulted in greater focus on various third party *Labour Market Intermediaries* (LMIs), in terms of facilitating regional adjustment and re(development) (BENNER, 2003, BENNER *et al.*, 2007; AUTOR, 2008; GOLDSTEIN *et al.*, 2012). LMIs have been defined by AUTOR (2008:1) as ‘entities or institutions that interpose themselves

between workers and firms to facilitate, inform, or regulate how workers are matched to firms, how work is accomplished, and how conflicts are resolved’.

The contribution of this paper is to advance theoretical and empirical understanding of LMIs; focusing on one particular LMI, *Shaping the Future*, run by *Mentor Mon*, in the specific context of North West Wales. The paper addresses three research questions: What underlying factors prompt the emergence of regional LMIs? To what extent do regional LMI institutions play a role in matching supply and demand? What are the key LMI roles and outcomes? Recourse is made to existing literature to inform these research questions. The next section critiques orthodox human capital theory responses to regional labour market adjustment, suggesting that such approaches are inadequate for understanding and correcting market failures, hence the emergence of alternative theories of labour market adjustment, and interventions like LMIs. Section three outlines various types of LMI, and explores three specific LMI roles and outcomes: reducing transaction costs, improving social networks, and managing risks of labour market adjustment. All three roles are underpinned by coordinating better quality more symmetrical information flows between labour market participants. The predominantly qualitative ethnographic research methods used to collect data on Mentor Mon’s *Shaping The Future* initiative are outlined in section four. Findings are described in section five: first, summarizing statistical data analysis on the North West Wales labour market to provide contextual background, and second, presenting findings relating to a specific LMI, *Shaping the Future*. The paper ends with a concluding discussion.

2. Transcending human capital theory to explain labour market transitions

Naivety of human capital theory orthodoxy

In recent decades, policy responses influenced by human capital theory (HCT) orthodoxy have played a dominant role in transitioning workers to new regional labour market realities in liberal market economies (LMEs) like the UK and USA. Increasing the supply of employee skills and qualifications has been core government policy in the UK (and by the devolved Welsh Assembly Government)

aimed at facilitating individual employability and resilience in a 'flexible' deregulated labour market (LEITCH, 2006; SKILLS THAT WORK FOR WALES, 2008). For instance, the Leitch Review commissioned by the UK Treasury set ambitious qualification and skills targets as a supply-side spur towards positioning the UK as a knowledge economy.

Policy-maker fixation with skills supply in LMEs is shaped by interpretations of HCT, namely that supplies of human capital are comparable to other means of production, whereby investments in workers' learning capacities (education and training) yield productive outputs for individuals, organizations and economies (BECKER, 1976, 1993; MINCER, 1995; FLORIDA, 2005). Individual decisions pertaining to supply of skills are based on a neo-classical utility maximizing model within what are assumed to be perfectly competitive labour markets. At organizational level, investment in skills is seen as a rational win-win for employers and workers: individuals undertake training and employers invest in training and create new jobs, due to rational estimates of future gains. Employer demand for skilled workers is said to derive from expected productivity increases, while workers predict job opportunities and/or increased wages from training (BECKER, 1976, 1993). These supply-side forces are also assumed to be functional at macro-economic level: raising skills supply is seen to be vital for boosting demand from employers for higher skill capacities.

For HCT proponents, therefore, supply-side educational investment opens a path to employability, meritocratic advancement and economic competitiveness (FLORIDA, 2005). The invisible hand of market forces is seen as an efficient coordinator of this utility maximization: with linear causal links between skills, productivity, access to jobs and economic growth. It assumes, as BECKER (1976: 5) observes, 'the existence of markets that coordinate the actions of different participants – individuals, firms, even nations – so that their behavior becomes mutually consistent'. HCT has proved enticing to policy-makers on both sides of the Atlantic, who have presented what BROWN *et al.*, (2011: 5) term an 'opportunity bargain': whence the state's role is limited to creating supply-side opportunities via access to education, but individuals are responsible for enhancing their own employability.

Yet supply-side HCT perspectives have been criticized by many scholars, and alternative analysis of labour market functioning is required (BOWLES and GINTIS, 1975; LIVINGSTONE, 1997; KEEP *et al.*, 2010; GOLDSTEIN *et al.*, 2012). The essence of alternative analysis is that supply of skills alone may not trigger job opportunities, and labour market interventions may be required to stimulate employer demand for skills. Keep and colleagues (KEEP and MAYHEW, 2010; KEEP *et al.*, 2010; MAYHEW and KEEP, 2014) critique the naivety and contradictions of HCT approaches, observing that while higher skill supply is important, ensuring there is actual demand for using skills (and in decent jobs) is neglected. According to KEEP and MAYHEW (2010: 567), the belief that increasing supply of qualified and skilled people will alone prompt employers to upgrade their production strategies is optimistic at best. 'If this belief proves unjustified, then the additional skills will not be used'.

The common HCT policy response to labour market adjustment is 'stopgap' training programmes – potentially wasting massive amounts of money for no discernible end product, in terms of matching with good job opportunities. The biggest problem and contradiction with HCT, therefore, is a failure to account for a growing mismatch between increased individual investment in education and training (supply-side capacity) and a diminishing amount of commensurate good quality jobs (demand-side opportunities); culminating in an underemployed reserve army of labour in particular regions (LIVINGSTONE, 1997).

