

UNIVERSAL CREDIT AND IN-WORK PROGRESSION

Written evidence to the Work and Pensions
Committee from the Learning and Work
Institute

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*In January 2016, NIACE and the Centre for Economic and Social Inclusion
merged to form Learning and Work Institute*

Learning and Work Institute

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SUMMARY

Support to progress in work should have four objectives: to improve individuals' **capability** to progress; to address their **barriers** to progression; to support individuals to then **take up opportunities**; and to address the **barriers for employers** in offering progression.

Beneath this, support should be outcome-based, personalised and ambitious – aiming for sustainable, productive employment that reduces poverty, with progression beyond 'conditionality plus a pound'

The In Work Progression pilots make a good start in testing different models of work coach support and exploring what works – these will likely be the largest ever trial of in-work support and the first time that mandatory interventions have been tested anywhere in the world

However they are relatively limited in scope, unlikely to join up with wider support, do not test different ways of delivering services and do not address the factors that may make it harder for employers to offer better paid and more rewarding work

There is a range of evidence on what may work and many wider initiatives that these pilots could plug into – there would be value in going further in testing new services to support those in low pay, in particular through the forthcoming local Growth Deals

Recommendations

1. That the Department develops a set of broader and deeper pilots that can run alongside current plans, testing a more integrated offer to support individuals to build capability, address barriers and take opportunities; and support employers to improve their practices
2. That the current pilots should include in particular a dedicated focus on employer engagement and support
3. That the current pilots should explore and test different ways of managing and incentivising progression amongst delivery staff
4. That the evaluation includes an assessment of any negative impacts of in-work conditionality on benefit claims (deterrence) and on employer behaviour (reluctance to employ)
5. That the evaluation assesses the wider impacts of In Work Progression – in particular on poverty and on productivity
6. That an expert reference group should be set up involving central and local government, employers and key stakeholders, to work together to develop more integrated and joined up approaches that should follow on from these pilots
7. That the government and Local Government Association should commit to piloting a new careers advancement service through the next round of Growth Deals – to test the effectiveness of providing more integrated, personalised access to support for those in low pay
8. That government should work with others to model the potential savings of delivering effective in-work support, with a view to developing an 'AME-DEL agreement' for future provision

INTRODUCTION

This is a submission from the Learning and Work Institute – formed in January 2016 following the merger of NIACE and the Centre for Economic and Social Inclusion. Building on the expertise of both organisations, the Learning and Work Institute strives for a fair society in which people can realise their ambitions in life through learning and work. We do this by researching what works, influencing policy and implementing new ways to improve people’s experiences of learning and employment.

We have a strong interest in tackling low pay and supporting progression in work, and welcome the government’s commitment to this agenda. In 2013 we published research with the Trust for London exploring the nature, drivers and solutions to low pay and poor progression. Building on this, we are:

- Working with Trust for London and the Walcot Foundation on the ‘Step Up’ programme, which is funding six pilots of approaches to in-work support for low income workers in South London
- Evaluating for DWP an in-work support project delivered by the Timewise Foundation in South London
- Researching and testing new ways of engaging employers and delivering training in the retail and health and social care sectors in London through ‘Ambition London’, a new project funded by JPMorgan Chase Foundation
- Piloting the ‘Citizens’ Curriculum’ – a new approach to gaining basic skills for people in work – including language, literacy, numeracy, financial, health and civic capabilities – with Unionlearn and Workplace Learning Advocates

This submission focuses on the government’s proposed ‘In Work Progression’ pilots, but also looks more broadly at how we best support those in low pay to progress in work.

Objectives for an In Work Progression service

We consider that the government’s approach to In Work Progression should do four things:

1. **Improve individuals’ capability** to increase their earnings – supporting people to get the tools, skills and experience needed to progress in work
2. **Address barriers** that may make it harder for some to progress – in particular caring responsibilities, health and disability, language barriers, motivations, and perceived incentives to earn more
3. **Support individuals to find and then take opportunities to progress** –helping to match and broker people into better and better paid work, or to progress within their current workplace
4. Help to address the **barriers for employers offering progression** – which includes how jobs are designed, company structures and processes, employer behaviour, sectoral approaches and productivity

These four objectives should be underpinned by a number of principles:

