



Department
for Work &
Pensions

Progression from low pay: A look at the evidence

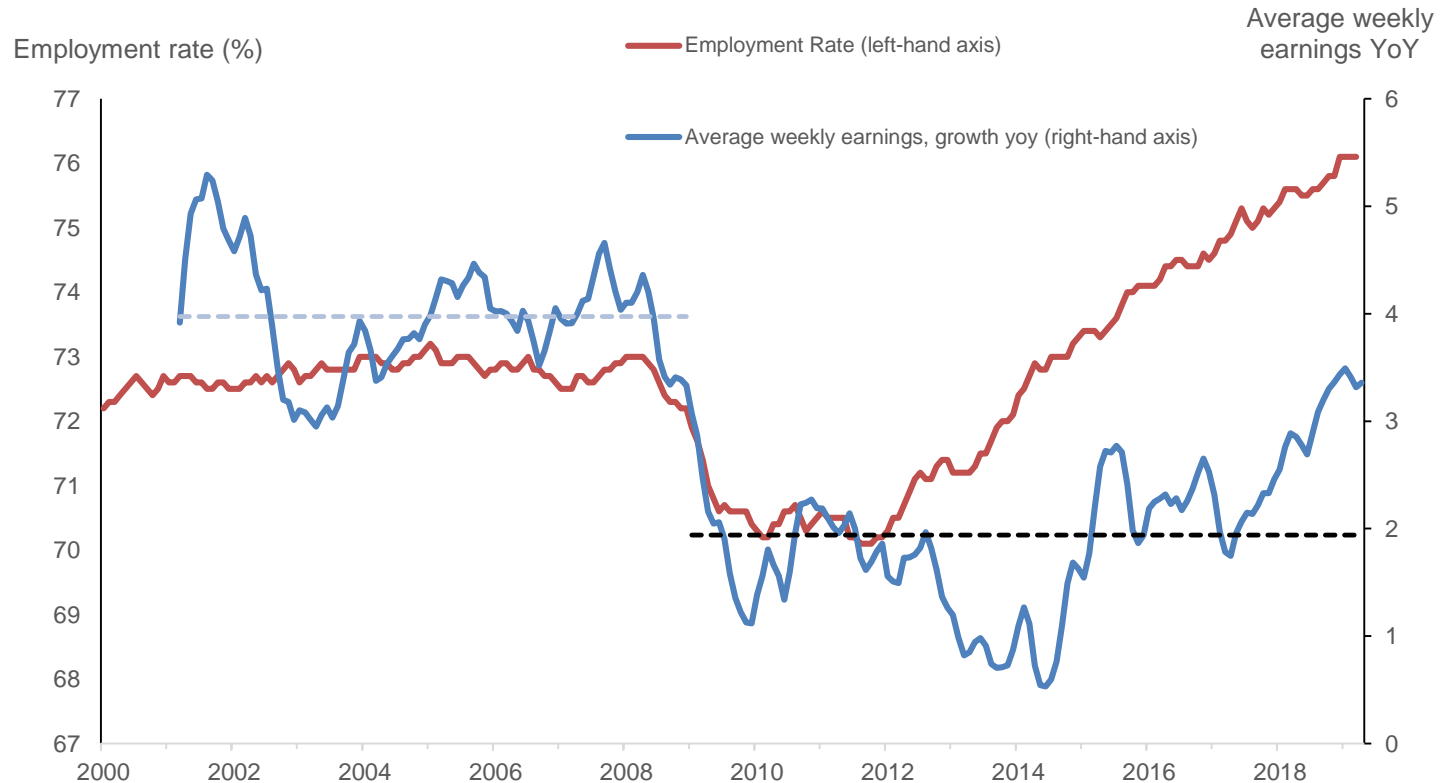
Philip Thomas, Department of Work and Pensions
Employment and Skills Convention 10th July 2019