A prediction of HCT perspectives would be that, when offered a more skilled labour pool, utility maximizing firms will rationally respond to market signals by adjusting competitive strategies in the value-added direction, thus raising demand for quality jobs relative to routine low-wage ones. That this has not occurred on a widespread basis across many UK regions constitutes a major flaw in the opportunity bargain marketed by policy-makers attached to neo-liberal HCT orthodoxy. Research by LLOYD *et al.*, (2008) found that low-quality, low-skill and low-wage jobs are now common in many UK sectors, including retail, hospitality and food processing. The structural configuration of large segments of the UK economy means many employers now compete using a low price low wage

model given the contextual ‘incentive’ of a flexible deregulated labour market. This dampens demand for higher skill workers and quality-oriented competitive postures. Thus, there is a glaring contradiction in UK government policy between human capital oriented policies encouraging a continuous rise in qualification and skill supply, on one hand, and encouraging employer demand for low cost and low skilled labour, on the other (GALLIE, 2007; WARHURST *et al.*, 2012; MAYHEW and KEEP, 2014). In the Welsh context, KITCHEN and MARSDEN (2011) identify the persistence of a low-skills economy in rural Wales, and a virtuous downward spiral of decline; whereby employers competing largely in ‘flexible’ low wage markets demand relatively low skills from employees.

Evidently then, in locations like Welsh regions, there is mismatch between skills supply and available (quality) job opportunities, creating a combination of ‘overskilling’ and ‘underemployment’, and resulting in the broken promise of the neo-liberal opportunity bargain (BROWN *et al.*, 2011). According to a recent OECD (2013) skills survey, the UK has more low-skill jobs than all OECD nations except Spain. Further, roughly 30 percent of UK employees perceive that they are overqualified for the jobs they do (only surpassed by Japan among OECD nations), indicating under-utilisation of skills. Similarly, FELSTEAD and GREEN (2013) note that in 2012 only 1.5 million economically active individuals in Britain had no qualifications, yet about 5.9 million jobs required no qualifications. They estimate that 36.9 percent of all British workers have qualifications exceeding those needed for their job.

An alternative integrated Human Capability Framework

In light of this critique of HCT orthodoxy, alternative views of regional labour market adjustment suggest that while up-skilling employees is a vital supply-side policy lever for raising employability, it is only one piece in a broader coordinated and holistic picture that needs to be considered to tackle structural deficiencies on the demand side. There are acute structural demand side weaknesses in the UK and its regional economies like Wales (FINEGOLD, 1999; GALLIE, 2007; KEEP and

MAYHEW, 2010; KEEP *et al.*, 2010; KITCHEN and MARSDEN, 2011; MACKAY and DAVIES, 2012; MAYHEW and KEEP, 2014).

The alternative view is that more integrated solutions to labour market adjustment are required to correct over-reliance on supply-side policy, and break out of a virtuous spiral of decline in places like rural Wales (KITCHEN and MARSDEN, 2011). As noted by KITCHEN and MARSDEN (2011:127), ‘a more integrated approach to dealing with the complexities of rural labour markets could begin to recognize that rural pressures, actions and solutions are embedded within a wider network of sectors, actors and spaces’. KITCHEN and MARSDEN (2011:143-44) add that integration has the ‘capacity to problematize business-employees relationships and to specify the reasons for the persistence of the low skills economy’.

Elsewhere, in New Zealand, researchers have documented a policy shift by the then Labour-led government from neo-liberal market-led responses, resulting in large-scale restructuring and unemployment, towards a more interventionist state role in regional development from 2000 (NEW ZEALAND DEPARTMENT OF LABOUR, 1999; BARTLEY *et al.*, 2001; TIPPLES, 2004; BARKER *et al.*, 2009; BRYSON and O’NEIL, 2010). To tackle social exclusion, the New Zealand Department of Labour developed a holistic Human Capability Framework (HCF), a conceptual model of labour market dynamics providing an overview of factors affecting labour markets, including skills acquisition, the business environment, regulatory regimes (BARKER *et al.*, 2009). The HCF is conceptualized as i) *capacity* on the supply-side (‘what people are able to do’ in terms of skills, knowledge and also using social networks, to access employment opportunities), ii) *opportunities* on the demand-side (‘options available for people to get financial and personal reward from using their capacity’, notably through well-paid good employment), and iii) *matching* (the process of matching capacity to opportunity – i.e. coordinating supply and demand) (BARTLEY *et al.*, 2001:148-154; BARKER *et al.*, 2009; BRYSON and O’NEIL, 2010:13-16). The HCF is presented in figure 1.

FIGURE 1 HERE

The HCF provides analytical foundations for a more integrated approach to labour market adjustment. For instance, imperfections in the matching process can be recognized and dealt with (like the transaction costs of job search, imperfect information, and risk). As suggested by BARTLEY *et al.*, (2001:150), by adopting an extended perspective of multiple factors constraining and promoting individual capacity and labour market opportunities, and processes of coordinating the two, the HCF allows analysis of various possible challenges and solutions to labour market adjustment and participation – even when they cut across different policy areas. ‘The HCF allows for a more holistic – and realistic – view of individuals as being embedded in a variety of social relations that affect their choices and aspirations in a way that human capital (theory) simply does not’. Assessing the HCF ten years on, BARKER *et al.*, (2009:37) note that within the New Zealand Department of Labour the Labour Market Policy Group frequently used the framework as a ‘policy primer’ until its demise in 2004. Notably, the Government’s Employment Strategy, launched in July 2000, used the framework and outlined objectives focused on capacity, opportunity and matching:

Create opportunity – maximise employment opportunities through a steady growth in the demand for labour; Build capacity – encourage the development of skills that are valued in the labour market; Match jobs and skills – facilitate a well-functioning labour market, which minimises barriers to the matching of skills and jobs and enables participation in the labour market (BARKER *et al.*, 2009:37).

