



Department  
for Work &  
Pensions

# International evidence review on in-work progression

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Views expressed in this report are not necessarily those of the Department for Work and Pensions or any other government department.

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# Abbreviations

DWP	Department for Work and Pensions
ERA	Employment, Retention and Employment Demonstration
EU	European Union
EU-SILC	EU Statistics on Income and Living Conditions
ICT	Information Communications Technology
IWC	In-Work Credit
IWP	In-Work Progression
LCCM	Life Coach or Case Manager
NMW	National Minimum Wage
NLW	National Living Wage
OECD	Organisation for Economic Cooperation and Development
Off-JT	Off-the-Job Training
OJT	On-the-Job Training
PA	Prime d'Activité [Activity bonus]
PPE	Prime Pour l'Emploi" [Working tax credit]
RCT	Randomised Controlled Trial
REA	Rapid Evidence Assessment
RSA	Revenu de Solidarité Active [In-work benefit]
SFCC	Sector-Focused Career Centers
SME	Small to Medium-size Employer
TAA	Trade Adjustment Assistance
TANF	Temporary Assistance to Needy Families
UC	Universal Credit
WF1CC	Workforce1 Career Centers
WeGebAU	Weiterbildung Geringqualifizierter und beschäftigter älterer Arbeitnehmer in Unternehmen [Further training for low-skilled and older workers in companies]
WESI	Women's Economic Stability Initiative
WIA	Workforce Investment Act

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# Executive summary

This report presents findings from an international evidence review commissioned by the Department for Work and Pensions (DWP) to investigate policies and approaches to in-work progression in high-income countries other than the UK. The objective of the study was to present available evidence on how other countries have approached the issue of in-work progression to generate learning that might be transferable to the UK.

For the purpose of this study, in-work progression was defined as ‘raising in a sustainable way, an individual’s labour market earnings.’ However, to reflect the fact that progression can occur in a myriad of ways, this review also looked at other outcomes, including building skills, removing practical and financial constraints to progression, and improving job security. All of these intermediary outcomes may ultimately lead to higher pay.

This study was guided by 6 broad research topics that were underpinned by 14 different research questions. To answer these questions, 3 main methods were used: a targeted literature review to set out the policy context (Chapter 2), a rapid evidence assessment (REA) to identify and examine relevant policies and programmes (Chapter 3), and case studies featuring a deeper assessment of interventions identified in the review (Chapter 4). To ensure that the most current evidence was included, the rapid review was restricted to a search for results since 2014. The appendixes detail the methodology and inclusion and exclusion criteria applied in the search.

## **Progression and low pay: how the UK compares internationally**

Chapter 2 provides a brief overview of how the UK compares to other countries in terms of low pay and progression. While international comparisons of low pay and progression can vary due to definitional and data issues, most sources identify the UK as a country with a large share of low-paid workers. While the UK has a strong record on moving people back into work, less support exists for people in low paid work, and research suggests that people in the UK often get trapped in a ‘low pay, no pay’ cycle.<sup>1</sup>

A 2015 report examined how the UK compares to other EU countries across 4 different types of progression: earnings, hours, occupational, and contractual progression.<sup>2</sup> While there is significant variability between countries across the

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<sup>1</sup> Hendra, R., Riccio, J.A., Dorsett, R., Greenberg, D.H., Knight-Hierro, G., Phillips, J., Robins, P.K., Vegeris, S., Walter, J., Hill, A., Ray, K. and Smith, J., (2011). ‘Breaking the low-pay, no-pay cycle: Final evidence from the UK Employment Retention and Advancement (ERA) demonstration.’ DWP Research Report No 765.

<sup>2</sup> Thompson, S. and Hatfield, I. (2015). ‘Employee Progression in European Labour Markets.’ Institute for Public Policy Research.



different measures, in terms of earnings progression from low pay the UK is at the lower end of the distribution, ranked just 19th out of 22 countries.

### **Rapid Evidence Assessment: reviewing international progression policies**

Chapter 3 presents the results of the REA, which explored what other countries have done to address issues of low progression and low pay. A search of academic and grey literature<sup>3</sup> databases (2014–2019) yielded 630 sources, the titles and abstracts of which were screened, and 30 sources were selected for more detailed review. Of these, 17 sources focused on one or more specific progression-related interventions (23 interventions in total). The sources identified constituted a mix of levels of robustness, ranging from evaluations to survey data and policy reviews. Comparing the interventions for their effectiveness was limited by the methodological weakness, and any conclusions presented in this report can therefore only be seen as indicative.

The REA classified studies using a framework developed by McKnight et al. (2016), who identify 6 different categories of interventions: 1) education and training (18 programmes were reviewed in this category); 2) career coaching or counselling (16 programmes); 3) reducing labour supply constraints (5 programmes); 4) design of tax and in-work benefit systems (4 programmes); 5) employer-focused initiatives (4 programmes); and 6) statutory minimum wages (no programmes reviewed in this category). The majority of sources investigating in-work progression policies and/or interventions identified by this review were from the US. Other countries included Germany, the UK, Czech Republic, France, Japan, Lithuania, Netherlands, Spain and Sweden.

Of those studies that did reach a sufficient standard of evidence, the evidence base was strongest in terms of education and training and career coaching or counselling interventions. Reviewed studies included sectoral or industry focused training and job coaching interventions (principally from the US), and interventions to improve access to education and training for particular vulnerable subgroups (for example, single mothers and young people with disabilities in the US or insecure workers in Japan). These studies generally found positive impacts from training and coaching interventions, albeit often not across all outcome measures and all sites where the intervention was delivered.

Conversely, the evidence base was weakest in relation to policies related to wage floors, employment legislation, and reducing labour supply constraints. This was largely a result of a lack of evidence rather than directly negative findings from these interventions. No studies were identified and reviewed looking at the impact of wage floors. And while a number of interventions included provisions around reducing labour supply constraints (for example, providing funding for childcare or transport), study designs meant that it was not possible to isolate the impact of these forms of support on earnings progression.

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<sup>3</sup> The term 'grey literature' commonly refers to sources that are not produced by commercial publishers and may include research reports, working papers, policies, presentations, or reports produced by government departments, academics, business or industry.

## **Case studies: effective and promising policies and interventions**

Chapter 4 delves deeper into a few selected interventions. This chapter reviews 3 case studies with a moderate to strong standard of evidence, and which have relevance to the UK context. These studies are:

- **WorkAdvance, USA** – Sector-focused training and coaching provided to unemployed and low-paid adults.
- **New York City Sector Focused Career Centres (SFCCs), USA** – Sectoral employment programme supporting entry into 3 industries with good progression prospects.
- **WeGebAU, Germany** – Government funded training provision for low-skilled employees, SME employees, and older workers.

The existing evidence shows that WorkAdvance participants were more likely to be employed than the control group, and in 3 out of 4 evaluated sites, participants had higher earnings (at 3-year follow-up), with the size of impact varying across sites. An evaluation of Sector-Focused Career Centers in New York City found that participants in NYC earned \$5,300 more on average than matched participants in non-sector specific programmes. Finally, the German WeGebAu was found to have a positive impact on pay for low-skilled workers, but not for older workers (over 45) working in small and medium enterprises (SMEs). However, the existing evidence suggests that participation in the programme led to improved job stability and delayed retirement for older workers. Chapter 4 provides details on the key features of each intervention.

To provide a broader overview of the existing landscape, Chapter 4 further offers shorter summaries of 4 other interventions that seem promising, but where there is limited evidence of their effectiveness available thus far. These include firm-provided training for flexible and part-time workers in Japan; the ‘prime d’activité’ (or ‘activity bonus’), an in-work benefit in France; regulation of Temporary Agency Workers in Germany to equalise pay and conditions after 9 months; and the Women’s Economic Stability Initiative (WESI), which provides coaching and financial assistance to single mothers in the United States.

## **Summary**

In summary, the report illustrates that in-work progression is a new and complex policy area that requires a holistic response, of which pay progression is just one piece of the puzzle. Based on the sources reviewed for this study, the following list presents the main points:

- **The international evidence base is limited, but a number of countries are experimenting with different approaches:** There are a number of US programmes that have reached a high standard of evidence, and this provides the UK with relevant information about what might work in the UK context. Outside of the US the evidence base is far weaker, but there are examples of countries using a range of approaches (for example subsidising training, and reforming in-work benefit systems) that could support progression.

- **The evidence is mixed on who benefits most from progression interventions:** The variability of interventions and study designs and general weakness of much of the evidence base means that a detailed understanding of which population subgroups benefit the most from progression interventions is not currently possible. However, there is evidence from a number of studies about the differential impacts on more or less disadvantaged groups. Again, however, the evidence is mixed. A number of studies suggest that more disadvantaged groups see the biggest gains – although the evaluation of New York’s Sector Focused Career Centers finds the reverse to be true.
- **Achieving sustainable impacts on progression is difficult:** Where well-evidenced studies do exist they often find that impact is not observed across all outcomes or locations. This suggests that achieving sustainable impact in this area is hard and can be heavily dependent on the context.
- **A lot of the existing evidence centres on training interventions:** The interventions reviewed in this report suggest that sector-specific approaches to training might be more successful than generic ones.
- **The role of employers:** In addition, the role of support and buy-in from employers are regularly included as critical success factors for progression interventions, which makes models that support ‘dual customer’ approaches an attractive option. Some of the contextual evidence from the targeted literature review also shows that the wider regulatory environment can play a key role in promoting quality employment and training, and supporting demand-side enablers of progression.
- **The importance of quality employment:** Providing an environment that is conducive to ensuring access to secure and high-quality employment is key to improving conditions for the low paid.

# 1. Introduction

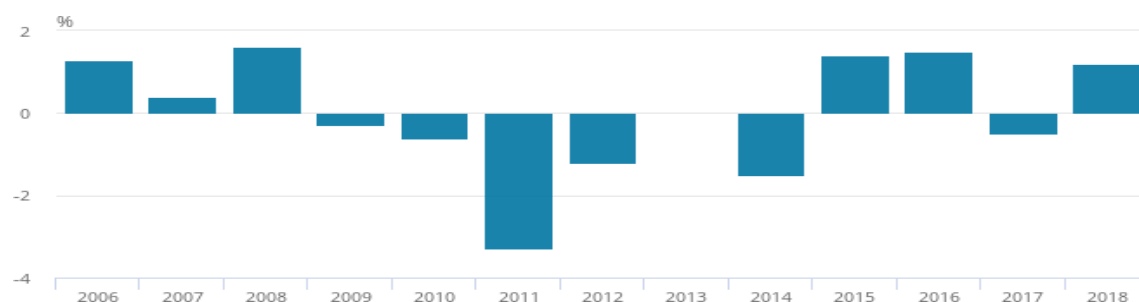
This chapter explains the policy background to the study, and provides an overview of key terms, research questions and methods, and the structure of the report.

## 1.1. Policy background

The Department for Work and Pensions (DWP) is responsible for Universal Credit (UC), which is a large programme of welfare reform designed to simplify the benefit system and improve incentives to work.<sup>4</sup> There is an expectation that UC will lead to an increasing number of benefit claimants who are in work, which could mean that future support needs to be re-oriented. This represents new territory for DWP, and may require the development of future support services that are targeted at UC claimants who are in work but on low pay.

Low pay has become a persistent problem in the UK labour market. Pay growth in the UK has remained weak since the financial crisis and has been outstripped by inflation: real pay levels fell between 2008–2015 and then again in 2017 (see Figure 1). In addition, the UK has large shares of workers in low pay<sup>5</sup> (see Box 1) – nearly 1 in 5 workers earn less than two-thirds the median wage and only 1 in 6 low-paid employees moves to higher wages over a 10-year period.<sup>6</sup>

**Figure 1. Percent growth in median full-time gross weekly earnings, UK, April 2006 to 2018, adjusted for inflation**



Source: Annual Survey of Hours and Earnings (ASHE) - Office for National Statistics. As of 05/08/2019: <https://www.ons.gov.uk/employmentandlabourmarket/peopleinwork/earningsandworkinghours/bulletins/annualsurveyofhoursandearnings/2018>

<sup>4</sup> 'What is Universal Credit?' As of 25/11/2019: <https://www.gov.uk/universal-credit>

<sup>5</sup> Low pay is defined as the value that is two-thirds of median hourly earnings – ONS, as of 10/09/2019: <https://www.ons.gov.uk/employmentandlabourmarket/peopleinwork/earningsandworkinghours/bulletins/lowandhighpayuk/2018>.