- That support is focused on **outcomes** – so increasing earnings rather than (just) increasing exits from benefit
- That it leads to **sustainable employment** – with a focus on raising hourly pay not just hours worked
- That it helps to address **in-work poverty** – so prioritising workers in low income households
- That support is **personalised** – our research suggests that there are very different barriers and motivators for different groups, which likely points to a need for different combinations of support
- That the approach is **ambitious** – aiming for more than just ‘conditionality plus a pound’, or moving people from just below to just above an arbitrary earnings threshold
- That it is **evidence led** – there is some evidence on what works, and this has been highlighted in research by us and others – the pilots should build on this and should add to the evidence base on what works for whom
- That support is **joined up** – this is a complicated and new policy area, so at least part of the piloting needs to be focused on partnership working with employers, individuals, the skills system, business support, European Social Fund provision and so on

THE IN-WORK PROGRESSION PILOTS

Universal Credit and low pay

We support the principles behind Universal Credit. By integrating out-of-work and in-work support, removing the ‘cliff edges’ that can penalise claimants for working few hours, and often increasing the financial returns from earning more, UC has the potential both to increase employment and support progression. With one in four workers paid below the living wage, one in six workers in low pay for more than one year, and the majority of people in poverty now living in working households¹, it is imperative that these benefits are realised.

The Department’s research so far suggests that UC is encouraging claimants to want to increase their hours and to earn more, compared with those on Jobseeker’s Allowance.² However, recent DWP research also suggests that the additional impact on employment of Universal Credit so far “probably involves relatively few hours at relatively low wages”³. This points to a key risk with the design of Universal Credit: **that by improving the incentive to work very few hours, the gains in employment from UC may be largely felt in part-time, low paid employment** – with potentially

¹ Wilson, T. et al (2013) *Work in progress: Low pay and progression in London and the UK*, Trust for London and Centre for Economic and Social Inclusion

² Johnson, C. et al (2015) *Universal Credit Extended Gateway Evaluation Findings from research with Extended Gateway claimants*, DWP ad hoc research

³ “Estimating the Early Labour Market Impacts of Universal Credit Updated Analysis”, DWP ad hoc research report 28, December 2015

some people who may otherwise have worked longer hours instead choosing to shift down into lower paid work.

In part to address these risks, the government has introduced a 'Conditionality Earnings Threshold' below which claimants can be required to take action to secure more or better paid work. DWP estimates that one million claimants may be below this threshold⁴ - so in-work conditionality could lead to a doubling of Jobcentre Plus caseloads, with implications for adviser capabilities, claimant needs, who JCP works with and its relationship with employers.

Pilot design

The current pilots will test three forms of conditionality and support:

1. Face to face work coach support, with mandatory Work Search Reviews every two months (i.e. compliance checks)
2. Face to face work coach support with mandatory Work Search Reviews every fortnight
3. A 'light touch' regime comprising a mandatory telephone interview at trial entry, and then again after eight weeks – this is essentially the 'control' group against which the first two models will be tested.

Overall, we consider that these pilots make a good start in testing different models of adviser/ work coach support, and exploring what works. This will likely be the largest ever trial of in-work support – certainly the largest in the UK – and the first time that mandatory interventions have been tested anywhere in the world. In our view, the pilots have the potential to improve individuals' **capability** to progress, **address barriers** to progress and to help and support people to **take opportunities** to progress – so they could address, at least in part, three of the four objectives set out above.

However the pilots are limited in scope, unlikely to join up with wider support, do not test different ways of delivering services and importantly do not address the factors that inhibit employers' ability to offer better paid and more rewarding work. There are also important aspects of their design which are not yet clear. These issues are taken in turn below.

First, the support offer is **relatively light-touch**. The model is essentially an adaptation of the 'core' Jobcentre Plus offer for those claiming JSA, with one-to-one work coach support underpinned by regular signing-on. This means that support will largely consist of developing an action plan, reviewing it regularly, providing motivational support, and helping people to find and apply for more or better paid work. Furthermore, we understand that resourcing has been set at a level equivalent to 60% of the support available to out-of-work JSA claimants.

Secondly, linked to this, the pilots are not intended to test a **more integrated or comprehensive service**. Specifically, they will not by design include additional support to **address barriers** to progression – for example around basic skills, childcare, health or disability support, English language, travel and so on; nor to **improve capability** to progress (in particular by providing careers guidance or improving skills). All of these factors have come up in previous research and in projects looking at facilitators and barriers to progression amongst the low paid.