3. Labour Market Intermediaries (LMIs)

Labour market capability, opportunities and the process of matching the two are associated with complex social relations in organizations and labour markets. In this regard, regional intermediary labour market institutions (LMIs) have attracted interest because they can help coordinate and mediate social relations (primarily in matching workers and employers in employment relationships: individuals seek work (supply), employers want to fill jobs (demand), the process of appropriate matching enables the two to come together to form employment relationships). In particular, as the matching process occupies the intermediary position between capacity and opportunity it ‘permeates them both’ (BARTLEY *et al.*, 2001:149). LMIs are a departure from default orthodox human capital

responses 'to train people and hope for the best' (PRINCE and RUBIN, 2006:4). GOLDSTEIN *et al.*, (2012:108) note that while standard training policy responses often reinforce simplistic human capital theory by assuming poor labour market outcomes are mainly due to individual employability deficits, LMIs can potentially anticipate a wider range of informational, institutional and socio-economic barriers to regional labour market adjustment. Matching does not just happen through the invisible hand of the market sending signals to labour market participants to seek each other out (still the dominant human capital theory view). In reality, matching depends on effectiveness of various regional LMI institutions at the interface between supply and demand. Therefore, it is important to examine the roles of regional LMI institutions in coordinating supply (capacity) and opportunity (demand), to facilitate regional (re)development.

BENNER (2003:622) suggests that increasingly unpredictable regional labour markets, frequent job churn, decline of internal labour markets promoting long-term careers, weakening ties between employers and workers, has contributed to greater reliance by both employers and workers on various third party LMIs to help form employment relationships. Similar to AUTOR'S (2008) definition in the introduction, BENNER *et al.*, (2007:10) define LMIs as 'organizations – public, private, nonprofit, or membership-based – that help broker the employment relationship through some combination of job matching, training, and career support services'. BENNER *et al.*, (2007:13) remark that, notably in their employment broker role, LMIs arise from 'the imperfect information and information asymmetry that are ubiquitous' in uncertain labour markets. In the absence of LMIs, and with limited labour market intelligence, it can be hard for employers to recruit workers, and workers may also find it problematic to signal labour market availability to employers. PRINCE and RUBIN (2006) observe that many LMIs have emerged largely organically, often independently of state programs or funding, and in response to the absence of appropriate institutions in local labour markets that can assist workers and employers in adjusting to change.

As illustrated in Table 1, BENNER *et al.*, (2007) identify growth of diverse types of LMI in the United States, in both private and public sector domains. Private sector LMIs include temporary

agencies and web-based job search sites. LMIs have also increased in the public sector, among non-profit organizations, trade unions, and educational establishments. But BENNER *et al.*, (2007) argue that such typologies do not fully capture complexity of LMIs: for instance, there can be cross-cutting partnerships across organizations, and public sector institutions may sub-contract services to private firms. Furthermore, while the main service of LMIs is invariably job matching, it may extend to other services like training, HR advice, labour market intelligence.

TABLE 1 HERE

BENNER *et al.*, (2007:16) suggest, therefore, that market imperfections and economic unpredictability underlie the emergence of LMIs that can better match employers and workers, provide training and aid adaptability to restructuring. LMIs may also reflect power relations between employers and workers and possible conflicting interests: workers want income and job opportunities, employers want productive employees and profits, and LMIs are a bridge in between. LMIs are seen as more successful if they ‘serve multiple interests’, because even if an institution is geared towards primarily serving, say, worker interests, it must also often be cognisant of and resolve problems facing employers, and vice versa (BENNER *et al.*, 2007:18).

Regardless of context, PRINCE and RUBIN (2006: 5) suggest that LMIs usually conduct some or all of the following functions:

- ‘Providing or brokering labor market services that include—and go beyond—job matching to encompass a range of advancement services, such as occupational training and career coaching;
- Organizing funding streams so that services for individuals and employers span a continuous “pipeline”;

- Aggregating employer demand so that employers in a particular sector, industry, or occupational cluster can collectively define and secure the services they need to secure, retain, and advance a highly skilled workforce;
- Performing ongoing research on labor markets and employer needs in order to inform service delivery;
- Advocating for public policies that support worker advancement, such as funding priorities based on demonstrated outcomes, improvements in higher education's workforce development services, and the blending of important funding streams and service silos'.

In terms of how LMIs may affect regional labour market outcomes, BENNER (2003:622-628) suggests that they perform three functions for both workers and employers. First, they can decrease transaction costs, and enhance ability of employers and workers to adjust to unpredictable labour markets, in a more efficient manner than decentralized direct open market transactions. By providing labour market intelligence and quicker access to employers and workers, often grounded in familiarity with and knowledge of particular industry clusters, occupational groups and local communities, LMIs can help 'shorten the job search' for all parties – thereby reducing transactions costs (BENNER, 2003:627). Second, emphasizing social embeddedness of non-market social relations and networks (GRANOVETTER, 1985), BENNER (2003:627) suggests that LMIs can potentially help improve the social networks available to both workers and employers for purposes of job matching: 'These networks become critical in shaping employers' economic fortunes and workers' career paths'. It is possible that, following redundancy, individual social networks may contract as people (especially the disadvantaged) lose capacity to socialise and find out about work opportunities, and instead withdraw (GRANOVETTER, 1985, 2005; STRANGLEMAN, 2001). Therefore, LMIs can provide an alternative social networking infrastructure to bridge this gap and showcase job opportunities (BENNER, 2003). Thirdly, by filtering labour market transitions LMIs can help employers and workers to better absorb risk. Regional labour markets have become more risky for all parties, especially lower skill workers. There has clearly been a transfer of the burden of risk from

government and employers to workers with weaker labour market power, alongside a new (human capital) discourse and policy emphasis on new labour market norms of individual responsibility and employability (SOLOW, 2008). Many workers confront increasingly unpredictable labour markets, unanticipated job losses, insecurity, and obsolete (often job specific) skills. But many employers also confront enhanced competition, and turbulent economic and financial systems, which can lead to crises in profit accumulation and even closure. For employers, LMIs can help filter and reduce the risk of making costly hiring decisions. Indeed some employers may shift risk on to LMIs by ‘outsourcing’ parts of their internal HRM role. For workers, LMIs may help to ameliorate risk by reducing periods of unemployment, which is important as significant time spent outside labour markets can create perceived employability deficits.