What I will cover

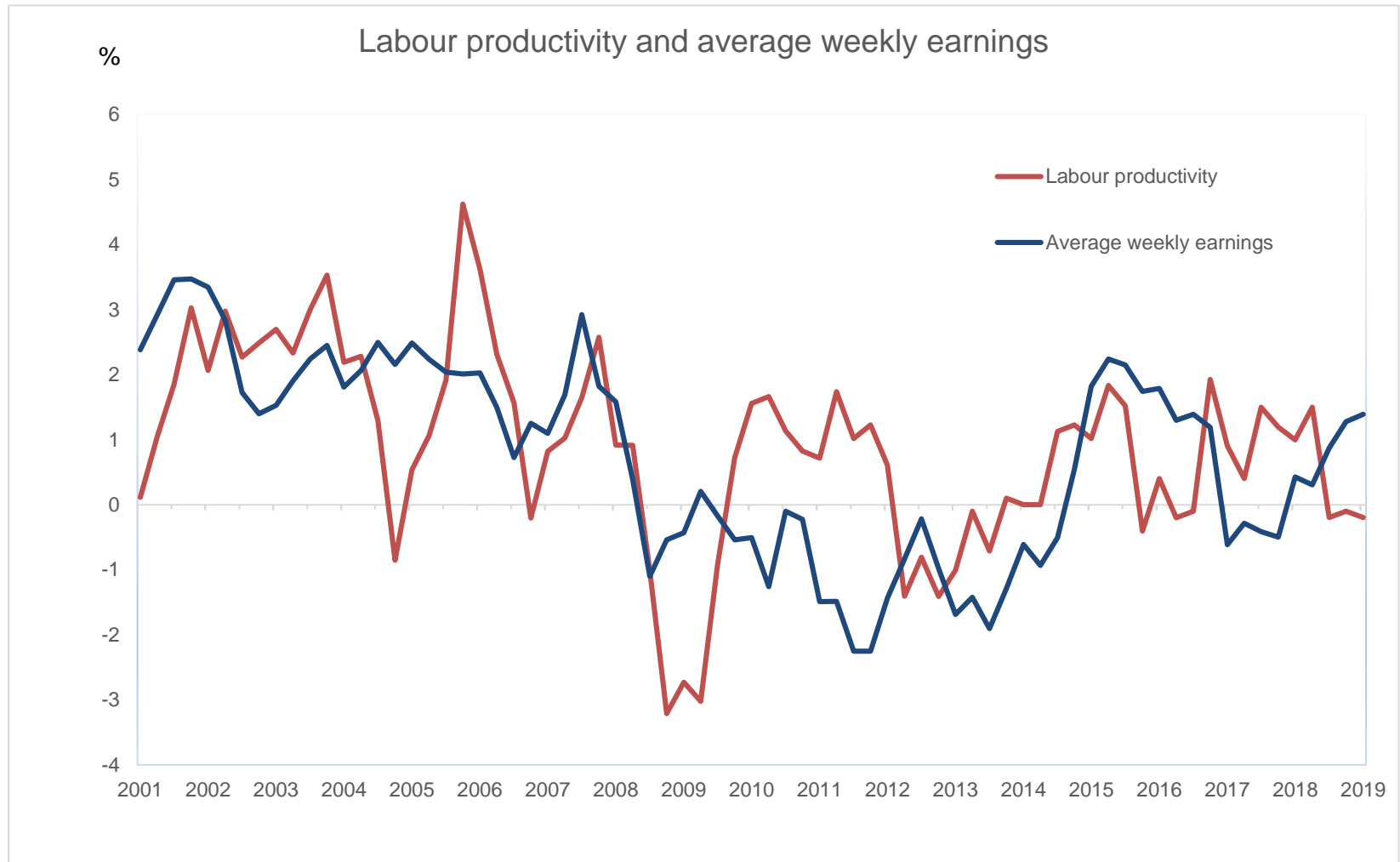
- There have never been more people in work but too many are not progressing out of low paid work.
- This session will place this in the context of the overall labour market developments over the past decade.
- It will discuss the evidence on low pay and limited progression.
- The work currently underway at DWP and other areas of central government to improve our understanding of 'what works' to help people progress out of low pay and into more sustainable and fulfilling work.