<sup>6</sup> D'Arcy (2018). 'Low Pay Britain 2018.' London: Resolution Foundation. As of 05/08/2019: <https://www.resolutionfoundation.org/app/uploads/2018/05/Low-Pay-Britain-2018.pdf>

### Box 1. Low pay in the UK in 2018

**17%** of employees (14% of men and 21% of women) earned less than two-thirds of the median hourly wage, equivalent to 4.7 million people.

**35%** of part-time employees were low paid compare to **10%** of full-time employees.

The share of employees in low pay was highest in East Midlands (**22%**), Yorkshire & the Humber and North East (**21%**).

The industries in which low pay was most common were hotels and restaurants (**55%**), wholesale and retail (**31%**) and agriculture (**30%**).

**7%** of employees were paid below, at or slightly above the minimum wage.

**24%** of employees were paid less than the voluntary Living Wage.

Source: Cominetti et al. (2019)

The wider policy efforts to reform the UK benefit system and improve incentives to work can be traced back to the 1990s. The New Deals and later the Flexible New Deal were a series of programmes introduced from 1998 to reduce unemployment by providing training, subsidised employment and voluntary work. With the passage of the National Minimum Wage Act of 1998, a binding minimum wage was established across the UK and it showed many positive effects in terms of reducing pay inequality and improving the standards of living for low-paid workers.<sup>7</sup> The Working Families Tax Credit was launched shortly after (in 1999) as a tax credit scheme for low income workers that aimed to provide an incentive to work, and to stay in employment.

More recently, DWP has taken an evidence-led approach to address low pay and support in-work progression. In the mid-2000s, DWP launched trials of 2 time-limited programmes: 'Employment, Retention and Advancement Demonstration' (ERA, implemented between 2003 and 2005) and 'In-Work Credit' (IWC, implemented from 2004 until 2013).<sup>8</sup> Later efforts, following the introduction of UC, include a randomised controlled trial (2015–2018) that tested the effectiveness of differing intensities of support and conditionality that were provided to current UC claimants in low-paid work or low-income households.<sup>9</sup> Box 2 provides an overview of UK initiatives (introduced by the government and other stakeholders) to tackle low pay and promote progression.

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<sup>7</sup> Hafner, M., J. Taylor, P. Pankowska, M. Stepanek, S. Nataraj and C. Van Stolk (2017). 'The impact of the National Minimum Wage on employment: A meta-analysis.' Santa Monica, CA: RAND.

<sup>8</sup> Brewer, M.J. and J. Cribb (2016). 'Lone parents, time-limited in-work credits and the dynamics of work and welfare.' IZA Discussion Paper 10414. As of 15/01/2020: <https://ideas.repec.org/p/iza/izadps/dp10414.html>

<sup>9</sup> Langdon et al. (2018). 'Universal Credit: In-Work Progression Randomised Controlled Trial Findings from quantitative survey and qualitative research.' Research Report 966; DWP (2018).

## Box 2. UK initiatives to address low pay

### Large scale policies, programmes and trials:

The 1999 introduction of the **National Minimum Wage (NMW)** in the UK has increased both the real and relative pay of low-income workers and contributed to the narrowing of the gender pay gap.<sup>10,11</sup> The implementation of the **National Living Wage (NLW)** from 2016 gave another strong boost to the earnings of the lowest paid workers but it has not eliminated the low-pay problem.<sup>12</sup> Annual increases in the wage floor help narrow the gap between those on low pay and those with salaries in the middle range.<sup>13</sup> While the NLW saw a reduction in the proportion of people in low pay from 19% to 17% by 2018,<sup>14</sup> it is also argued that the higher minimum wage has led to wage compression, which will make it harder to progress from the wage floor.<sup>15</sup>

In 2003, the UK piloted the **Employment Retention and Advancement (ERA) programme**, which provided support and financial incentives to encourage employment retention, completion of training and increases in earnings.<sup>16</sup> ERA focused on 2 lone-parent groups and one group of unemployed persons aged 25 and older.<sup>17</sup> Both of the lone parent groups saw a short-term boost in earnings, but these effects faded in the later years. However, even after 36 months, there was still a net change of 4 more parents in full-time work out of every 100. The majority of this could be explained by recipients moving from part-time to full-time work.<sup>18</sup> The 25 and older group saw sustained increases in earnings, accompanied by lasting reductions in benefit receipts over the 5-year follow-up period.<sup>19</sup>

**In-Work Credits** (implemented from 2004) was a similar trial of time-limited credits that also featured cash payments for single parents who had previously been on welfare and then moved into work.<sup>20</sup> The impact on employment and

<sup>10</sup> Low Pay Commission (2014). 'National Minimum Wage: Low Pay Commission 2014.' Stationery Office.

<sup>11</sup> Hafner et al. (2017).

<sup>12</sup> Brewer M. and Finch D. (2018). Breaking Out: progressing out of low pay in the UK labour market. Peer Review on "In-work progression – approaches and challenges" - Host Country Discussion Paper. European Union, 2018.

<sup>13</sup> D'Arcy, C. (2018). 'Low Pay Britain 2018.' London: Resolution Foundation.

<sup>14</sup> Ibid.; Cominetti, N., Henehan, K. and Clarke, S. (2019). 'Low Pay Britain 2019.' London: Resolution Foundation

<sup>15</sup> Cominetti, N., Henehan, K. and Clarke, S. (2019). 'Low Pay Britain 2019.' London: Resolution Foundation.

<sup>16</sup> Green, A., Sissons, P., and Lee, N. (2017). Harnessing Growth Sectors for Poverty Reduction: The Role of Policy. Cardiff: Public Policy Institute for Wales.

<sup>17</sup> Hendra, R., Riccio, J.A., Dorsett, R., Greenberg, D.H., Knight-Hierro, G., Phillips, J., Robins, P.K., Vegeris, S., Walter, J., Hill, A., Ray, K. and Smith, J., (2011). 'Breaking the low-pay, no-pay cycle: Final evidence from the UK Employment Retention and Advancement (ERA) demonstration.' DWP Research Report No 765.

<sup>18</sup> Brewer M. and Finch D. (2018).

<sup>19</sup> Hendra et al. (2011).

<sup>20</sup> Brewer M. and Finch D. (2018).

retention was much smaller for IWC than for ERA, possibly due to the complementary provision of financial incentives and coaching offered in ERA.<sup>21</sup>

**Universal Credit** represents a major overhaul of the current welfare system, by combining 6 benefits into one. Introduced from 2013, Universal Credit aims to simplify the benefit system and improve incentives to work to help claimants move into work and progress to higher paid and higher skilled employment.

The **In-Work Progression Randomised Controlled Trial** (2015–2018) tested differing intensities of Work Coach support and mandatory activity for UC claimants in low-paid work or low-income households. The initial evaluation found small but statistically significant impacts on earnings progression in the 2 treatment groups (who received more intensive support and conditionality requirements) at 52 weeks after the trial start, compared to a ‘business-as-usual’ comparison group. A follow-up analysis of outcomes at 78 weeks found that earnings impacts were sustained for the most intensive group.<sup>22</sup>

**Small pilots and tests (including government and non-government funded programmes):**

The 2-year **Step Up programme** targeted individuals paid below the London living wage and working at least 14 hours a week. Training was tailored to the participants’ needs and resulted in one-third of all participants (179 individuals) achieving an employment-related outcome (such as starting a new job) by 2017.<sup>23</sup> Participants improved their earnings by £1.01 more than the comparison group, but this increase was not statistically significant.

The **Skills Escalator pilot** is an initiative delivered by Hounslow and Harrow councils and evaluated by the Learning and Work Institute. Between 2014 and 2016, this programme provided 361 participants across Hounslow and Harrow with guidance and tailored training curricula. Average monthly earnings increased £529 in Hounslow and £430 in Harrow. The prospects of a salary increase were related to client characteristics: the 31 to 40 years old group was most likely to increase their earnings, with the likelihood falling for the older groups; also those with higher qualifications (level 3 and higher) saw larger earnings gains than those with lower qualifications.<sup>24</sup>

The **Futures Programme** was one of 3 proofs-of-concept commissioned by DWP to tackle barriers to progression and to increase earnings of women

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<sup>21</sup> Ibid.

<sup>22</sup> Department for Work and Pensions (2018). ‘Universal Credit: In-Work Progression Randomised Controlled Trial: Summary Research Findings.’ As of 15/01/2020: [https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment\\_data/file/739766/summary-universal-credit-in-work-progression-randomised-controlled-trial.pdf](https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/739766/summary-universal-credit-in-work-progression-randomised-controlled-trial.pdf)

<sup>23</sup> Murphy, H., L. Bennett, H. Klenk, K. Ray and C. Stevens (2018). ‘Step Up. Trialling New Approaches Supporting Low-Paid Workers to Progress their Careers.’ London: Learning and Work Institute.

<sup>24</sup> Colechin, J., H. Murphy, C. Stevens, J. Penacchia, K. Ray and L. Vaid (2017). ‘Evaluation of the Skills Escalator Pilot: Final report.’ Learning and Work Institute 2017.

working part-time.<sup>25</sup> The intervention focused on employers and investigated and implemented job redesign to include part-time and flexible working access for promotion to managerial roles. Early evaluation findings suggest that part-time workers' progression could be helped by the redesign of management roles and company procedures to allow flexible working hours.<sup>26</sup>

The **Timewise Foundation's Earnings Progression trial** aimed to improve the earnings progression of 102 parents who needed to work flexibly in order to combine work and care.<sup>27</sup> The trial was delivered between 2014 and 2015, and at the end of the delivery period, 28 (out of 102) participants had achieved a progression outcome (which could include finding a new job, an increase in working hours, a pay rise, or any combination of these).<sup>28</sup>

Source: Authors' elaboration based on various sources

Recently, the European Commission – with DWP's participation – explored in-work progression policies that aimed to support people out of low pay, adapt to changing skill demands, and progress in their careers in selected European countries.<sup>29</sup>

Continuing these efforts, DWP commissioned RAND Europe to conduct an international evidence review of in-work progression to map and explore relevant interventions and programmes and to inform future policy developments in this area. This investment is part of DWP's Autumn Budget 2017 commitment of £8 million over 4 years from 2018/19 to further develop the existing evidence base.

## 1.2. Key terms used

For the purposes of this study, in-work progression (IWP) is defined as: 'raising, in a sustainable way, an individual's labour market earnings'.

While earnings progression may be the ultimate goal, this study takes a broader view of relevant outcomes, firstly recognising that there are other important outcomes that may lead to earnings progression, such as building skills or reducing constraints to greater labour market participation. Furthermore, while pay is important, it is only one dimension of job quality, improvements in which can also be seen as a form of progression.<sup>30,31</sup> Other, frequently emphasised elements of job quality include job

<sup>25</sup> Ashton, B., B. Gonzalez, E. Hill and A. Rigby (2017). 'Evaluation of GOALS UK's Step Up, and Timewise Foundation's Earnings Progression and Flexible Career Pathways in Retail.'

<sup>26</sup> Ashton, B., B. Gonzalez, E. Hill and A. Rigby (2017). 'Evaluation of GOALS UK's Step Up, and Timewise Foundation's Earnings Progression and Flexible Career Pathways in Retail.'

<sup>27</sup> Colechin, J. and Lauren Bennet (2017). 'Evaluation of Timewise Foundation's Earnings Progression Trial. A demonstration trial to support 102 low income parents to progress in-work.' Learning and Work Institute.

<sup>28</sup> Ibid.

<sup>29</sup> ICF (2018). 'Key policy messages from the Peer Review on "In-work progression – approaches and challenges." United Kingdom, 26–27 March 2018.' Mutual Learning Programme DG Employment, Social Affairs and Inclusion, European Union, 2018.

<sup>30</sup> de Bustillo, R.M., E. Fernández-Macías, J.I. Antón, and F. Esteve. 2009. 'Indicators of job quality in the European Union.' European Parliament.