Underpinning all three roles/outcomes is that LMIs can provide access to labour market intelligence and synthesize complex information (BENNER, 2003; AUTOR, 2008). Acting alone as atomized entities in decentralized markets, knowledge of workers and employers is bounded, incomplete and asymmetrical, and it is not certain that they will find each other without third party assistance. LMIs are ‘in the ‘business’ of labour market adjustment, and are thus frequently more sensitive to changing competitive dynamics in industry clusters than many firms themselves’ (BENNER, 2003:629). By transmitting labour market intelligence, some LMIs can even help shape demand by accelerating adjustment, quickly signalling both high and low growth activities of rising and depreciating demand (BENNER, 2003).

4. Research methodology

This section describes and contextualizes the unit of analysis, a specific Welsh regional Labour Market Intermediary, *Shaping The Future* (StF). The qualitative research methods are then outlined; primarily ethnographic participant observation.

Context of Shaping the Future (StF)

The Energy Act 2004 directed the Nuclear Decommissioning Authority (NDA) to decommission Magnox Ltd's nuclear power stations in North Wales – Wylfa on Anglesey and Trawsfynydd in Gwynedd. The two plants are at different stages of their decommissioning cycles, but phased closure will necessitate redundancy of their remaining employees in remote areas of North West Wales. The Trawsfynydd site is being decommissioned and placed into its final care and maintenance status. The Wylfa site is still generating electricity with one reactor (Reactor 2 was shutdown in April 2012). Efforts are now focused on optimising generation in Reactor 1, operating until 2015 (closure timelines have, and continue, to stretch).

As it faces up to the challenge of forthcoming redundancy, the workforce is being assisted by the Shaping the Future (StF) project, which is jointly funded by the European Social Fund (ESF), the NDA, the Welsh Government, and Gwynedd and Anglesey local councils. ESF funds are administered in Wales through the Welsh European Funding Office (WEFO). The StF project is administered by Menter Môn, formed in 1996 to oversee the EU LEADER II programme. The StF programme runs from 2011 to Spring 2015, the original projected date by which the majority of the workforce at both sites would have been made redundant; in reality the timescale for final redundancies has 'stretched' at both sites by 18-24 months.

In its own words:

...The Shaping the Future (StF) programme aims to improve the skills & adaptability of the 1,200 employees of Wylfa and Trawsfynydd nuclear power stations, whose careers are significantly threatened by the decommissioning of these facilities over the next 5-7 years. It supports career transition planning into other sectors of the knowledge economy in Wales, focusing on the Welsh Government's target industry sectors and Enterprise Zones and provides carefully monitored encouragement, support and funding for individuals to 'skill up for the future'.

(Shaping the Future: Impact Case Study draft, March 2014).

Researching Shaping the Future

From summer 2012 onwards the authors of this paper have been in the unique position of undertaking ethnographic ‘embedded participant observation’ on StF as the core research methodology.

Ethnography is an appropriate method for capturing ‘rich description’ and its efficacy for researching labour market dynamics at micro level is well documented (BURAWOY, 2013). Participant observation is a particularly embedded form of ethnography, whereby the researcher is actively involved at the research site. The ‘hands on’ nature of ethnographic participant observation in this particular case can also be understood as ‘action research’ (REASON and BRADBURY, 2007; AUTHOR REF2), because of the focus on addressing, and having an impact, on a ‘real life’ situation through co constructed knowledge generation at the research site. Through academic connections with StF key stakeholders, one of the authors was employed by StF to deliver labour market intelligence briefings and other resources, which would help individuals up-taking the STF programme to make informed learning choices to ‘skill up for the region’s future’. The authors have thus benefited from an ‘insider’s view’ of the process of programme delivery and the day to day operations of StF as a regional LMI. This has included:

- Detailed discussion with StF core staff with regards to the need for regional, sector-specific, labour market intelligence guides and their role in the context of StF aims; discussion of impact of these briefings and resources as they were rolled-out.
- Frequent visits to the Wylfa and Trawsfynydd nuclear sites as part of the delivery of events aimed at recruiting the workforce to the StF programme and at building capacity, for example workshops explaining the LMI resources.
- Day to day liaison with the StF core delivery team and with the sub-contracted private suppliers delivering key aspects of the StF programme, particularly the private sector human resources firm Penna, who have provided the core of the career coaching tools enabling workers to make learning choices.
- Quarterly meetings with Penna and StF staff in relation to the delivery of StF key objectives and the process of refining tools to deliver objectives.

- Unique access to StF internal documentation including interim evaluation reports, programme uptake statistics.

Ethnographic participant observation has been accompanied by extensive secondary documentary data collection, including external socio-economic statistics and regional labour market intelligence and policy reports. This triangulation helps to strengthen validity of the results (BRYMAN, 2012). Data was collected and analysed using content analysis around themes in the research questions. The data makes an important contribution because it helps to fill an empirical ‘black hole’ regarding dynamics of regional LMIs and their impact. Relatively little is known about LMIs empirically.

5. Findings

Findings are outlined first by presenting secondary statistical data analysis on the North West Wales labour market to provide contextual background, and second, presenting findings relating to a specific LMI, Shaping the Future.