The past decade has seen striking developments in the labour market

Average weekly earnings and employment rate



The productivity puzzle and earnings growth

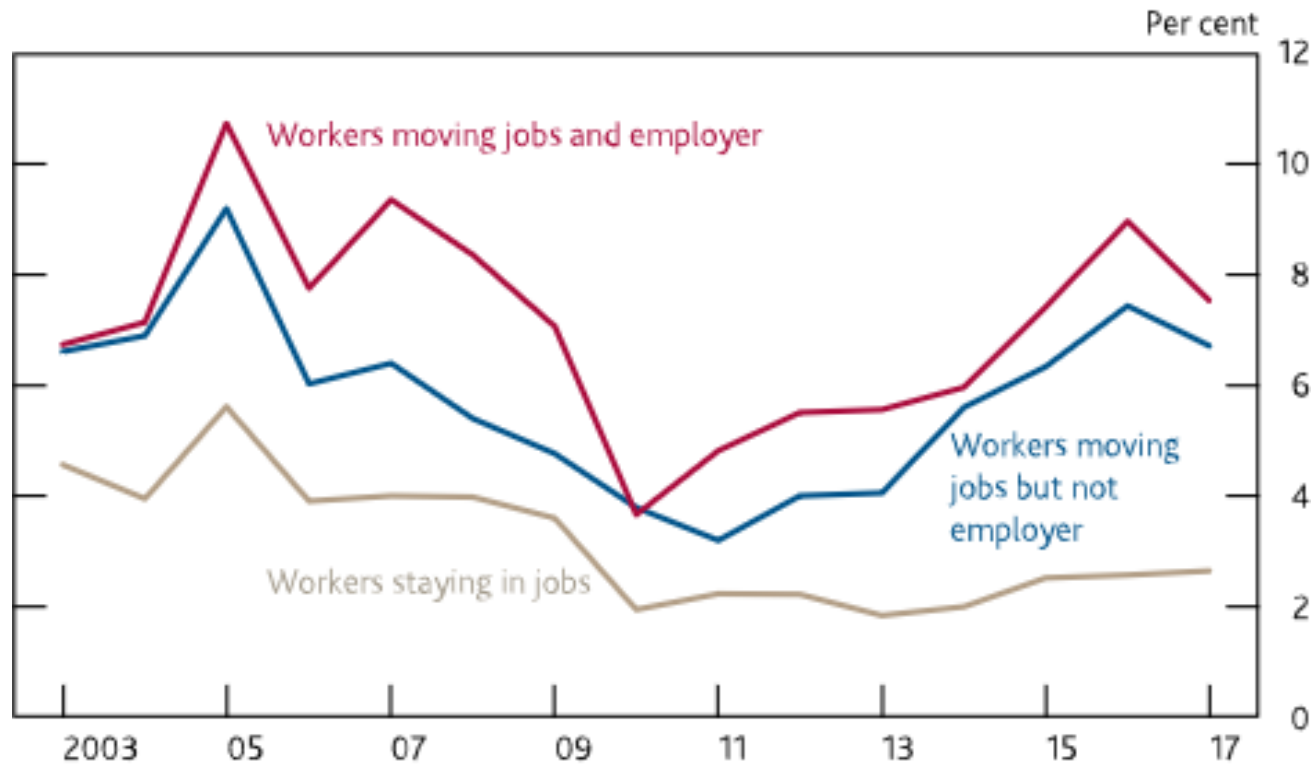


Labour market flows



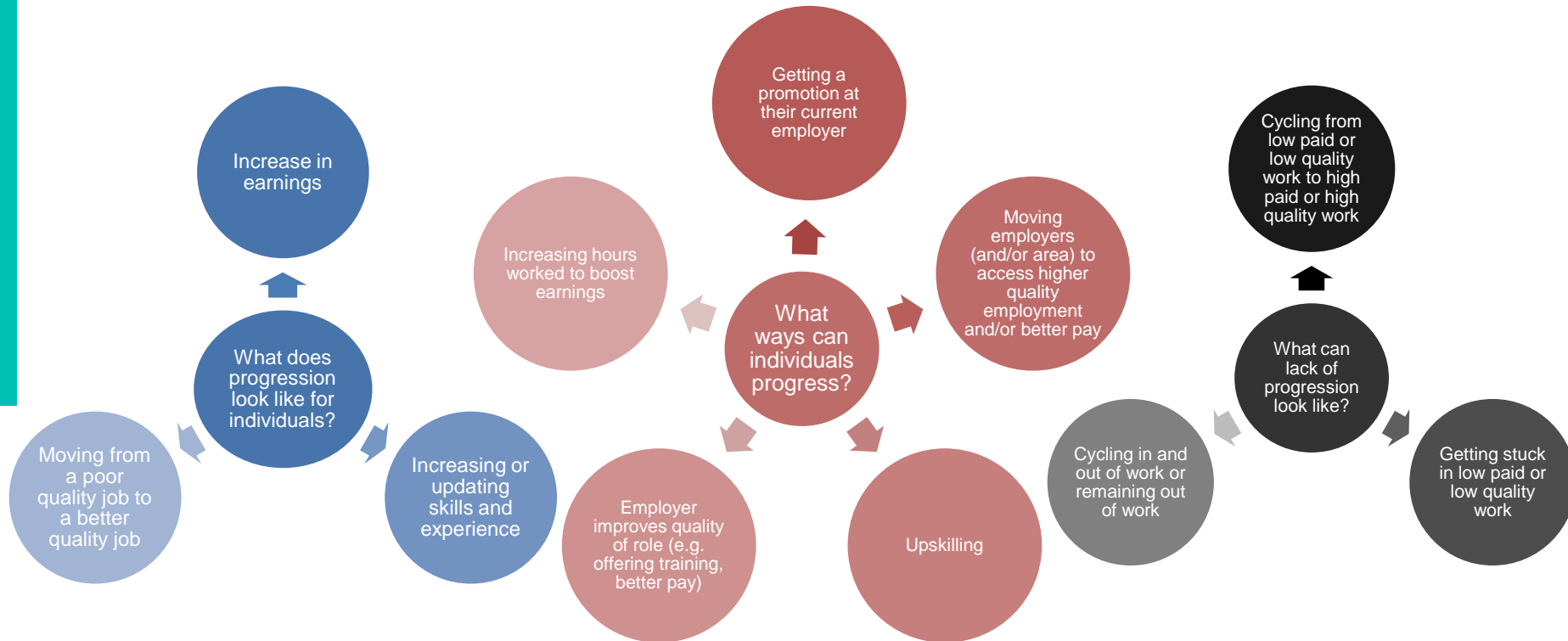
Source: Bank of England Inflation Report
August 2018, Labour Force Survey