<sup>31</sup> The Work Foundation (2016). 'The Commission on Good Work.' As of 13/01/2020:

<http://www.theworkfoundation.com/wp-content/uploads/2016/10/The-Commission-on-Good-Work.pdf>



prospects (for example, job security and career development), intrinsic quality of work (including work intensity, physical and social environments) and working-time quality (for example, duration, working time arrangements, flexibility). This review includes studies which assess interventions related to these wider factors.

Another set of terms frequently used in this study are ‘policies and programmes’. The following interpretations and terms were adopted for the purpose of this study:

‘an action (or a set of related activities) taken to facilitate IWP; this may include: (i) new, discrete action(s) delivered in addition to standard delivery, or (ii) fundamental reform to the delivery of a service in order to improve outcomes (for example, change to day-to-day service provision by public employment services to improve IWP).’

This would include, for example, reforms to the activities of public employment services, but would not include delivering the same services under an expanded budget, with no fundamental change to day-to-day service provision.

### 1.3. Research topics and questions

The study addressed a number of research questions grouped under 6 broad topics:

- Topic 1: Cross-country comparisons, factors affecting IWP rates and links between pay progression, productivity and living standards:
  - What comparative evidence currently exists on how rates of in-work progression vary between countries?
  - What demand-side factors (such as organisational structures within firms, sectorial mixes, and types of employment) influence the rate of pay progression in other countries?
  - What supply-side factors (such as skills and government interventions) influence the rate of pay progression in other countries?
  - Is there a link between pay progression and productivity?
  - Is there a link between pay progression and living standards?
- Topic 2: Policies and programmes aiming at IWP:
  - How are policies that support in-work progression defined or labelled in various countries?
  - Which countries appear to be employing relevant in-work progression policies and programmes?
  - What are these policies and programmes?
  - Who or what do these policies and programmes target?
  - What evidence exists to show the impact of these policies on progression when other demand and supply side factors are taken into account?
- Topic 3: Effectiveness and impact of these policies and programmes:

- Which types of policies or programmes appear to be the most effective in promoting IWP? What has been the impact of these in-work progression policies or programmes?
- Topic 4: Impact of programmes on key subgroups:
  - Are certain groups of people more responsive to IWP support? If so, which types of policies and programmes are most effective for which type of people?
- Topic 5: Labour market context:
  - How does labour market context affect the transferability of these policies or programmes?
- Topic 6: Transferability to the UK context:
  - What policies or practices look most promising for the UK context?

## 1.4. Methods

The project used the following methods to address the research questions above:

- Targeted literature review – to refine the scope and design of the study, and explore the policy context for progression.
- Rapid Evidence Assessment (REA) – to assess existing evidence base on in-work progression interventions and provide insights on their results. The key-word search yielded 630 sources, of which titles and abstracts were screened and 30 sources were ultimately included for more detailed review. Of these, only 17 sources focused on one or more specific IWP interventions. In total, these 17 sources included 23 interventions. The search was limited to sources published between 2014 and 2019. Further details about the methodology and inclusion and exclusion criteria are detailed in the appendices.
- Case studies drawing on documentation review – to gather greater understanding about and learn from a number of promising interventions. This includes 2 interventions from the United States and one from Germany where evidence is available. It further includes 4 policy-design case studies that review relevant interventions, but where available evidence is limited. This includes interventions from France, Germany, Japan and the United States respectively.

Appendix A and B provide a detailed overview of the methods that were used, and map the research questions against the methods.

## 1.5. Structure of the report

The remainder of this report is structured as follows:

Chapter 2 is based on the targeted literature review, and sets the context of the study by reviewing how the UK compares to other countries in terms of low pay and progression. Furthermore, this chapter offers a brief exploration of related contextual evidence that commonly feature in the literature, including the demand and supply

factors that shape progression, and the links between progression and productivity and progression and living standards.

Chapter 3 presents the results of the rapid evidence assessment (REA), including discussion of identified policies and programmes, and an assessment of the strength of evidence from selected studies.

Chapter 4 reviews selected cases of in-work progression interventions in more depth. This includes reviewing the dynamics of implementation and lessons from different contexts.

Chapter 5 brings together all these strands of work by summarising responses to the project’s research questions.

Table 1 below presents where the research topics are discussed in the report.

**Table 1. The research topics addressed in the report**

<b>Research topics</b>	<b>Relevant section of the report</b>
Topic 1: Cross-country comparisons, factors affecting IWP rates and links between pay progression, productivity and living standards	Chapter 2. Setting the context
Topic 2: Policies and programmes aiming at IWP	Chapter 3. Reviewing evidence on interventions for IWP Chapter 4. Examining selected interventions
Topic 3: Effectiveness and impact of these policies and programmes	Chapter 3. Reviewing evidence on interventions for IWP Chapter 4. Examining selected interventions
Topic 4: Target groups	Chapter 3. Reviewing evidence on interventions for IWP Chapter 4. Examining selected interventions
Topic 5: Labour market context	Chapter 4. Examining selected interventions
Topic 6: Transferability to the UK context	Chapter 3. Reviewing evidence on interventions for IWP Chapter 4. Examining selected interventions

Source: Authors’ elaboration

## 2. Setting the context

This chapter draws on the targeted literature review to provide the context for the evidence presented in this study. It explores how the UK compares to other countries in terms of low pay and progression, and examines links between progression, and productivity and living standards.

### 2.1. Low pay and progression: How the UK compares to other countries

#### **Low pay and in-work poverty**

Low pay is commonly defined as earning less than two-thirds of the median wage.<sup>32</sup> It is often measured in terms of individuals' gross hourly earnings, but can also be measured "in relation to annual earnings for full-year workers."<sup>33</sup> Low pay differs from in-work poverty as the latter usually focuses on households.<sup>34</sup> However, the 2 themes are frequently discussed together in the literature.<sup>35</sup> That is because low pay contributes to in-work poverty, amongst other factors such as "low work intensity, instability of employment, and the way that tax-benefit systems work (or do not work) to redistribute market incomes."<sup>36</sup>

In recent years, in-work poverty has been on the rise in European Union (EU) countries, albeit by varying rates per member state.<sup>37</sup> In 2016, the rate of employed persons at-risk-of-poverty<sup>38</sup> was highest in Romania (18.9%) and lowest in Finland (3.1%), with the UK (8.6%) placed just below the EU average of 9.6% (but experiencing an increase of 1.8 percentage points from 2010).<sup>39</sup>

Looking at low pay directly, while there can be some variation in the data and consequently in the ranking of countries, most sources identify the UK as a country

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<sup>32</sup> Cominetti, N., K. Henehan and S. Clarke (2019). 'Low Pay Britain 2019.' Resolution Foundation.

<sup>33</sup> Bennett, F. (2013). 'The "living wage", low pay and in work poverty: Rethinking the relationships.' *Critical Social Policy* 34(1): 46–65.

<sup>34</sup> McKnight, A., S. Kitty, S. Mohun Himmelweit and M. Palillo (2016). 'Low Pay and In-work Poverty: Preventative Measures and Preventative Approaches. Evidence Review.' Luxembourg: Centre for Analysis of Social Exclusion; London School of Economics.

<sup>35</sup> Ibid.

<sup>36</sup> Ibid.

<sup>37</sup> Ibid.

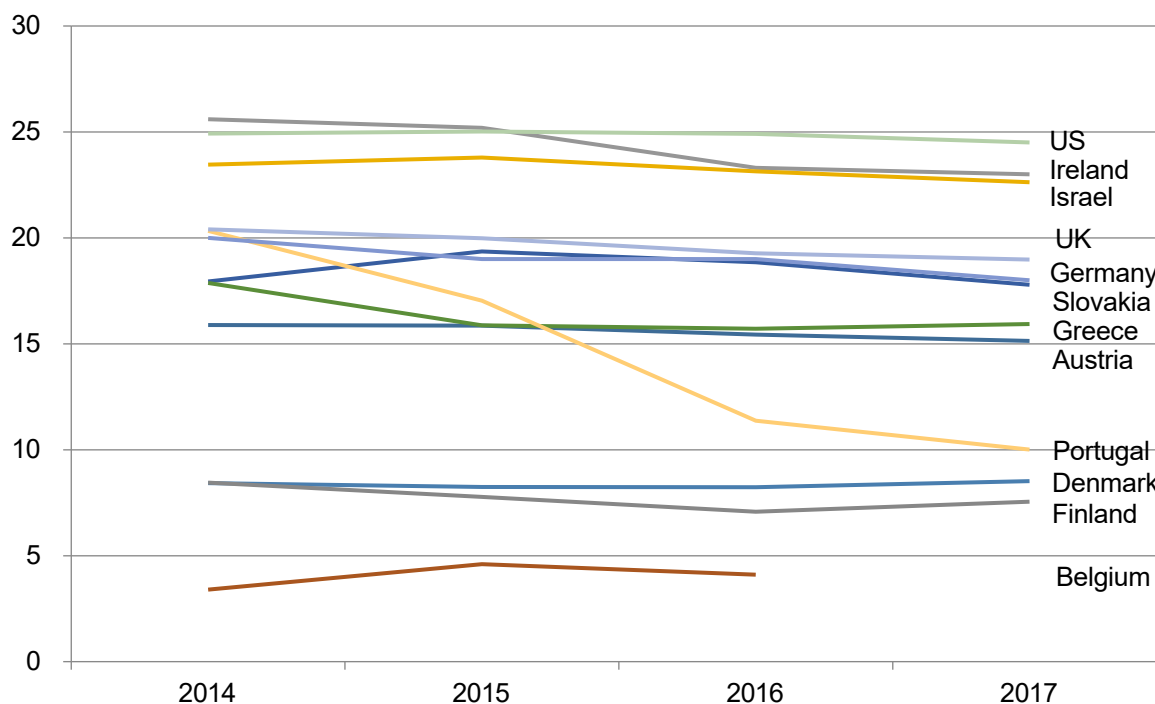
<sup>38</sup> This is a relative measure of poverty referring to the share of people with an equivalised disposable income (after social transfer) below a threshold set at 60% of the national median equivalised disposable income after social transfers (Eurostat, 2019). As of 11/12/2019:

[https://ec.europa.eu/eurostat/statistics-explained/index.php/Glossary:At-risk-of-poverty\\_rate](https://ec.europa.eu/eurostat/statistics-explained/index.php/Glossary:At-risk-of-poverty_rate)

<sup>39</sup> Eurostat (2018). As of 05/08/2019: <https://ec.europa.eu/eurostat/web/products-eurostat-news/-/DDN-20180316-1>

with a high proportion of low-paid workers. Recent statistics show the UK in the group of countries with high incidence of low pay (Figure 2). Analysis of 22 EU countries by Maître et al. (2012) shows that the UK has the fifth highest percentage of low-paid employees.<sup>40</sup>

**Figure 2. Incidence of low pay (in %) in selected OECD countries (2014–2017)**



Source: OECD (2019). As of 13/01/2020: <https://stats.oecd.org/Index.aspx?QueryId=64193>

The above figure shows a decrease in the incidence of low pay for the UK from 20.4% in 2014 to 19.0% in 2017.<sup>41</sup> The Resolution Foundation credits the introduction of the National Living Wage (in 2016) as a key factor in this reduction.<sup>42</sup>

### Common causes of low pay

Factors that contribute to low pay relate to the economy, the operations of the welfare state, collective bargaining, and the circumstances and choices made by individuals and families.<sup>43</sup>

<sup>40</sup> Maître, B., B. Nolan and C. J. Whelan (2012). 'Low Pay, In-Work Poverty and Economic Vulnerability: A Comparative Analysis Using EU-SILC.' *The Manchester School* 80(1): 99–116.

<sup>41</sup> OECD (2019). 'Incidence of Low Pay – decile ratios of gross earnings.' OECD.STAT, as of 13/01/2020: <https://stats.oecd.org/Index.aspx?QueryId=64193>

<sup>42</sup> Cominetti, N., K. Henehan and S. Clarke (2019). 'Low Pay Britain 2019.' Resolution Foundation, May 2019.

<sup>43</sup> McKnight et al. (2016).