Socio-Economic context: the North West Wales labour market

The socio economic situation of the North West Wales region could be described as extremely challenging. Deindustrialisation across the region is a significant issue as Trawsfynydd and Wylfa nuclear power stations prepare up for closure, with another large industrial employer, Anglesey Aluminium having closed in 2009. Unemployment is an issue regionally, although it is interesting to note that compared to Wales as a whole, parts of North Wales have a higher employment rate and lower unemployment rates. In December 2013, the percentage of economically active people who were unemployed on Anglesey was 8.7% and 6.1% in Gwynedd, compared with an all Wales rate of 8.1% (InfoBase Cymru) and a UK rate of 7.4% (ONS). Yet, official unemployment data does not show the whole picture and masks the fact that many people may be underemployed or in precarious employment.

Indeed, a closer look at labour market statistics reveals underlying structural problems around low pay, precariousness, and quality of employment. Firstly, low wages are evident in the region.

Average weekly earnings in North Wales in 2013 were £530.80 per week, 85.6 per cent of the UK average (Wales as a whole equates to 86.9 per cent of the UK average) (Welsh Government Statistical Bulletin, March 2014). Further, there is great variation in wage rates between North Wales Unitary Authorities: in 2013, average weekly earnings varied between 79.2 per cent of the UK average in Gwynedd (£491.20 weekly) to 92.5 per cent in Flintshire (Welsh Government Statistical Bulletin, March 2014). It is worth bearing in mind that the Magnox workforce earns an average of £853 per week, (WAVEHILL, 2013: 8).

Secondly, self-employment is high in the region, mirroring national trends; in December 2013 the percentage of self-employed working age people was 10.6% in Anglesey and 14.8% in Gwynedd, compared to 9% for Wales overall (InfoBase Cymru). There is also increased recourse to the hidden informal economy. Thirdly, in terms of labour market by sector, agriculture, forestry and tourism are key components of the region's labour market. Figures for March 2013 show that the percentage of registered business units in the agriculture, forestry and fishing sector was 22.3% in Anglesey and 19.9% in Gwynedd, compared to 12.6% across Wales. Significantly, jobs in these sectors are often low paid, casualized, and seasonal.

It is noteworthy that whilst there are identified skills and qualifications gaps across the region's labour market, broadly speaking workforce qualification levels are good. In 2013, the percentage of working age people with National Vocational Qualification (NVQ) level 4+ was 32.9% in Anglesey and 34.6% in Gwynedd, above the all Wales average of 31.4% (InfoBase Cymru). It is very possible, therefore, that qualifications of sections of the region's workforce are being under-utilised, given the high percentage of the workforce working in sectors with low skills requirements.

On a more positive note, there have been various regional policy initiatives in reaction to de-industrialisation and regional (re)development related matters. Of particular note is the mooted future

potential for employment in the energy sector, notably through the Anglesey ‘Energy Island’ programme (2014):

The Anglesey Energy Island™ Programme is a collective effort between several stakeholders within the public and private sector working in partnership to put Anglesey at the forefront of energy research and development, production and servicing, bringing with it potentially huge economic rewards.

There are new energy investments and programmes across the North West Wales region, spanning a range of energy generation, including nuclear, solar, wind (particularly offshore), and biomass.

Significant importance has been attached to potential employment opportunities arising from the new-build nuclear plant ‘Wylfa Newydd’ (to replace Wylfa A) on Anglesey following Hitachi’s acquisition of the Horizon site in 2012. Thus, despite the quite gloomy socio-economic context and the ongoing fallout of regional de-industrialisation, there are a number of new initiatives in North West Wales, which could potentially create future jobs.

Shaping the Future as a regional Labour Market Intermediary (LMI)

In this section we discuss StF’s role as a regional LMI, drawing on embedded participant observation to provide rich ethnographic insights that address our three core research questions, namely: What underlying factors cause the emergence of regional LMIs? To what extent do regional LMI institutions play a role in matching supply and demand? What are the key LMI roles and outcomes?

Emergence of Shaping the Future

StF was born out of necessity; addressing the challenge of forthcoming redundancies at two Magnox nuclear plants in the region. Importantly, the original idea for StF was proposed by one key innovator (formerly working for Magnox and now the project director for StF)...

frustrated by people not thinking strategically enough about the human capital within the region and its talent...

(email exchange with StF director, June 2014)

As outlined in the methods section, StF was able to source core funding through the European Social Fund (ESF). Key funding partners also included the Nuclear Decommissioning Agency and Anglesey Council, and Menter Mon provided a 'home' for StF as an ESF project. The core funding partnerships which catalysed and resourced the emergence of StF are therefore public sector and represent an attempt to construct a coordinated, anticipatory response to shocks impacting the local labour market.

StF's original funding application to the ESF specified that it aimed to ensure Magnox workers facing redundancy were able to find alternative and well-remunerated employment in the North West Wales region. StF was to consider the needs of the region as a whole and prevent a regional skills drain. This 'bigger picture' focus on the sustainability of the region's economic future was key to the success of StF in winning ESF funding and signals StF as a key regional LMI, acting to mitigate the impact of redundancies on the region's labour market.

StF can be understood as a 'hybrid' LMI in that it is a public sector (publicly funded) LMI which has sub-contracted out various work packages to the private sector to deliver aspects of its programme; particularly career coaching and providing support on re-training and alternative career choices. StF contracted this core aspect of its delivery to the private HR firm Penna, which specialises in 'redundancy transition' packages.

StF provides various targeted resources, comprising a 'transition pathway' for individual workers signing up to the StF programme; including one-to-one career coaching, which enable individual workers to make 'learning requests' up to the value of £15,000. Workers signing up to StF are taken through a phased process of coaching and provision of tailored resources, such as labour market intelligence briefings, to enable them to make informed learning choices. Significantly, this opportunity is not only available to Magnox core staff, but also contract workers who comprise a large proportion of the workforce at both sites.