Labour market flows



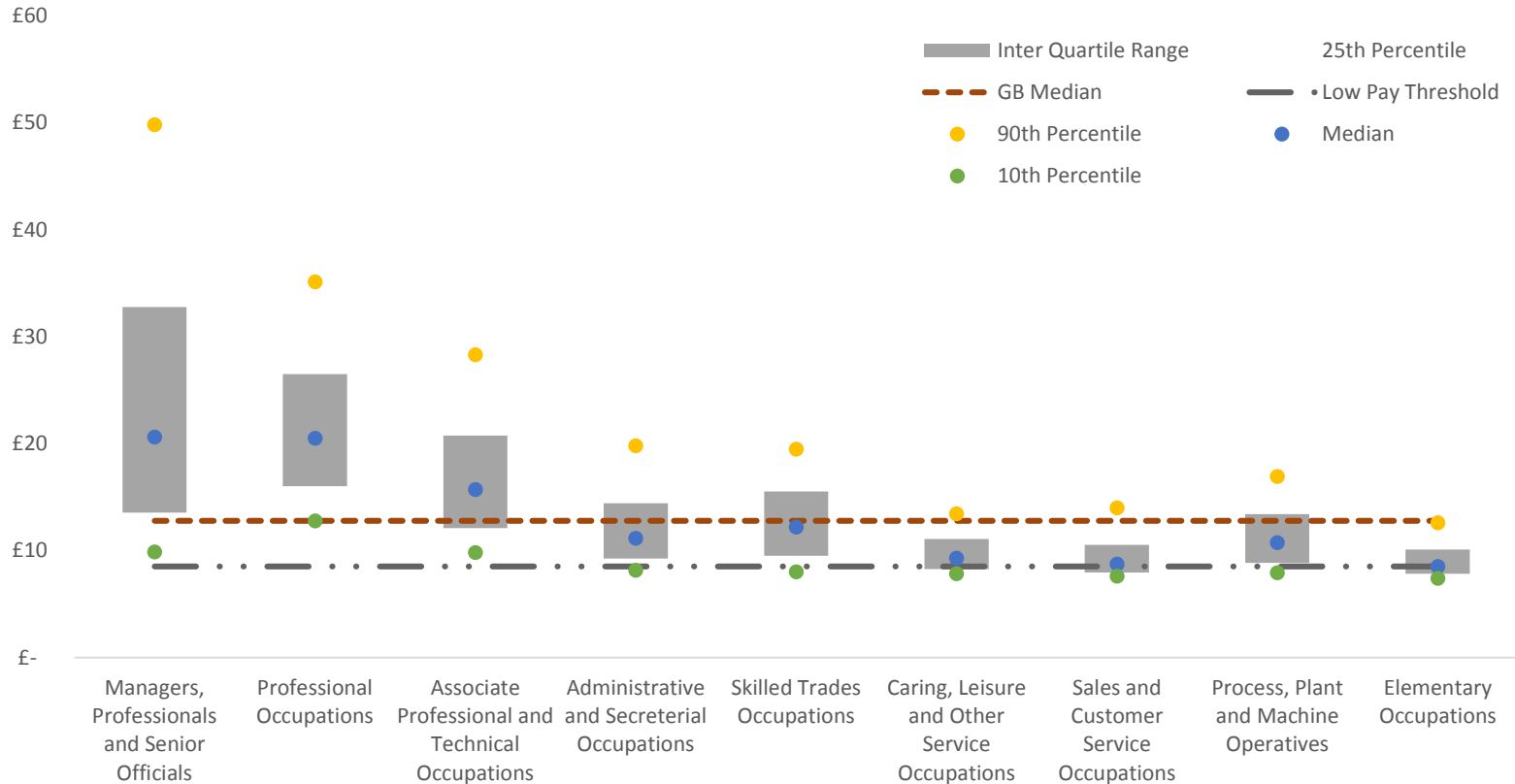
Source: Bank of England, Inflation Report August 2018, Labour Force Survey

Progression can mean different things for different individuals at different times