Changes to the labour market structure due to increased globalisation and technological developments<sup>44,45</sup> have contributed to polarisation of skills (in which demand for medium-skilled occupations is falling, while demand for high-skilled and low-skilled occupations is rising).<sup>46,47</sup> Low work intensity and labour market slack are an important consideration – around 50 million people were underemployed in the EU in 2015.<sup>48</sup> This has been accompanied by a relative expansion of low-quality jobs and precarious employment.<sup>49,50</sup> Sectors particularly affected by precarious employment include care, retail, hospitality, construction and outsourcing.<sup>51</sup>

In some countries (for example, Belgium, Denmark) collective bargaining at national, sectoral and firm level determines wages, working hours and other conditions of employment.<sup>52,53</sup> Bosch and Gautie (2011) argue that the strength of the unions facilitated narrowing wage gaps between industries, as well as between different groups of workers.<sup>54</sup> In the UK, however, the role of trade unions has declined in recent decades, which some authors link with the deterioration of working conditions and benefits.<sup>55</sup>

Some authors suggest that high shares of workers on low pay may be associated with low minimum wage levels (like in Germany), while others with low shares of low-paid workers (including France) tend to have high levels of statutory minimum wages.<sup>56</sup> This is contrary to the recent analysis showing that the UK now has one of the OECD's highest minimum wages, and that this covers an above-OECD-average proportion of the labour force.<sup>57</sup>

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<sup>44</sup> Thompson, S. and I. Hatfield (2015). 'Employee Progression in European Labour Markets.' Institute for Public Policy Research.

<sup>45</sup> Devins, D., T. Bickerstaffe, B. Mitchell and S. Halliday (2014). 'Improving Progression in Low-Paid, Low-Skilled Retail, Catering and Care Jobs.' Joseph Rowntree Foundation.

<sup>46</sup> Thompson, S. and I. Hatfield (2015). 'Employee Progression in European Labour Markets.' Institute for Public Policy Research.

<sup>47</sup> Cedefop (2015). 'Focus on Polarisation of skills in the labour market.' As of 12/08/19: [https://skillspanorama.cedefop.europa.eu/en/analytical\\_highlights/focus-polarisation-skills-labour-market](https://skillspanorama.cedefop.europa.eu/en/analytical_highlights/focus-polarisation-skills-labour-market)

<sup>48</sup> Hurley, J. and V. Patrini (2017). 'Estimating labour market slack in the European Union.' Eurofound.

<sup>49</sup> Georgescu, M.-A. and H. Emilia (2019). 'Productive Employment for Inclusive and Sustainable Development in European Union Countries: A Multivariate Analysis.' *Sustainability* 11(6): 1771.

<sup>50</sup> Broughton, A., M. Green, C. Rickard, S. Swift, W. Eichhorst, V. Tobsch, I. Magda, P. Lewandowski, R. Keister, D. Jonaviciene and N.E. Ramos Martin (2016). 'Precarious employment in Europe: Patterns, Trends and Policy Strategies.' PE 587.285. European Union 2016.

<sup>51</sup> Ibid.

<sup>52</sup> Vandekerckove, S. and I. Pollet (2018). 'Peer Country Comments Paper - Belgium. In-work Progression in Belgium: no jump, no joy?'

<sup>53</sup> Ilsøe, A., T. P. Larsen and J. Felbo-Kolding (2017). 'Living hours under pressure: flexibility loopholes in the Danish IR-model.' *Employee Relations* 39(6): 888–902.

<sup>54</sup> Bosch, G. and J. Gautie (2011). 'Low Wage Work in Five European Countries and the USA: the Role of National Institutions.' *Cuadernos de Relaciones Laborales* 29(2): 303–335.

<sup>55</sup> Grady, J. (2017). 'The state, employment, and regulation: making work not pay.' *Employee Relations* 39(3): 274–290.

<sup>56</sup> Vacas-Soriano, C. (2018). 'The "Great Recession" and low pay in Europe.' *European Journal of Industrial Relations* 24(3): 205–220.

<sup>57</sup> Cominetti et al. (2019). 'Low Pay Britain 2019: Moving forward: the future of the UK minimum wage.' Resolution Foundation.

Finally, individuals and families make choices in relation to the work that they do, and may have preferences for different job characteristics. However, it has been argued that individuals' ability to choose their own career options is often constrained by their circumstances, and many of these choices may be limited or in fact involuntary,<sup>58</sup> which affects the conditions of employment or work.<sup>59</sup>

There is consensus in the literature that some groups are more affected by low pay than others. These groups include: women, younger workers, people with disabilities, ethnic minorities, individuals with low skill levels,<sup>60</sup> single parents<sup>61,62</sup> – particularly single mothers,<sup>63</sup> part-time workers,<sup>64</sup> and workers on temporary or casual contracts.<sup>65</sup>

Getting a job is not an automatic route out of poverty.<sup>66</sup> However, employment can help alleviate poverty if a job is of a certain quality, is secure and has an adequate pay, or at least opportunity for pay progression.<sup>67</sup> In-work progression has therefore become an area of interest to policy makers, although it remains an 'underexplored' area in terms of evidence gathering.<sup>68</sup>

### **Pay progression**

One of the most commonly cited sources of measuring progression rates in Europe is the EU Statistics on Income and Living Conditions (EU-SILC).<sup>69</sup> Using EU-SILC data, Thompson and Hatfield (2015) differentiate between 4 measures of labour market progression: 1) occupational progression; 2) employment earnings (using full-year, full-time employee earnings);<sup>70</sup> 3) hours progression; and 4) contractual.<sup>71</sup> These are outlined below.

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<sup>58</sup> Perez, C.C. (2019). *Invisible Women: Exposing Data Bias in a World Designed for Men*. Random House.

<sup>59</sup> Taylor, M., G. Marsh, D. Nicol and P. Broadbent (2017). 'Good work: The Taylor review of modern working practices.'

<sup>60</sup> McKnight et al. (2016).

<sup>61</sup> Berthold, N. and M. Coban (2014). 'Wage subsidies against in-work poverty: Why the U.S. is more successful than Germany.' *Wirtschaftsdienst* 94(2): 118–124.

<sup>62</sup> The National Voice for Lifelong Learning (2015). 'No Limits: From Getting By to Getting On.' *Policy Solutions* Issue 1.

<sup>63</sup> Aaberge, R. and L. Flood, (2013). 'U.S. Versus Sweden: The Effect of Alternative In-Work Tax Credit Policies on Labour Supply of Single Mothers.' *IZA Discussion Paper* No. 7706. Available at SSRN: <https://ssrn.com/abstract=2349029>.

<sup>64</sup> Nightingale, M. (2019). 'Stepping-Stone or Dead End: To What Extent Does Part-Time Employment Enable Progression out of Low Pay for Male and Female Employees in the UK?' *Journal of Social Policy*.

<sup>65</sup> Bennett, F. (2013). 'The "living wage", low pay and in work poverty: Rethinking the relationships.' *Critical Social Policy* 34(1): 46–65. (p. 55).

<sup>66</sup> Devins et al. (2014). See also: Filandri, M. and E. Struffolino (2019). 'Individual and household in-work poverty in Europe: understanding the role of labor market characteristics.' *European Societies* 21(1): 130–157.

<sup>67</sup> Devins et al. (2014).

<sup>68</sup> D'Arcy (2018).

<sup>69</sup> Eurostat (2020). As of 13/01/2020: <https://ec.europa.eu/eurostat/web/microdata/european-union-statistics-on-income-and-living-conditions>

<sup>70</sup> While comparing hourly pay progression was preferable by the authors, these data were not available across all EU countries.

<sup>71</sup> Thompson, S. and I. Hatfield (2015). 'Employee Progression in European Labour Markets.'

**Occupational progression:** this refers to skill progression when workers move into higher skilled work, which tends to be linked to higher pay. Out of 20 EU countries included in Thompson and Hatfield's analysis, the UK ranked fifth (after Belgium, Estonia, Czech Republic and Latvia).<sup>72</sup> The authors note, however, that much of the occupational progression in the UK is movement from middle-skilled to high-skilled jobs, rather than progression out of low-skilled jobs.<sup>73</sup> The report also finds that men were more likely to experience occupational progression than women.<sup>74</sup> In contrast to most other EU countries, the UK did not record any stark differences in occupational progression rates among age groups. In other countries, people under 44 years of age were more likely to progress than people who are older.<sup>75</sup>

**Employment earnings:** In comparison with other EU countries, the level of earnings progression (defined as the proportion of employees that move to a higher earnings decile) is on the weaker side in the UK (30%), with Bulgaria and Latvia found to be strong performers (42%) and Finland and Luxembourg the weakest performers (25%).<sup>76</sup> Looking more specifically at progression out of low pay, the report finds the highest rates of progression in Belgium, Sweden and Norway, while the UK is at the lower end of the distribution ranked just 19<sup>th</sup> out of 22 countries (Figure 3).

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<sup>72</sup> Ibid.

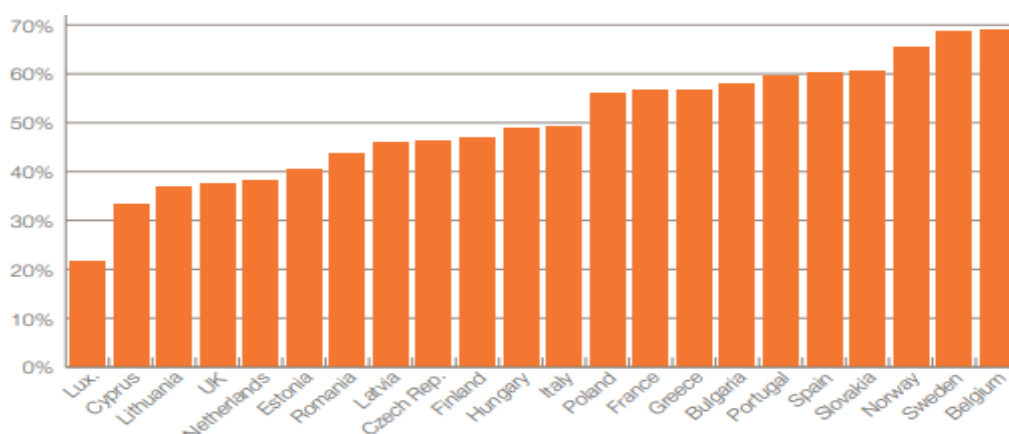
<sup>73</sup> Ibid.

<sup>74</sup> Ibid.

<sup>75</sup> Ibid.

<sup>76</sup> Ibid.



**Figure 3. Progression rates (%) out of low pay among full-year, full-time workers in selected European countries, 2004–2011**

Note: Includes those who were full-year, full-time employees in both year one and year 4 of the EU-SILC. 'Low pay' was defined in each country as two-thirds of median earnings for full-year, full-time employees.

Source: Thompson and Hatfield (2015)

**Hours progression:** the highest rates of hours progression (defined as movement from part- to full-time employment) were observed in Hungary, Bulgaria and the Czech Republic, where more than half of part-time workers moved into full-time employment over a 4-year period. The UK (along with Belgium, the Netherlands and Luxembourg) fell on the other end of the spectrum, where fewer than 20% of part-time workers moved into full-time work.<sup>77</sup> This rate of progression varies by gender with women generally having much lower rates of progression from part- to full-time work than men.

**Contractual progression:** this refers to progression from temporary to permanent employment. In the UK exactly half (50%) of workers employed on a temporary basis had moved to a permanent position in 4 years. The rates in other EU countries vary from 30% (in France) to 70% (in Romania), placing the UK in the middle of the distribution of European countries.<sup>78</sup>

Other authors offer additional insights into pay progression in the UK and other countries. Schnabel's (2016) analysis finds that "countries with a relatively large share of low-paid workers also seem to be those countries where it is most difficult to move out of low-wage employment."<sup>79</sup> Comparing data on male, low-paid full-time workers in 12 EU countries between 1994 and 2001, Schnabel (2016) found that "that the probability of a worker remaining in low-paid employment over 2 successive years varied from 49% (in Spain) to 70% (in the Netherlands)."<sup>80</sup> When analysing progression from one year to the next, the study finds that "across the EU-15 countries, about half of those workers who were low-paid in 2000 were still low-paid

<sup>77</sup> Thompson, S. and I. Hatfield (2015). 'Employee Progression in European Labour Markets.'