StF was (March 2014) projected to maintain its business case target of 480 certificates evidencing skilling-up achievement. It is unlikely, however, to reach its original Welsh European Funding Office (WEFO) target of 480 qualifications at NVQ level 4 and above (i.e. relatively high-level qualifications).

StF's effectiveness in matching supply and demand

StF's primary role as a LMI has clearly focused on the supply-side; up-skilling the workforce, who have been supported and resourced to uptake new qualifications and training through a tailor-made 'career transition package'. Importantly, StF has drawn on multifaceted evidence, including policy documents, labour market statistics, and also commissioning primary research (including interviews with regional employers), to ensure best possible 'fit' between the socio-economic conditions of the North Wales region, and enhancing the capabilities of the Traws and Wylfa workforces.

This two-pronged approach of identifying regional trends and providing tailored career coaching has meant that StF has aimed to upgrade workers' skills to match labour market needs; and consequently be better placed to take advantage of opportunities provided by employers, including in the energy sector. Therefore, the workforce is accessing qualifications and, importantly, vocational courses relevant to specific sector opportunities; for example NEBOSH specialist health and safety training and other qualifications (e.g. BOSIET, MIST) to enable them to uptake roles in the renewables sector (particularly offshore wind).

While StF's objectives remain focused on supply-side human capital/skills development, significantly, there has been something of an emergent and evolving change in emphasis due to the requirement to respond to events on the ground. This manifested itself in a developing understanding, in the teeth of a recession, that StF needed to do more integrative work by also embracing demand-side factors: that it wasn't simply a matter of understanding labour markets and passing this

information on to the workforce so they could make informed learning choices, but of going further and proactively ‘match making’ and capacity building on the demand side. Indeed, a Project Director envisages that StF will expand this matching role regarding a possible StF mark II from 2015:

The probable journey for StF II is to act as some kind of employment broker (email from StF Director, May 2014).

Key outcomes of StF as a Labour Market Intermediary

i) Managing risks of labour market adjustment

A key outcome of StF as an LMI has been in relation to risk reduction and mitigation:

...sometimes you just have to break some boundaries!

This comment was made by a StF director in providing a narrative of StF’s inception. There is an implicit acknowledgement of risk by StF acting as a LMI on behalf of the region (not just the financial risk/commitment, but also the ‘social risk’ of ‘invading someone’s patch’, an issue which StF members feel they have repeatedly had to negotiate). StF has potentially absorbed the risk to the region’s economic future associated with redundancies in the nuclear industry; acting to mitigate shocks by resourcing and enabling the workforce to be ‘skilled up for the region’s future’, in StF’s own words. For example, identifying key labour market trends through providing specially tailored labour market intelligence guides potentially reduces risks of ‘future shocks’, by ensuring more targeted learning and career choices by individuals made redundant. Further, StF has not just focused on skills, but also on building workforce capacity in terms of its stated aims of:

- *A workforce that has resilience understanding their own career transition*
- *A workforce than has greater competencies to manage career change*

(StF original WEFO application, 2008).

Since the start of the StF programme, the nuclear plant workforce has experienced a ‘sea change’ in attitudes regarding taking individual responsibility for managing their own career. This also reflects increased emphasis externally on individuals taking more responsibility for their own employability. A workforce survey, (independently run by the consultancy firm Wavehill) repeated yearly, has shown a big increase in the percentage of the workforce who see themselves as individually responsible for their future career. In 2011 only 18% of the workforce saw themselves as responsible for their career, but this rose to 79% in 2013 (Wavehill 2014). Arguably therefore, StF has potentially reduced the risk faced by the region in terms of the ‘future shocks’ of the Magnox redundancies, by building workforce capacity.

StF has succeeded in reducing individual risks by providing up to £15,000 for courses and qualifications. StF has absorbed a financial risk which individuals would have been unlikely to have taken alone. StF can also be argued to be reducing risk for the employer, Magnox, in that it is providing an ‘enhanced’ HR function for a workforce facing redundancy. Further, the NDA, as one of the public sector organisations providing funding for StF, is gaining dividends for both itself and for Magnox in terms of Corporate Social Responsibility as a key local employer.

StF is also contributing to risk reduction by providing an evidence base for future interventions. For example, StF has commissioned an independent yearly workforce survey (see WAVEHILL 2014), providing a body of evidence which can be compared year on year for the impacts of StF on the workforce, and providing data on the effects of redundancy mitigation programmes.

ii) Reducing transaction costs

StF has also fulfilled other key roles ascribed to LMIs, specifically shortening the job search and hence reducing transactions costs. Firstly, this has been done quite literally by StF providing monthly jobs listings for the workforce. This involves compiling relevant advertised regional jobs, organised into different sectors, from a range of different sources. These jobs listings ‘fast track’ career opportunities of potential interest to the workforce, in the process identifying employers hiring in the

region; knowledge which can also inform the qualifications individuals undertake with their £15,000 grant. A similar resource is a monthly compilation of news items relating to the regional economy, also organised by sector.

StF has also reduced transaction costs for both the workforce and for potential employers, by providing detailed labour market intelligence guides pinpointing areas of growth and also decline in the region; for example in green energy and information technology. These guides are paired with ‘career pathways’ briefings setting out key qualifications and experience needed for different job roles in each sector, and identifying where courses can be accessed. These resources again ‘fast track’ the learning journey individuals undertake when seeking ‘the right course’. Employers also benefit, because the workforce re-enters the job market having updated their skills to be as good a fit for opportunities on offer, thus potentially filling regional skills gaps.