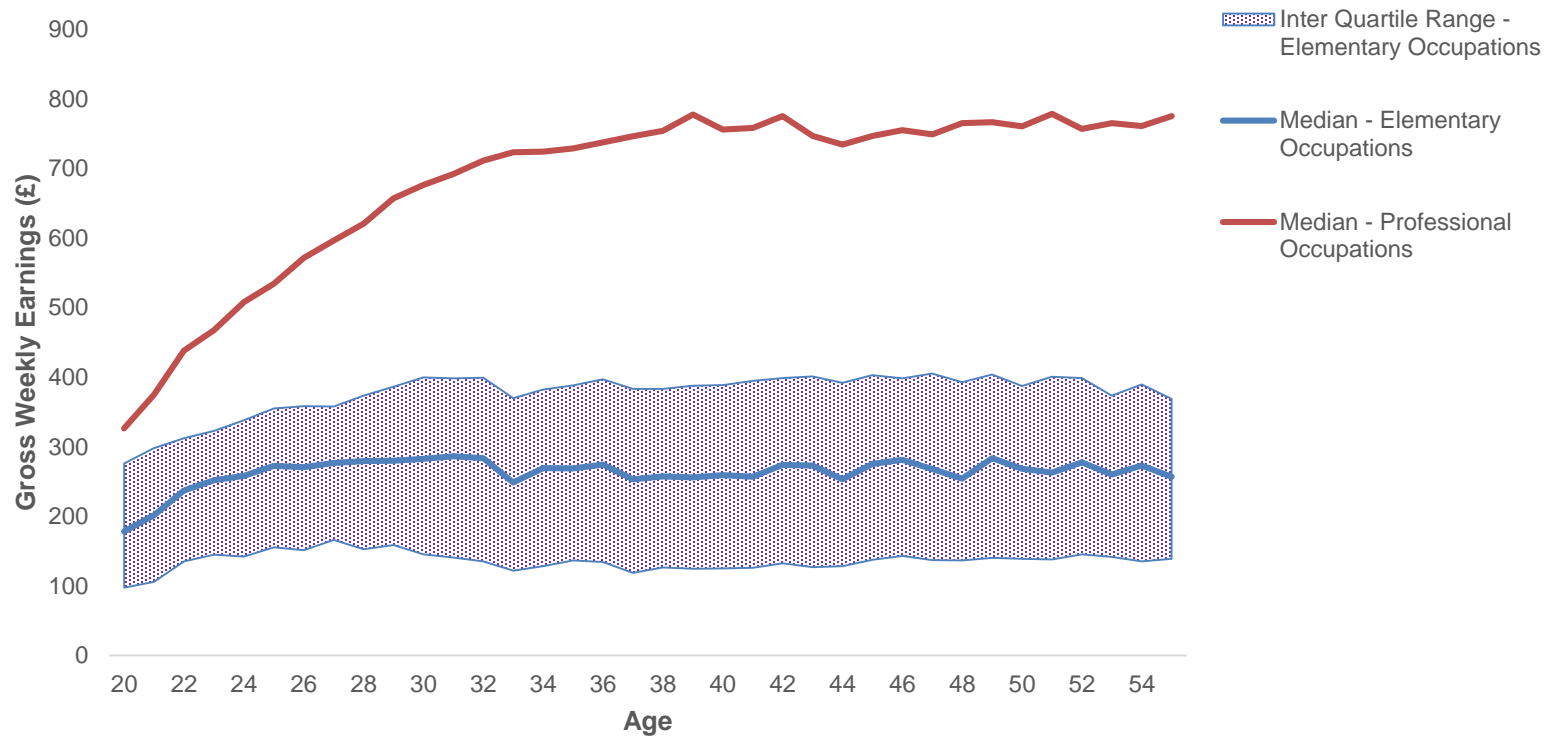
Earnings by occupation

Hourly Earnings, by Occupation, GB - 2018



Earnings by age: Professional and elementary occupations

Gross Weekly Earnings - Elementary vs. Professional Occupations

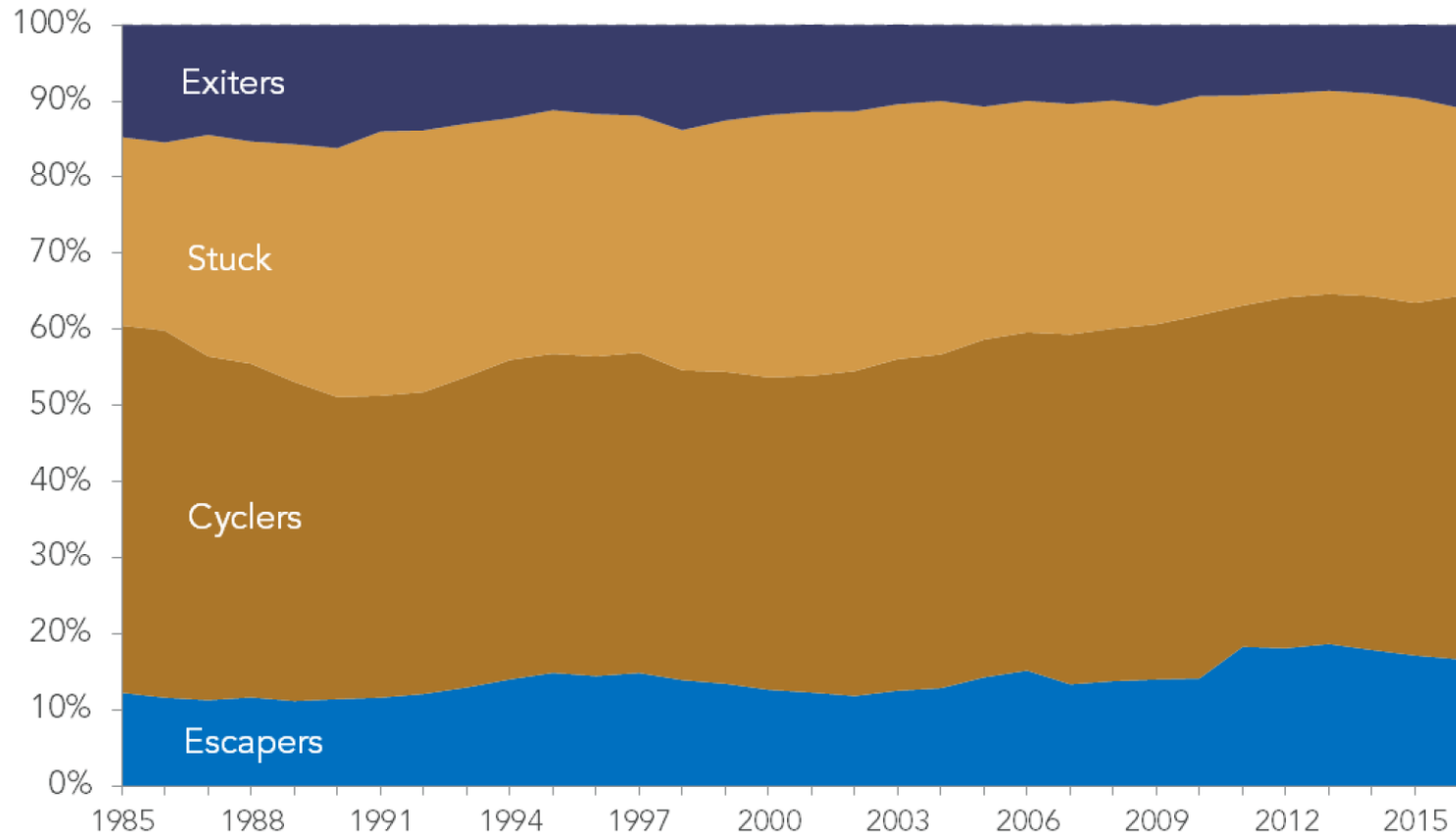


Notes:

1. Authors calculations. Not official statistics.
2. LFS 2002Q1 - 2017Q4.
3. Gross hourly wage updated by Consumer Price Index - 2015 prices.

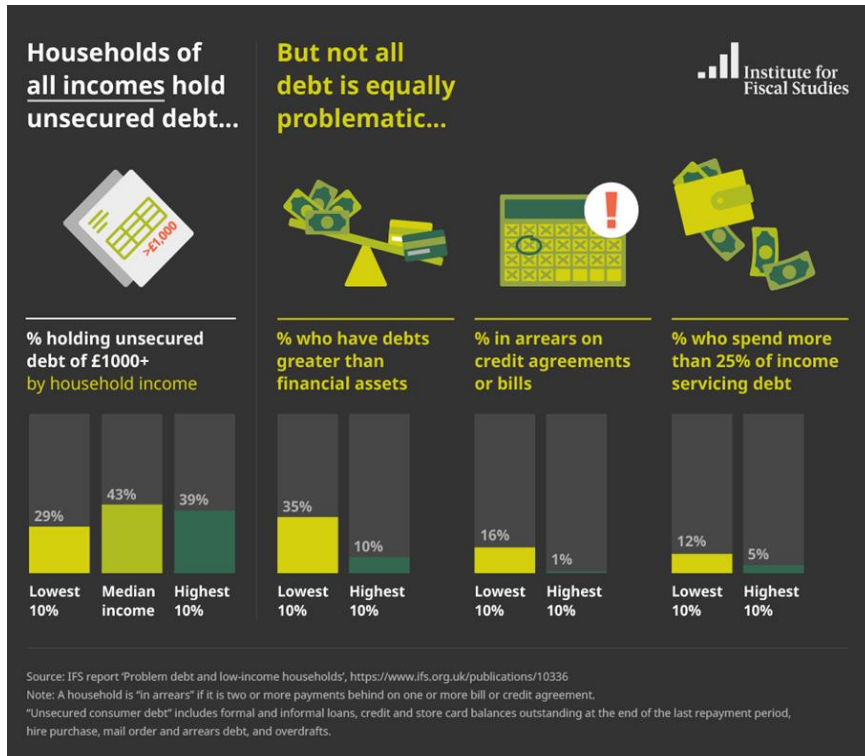
Moving out of low pay

Figure 3: Proportion of low-paid workers by low-paid status ten years later



Source: Resolution Foundation analysis of ONS, NESPD

Low pay, debt and household poverty



The Institute of Fiscal Studies found that:

- Over a third of those in the lowest income decile have unsecured debts of greater value than their financial assets, compared with 10% in the highest income decile.
- Over 1 in 10 of those in the lowest income decile spend more than a quarter of their income servicing unsecured debts, twice the rate of other income deciles.