⁴ "Universal Credit: progress update", National Audit Office, November 2014

Thirdly, the pilots do not test **different forms of delivery, commissioning and management** – and in particular the differences between in-house and contracted-out support. The previous Employment Retention and Advancement Demonstration project showed that it was possible to deliver an advancement-focused service through Jobcentre Plus, but that staff faced a very steep learning curve in delivering progression-focus advice and struggled to do this within an environment that placed a high priority on job placement with little reward for progression-related outcomes.⁵ Meanwhile our more recent research suggests that retention payments in the Work Programme have not led to a more comprehensive approach to in-work support or to significant innovation.⁶ In our view more work is needed on developing and testing the different approaches to commissioning, management and delivery of in-work support.

Fourthly, critically, the pilots are not intended to **engage employers in addressing the barriers to progression** for low paid staff. There is good evidence on the characteristics of low paid employers that progress their staff, and this points to a range of factors around leadership and management culture, the way companies organise themselves and their work, and other company factors.⁷ Universal Credit and in-work conditionality present significant risks – on the one hand it will be more attractive to offer claimants short-time, low paid work; while on the other it may be less attractive if employees are required to regularly attend Jobcentre Plus. These pilots present an important opportunity to test both how these risks can be managed and how employers can be better supported to improve pay and progression for low paid staff. At present, it is unclear if or how employer engagement teams will engage with employers on these issues, and how this might link up with the role of work coaches.

Alongside this, we have not seen any detail on how conditionality and support will be tailored to **different groups of claimants** – in particular those who may have limited capability to increase earnings due to a health condition, disability or caring responsibilities – and how those decisions will be made. Critically, **In Work Progression support must not make it less attractive to enter work in the first place** – so claimants should never face greater conditionality in-work than they would out-of-work (i.e. they should not be required to attend Jobcentre Plus more frequently nor to undertake more activities). More broadly, we consider that requirements should be lower for those with health conditions or disabilities that limit their capability to work, and for those with caring responsibility for young children.

Finally, as noted, the pilots will test **Work Search Review conditionality** (i.e. signing on) for the first time, with potential sanctions for non-compliance. We do not believe that testing this should be off-limits. However, we do consider that the potential negative impacts of this could be significant – particularly on employer behaviour, but potentially also on incentives to enter work in the first place – and that the evaluation needs to fully explore these impacts.

BUILDING ON WHAT WORKS AND WHAT IS BEING TESTED

⁵ Hendra, R., Riccio, J., Dorsett, R., Greenberg, D., Knight, G., Phillips, J., Robins, P., Vegeris, S. and Walter, J. (2011) *Breaking the low-pay, no-pay cycle: Final evidence from the UK Employment Retention and Advancement (ERA) demonstration*, Department for Work and Pensions Research Report No.765

⁶ Wilson, T. et al (2013) *Work in progress: Low pay and progression in London and the UK*, Trust for London and Centre for Economic and Social Inclusion

⁷ Metcalf, H. and Dhudwar, A. (2010) *Employers' role in the low pay/no pay cycle*, Joseph Rowntree Foundation

No government has attempted to provide in-work support on this scale, so there is limited evidence on 'what works'. Our own research, drawing on UK and international studies, suggests that the complex interplay of individual and employer factors (such as, aspirations, motivations, qualifications, caring responsibilities, networks, job roles, and employer quality) affect retention and progression.⁸ It is important therefore that the pilots are able to address this range of factors.

In particular, in the UK, the Employer Retention and Advancement Demonstration project ran during the 2000s and found significant positive impacts on earnings and employment for some participants from a combination of adviser support, financial incentives and training support. However there was no evidence that the programme increased hourly wages. A key learning from the evaluation was that to be more effective on in-work progression, future interventions may require advisers to have (or be able to access) more expertise on occupations and industries that offer good progression opportunities and the career ladders and training requirements within those areas.⁹

More recently, there are a range of initiatives and pilots that are adding to the evidence base on 'what works'. DWP itself has run small-scale trials on in-work support in North London and South London, delivered by Goals UK and Timewise respectively, and our evaluation of the Timewise pilot should be published in the coming months. DWP and UKCES are also funding employers to deliver sector-based projects to boost career progression for low-paid workers, which will be running alongside, but separate from, the In Work Progression pilots.¹⁰

Outside government, we are also delivering or supporting the delivery of two key initiatives:

- **Ambition London**, which will test new models of employer and learner engagement with the learning and skills system to improve pay, productivity and progression, and
- **The 'Step Up' programme**, through which Trust for London and the Walcot Foundation are funding six trials of different approaches to delivering in-work support to low paid workers in Lambeth and surrounding London boroughs.