Finally, StF has reduced transaction costs by making some attempts to ‘matchmake’ the Magnox workforce with employers, and identifying specifically what employers are looking for. StF commissioned primary research with local employers relating to future opportunities in the nuclear industry (conducted by Cambridge Policy Consultants). Consultations were undertaken by telephone with 26 employers based in Anglesey or North West Wales, from a range of sectors and from different sizes (micro enterprises up to large companies). This research found that employers had quite a negative view of Magnox workers, seeing them as ‘institutionalised’ and overly qualified, perceptions which StF is feeding back to the workforce via career coaches. The research also found that many local employers want to know more about regional developments, especially regarding Anglesey’s ‘Energy Island’ initiative and the wider ‘green energy’ sector:

...There is a general interest amongst employers to find out more about the decommissioning project, in particular the prospects for commercial opportunities in the building of the new plant but also as a potential source for recruitment.

(Cambridge Policy Consultants, 2014: vi)

iii) Enhancing social networks

StF is the centre of a network Venn diagram. It has created a 'conversational loop' through proactively networking with regional employers, policy makers and other stakeholders, and ensuring a two way information flow between the workforce and these stakeholders. This role has developed gradually over the lifetime of StF as staff built capacity, and clearly shows StF helping to improve the social networks available to both workers and employers for purposes of job matching. At the heart of this networking is the capacity StF has to 'showcase' the potential of the workforce to key stakeholders, and pass on messages from these stakeholders back to the workforce. Some examples follow below.

StF has passed on information from policy makers (for example Energy Island staff) to the workforce, and compiled workforce data about individual responses to the project; for example, views about resources, career opportunities available regionally, and their learning choices. STF has been able to pass these grassroots messages back to policy makers and other stakeholders concerned with building regional labour market capacity, particularly relating to skills and training provision.

StF has networked closely with learning providers and stakeholders, including through facilitated events such as a 'world café', and identified gaps and opportunities in the learning supply chain. StF has identified (via learning requests from the workforce) training requirements, and the extent to which they can be supplied regionally. STF has thus enabled an important two-way knowledge exchange network regarding types of courses the workforce wishes to access, and signalling local availability.

StF has developed some important network relationships with agencies providing information about skills, training, and regional economic development. Through providing regional labour market intelligence, STF has built up good relationships and networks with different sector Skills Councils; for example the IT Skills Council in Wales, enabling conversations about availability of relevant

training courses. StF has also networked with the Welsh Government (WG) learning and labour market intelligence unit in relation to collating ‘tailor made’ data for the North West Wales region.

6. Discussion

This paper has provided theoretical, empirical and methodological contributions related to enhancing understanding of Labour Market Intermediaries (LMIs); specifically studying the example of an LMI called Shaping the Future (StF) in the regional economy of North West Wales. StF emerged to deal with the fall-out from decommissioning and closure of two large nuclear power plants and subsequent redundancies.

An increasingly disorganized capitalism (LASH and URRY, 1987; THOMPSON, 2013) has permeated the North West Wales regional economy, evidenced by deindustrialization, an increasingly fragmented and precarious labour market, and a challenging socio-economic backdrop. The paper has argued that current orthodox supply-side responses based on human capital theory assumptions are inadequate for either understanding or dealing with the complex problems besetting regions like North West Wales. It is not sufficient to simply retrain and reskill individuals on the supply side and hope for the best, while assuming that job opportunities on the demand side are most efficiently coordinated if left to the invisible hand of market forces. Yet this naive supply-side market-led approach continues to dominate policy-making in the UK and its regions. Major structural demand side issues have long been neglected (KEEP and JAMES, 2012).

Problematically, and as identified by others like MAYHEW and KEEP (2014), there is an acute contradiction in UK government policy between espousing human capital oriented policies encouraging continuous expansion of knowledge, qualifications and skill supply, on one hand, and policies facilitating employer demand for low cost and low skilled labour in low quality jobs in flexible deregulated labour market contexts, on the other. Tensions between these two contradictory

postures have evidently created a combination of overskilling and underemployment for many people, illustrated by recent labour market data (FELSTEAD and GREEN, 2013; OECD, 2013).

More imaginative, interventionist and joined-up policies for (re)developing regions like North West Wales are required in response to a backdrop of disorganized capitalism. More coordinated approaches that match supply and demand in regional labour markets have been outlined by others, in relation to Wales and elsewhere (BARKER *et al.*, 2009; BRYSON and O'NEIL, 2010; KITCHEN and MARSDEN, 2011). For example, by drawing lessons from New Zealand, the *Human Capability Framework* (HCF) identified earlier could help inform regional development policy attempts to break-away from a virtuous spiral of low value-added low wage decline in places like rural Wales, and instead stimulate a higher value-added trajectory: on the supply-side, by focusing on the skills capacity required for higher value-added employment; on the demand-side, by actively supporting high value-added goods and services; and matching the two by developing active labour market policies that explicitly favour good quality labour market participation. This is an example of how research can impact regional labour market policy.

Forming an important part of this debate, Labour Market Intermediaries (LMIs) can help decipher and mediate complex matching problems facing employees seeking worker (supply) and employers with jobs to fill (demand) in unpredictable regional labour markets better than atomistic actors engaged in autonomous decentralized market transactions (BARTLEY *et al.*, 2001). Using participative ethnographic research and extensive access, this article has explored a specific LMI, Shaping the Future, addressing three research questions, which are now discussed in turn by comparing results with selected literature.

First, what underlying factors cause the emergence of regional LMIs? StF emerged to serve a specific role: dealing with the labour market repercussions of closure of two Magnox nuclear power plants in North West Wales, and ensuing redundancies. In the absence of a policy 'blueprint', StF emerged largely organically and its emergence reflected the absence of appropriate existing institutions to

assist workers and employers to adjust to labour market uncertainty. The presence of StF also reflects existence of a vacuum opened up by the failure of human capital theory approaches to understand and address regional labour market problems. Similar observations have been made by PRINCE and RUBIN (2006).