Source: Problem debt and low-income households, IFS, Hood et al (2018), <https://www.ifs.org.uk/publications/10336>

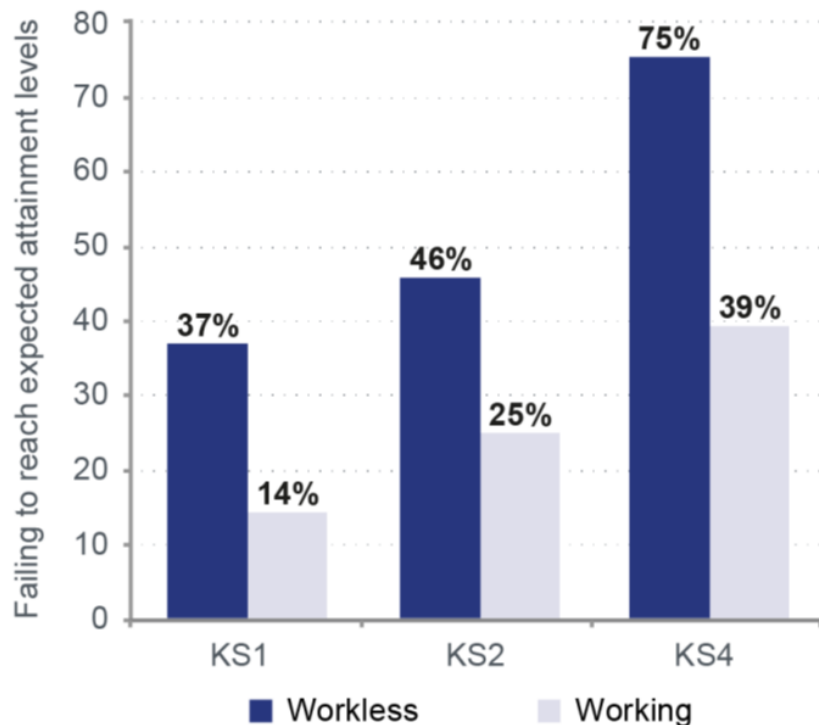
Research by DWP (2013) found that:

- A fall in the head of the household's earnings led to almost a 1 in 5 chance that the household would fall below the relative poverty line.

Source: DWP 2013 Low Income Dynamics Publication

Social mobility

Failure to reach expected attainment levels, Workless vs. Working Families.



Children growing up in workless families are almost twice as likely as children in working families to fail to reach the expected attainment levels at all stages of their education

Source: Improving Lives Helping Workless Families, DWP, 2017.

Children who grow up with workless parents are more likely to be workless themselves as adults, in comparison to children who grow up with working parents.

Sources:

Children in jobless households across Europe: Evidence on the association with medium- and long-term outcomes, Gregg et al, 2017.

Intergenerational transmission of worklessness: Evidence from the Millennium Cohort and the Longitudinal Study of Young People In England, Schoon et al, 2012

Wellbeing

Figure 3: Relationships between total household income decile groups and personal well-being, after controlling for individual characteristics, July 2011 to June 2012

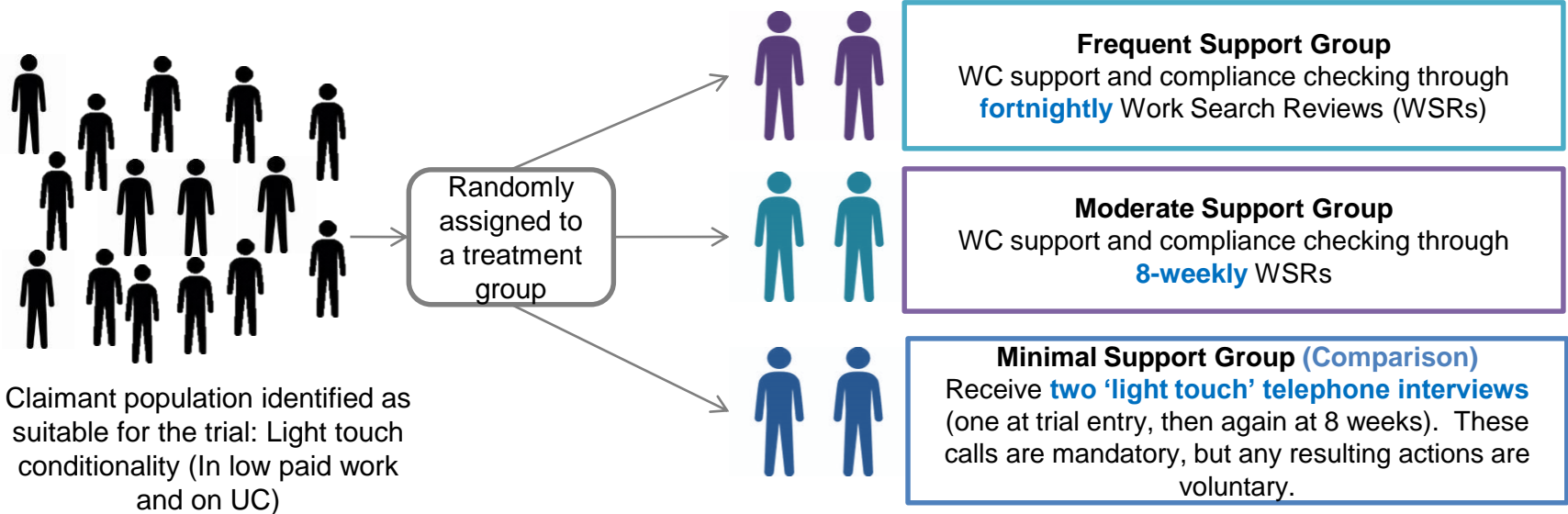
Great Britain



Source: Relationship between Wealth, Income and Personal Well-being, Office of National Statistics (2015)

In-Work Progression RCT - Design

Three-arm trial testing the effectiveness of differing intensities of support and conditionality.