<sup>78</sup> Ibid.

<sup>79</sup> Schnabel, C. (2016). 'Low-wage Employment. Are Low Paid Jobs Stepping Stones to Higher Paid Jobs, Do They Become Persistent, Or Do They Lead to Recurring Unemployment?' (276).

<sup>80</sup> Ibid.

in 2001, whereas 31% managed to obtain wages above the low-wage threshold and almost 18% moved into non-employment.”<sup>81</sup>

While the UK has been considered effective at moving people into work, less support exists for people in low-paid work.<sup>82</sup> Research by the Resolution Foundation shows that people in the UK often get trapped in a ‘low pay, no pay’ cycle.<sup>83</sup> This is also highlighted by D’Arcy and Hurrell (2014), who studied progression for people in low pay between 2001 and 2011 and found that even after working for several years, many people never earn above the low-pay threshold.<sup>84</sup>

An opposite view is offered by Pavolopoulos et al. (2012) who suggest that while there are more people in low pay, progression in the UK is easier than in other countries (including Germany).<sup>85</sup> The authors attribute this difference to the degree of labour market regulation, explaining that progression is more likely to occur in more flexible labour markets. Countries that have a medium degree of regulation and flexibility, such as the Netherlands, also occupy an intermediate position in the ranking of countries’ rates of progression.<sup>86</sup>

## 2.2. Demand and supply factors that influence the rate of pay progression

Progression from low to high pay is affected by a number of different conditions. Based on his study on progression in the EU, Schnabel (2016) identifies the following factors: 1) individual characteristics; 2) sector-specific, occupational, and establishment characteristics; 3) labour market conditions; and 4) labour market regulations, including training and other related employment policies.<sup>87</sup>

**Individual characteristics:** On the supply side, factors that affect pay progression include features such as gender, age and skill levels. Schnabel (2016) finds that women, low-skilled workers and older workers are less likely to experience progression, while younger workers at the beginning of their career tend to see the biggest gains.<sup>88</sup> Many also argue that career counselling supports an individual’s

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<sup>81</sup> Ibid.

<sup>82</sup> Hendra, R., Riccio, J.A., Dorsett, R., Greenberg, D.H., Knight-Hierro, G., Phillips, J., Robins, P.K., Vegeris, S., Walter, J., Hill, A., Ray, K. and Smith, J., (2011). ‘Breaking the low-pay, no-pay cycle: Final evidence from the UK Employment Retention and Advancement (ERA) demonstration.’ DWP Research Report No 765.

<sup>83</sup> Ibid.

<sup>84</sup> D’Arcy, C. and A. Hurrell (2014). ‘Escape Plan: Understanding who progresses from low pay and who gets stuck.’

<sup>85</sup> Pavolopoulos, D., R. Muffels and J. K. Vermunt (2012). ‘How real is mobility between low pay, high pay and non-employment?’ *Journal of the Royal Statistical Society. Series A (Statistics in Society)* 175(3): 749–773.

<sup>86</sup> Ibid.

<sup>87</sup> Schnabel (2016).

<sup>88</sup> Ibid.

career progression and needs to take into account “one’s preferences, affinities, health, capabilities and personal circumstances.”<sup>89,90</sup>

**Sector-specific characteristics:** On the demand side, Schnabel (2016) notes that pay, management and progression structures at existing employers play a crucial role in facilitating progression, including enabling progression from low- to high-pay jobs.<sup>91</sup> The size of the employer is likely to play a role too: workers in larger firms are more likely to progress than those in smaller ones because the large companies tend to offer more training and other opportunities to staff that help build human capital.<sup>92</sup>

Lamback et al. (2018) analysed a nationwide sample of 3.7 million resumes in the US to establish which jobs help advance career prospects – including but not limited to salary increases (Table 2) – and found that the most promising careers were in business and IT positions.<sup>93</sup> Other studies focused on selected sectors. Research into the retail sector in the UK found that those who moved into non-retail occupations earned 18% more 5 years later than those who did not.<sup>94</sup> Research in Germany found that workers in agriculture are very unlikely to transition out of low-pay employment, while workers in the public sector seemed to have a much higher chance of progressing from low to high pay.<sup>95</sup>

**Table 2. Percentage of employment by opportunity category**

Sector	Lifetime jobs	Springboard jobs	Static jobs	Wage increase
Health-care	55	5	40	20
Business	20	80	1	17
IT	16	84	0	12
Manufacturing	38	0	62	13

Note: The job categories include: **lifetime jobs** rarely allow for career progression but pay well and offer stability (for example, in advanced manufacturing, some medical professions); **springboard jobs** provide opportunities to advance to different roles with more responsibility and greater pay within the same career area (including in HR, business and IT); **static jobs** do not offer career progression, do not pay well and suffer from high turnover (including traditional manufacturing, some health-care positions). **Wage increase** was measured over a 5-year period.

Source: Adapted from Lamback et al. (2018)

**Labour market conditions:** Schnabel (2016) does not find any “clear-cut evidence on how overall economic conditions and the state of the labour market affect transitions from low-paid to high-paid employment.”<sup>96</sup> However, a European study

<sup>89</sup> Fröhlich, D.E., L. Mingyang and, B.I.J. Maria Van der Heijden (2018). 'Work in progress: the progression of competence-based employability.' *Career Development International* 23(2): 230–244.

<sup>90</sup> Mackay, S., F. Chipato, and G. Thom (2016). 'Evaluation of UK Futures Programme: Final Report for Productivity Challenge 3: Pay and Progression Pathways in Hospitality and Retail.' UK Commission for Employment and Skills.

<sup>91</sup> Schnabel (2016).

<sup>92</sup> Ibid.

<sup>93</sup> Lamback S., C. Gerwin and D. Restuccia (2018). 'When is a job just a job – and when can it launch a career? The real economic opportunities of middle-skill work.' JFF.

<sup>94</sup> D'Arcy (2018).

<sup>95</sup> Schnabel (2016).

<sup>96</sup> Ibid.

reports a small dampening effect of higher unemployment rates on transitions from low- to high-paid jobs between 2 successive years (but no effect is seen on transitions over 3 years).<sup>97</sup> An empirical study in Australia suggests that transitions between various labour force and earnings statuses are lower under weak than under strong economic conditions.<sup>98</sup>

**Labour market regulations and policies:** A systematic review of interventions to improve the labour market outcomes of young people (aged 15 to 35) showed that on average they had positive (and statistically significant) impacts on earnings.<sup>99</sup> The findings also indicate that entrepreneurship promotion and skills training were effective in raising earnings, while the effects of employment services and subsidised employment were negligible and/or statistically insignificant.<sup>100</sup> More targeted research on the role of training in facilitating progression also suggests a positive relationship.<sup>101</sup>

As this section demonstrates, there is a variety of factors that may influence the rate of progression, and this can vary from country to country based on conditions specific to each nation.

## 2.3. Pay progression and productivity

It is often posited that the squeeze on incomes since the financial crisis has primarily resulted from the UK's sluggish productivity growth.<sup>102</sup> However, the literature provides a mixed picture as to whether there is a link between pay progression and productivity (usually measured as GDP per worker), and the direction of such a link is not entirely clear.<sup>103</sup>

On the one hand there is a body of literature that indicates that a positive relationship exists. For example, Skelton (2015) argues that boosting productivity is one of the best ways to improve wages and living standards, and that this can be achieved

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<sup>97</sup> European Commission (2004). 'Employment in Europe.' Luxembourg: European Commission.

<sup>98</sup> Cai, L. (2014). 'State-dependence and stepping-stone effects of low-pay employment in Australia.' *Economic Record* 90:291: 486–506.

<sup>99</sup> Kluve, J., Puerto, S., Robalino, D., Romero, J.M., Rother, F., Stoeterau, J., Weidenkaff, F. and Witte, M. (2017). 'Interventions to improve the labour market outcomes of youth: A systematic review of training, entrepreneurship promotion, employment services and subsidized employment interventions.' *Campbell Systematic Reviews*, 13(1), 1–288.

<sup>100</sup> This is in line with a meta-analysis of Active Labour Market Policies (ALMP) that shows that subsidised employment and public employment programmes have negative short-term impacts and turn positive in the longer run. However, services such as job-search assistance and training programmes do not have these negative short-term effects, and stay positive from 6 until 36 months after program start. See Vooren, M., Haelermans, C., Groot, W. and Maassen van den Brink, H. (2019). 'The effectiveness of active labor market policies: a meta-analysis.' *Journal of Economic Surveys*, 33(1), 125–149.

<sup>101</sup> Schnabel (2016).

<sup>102</sup> Pessoa, J.P. and J. Van Reenen (2014). 'The UK Productivity and Jobs Puzzle: Does the Answer Lie in Wage Flexibility?' *The Economic Journal*, Volume 124, Issue 576, 1 May 2014, 433–452. As of 13/01/2020: <https://doi.org/10.1111/eoj.12146>

<sup>103</sup> See Sharpe, A., Harrison, P., and Arsenault, J. F. (2008). 'The relationship between labour productivity and real wage growth in Canada and OECD countries.' Center for the Study of Living Standards.

through education reform and better training opportunities.<sup>104</sup> According to the author, improving wages may lead to higher productivity as employers take steps to boost productivity in order to deal with increased labour costs.<sup>105</sup> Evidence suggests that this is what happened when companies responded to increases in the NMW (and labour costs) by raising labour productivity.<sup>106</sup>

According to Webb et al. (2018), poor management practices and work arrangements form one of the key barriers to job progression, particularly for workers on non-standard contracts and on part-time contracts, as well as for women in general.<sup>107,108</sup> Improving these practices so that employers provide information about progression and learning opportunities,<sup>109</sup> and offer flexible progression pathways, can increase productivity.<sup>110</sup> Indeed, a survey of productivity across a number of sectors showed a significant positive correlation between management practice scores and labour productivity, and estimated that improving the quality of firms' management practices from poor to average could increase productivity by 19%.<sup>111</sup>

There is also qualitative evidence that suggests that some employers perceive several positive benefits of increased wages, including increased worker morale and motivation, reduced absenteeism, positive impacts on recruitment and retention,<sup>112</sup> improved customer service and increased customer spending.<sup>113</sup>

On the other hand, several sources speak of wage growth falling behind productivity growth (known as 'decoupling').<sup>114,115</sup> For example, Kampelmann and Rycx (2011) found in Belgium that while occupations were associated with different levels of earnings, there was little evidence of a link between occupations and productivity.<sup>116</sup>

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<sup>104</sup> Skelton, D. (2015). 'Tackling Low Pay.' The Centre for Social Justice.

<sup>105</sup> Ibid.

<sup>106</sup> Riley, R. and C.R. Bondibene (2017). 'Raising the standard: minimum wages and firm productivity.' *Labour Economics*, 44, 27–50.

<sup>107</sup> Thom, G., M. Agur, S. Mackay, F. Chipato, K. MacLeod, H. Hope and C. Stanfield (2016). 'Evaluation of the UK Futures Programme: conclusions and guidance.' UK Commission for Employment and Skills.

<sup>108</sup> Webb, J., A. Parker, H. Hodges and M. Mathias (2018). 'Promoting Job Progression in Low Pay Sectors.' Cardiff: Wales Centre for Public Policy.

<sup>109</sup> Thom et al. (2016).

<sup>110</sup> Timewise (2016). 'Moving up in retail: An employer's guide to enabling talent progression through flexible working.' As of 15/08/2019: <https://timewise.co.uk/wp-content/uploads/2018/02/1880-Timewise-Retail-Flexible-working-report-10.pdf>

<sup>111</sup> ONS (n.d.). 'Management practices and productivity in British production and services industries – initial results from the Management and Expectations Survey: 2016.' As of 16/08/2019: <https://www.ons.gov.uk/employmentandlabourmarket/peopleinwork/labourproductivity/articles/experimentaldataonthemanagementpracticesofmanufacturingbusinessesingreatbritain/2018-04-06>

<sup>112</sup> London Economics (2009). 'An Independent Study of the Business Benefits of Implementing a Living Wage Policy in London.'