Second, to what extent do regional LMI institutions play a role in matching supply and demand?

Initially, StF commenced by adhering to the classic human capital theory formulation, manifest in its original application and core aims; namely building capacity on the supply side. This indeed is how the project still sees itself and understands its core function: a current case study (June 2014) of StF's outputs has the working title 'Building tomorrow, today: Putting human capital at the heart of development'. Yet, by virtue of responding to grassroots issues, it subsequently materialized that a supply-side focus alone was not sufficient. Therefore, as time passed StF partially evolved into acting as an intermediary between workers and employers to match supply (worker capacity) and demand (opportunities - from employers) and help form new employment relationships. Provision of targeted labour market intelligence by StF has enabled identification of regional trends (e.g. the Energy Island initiative on Anglesey), facilitating a more demand-side centred approach linking with policy and industry stakeholders to illustrate the 'bigger picture'. Other authors have noted the importance of LMIs for bridging supply and demand in unpredictable regional labour markets (BARTLEY *et al.*, 2001; BENNER, 2003; BENNER *et al.*, 2007; GOLDSTEIN *et al.*, 2012).

Third, what are the key LMI roles and outcomes? StF has fulfilled a number of key roles and outcomes identified in existing literature, notably helping to manage risks associated with labour market adjustment, reducing transaction costs, and enhancing social networks (BENNER, 2003).

These outcomes are underpinned by evidence that StF has been able to coordinate better quality more symmetrical labour market information than would be possible for atomistic individuals responding to the invisible hand of market forces.

Finally, further in-depth qualitative and/or mixed methods research on regional LMIs would be valuable for assessing and/or expanding on issues raised here; notably how LMIs bridge supply and demand and broker employment relationships in different contexts.

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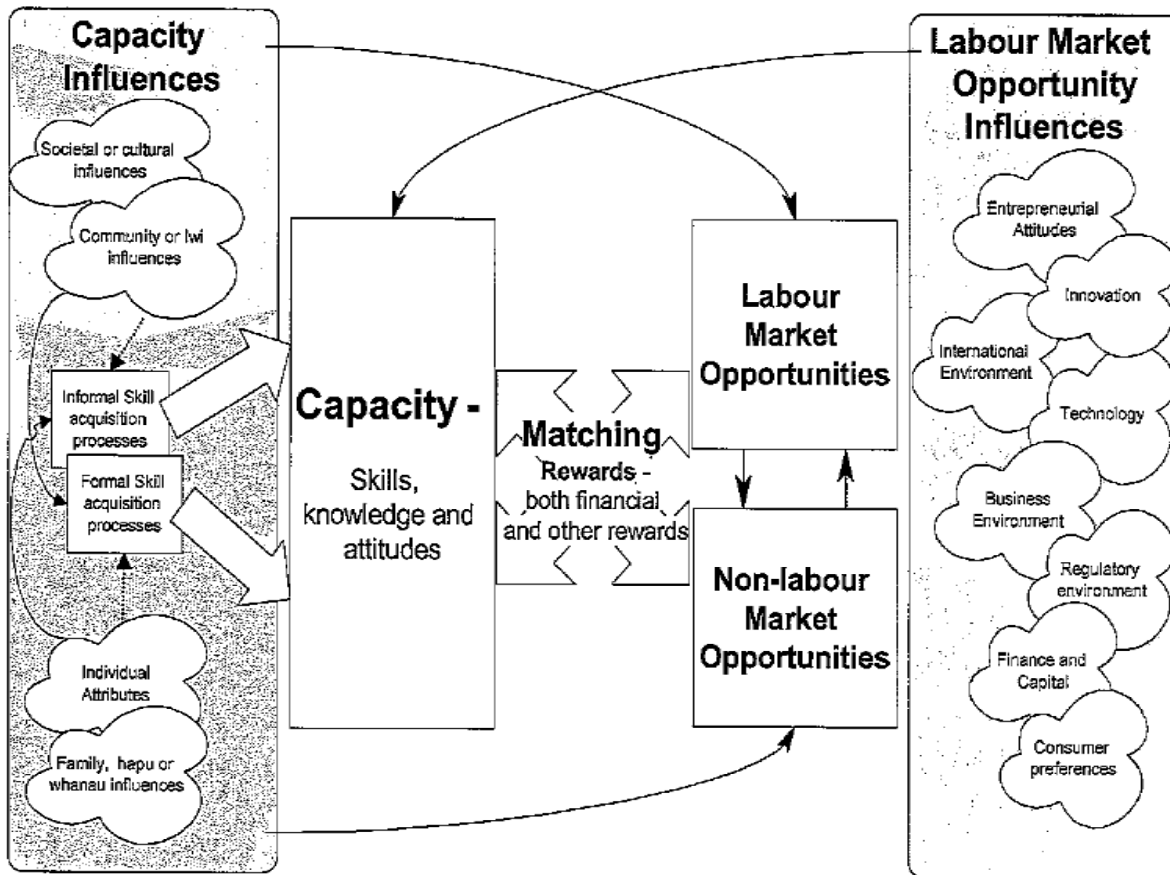
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Figure 1 – Elements of the Human Capability Framework (HCF)



Source: New Zealand Department of Labour (1999:19)

Table 1: A typology of Labour Market Intermediaries (LMIs)

Organization type	Examples
For-profit sector	Temporary agencies, headhunters, for-profit training Providers
Non-profit or community-based	Non-profit employment training and placement services, including for disadvantaged workers
Membership-based	Union-based initiatives and membership-based professional associations
Education-based	Community colleges
Public sector	One-stop career centres, private industry councils (PICs), and welfare-to-work agencies

Source: Benner et al., (2007:12)