



# Poverty and social exclusion: Review of in-work progression

## Background

The Wales Centre for Public Policy (WCPP) was commissioned by the Welsh Government to conduct a review of international poverty and social exclusion strategies, programmes and interventions. As part of this work, the Centre for Analysis of Social Exclusion (CASE) at the LSE was commissioned to conduct a review of the international evidence on promising policies and programmes designed to reduce poverty and social exclusion across twelve key policy areas. This briefing summarises the findings on in-work progression.

## Introduction

Growing rates of in-work poverty demonstrate that work is often not enough to lift a household's income above the poverty line. In-work progression can help reduce in-work poverty, although increasing household-level hours of paid work and/or the generosity of in-work benefits can be just as important.

In-work progression is defined as achieving higher rates of pay (hourly wage) or increasing income from work through increasing working hours. Progression might be achieved working with the same employer in the same job or another job or changing employer.

An effective approach to increasing progression should combine policies to increase in-demand skills among lower skilled workers, address labour supply constraints, reduce progression disincentives in the tax and benefit system and reduce structural barriers to progression.

**'Enabling' forms of activation for the unemployed, such as training, have greater potential to lead to progression than 'demanding' forms of activation.**

## Evidence of policy effectiveness

There are four main policy approaches to improving in-work progression among the low paid, or those at risk of low pay:

1. **Training programmes** targeted at low paid workers to facilitate entry into occupations with good progression prospects.
2. **Reduce labour supply constraints** to allow the low paid to work longer/different hours, travel to better jobs and access training.
3. **Reform the tax and benefit system** to reduce disincentives for low paid workers and second earners.
4. **Structural changes** to the design of jobs and clear career ladders from low-paid, low-skilled occupations.

The review concentrates on active labour market programmes and sector-specific workforce development, in relation to in-work progression.

## Active labour market programmes

Active labour market programmes (ALMPs) are designed to help the unemployed find and secure work. The design of these programmes and rules determining eligibility for participation can be crucial for tackling in-work poverty and low pay and have the potential to lead to in-work progression.

Different types of ALMPs can be classified into those that are 'enabling' (for example, training) and those that are 'demanding' (for example, monitoring job search efforts). These have been described as the 'two sides of activation'. In practice programmes can combine elements of both.

In the UK, although the over-arching emphasis of 'work first' remains, there has been some shift in the orientation of ALMPs in recent years which place greater emphasis on retention and progression of those entering employment. However, more enabling forms of ALMPs are often reserved for the long-term unemployed.

One of the problems with this approach is that demanding forms of ALMPs tend to return the unemployed to low paid, insecure jobs and do nothing to break the low-pay, no-pay cycle as they are excluded from enabling forms of ALMPs such as training.

Training activation programmes can appear less attractive to policy makers than other ALMPs for a number of reasons, including:

- Being more expensive than other interventions (e.g. job-search assistance);
- Programme 'lock-in' reducing initial outflow rates from unemployment;
- Difficulties for policy makers in determining which types of training to fund;
- Potential unintended consequences/ perverse incentives (e.g. creating incentives to remain unemployed to qualify for funded training places); and
- Public funded training potentially displacing employer funded training.

There is no general consensus on the impact of training programmes on future unemployment risks or earnings, or their success relative to other ALMPs. Heterogeneity in the type and quality of training programmes, the extent to which selection is adequately controlled for in evaluations, differential outcomes across groups of participants and differences between short- and longer-term effects on unemployment/employment experience contribute to a mixed set of findings in the literature.

In the UK, Universal Credit brings six existing means-tested benefits and tax credits under one single payment. It includes an element of in-work conditionality but also shows increased focus on in-work progression, rather than solely on getting people into work. In recent years, two pilots in the UK have explored how the welfare system could help to promote in-work progression: the Employment Retention and Advancement (ERA) pilot and the national In-Work Progression Randomised Controlled Trial.

An evaluation of the ERA pilot found positive outcomes during the programme period, but mixed results over the longer-term, with effects fading once extra financial support ends. The In-Work Progression Randomised Controlled Trial found that frequent and moderate support participants earned £5.25 and £4.43 per week more respectively than minimal support participants and had a 2.9 and 2.4 percentage point difference in the proportion who had increased their earnings by 10% or more. These effects were not found to be statistically significant in the external evaluation conducted by Ipsos Mori, however the evaluation identified a number of key factors that could impact claimants' chances of increasing their earnings which included undertaking in-work training.

However, evidence suggests that a focus on in-work progression is not generally embedded in relevant services beyond isolated pilots and small-scale initiatives. A recent report from the independent Commission on In-Work Progression found that 'Jobcentres do not currently have an in-work progression support offer'.

## Good quality training is more costly in the short term and policy makers need to identify which courses to offer or support.

### Sector-specific workforce development

ALMPs are typically run or financed by public employment services and are generally targeted towards helping unemployed benefit claimants. Sector-specific workforce development programmes have a wider scope and can be funded through a variety of sources.

A number of workforce development initiatives have been introduced or trialled in the US. These interventions are often run by intermediaries and non-profit organisations. Many combine pre-employment and post-employment support for less advantaged job seekers and workers. They tend to be local, relatively small scale, targeted at specific groups and many are sector-specific.

Robust evidence, mostly from the US, from a range of localised targeted initiatives, provides support for a sector-focused approach to progression. This essentially entails programmes that target industries characterised by good quality employment opportunities, which are more likely to offer chances for career advancement and in which there is scope for integration with place-based economic development.

These sector-focused initiatives adopt what is called a 'dual customer' approach, where providers seek to help both employers and jobseekers/low-wage workers through the same programme, for instance integrating the training and skills needs of individuals with the demand-side needs of particular employers or sectors.

However, the dual-customer approach is associated with inherent tensions between employers and intermediaries seeking to help employees. Targeting the right sector matters, but so too does the quality of delivery by the organisations providing services and the strength of the employer links. Lessons around partnership working, the importance of understanding sector needs and aligning training effectively are applicable across all sectors.

Evidence from the US also shows promising results from sector-specific workforce development interventions, such as the SkillsWorks programme which operates in Boston and across Massachusetts.

### Promising actions

The review concludes with promising actions to consider in the Welsh context as emerging from the analysis of the international literature:

1. **'Enabling' forms of activation** for the unemployed, such as training, have greater potential to lead to progression than 'demanding' forms of activation (i.e. that focus on the use of activation demands on participants), such as monitoring and sanctions.
  - **Evaluation evidence** which takes a longer-term perspective shows how training programmes for the unemployed tend to outperform demanding forms of activation. However, good quality training is more costly in the short term and policy makers need to identify which courses to offer or support.
2. Sector-specific workforce development initiatives which use a dual-customer approach (working with employers as well as workers) show positive long-term impacts on earnings and net benefits to participants, governments and wider society.

3. The **current evidence base relies on small scale US studies**. More needs to be understood about which programmes work and why. These initiatives are also reliant on experienced employment intermediaries and their transferability to Wales needs to be given due consideration.

- In-work conditionality for low earning Universal Credit claimants is set to increase UK-wide policy focus on in-work progression.



## Find out more

For the full report see Bucelli, I., and McKnight, A. (2022). *Poverty and social exclusion: review of international evidence on in-work progression*. Cardiff: WCPP.

## About the Wales Centre for Public Policy

Here at the Centre, we collaborate with leading policy experts to provide ministers, the civil service and Welsh public services with high quality evidence and independent advice that helps them to improve policy decisions and outcomes.

Funded by the Economic and Social Research Council and Welsh Government, the Centre is

based at Cardiff University and a member of the UK's What Works Network.

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