<sup>113</sup> Devins et al. (2014).

<sup>114</sup> OECD (2018). 'Decoupling of Wages From Productivity: What Implications for Public Policies?' See also: Thompson, S. and I. Hatfield (2015). 'Employee Progression in European Labour Markets'; Grady, J. (2017). 'The state, employment, and regulation: making work not pay.' *Employee Relations* 39(3): 274–290.

<sup>115</sup> Thompson, S. and I. Hatfield (2015). 'Employee Progression in European Labour Markets.'

<sup>116</sup> Kampelmann, S., and Rycx, F. (2011). 'Are occupations paid what they are worth? An econometric study of occupational wage inequality and productivity.' *Forschungsinstitut zur Zukunft der Arbeit*.

In the UK, D'Arcy (2018) shows that as of 2017 there was no indication that the NLW has led to increased labour productivity.<sup>117</sup>

Grady (2017) attributes this to increased “financialization” of the labour market where “value is no longer sought from the production of goods and services, but rather from finding other ways to realise financial value.”<sup>118</sup> A focus on reducing labour costs to increase shareholder value and returns on investments leads to worsening conditions for employees.<sup>119</sup> This is also why manager salaries continue to increase, deepening a division between the poorly paid and highly paid. As such, some authors argue that the real problem is not the decoupling of wages from productivity but the growing wage inequality among employees.<sup>120</sup> Most of the increase in individual wage inequality can be accounted for by an increase in inequality between firms (and within industries),<sup>121</sup> which may point to the need for sectoral approaches to address in-work progression.

Overell et al. (2016) find that the biggest productivity gaps were among the more knowledge-intensive (and better paying) sectors (for example business and professional services, property, manufacturing and digital work), while low-productivity sectors (including administration, health and social work, arts, entertainment, retail) had relatively good levels of productivity, leaving little room for further improvements.<sup>122,123</sup> As a result, Overell et al. argue that productivity growth in low-productivity sectors is unlikely to reduce the incidence of low pay.<sup>124</sup> This is because increased productivity rates in those sectors may also be driven by increased automation, which means that increased productivity would not be connected to pay.<sup>125</sup>

Delving deeper into this debate around wages, progression and productivity, and systematically assessing the arguments on both sides is beyond the scope of this report. However, one take-away point from the discussion thus far is that wages and progression are elements within a complex and multi-faceted labour market system, and approaches to improving workers' conditions require a holistic response, of which pay progression is only one element.

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<sup>117</sup> D'Arcy (2018).

<sup>118</sup> Grady, J. (2017). 'The state, employment, and regulation: making work not pay.' *Employee Relations* **39**(3): 274–290.

<sup>119</sup> Ibid.

<sup>120</sup> Pessoa, J.P. and Van Reenen, J. (2013). 'Decoupling of Wage Growth and Productivity Growth? Myth and Reality.' CEP Discussion Paper No. 1246.

<sup>121</sup> Faggio, G., Salvanes, K.G. and Van Reenen, J. (2010). 'The evolution of inequality in productivity and wages: panel data evidence.' *Industrial and Corporate Change* **19**(6), 1919–1951.

<sup>122</sup> Overell, S., B.-V. Britta and B. Kulka (2016). 'Low Pay & Productivity in Greater Manchester.'

<sup>123</sup> Giles, C. (2018). 'Britain's productivity crisis in eight charts. Slowdown in output per hour worked has many facets.' *Financial Times*. As of 16/08/2019: <https://www.ft.com/content/6ada0002-9a57-11e8-9702-5946bae86e6d>

<sup>124</sup> Overell, S., B.-V. Britta and B. Kulka (2016). 'Low Pay & Productivity in Greater Manchester.'

<sup>125</sup> Ibid.

## 2.4. Pay progression and living standards

Discussions on the relationship between pay progression and living standards relate to debates around poverty and employment, and whether work can provide an effective route to better living standards and social mobility.

A central consideration for this discussion is the fact that many low-paid workers do not live in poor households (as a result of the earnings of their partner),<sup>126</sup> and some workers who live in poor households are not low paid.<sup>127</sup> A recent study shows that people with the lowest incomes do not always have the lowest living standards, partly because some of them are on low income only temporarily (for example, when between jobs) and therefore can maintain their living standards.<sup>128</sup> At the same time many workers are trapped in 'low paid careers' spanning years or even decades. Between 2006 and 2016 only 17% of low-paid workers made a sustained move onto higher wages; 25% remained stuck throughout the period and 48% moved on to higher wages at some point, but could not sustain that progress.<sup>129</sup>

The risk of poverty depends strongly on the household and income configuration of the low-paid worker, with single-earner households being most at risk.<sup>130</sup> In dual-income households, low pay contributes to financial dependency on spouses or partners, and as such it puts many low-paid workers in a vulnerable position if their circumstances change.

Focusing on pay often risks overlooking the context. This includes different public policy settings (regulatory drivers and welfare state arrangements that play key roles in accounting for the wide variation in poverty risks<sup>131</sup>), as well as household compositions. According to the OECD, the standard of living that can be reached by working full-time on low pay is lower for families with children than for those without. Among 2-adult households, financial rewards for taking up a job by the second earner are substantially higher (compared to social assistance) in childless households.<sup>132</sup> These considerations are critical, because it is known that younger workers might be on low pay but they often have no dependents – this contrasts sharply with the situation of lone parent households.

Higher in-work benefits and minimum wages can contribute to lifting households out of poverty and increasing living standards.<sup>133</sup> However, the reviewed literature

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<sup>126</sup> Cribb, J., R. Joyce and A. Norris Keiller (2017). 'Minimum wages in the next parliament.' Institute for Fiscal Studies.

<sup>127</sup> Marx, I., J. Horemans, S. Marchal, T. Van Rie, and V. Corluy (2013). 'Towards a better marriage between job growth and poverty reduction.'

<sup>128</sup> Bourquin, P., J. Cribb, T. Waters, and X. Xu (2019). 'Living standards, poverty and inequality in the UK: 2019.' The Institute for Fiscal Studies.

<sup>129</sup> D'Arcy, C. and D. Finch (2017) 'The Great Escape? Low pay and progression in the UK's labour market.' October 2017 Resolution Foundation. Social Mobility Commission.

<sup>130</sup> Marx, I. and B. Nolan (2012). 'In-work poverty.' AIAS, GINI Discussion Paper 51.

<sup>131</sup> Horemans, J., and I. Marx (2013). 'In-work poverty in times of crisis: do part-timers fare worse?' ImPRovE Discussion Paper No. 13/14. Antwerp.

<sup>132</sup> Ibid.

<sup>133</sup> Ibid; see also: Hirsch, D. (2018). 'The "living wage" and low income: Can adequate pay contribute to adequate family living standards?' *Critical Social Policy* 38(2): 367–386.



indicates that in-work benefit schemes should be well targeted for the benefits to be generous enough to have a real impact.<sup>134</sup> Similarly, some authors consider that for the minimum wages to take effect, increases in pay floors have to be substantial.<sup>135</sup> However, in the authors' view higher hourly wages may not compensate for cuts in means-tested support or the consequences of precarious employment.<sup>136</sup>

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<sup>134</sup> OECD (2009). *Is Work the Best Antidote to Poverty?*

<sup>135</sup> Hirsch (2018).

<sup>136</sup> *Ibid.*



## 3. Reviewing evidence on interventions for in-work progression

This chapter summarises the findings from the rapid evidence assessment that identified 630 sources in total, of which 30 sources and 23 interventions were reviewed. In particular, it explores the scope of these selected policies and programmes and assesses evidence of their effectiveness and impact, including on key subgroups.

### 3.1. Policies and programmes aiming at in-work progression

#### **Policies that support in-work progression: definitions used in different countries**

While ‘progression’ is generally taken to describe improvements in the labour-market position of individual workers, precise definitions can vary substantially. The reviewed literature used a diverse terminology, including pay or wage progression, job progression, career development and career advancement, in-work support, or interventions tackling low pay or in-work poverty.

An overview of specific interpretations of in-work progression identified in the international evidence (most of which originate from the US) is provided below (Box 3). This evidence shows that definitions do not only vary across countries, but also within them. It is also likely that interpretations of in-work progression in a given country are not limited to those presented below.

#### **Box 3. Definitions of in-work progression in policies of other countries, as identified in the review**

**Germany** – workforce development and integration policies in Germany aim to support immigrants' advancement on the labour market. Burkert (2014) refers to ‘upward (job) mobility’ and focuses on progression into middle- and high-skilled jobs, rather than specifically pay progression.

**Lithuania** – local employment strategies in Lithuania aim to address the shrinking and ageing labour markets, focusing on skills development and the

prolongation of working life, rather than pay progression (Gausas and Vosyliute 2015).

**The Netherlands** – a policy in this country aims to increase the average number of working hours of part-time workers. Possenriede et al. (2016) analyse whether flexi-time and telehomework arrangements increase the number of actual, contracted, and preferred working hours.

**Japan** – firms in Japan are encouraged to provide training for workers in flexible work arrangements (for example non-regular employees working part-time or with fixed-term employment contracts). Hara (2014) examines the effect of this training on skills, productivity and wage growth.

**US** – some programmes fall under broad active labour market policies: Hock et al. (2017) look at work-focused support, such as education, while Barnette and Jooyoun (2017) examine occupational training programmes and wage replacement rates. Some policies explicitly aim at in-work or pay progression. Dill and Morgan (2018) examines career development programmes that focus on employability of individuals as key for their in-work progression; Gasper et al. (2017), Schaberg (2017) and Hendra et al. (2016) estimate impacts of sectoral employment programmes on employment and (annual) earnings; Iowa Department of Education (2016) studies adult education programmes that aim to increase the employability, retention, and earnings of participants; Berthold and Coban (2014) explore ‘make work pay’ strategies; Scheuler et al. (2014) focus on vocational training and educational attainment programmes that offer earnings progression and wider economic stability; and Dill et al. (2014) examine how to enable in-work progression for health-care workers.

Source: Authors' elaboration based on various sources

Furthermore, not only can ‘progression’ refer to different outcomes in different countries or policy contexts, conversely some interventions might target similar outcomes without directly referring to progression (for example career advancement or job ladder interventions).

## **Countries with relevant in-work progression policies and programmes**

Beyond the terminology issues, the actual level of policy development around in-work progression varies substantially across countries, and this is related to a number of factors. Firstly, slow (or lack of) in-work progression affects countries to a different extent: as such, countries with large shares of people on low pay (or with slow pay progression) are more likely to experiment with policy measures that aim to address this. For instance, the US and the UK both have sought to tackle low rates of pay progression and are therefore examining options to mitigate this. Secondly, the problem of low pay (or pay progression) generates levels of interest among policy makers that vary depending on wider economic outlooks. In times of recession or high unemployment, policies that help people into jobs are likely to take

precedence over other considerations, although some authors question this approach.<sup>137</sup> Thirdly, not all policies and programmes undergo careful scrutiny: again, some countries have stronger traditions of evidence-based policy making. However, even when the programmes are evaluated, the evaluation results are often reported long after the programme's introduction. Finally, access to information about both the policies and evidence behind them is varied, and is often skewed towards countries with strong academic and research centres. All these factors come into play when conducting an evidence review and mapping out countries that appear to employ in-work progression policies and programmes.

The sources identified in this REA that met the inclusion criteria – following a detailed review – yielded the following number of interventions by country. Nearly half of the explored programmes (11 of 24) originate in the US. The second largest group of programmes came from Germany (4), 2 interventions were examined in the UK, followed by policies in the Czech Republic, France, Lithuania, the Netherlands, Japan, Spain and Sweden (see Table 3).

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<sup>137</sup> Butterworth, P., L.S. Leach, S. McManus & S.A. Stansfeld (2013). 'Common mental disorders, unemployment and psychosocial job quality: is a poor job better than no job at all?' *Psychological medicine*, 43(08), 1763–1772.

