

# IMPROVING PROGRESSION FROM LOW-PAID JOBS AT CITY-REGION LEVEL

Existing skills and employment support systems concentrate on work entry but policy-makers concerned with addressing poverty also need to focus on individuals in employment and find ways of improving progression from low-paid jobs. This research developed proposals for a package of progression-focused employment and skills initiatives relevant to the needs of Leeds City Region residents and employers, encompassing short-term and longer-term change.

## Key points

- Opportunities for progression from low-paid jobs are shaped by personal and household circumstances, access to training, employers' promotion practices, firm size and sector, local labour market conditions, and labour market and welfare policies.
- Individuals have different attitudes towards progression in work: for some it is a long-term rather than short-term goal, and for others it is not a priority at all.
- Low pay is most prevalent in the retail, hospitality and residential care sectors.
- International evidence suggests that a sector-focused 'dual customer' approach – helping employers and low-paid workers through the same programme – can be effective.
- Supporting individuals to move between sectors is an important strategy for earnings progression. Part-time education and training provision and careers guidance services can be supportive of this.
- The study presents three interlinked policy initiatives, with a combination of individual- and employer-facing elements:
  1. a careers information, advice and guidance service for low-paid workers to support progression;
  2. an in-work advancement service with a dual focus on individuals and employers, focusing on employer-led training linked to career advancement; and
  3. a business support service aimed at enhancing opportunities for part-time workers.
- Local stakeholders from different organisations need to work together to develop a framework for progression-focused employment and skills initiatives and their associated implementation and delivery.

## The research

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# BACKGROUND

Enabling progression out of low-paid jobs is an important element in tackling in-work poverty. Existing skills and employment support systems in the UK concentrate more on entering work than progression in work. But interest in in-work progression is increasing, in the context of Universal Credit and a greater focus on employers' involvement in skills policy and sector-specific initiatives. The policy agenda of devolving funding to city-regions to support economic growth, and local stakeholders' strategic responsibility for the European Structural and Investment Fund (ESIF) programme, provides opportunities to develop innovative employment and skills initiatives with a focus on progression. This research developed proposals for a package of progression-focused employment and skills initiatives. Although the research focuses on circumstances in, and initiatives for, the Leeds City Region, the evidence review, analysis and proposed initiatives have wider applicability for other local areas.

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## What influences progression from low-paid jobs?

Opportunities for progression – measured by higher pay – are shaped by personal and household circumstances, access to training opportunities, employer practices regarding internal promotion opportunities, and firm size and sector. Local labour market conditions, macroeconomic conditions and labour market and welfare policies are influential too.

Individuals have different attitudes towards progression in work: for some it is a long-term rather than short-term goal, and for some it may not be a priority at all.

To address in-work poverty, local stakeholders need to develop a framework for progression-focused employment and skills initiatives. The framework needs to be pertinent to the needs of employers and local residents, addressing both supply and demand issues, in accordance with their inter-relationships. Skills are a 'derived demand': where demand for skills is low and individuals' skills are not fully utilised, productivity is undermined and the quality of local jobs is limited, in terms of pay, job security and possibilities for career progression.

## Projected employment change and analysis of pay

Employment projections for the period to 2022 show the largest net requirements (i.e. overall employment growth and replacements for staff who have retired) are in low-paid and high-paid occupations. Absolute requirements for workers are largest in the health and social work sector (especially residential care) and the wholesale and retail trade sector (notably retail). Accommodation and food services (i.e. hospitality), construction and professional services are also characterised by employment growth.

In the UK, average annual and hourly earnings are significantly below the national average in four sectors: retail, accommodation and food services, residential care, and arts, entertainment and recreation. In these sectors a compressed wage distribution (i.e. a limited range between lower-paid and higher-paid jobs) means that progression within the sector may yield limited financial reward.

## Evidence from initiatives promoting in-work progression

A systematic review of national and international literature focusing on the retail, hospitality, social care, construction, transport and logistics, financial and professional services, and manufacturing sectors, revealed relatively few sectoral initiatives aimed specifically at progression. What evidence there is highlights the importance of individuals' and employers' orientations towards worker progression and supportive Human Resource Management (HRM), training provision, and strong and direct links between skills development activity and progression routes.

A key lesson from US evidence is that models orientated towards a 'dual-customer' approach – seeking to help both employers and jobseekers/low-wage workers through the same programme – can be effective. Employer engagement in these models often relies on meeting a need such as addressing skills shortages or high labour turnover.

The US literature also shows that those developing sector-based policies targeted at improving outcomes for low-earners first need to identify a 'promising' sector or sectors, then develop a strategy to improve access and outcomes.

## Skills upgrading

Since individuals with higher education and vocational training qualifications are less likely to experience low pay, raising skill levels can play an important role in supporting progression. Whilst governments have consistently framed skills initiatives as a means of improving the labour market position of disadvantaged groups, relatively few resources are dedicated to skills initiatives targeted at low-paid workers, highlighting a gap in skills provision for people in low-paid work.