Claimant population identified as suitable for the trial: Light touch conditionality (In low paid work and on UC)

Recruitment to the trial

April 2015 – Mar 2017

Interventions ended: **Mar 2018**

Total participants

30,709 claimants

Available for analysis at **52 weeks**

Work Coach support:

- The time spent with claimants focused on identifying barriers to progression, such as tackling motivation, confidence, and signposting/ referring to appropriate help and training.
- Increased conditionality tried to embed the expectation that claimants take reasonable steps to increase their earnings in return for the support on offer 2018.

In-Work Progression RCT - Delivery

Information on delivery of the trial from compliance monitoring and qualitative evaluation.

Good practice was observed

- Showing a flexible approach to work around claimant's work commitments.
- Offering support and motivation, building skills and confidence.
- Tailoring provision based on in-depth knowledge and understanding of the claimant's needs

But the evaluation found areas for improvement

- Yet this good practice was not always delivered. The qualitative evaluation found instances of a more 'monitoring' stance rather than actually coaching the claimant...
- ...or an too narrow emphasis on increasing hours or adding a second job.

I might have fallen by the wayside and become fed up of trying to find a job... she [WC] encourages me to keep going.

Every time I come out of the Jobcentre I have more ideas and information on how to look for jobs.

Her [WC] sole focus is to get me off benefits... she does not understand my situation... she keeps saying, 'have you increased your hours. Have you spoken to your boss

<u>Appointment frequency</u>			
	In theory	In practice (av.)	Difference
Frequent	26 meetings/ yr	21.0 meetings	-19%
Moderate	6 meeting/ yr	9.8 meetings	62%
Minimal	1 meeting	2.5 meetings	150%

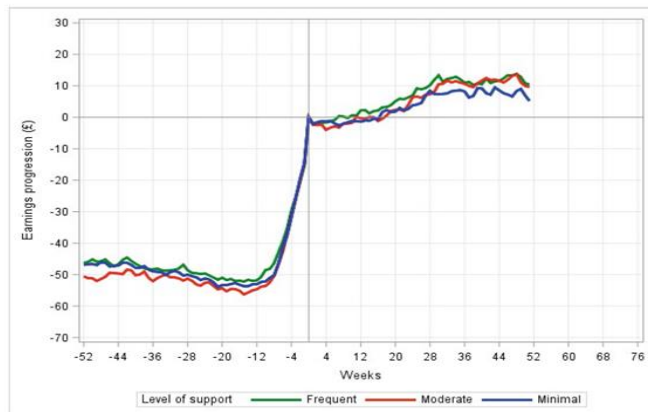
In-Work Progression RCT – Impact

Multi-modal evaluation: Analysis of HMRC earnings data; telephone survey; qualitative research

Earnings impact






Findings from Impact Assessment (admin data analysis)

- At 52 weeks, Frequent and Moderate Support participants earned **£5.25** and **£4.43 per week** more respectively than Minimal Support participants (see graph below).
- The proportion of participants who had increased their earnings by 10% or more was **2.9** and **2.4 percentage points** higher in the Frequent and Moderate Support groups respectively than the Minimal Support group.



Intermediate outcomes

Findings from external evaluation (telephone survey)

-  Frequent and Moderate groups saw statistically significant increases in the **proportion of participants in permanent jobs** at 15 months
-  Frequent group participants were more likely than other participants to have **been on a training course** (33% compared to 24% for Moderate and 26% for Minimal)
-  Frequent group participants were more likely to report that their actions had resulted in a **new job** (22%, compared to 16% for the other two groups)
-  Frequent group participants were more likely to report that their actions had led to **increased hours** (45% compared to 37% for Moderate and 33% for Minimal)
-  Average number of **barriers to progression** reported by the Frequent Support group fell by 5pp at 15 months

No impact of more intensive regimes on employment rate; proportion moving off UC; attitudes to work/ progression

Employer research

Barriers to progression | Limited roles at higher levels | Constraints on staffing budgets | Specialist skills needed to unlock progression
Enablers of progression | A focus on staff retention | Filling vacancies with internal candidates | Business growth | Employee motivation
Role for DWP & JCP | Disseminating guidance & best practice | Strengthening links with employers | Improving understanding of UC

Ongoing work across government

Good Work Plan

HM Government

Good Work Plan

December 2018



Gender Equality and Economic Empowerment Strategy



National Retraining Scheme



Local Industrial Strategies



Wrap Up

- The past decade has seen a number of striking developments in the labour market, with record employment, yet weak growth in productivity and median earnings.
- Low pay and limited progression has increasingly come under the spot light.
- In supporting those in low pay, improving earnings matters of course, but the costs go beyond pay.
- Evidence is being collected across government to improve our understanding of the problems and to help us learn ‘what works’ in supporting progression.
- In DWP we have recently completed a large scale RCT looking at how to support those in work. Further research and evidence gathering is currently underway.