**Table 3. Countries where programmes on in-work progression were examined by the sources included in the review**

Country	Name of intervention	Description	Type of intervention*	Target audience	Strength of evidence	Impacts
US	Trade Adjustment Assistance <sup>138</sup>	Provides reemployment services including training and job-search assistance, and benefits for displaced workers who have lost their jobs or suffered a reduction of hours and/or wages as a result of changes to production and imports	1 – Education and training 2 – Career coaching and counselling 4 – Tax and in-work benefit systems	Workers adversely affected by import competition	<i>Moderate</i> – regression analysis using administrative data	Occupational training is effective at reducing the size of wage loss by at least 46%, resulting in a 3.4% average increase for wage replacement rates
	Earned Income Tax Credit <sup>139</sup>	A means-tested benefit for working people with low to moderate income, particularly those with children	4 – Tax and in-work benefit systems 5 – Employer-focused initiatives	Poor households with multiple children and single-parent households	<i>Low</i> – comparison of statistical datasets	The US model of Earned Income Tax Credit shows better results than the German Unemployment Benefit II
	Job Corps <sup>140</sup>	Provides all young adults 16–24 with an integrated package of work-focused support including general education, vocational training and soft skills development	1 – Education and training	Economically disadvantaged youth facing education or employment barriers	<i>Strong</i> – RCT	Per-participant impacts were \$3,490 in year 2 (57% increase compared to counterfactual), \$4,104 in year 3 (51% increase), and \$4,304 in year 4 (38% increase)

<sup>138</sup> Barnette and Jooyoun (2017).

<sup>139</sup> Berthold and Coban (2014).

<sup>140</sup> Hock et al. (2017).

Adult Education and Literacy <sup>141</sup>	Provides lifelong educational opportunities and support services to eligible participants to improve their knowledge and skills necessary for work, further education, family self-sufficiency, and community involvement	1 – Education and training	People at least 16 years old who are not in education	<i>Low or unclear (methods not stated)</i>	Entry to employment: 43% of participants within one quarter of exiting the programme Retention: 75% of participants retained their employment for the three-quarters after their exit from the programme Earnings: no data
Women's Economic Stability Initiative <sup>142</sup>	Supports low-income, single women with children to make progress towards economic stability through vocational training or educational attainment, financial assistance and life coaching or case management	2 – Career coaching and counselling 3 – Reducing labour supply constraints	Low-income, single women with children	<i>Low – before and after design; no control group</i>	Participants made progress in attaining academic degrees, keeping their jobs, experiencing modest increases in income, some success in building assets, and paying down credit-card debt
Jobs to Careers <sup>143</sup>	Examines partnerships between health-care and educational organisations during the design and implementation of career-ladder training programmes for low-skilled workers in healthcare	1 – Education and training 5 – Employer-focused initiatives	Lower-level front line health-care workers	<i>Moderate – qualitative comparative analysis</i>	Whether a worker received a wage increase or not depended on leadership within the health-care organisation, including having an employer leader and employer implementation policies
Career development programmes <sup>144</sup>	Implement career development programmes aimed at entry-level worker career advancement in direct care (including nursing assistants), at entry level (for example, dietary, housekeeping) or among administrative workers (including unit clerks)	1 – Education and training 2 – Career coaching and counselling	Low-skill workers in health-care (entry level)	<i>Low – case studies and interviews</i>	While the career development programmes used many of the same employability practices seen among middle-class and professional workers, there were often minimal financial or educational rewards for low-level workers

<sup>141</sup> Iowa Department of Education (2016).

<sup>142</sup> Scheuler et al. (2014).

<sup>143</sup> Dill et al. (2014).

<sup>144</sup> Dill and Morgan (2018).

	Sector-Focused Career Centers <sup>145</sup>	Offer industry-specific job services and training to both unemployed and incumbent workers in New York City looking to advance in their careers	1 – Education and training 2 – Career coaching and counselling	Unemployed and incumbent workers looking to advance in their careers	<i>Moderate to strong – propensity score matching</i>	Participants in NYC earned \$5,300 more on average than matched participants in non-sector specific programmes
	Community Action Project <sup>146</sup>	Helps parents find jobs with higher levels of job security, higher wages, and other attributes that improve how they feel about their work	3 – Reducing labour supply constraints	Parents	<i>Low or unclear (methods not stated)</i>	Evaluations point to difficulties in implementation
	WorkAdvance <sup>147</sup>	Provides support (training and placement services) to job-seekers and employers in sectors where there is strong local demand and opportunities for career advancement	1 – Education and training 2 – Career coaching and counselling 5 – Employer-focused initiatives	Unemployed and low-wage working adults with a low household income	<i>Strong – RCT</i>	Participants were more likely to be employed than control group Participants had higher earnings (at 3-year follow-up) compared to control group for 3 out of 4 sites
	WorkAdvance <sup>148</sup>	As above	1 – Education and training 2 – Career coaching and counselling	Unemployed and low-wage working adults with a low household income	<i>Strong – RCT</i>	Participants’ employment in the targeted sector increased, but the size of the impact varied substantially across the sites Impacts on earnings varied across the sites, in a pattern that closely matched the providers’ experience and demand for the services they offered
Germany	Various <sup>149</sup>	Includes various interventions, including integration and skills policies, employment services and others	1 – Education and training 2 – Career coaching and counselling	Migrants	<i>Low or unclear (methods not stated)</i>	Not available

<sup>145</sup> Gasper et al. (2017).

<sup>146</sup> Heinrich (2014).

<sup>147</sup> Schaberg (2017).

<sup>148</sup> Hendra et al. (2016).

<sup>149</sup> Benton et al. (2014).

	Unemployment Benefit II <sup>150</sup>	Allows people who are able to work and looking for a job – and who are otherwise not entitled – to receive unemployment benefit	4 – Tax and in-work benefit systems 5 – Employer-focused initiatives	People in low-income households	Low – comparison of statistical datasets	The German Unemployment Benefit II shows worse results than the US Earned Income Tax Credit
	Integration through Qualification <sup>151</sup>	Provides training and research support to employment services working with foreign-born workers	1 – Education and training 2 – Career coaching and counselling	Migrants	Low or unclear (methods not stated)	Not available
	Support for regular migrants and refugees in accessing the labour market <sup>152</sup>	Aims to help refugees gain stable long-term employment through counselling (including on-the-job application processes) and short training sessions in collaboration with employers	1 – Education and training 2 – Career coaching and counselling	Refugees	Low or unclear (methods not stated)	Most participants (54%) found employment and a further 35% of participants completed certified training courses
UK	Working Families' Tax Credit <sup>153</sup>	Tax credit paid through employers rather than directly to workers, making it more salient to the employer	4 – Tax and in-work benefit systems 5 – Employer focused initiatives	Working families	Moderate – regression with control variables	The employers cut the wage of claimant workers relative to similarly skilled non-claimants by 30% of the tax credit (or 7% of the wage) There is a negative spill-over effect onto the wages of claimant and non-claimant workers of 17% (or 8% of the tax credit for claimant workers)
	Various <sup>154</sup>	Integration and skills policies, employment services and others	1 – Education and training 2 – Career coaching and counselling	Migrants	Low or unclear (methods not stated)	Not available

<sup>150</sup> Berthold and Coban (2014).

<sup>151</sup> Burkert and Haas. (2014).

<sup>152</sup> Ibid.

<sup>153</sup> Azmat (2019).

<sup>154</sup> Benton et al. (2014).

Czechia	Various <sup>155</sup>	Integration and skills policies, employment services and others	1 – Education and training 2 – Career coaching and counselling	Migrants	<i>Low or unclear (methods not stated)</i>	Not available
France	Various <sup>156</sup>	Integration and skills policies, employment services and others	1 – Education and training 2 – Career coaching and counselling	Migrants	<i>Low or unclear (methods not stated)</i>	Not available
Japan	Firm-provided training <sup>157</sup>	Offers training for workers in flexible work arrangements – including non-regular employees who are working part-time or with fixed-term employment contracts	1 – Education and training 2 – Career coaching and counselling	Non-regular workers	<i>Low – analysis of observational data</i>	No increase in earnings Positive effect for promoting transitions to standard employment – indirectly increasing earnings
Lithuania	Third Age University <sup>158</sup>	Encourages lifelong learning or training among the ageing population in order to increase working life	1 – Education and training	People aged 50+	<i>Low – case studies and interviews</i>	Participants learned skills that enabled them to earn money and improve their quality of life
Netherlands	Flexi-time and telehomework <sup>159</sup>	A means to facilitate the combination of work and private life	3 – Reducing labour supply constraints	Part-time workers	<i>Moderate – regression with control variables</i>	Telehomework is associated with moderate increases in actual hours, but not in contracted or preferred hours Flexi-time does not seem to be associated with an increase in hours worked

<sup>155</sup> Benton et al. (2014).

<sup>156</sup> Ibid.

<sup>157</sup> Hara (2014).

<sup>158</sup> Gausas and Vosyliute (2015).

<sup>159</sup> Possenriede et al. (2016).



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Spain	Various <sup>160</sup>	Integration and skills policies, employment services and others	1 – Education and training 2 – Career coaching and counselling	Migrants	<i>Low or unclear (methods not stated)</i>	Not available
Sweden	Various <sup>161</sup>	Integration and skills policies, employment services and others	1 – Education and training 2 – Career coaching and counselling	Migrants	<i>Low or unclear (methods not stated)</i>	Not available

Note: \*Adapted from McKnight et al. (2016): 1 – Education and training; 2 – Career coaching or counselling; 3 – Reducing labour supply constraints; 4 – Design of tax and in-work benefit systems; 5 – Employer-focused initiatives; 6 – Statutory minimum wages, wage floors, and other changes to employment legislation or rights.

Source: Authors' elaboration

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<sup>160</sup> Benton et al. (2014).

<sup>161</sup> Benton et al. (2014).

The large share of US policies is in line with similar reviews,<sup>162</sup> and is unsurprising, given the existence of an extensive US database and evidence reviews on the employment strategies for low-income adults for the 1990–2014 period.<sup>163</sup>

## Types of policies and programmes supporting in-work progression

The policies and programmes identified in this review represent diverse types of interventions. A typology used by McKnight et al. (2016) was adapted here to categorise these policies into the following groups:<sup>164</sup>

- Education and training (including general and specific skills training, formal education, and non-formal training programmes) – the majority of the programmes (18) identified in this review fall in this group.
- Career coaching or counselling (including employment services, such as job placement, job search, counselling, entrepreneurship promotion and subsidised employment) – this group represents the second largest category, with 16 programmes of this kind found in the review.
- Reducing labour supply constraints (including interventions that aim to increase access to childcare, transport, and other services which enable greater labour market participation) – 5 of the reviewed programmes were found in this category.
- Design of tax and in-work benefit systems (including general or means-tested programmes that affect the amount of earnings or household income) – these levers were used in 4 of the reviewed programmes.
- Employer-focused initiatives (including financial incentives, training, business support or advisory services for employers) – this group comprised 4 programmes included in the review.
- Statutory minimum wages, wage floors, and other changes to employment legislation or rights – none of the programmes included in the review fell in this category.

Many interventions fell under multiple categories, for example when they combined training with coaching (see Table 3 above).

## Target groups of these policies and programmes

The policies and programmes included in this review targeted a wide range of populations (see Table 3 above). Two sources focused entirely on interventions

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<sup>162</sup> For example, the What Works Centre for Local Economic Growth (n.d.) examined evidence on in-work support that aimed to increase workers' employment duration and wage progression. It found programmes from OECD countries, including 3 from the US, 2 from the UK and one from Canada. See: What Works Centre for Local Economic Growth (n.d.). 'The In-work Progression Toolkit: In-Work Support.' As of 23/08/2019: [https://whatworksgrowth.org/public/files/Toolkits/In-Work\\_Progression\\_Toolkit.pdf](https://whatworksgrowth.org/public/files/Toolkits/In-Work_Progression_Toolkit.pdf)

<sup>163</sup> U.S. Department of Health & Human Services. 'What is the Employment Strategies Evidence Review?' As of 23/08/2019: <https://employmentstrategies.acf.hhs.gov/>

<sup>164</sup> McKnight et al. (2016).

targeting migrants or refugees (covering 8 interventions in total) across several countries.