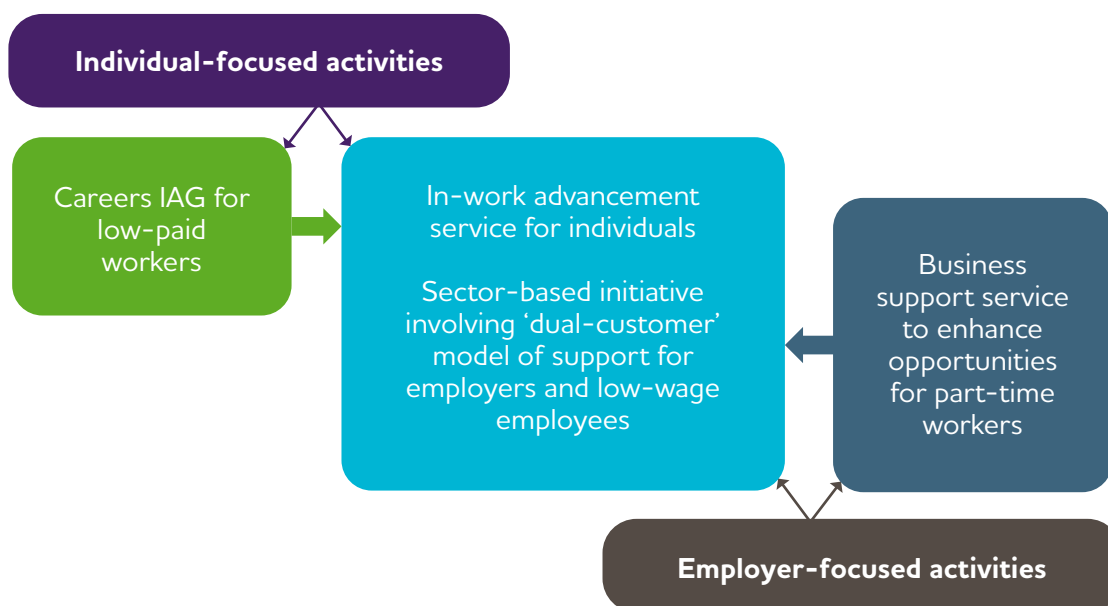
Analyses of skills provision data show that people in work take up a considerable amount of training activity, including in sectors characterised by low pay, but this comprises only a small proportion of overall skills provision delivered to learners. There is little evidence available on how far availability and take up of training results in pay progression because this type of outcome data is not captured consistently.

Supporting individuals to move between sectors is an important strategy for earnings progression. Part-time education and training provision, and careers information, advice and guidance (IAG) services can be supportive of this.

## Proposed policy initiatives

The study presents a package of three inter-linked policy initiatives, with a combination of individual- and employer-facing elements:

### Package of inter-linked policy initiatives



The design of the proposed initiatives takes account of current policies, structures and resources in the Leeds City Region but is not necessarily constrained by them. Rather the proposed initiatives aspire to raise ambition and provide ideas and new approaches that can significantly improve progression from low pay. The three initiatives are:

1. a careers IAG service for low-paid workers to support progression: the proposal is designed to enhance National Careers Service provision in England, focusing on key design features such as the payment model;
2. an in-work progression service for individuals, encompassing two alternative models: an advancement service for individuals in low-paid work providing a combination of career support/coaching and guidance with training provision aimed at accessing higher-paid jobs; and a sector-based dual-customer approach focusing on both employers and low-wage workers, and emphasising employer-led training linked to career advancement opportunities; and
3. an employer-facing business support service aimed at shaping workplace practices and improving earnings progression for part-time workers.

The design of the proposed initiatives was informed by a review of existing evidence and discussion with stakeholders in the Leeds City Region and other experts. However, the initiatives are of generic relevance and so could be considered for implementation in other areas, with due account taken of local context. While some may be suitable for funding via the ESIF programme, others involve working outside the existing infrastructure and developing new models, or setting up a commission to inform the shape of future service provision.

The authors recommend building in evaluation from the outset as initiatives are implemented.

## Conclusion

Given the need to work across policy domains of employment, skills, education, training and economic development, a broad set of local actors and institutions (e.g. economic development agencies; colleges, private sector training providers and universities; trade unions; employers' and trade associations; local authorities; and employment services providers) have a role to play in developing a framework for progression-focused employment and skills initiatives and implementing and delivering them. A partnership approach to local and sectoral development needs to focus on skills and earnings progression for low-income adults while also meeting employers' needs. It also needs to map possible career paths and opportunities in sectors of local importance.

To implement initiatives like those proposed in this research it will be necessary to take some or all of the following steps:

- harness the interest and commitment of local stakeholders;
- build on existing interventions;
- access extra financial resources; and
- effect changes in current budget streams.

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## About the project

The proposed initiatives in this report build on labour market assessments involving analysis of projected future employment requirements by sector; an evidence review of good practice in design, governance and delivery of local skills systems; a selective assessment of relevant skills provision; and discussions with stakeholders in the Leeds City Region. The initiatives have wider applicability for other local areas.

## FOR FURTHER INFORMATION

This summary is part of JRF's research and development programme. The views are those of the authors and not necessarily those of JRF.

The full report, *Improving progression from low-paid jobs at city-region level* by a team from the University of Warwick, Coventry University and The Work Foundation, is published by the Joseph Rowntree Foundation. It is available as a free PDF at [www.jrf.org.uk](http://www.jrf.org.uk)

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