While we recognise and understand DWP's desire to test the In Work Progression pilots independently of other initiatives, the pilots do appear to miss an opportunity to build on and join up with these wider activities in a more co-ordinated and comprehensive way.

Pilot evaluation

The Department is in the process of commissioning an independent evaluation of the In Work Progression pilots. This will include in-depth qualitative research with participants and employers, and a large-scale survey of those taking part. This will complement an internal cost-benefit analysis by DWP.

⁸ Wilson, T. et al (2013) *Work in progress: Low pay and progression in London and the UK*, Trust for London and Centre for Economic and Social Inclusion

⁹ Hendra, R., Riccio, J., Dorsett, R., Greenberg, D., Knight, G., Phillips, J., Robins, P., Vegeris, S. and Walter, J. (2011) *Breaking the low-pay, no-pay cycle: Final evidence from the UK Employment Retention and Advancement (ERA) demonstration*, Department for Work and Pensions Research Report No.765

¹⁰ <https://www.gov.uk/government/news/government-boost-to-help-low-paid-workers-progress-in-their-careers>

We consider that the evaluation design is appropriate to the objectives and design of the pilots. As noted above, we believe that as well as exploring the overall effectiveness of the pilots and what works for whom, the evaluation should also aim to explore:

- How conditionality and support varied for those with different needs and barriers to progression – in particular those with health conditions, disability or caring responsibilities, and any different impacts for these groups
- Any negative or unintended deterrent effects – on employers' willingness to employ participants, on participants' attitudes to work, or on their likelihood of leaving benefit without achieving progression
- The extent to which in-work progression reduces poverty for those in work
- The extent of any positive behaviour change amongst employers – in terms of in-work support, job design or improved productivity

DEVELOPING THE WIDER IN-WORK SUPPORT OFFER

Overall we consider that there would be value in going much further in the next couple of years to develop services to support those in low pay. In particular, this year's Growth Deals present a key opportunity to test more integrated approaches and explore how future services could be funded on a larger scale.

For example, **our proposals for a careers advancement service** would offer an integrated approach to services that support in work progression.¹¹ The advancement service would be open to everyone in low paid work in receipt of Universal Credit, and its aim would be to help people boost their earnings – by engaging them through a free Career Check and online support, and providing personalised support to those that need it from a Career Coach and a Personal Career Account. We would like to see a commitment from local and central government to test such a service within the next round of Growth Deals.

There is also opportunity to look at **how services can be funded through the additional savings generated** by supporting people to progress in work. This sort of 'AME-DEL' model was partially developed for the Work Programme, and has more recently been used in social impact bonds. We would recommend modelling this as new approaches are developed – in particular looking at savings across taxes and benefits, but also skills funding (for example, higher repayments of advanced learner loans).

CONCLUSION AND RECOMMENDATIONS

We make eight recommendations:

¹¹ [No Limits: from getting by to getting on, NIACE, February 2015](#)

Extending and improving the IWP pilots

1. That the Department develops a set of broader and deeper pilots that can run alongside current plans, testing a more integrated offer to support individuals to build capability, address barriers and take opportunities; and support employers to improve their practices
2. That the current pilots should include in particular a dedicated focus on employer engagement and support – to better equip employers to offer progression opportunities and to work locally or within sectors to progress staff
3. That the current pilots should explore and test different ways of managing and incentivising progression amongst delivery staff – including for example through linking targets to earnings growth, and testing points-based models that prioritise those more likely to be in poverty or to be 'stuck' in low pay

A fuller evaluation

4. That the evaluation includes an assessment of any negative impacts of in-work conditionality on benefit claims (deterrence) and on employer behaviour (reluctance to employ)
5. That the evaluation assesses the wider impacts of In Work Progression – in particular on poverty and on productivity

Developing the in-work progression offer

6. That an expert reference group should be set up involving central and local government, employers and key stakeholders, to work together to develop more integrated and joined up approaches that should follow on from these pilots
7. That the government and Local Government Association should commit to piloting a new careers advancement service through the next round of Growth Deals – to test the effectiveness of providing more integrated, personalised access to support for those in low pay

Funding in-work support

8. Finally, that government should work with others to model the potential savings of delivering effective in-work support, with a view to developing an 'AME-DEL agreement' for future provision