Among the remaining sources, 4 interventions were dedicated to parents, single-parents or poor households with multiple children, working families, or women. Interventions also targeted young people facing education barriers (2), non-regular or part-time workers (2) and low-skilled health-care workers (2). Individual interventions were dedicated to workers adversely affected by import competition (one), to the unemployed and incumbent workers looking to advance in their careers (one), and to people over 50 years old (one).

## 3.2. Effectiveness and impact of IWP policies and programmes

### **Types of policies or programmes to promote in-work progression for which the evidence base is strongest**

Comparing programmes and policies in terms of how effectively they promote in-work progression is challenging in a number of respects. As discussed above, in-work progression is a broad and encompassing term and policies sitting under this category have a wide range of goals and objectives. The policies and programmes in the sources identified as part of this review differed in terms of their design, target group(s) and objective(s). Differences in the national and regional context will also influence the effectiveness of policies and programmes. Since it is not a like-for-like comparison, conclusions about the relative effectiveness of policies and programmes should be taken as indicative only. Rather than drawing firm conclusions about 'what works', the aim of this section is to identify the type of policies and programmes promoting IWP that have the strongest evidence base.<sup>165</sup>

**The evidence base was strongest for programmes and policies relating to education and training (7 sources) and career coaching and counselling (6 sources).** One source evaluated a career coaching and counselling programme designed to enable low-income single mothers in the US to undertake further education and training, albeit with a rather small sample size.<sup>166</sup> Three sources evaluated the provision of education and training or career coaching and counselling with an employer-focused angle. These sources were a review of firm-provided training for flexible workers in Japan,<sup>167</sup> a programme from the US with a 'dual

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<sup>165</sup> As some sources included in the review described interventions and provided only anecdotal information about their effectiveness, this section focuses on sources that included evaluative evidence on the effectiveness of examined policies and programmes.

<sup>166</sup> Scheuler, L., K. Diouf, E. Nevels and N. Hughes (2014). 'Empowering Families in Difficult Times: The Women's Economic Stability Initiative.' *Affilia*, 29(3), 353–367.

<sup>167</sup> Hara, H. (2014). 'The impact of firm-provided training on productivity, wages, and transition to regular employment for workers in flexible arrangements.' *Journal of Japanese and International Economies* 34: 336–359.

customer' approach based on working with both job-seekers and employers<sup>168</sup> and an evaluation of partnerships between employers and educational organisations in the health-care sector in the US.<sup>169</sup>

**The evidence identified as part of this review was weakest in relation to policies and programmes relating to employment legislation and wage floors, and reducing labour supply constraints.** This appears to reflect a less well-developed evidence base rather than one with negative or mixed results. One source related to an intervention designed to reduce labour supply constraints for low-income women, such as childcare.<sup>170</sup> No sources were identified that related to policies and programmes in the areas of minimum wage floors or employment legislation.<sup>171</sup> Overall, the evidence was skewed towards evidence from the US, with only 2 sources identified from other countries (one from Japan<sup>172</sup> and one from Germany<sup>173</sup>).

## **Effects and impacts of these in-work progression policies or programmes**

Due to the methodological weaknesses of some of the sources identified, it is difficult to identify the impact of policies and programmes to promote in-work progression. The absence of an experimental design with a randomised element in all but 2 of the studies makes it difficult to attribute outcomes to the specific programme or policy.

**All sources that provided evidence on the effectiveness of IWP policies and programmes identified some positive effects.**

Overall, the sources identified as part of this review supported the view that both **training and job counselling are effective in promoting in-work progression.**

There was some evidence to suggest that training and counselling programmes that include an employer-focused component or a 'dual customer' approach are particularly effective, although this was based on a small number of studies.<sup>174</sup> An evaluation of the WorkAdvance programme of training and job-placement services tailored to the local labour market in 4 sites in the US found that participants were more likely to be employed and had higher earnings at a 3-year follow-up compared

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<sup>168</sup> Schaberg, K. (2017). 'Can Sector Strategies Promote Longer-Term Effects? Three-Year Impacts from the WorkAdvance Demonstration.' MDRC.

<sup>169</sup> Dill, J., E. Chuang and J. Morgan (2014). 'Healthcare organization - education partnerships and career ladder programs for health care workers.' *Social Science & Medicine* 122: 63–71.

<sup>170</sup> Scheuler et al. (2014).

<sup>171</sup> This does not mean that such evidence does not exist – on the contrary, some evidence behind such policies and programmes is presented in Chapter 2. However, no new evidence on such interventions was found through the systematic search.

<sup>172</sup> Hara, H. (2014). 'The impact of firm-provided training on productivity, wages, and transition to regular employment for workers in flexible arrangements.' *Journal of Japanese and International Economies* 34: 336–359.

<sup>173</sup> Burkert and Haas (2014).

<sup>174</sup> Schaberg (2017).

to the control group.<sup>175</sup> The strongest effects were observed for participants who had the weakest labour market attachment (see more in Section 3.3).

Evidence from a study evaluating a training and job counselling intervention using quasi-experimental methods found that participants who received sector-specific training from Sector-Focused Career Centers were more likely to be employed and had higher earnings than those who received the standard training.<sup>176</sup> More specifically, participants earned \$5,300 more on average than matched participants in non-sector specific programmes. This study also found that career counselling was positively associated with job placement, hourly wages and hours worked.<sup>177</sup>

An evaluation of the Job Corps programme, a training intervention for young people aged 16 to 24 with limitations from medical conditions in the US also identified positive results on earnings for programme participants, as well as reduced reliance on benefits.<sup>178</sup> The impact on earnings corresponded to between 50 and 60% of counterfactual average earnings, and benefits payments were halved. The programme further seemed to reduce participants' dependency on long-term disability benefits.<sup>179</sup> Although the Job Corps programme was originally established with economically disadvantaged youth and young adults as a target group, it appears that youth with disabilities could especially benefit from this intervention because of the amount of attention and support dedicated to participants in the form of job coaching and placements. However, the authors note some variations for different subgroups and explain that further research is needed to understand the differing impacts (see more in Section 3.3).<sup>180</sup>

The positive effect of training and job-search assistance accessed through Trade Adjustment Assistance (TAA) on earnings was found to be sustained in areas of high unemployment.<sup>181</sup> Occupational training is found to be effective at reducing the size of wage loss, even at times of high unemployment. An increase in local unemployment reduces the wage replacement rate, but receiving occupational skills training offsets at least 46% of this negative effect. The impact of occupational skills training on the reemployment rate is also positive, but is weaker and statistically insignificant.

One evaluation found that the effect of 'career ladder' training programmes on employee earnings was greatest when there was strong leadership within the organisation.<sup>182</sup> Focused on aiding career progression of front-line health-care

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<sup>175</sup> Ibid.

<sup>176</sup> Gasper, J., K. Henderson and D. Berman (2017). 'Do Sectoral Employment Programs Work? New Evidence from New York City's Sector-Focused Career Centers.' *Industrial Relations* 56(1): 40–72.

<sup>177</sup> Ibid.

<sup>178</sup> Hock, H., D.L. Luca, T. Kautz and D. Stapleton (2017). 'Improving the Outcomes of Youth with Medical Limitations Through Comprehensive Training and Employment Services: Evidence from the National Job Corps Study.' *Mathematica Policy Research*.

<sup>179</sup> Ibid.

<sup>180</sup> Ibid.

<sup>181</sup> Barnette, J. and P. Jooyoun (2017). 'Increases in Local Unemployment and the Delivery of Trade Adjustment Assistance Services.' *Economic Development Quarterly* 31(1): 3–24.

<sup>182</sup> Dill, J., E. Chuang and J. Morgan (2014). 'Healthcare organization - education partnerships and career ladder programs for health care workers.' *Social Science & Medicine* 122: 63–71.

workers, this 'career ladder' initiative connects interested health-care organisations with educational institutions.<sup>183</sup> In their study, programme outcomes seemed closely related to the partner organisations' characteristics (for example, presence of an educational leader or support provided to front line workers).<sup>184</sup> Workers' ability to earn monetary rewards for programme participation depends on the strength of leadership support within the health-care organisation, in particular having an employer leader and employer implementation policies. The evidence was not strong enough to reveal which groups of partner characteristics would ensure the strongest positive outcomes.

One of the sources identified positive effects for an intervention that included counselling and financial support to cover the cost of childcare, thereby reducing labour supply constraints for low-income single mothers.<sup>185</sup> However, this was based on a simple pre and post comparison of programme participants and the study did not address which aspect(s) of the intervention might have been instrumental in achieving this end. Specifically, an evaluation of the Women's Economic Stability Initiative (WESI), a small-scale intervention for single mothers, found that all participants who had left full-time education had secured employment in their chosen field, often in male-dominated occupations.<sup>186</sup> WESI participants experienced greater financial stability in terms of additional savings and less credit-card debt,<sup>187</sup> which may have been indirectly related to progression in work. Participants were also able to secure better quality childcare and more stable housing (see more in Chapter 4).

In Germany, investments were aimed at helping migrants and refugees progress from low-skilled to middle-skilled jobs, but evaluation activities have been limited.<sup>188</sup> An evaluation of a pilot intervention providing training and job counselling for refugees in Germany found that participants reported higher self-perceived employability and motivation to work.<sup>189</sup>

**Some of the sources identified mixed effects on the outcomes of interest.** For example, the evaluation of the above-mentioned WESI programme (which supported single mothers to access training courses and academic qualifications) noted that although credit-card debt decreased, student-loan debt increased among the participating single mothers.<sup>190</sup>

The WorkAdvance study described how outcomes varied across 4 programme providers: the intervention group for a training and job counselling programme were more likely to be employed and had higher earnings at a 3-year follow-up compared to the control group, but for one provider there were no statistically significant differences between the 2 groups.<sup>191</sup> This suggests the importance of implementation

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<sup>183</sup> Ibid.

<sup>184</sup> Ibid.

<sup>185</sup> Scheuler et al. (2014).

<sup>186</sup> Ibid.

<sup>187</sup> Ibid.

<sup>188</sup> Burkert, C. and Haas, A. (2014). 'Investing in the future: labor market integration policies for new immigrants in Germany.' Migration Policy Institute und International Labour Organization, Genf.

<sup>189</sup> Ibid.

<sup>190</sup> Scheuler et al. (2014).

<sup>191</sup> Schaberg (2017).

arrangements and contexts for the level of effectiveness of relevant policies and programmes.

Hara (2014) identified no effect on earnings for participation in firm-provided training for non-standard employees (those who worked part-time or on a fixed-term contract) in Japan.<sup>192</sup> However, this study did identify a positive effect for firm-provided training in promoting transitions to standard employment, indirectly increasing earnings.

**Conclusions regarding the relative effectiveness of policies and programmes to promote in-work progression are restricted by methodological weaknesses** of some of the studies identified as part of the review. The quality of sources included in this review was predominantly low (16 studies were qualitative in nature or did not clearly outline methodology used, rendering any assessment impossible). Only 5 of the reviewed studies applied robust quasi-experimental methods – such as regression with control variables or propensity-score matching – and fell into a moderate category in terms of evidence strength, and only 2 studies applied randomised controlled trials (see Table 3).

Combined with the difficulty of comparing policies and programmes implemented across diverse contexts and with different goals and objectives, this limits the conclusions that can be drawn regarding the relative effectiveness and impact of policies and programmes to promote in-work progression.

This finding is in line with a similar review that identified only 5 studies that met high evidence standards.<sup>193</sup> Another review was carried out in the US and spanned a much longer period (1990–2014), and identified 247 studies of high or moderate quality.<sup>194</sup> This discrepancy may be explained by the different timeframe, wider scope (including employment programmes), and specific focus on the US market, where RCTs in social research are relatively well widespread.

## Evidence and learning from a similar review

The main lessons identified in the What Works Centre for Local Economic Growth review are summarised in Box 4.

### Box 4. Key findings on in-work support

**There is no consistent evidence on which elements of in-work support are more effective:**

- general training had no impact on outcomes (Hendra et al. (2011), Robins et al. (2008))

<sup>192</sup> Hara, H. (2014). 'The impact of firm-provided training on productivity, wages, and transition to regular employment for workers in flexible arrangements.' *Journal of Japanese and International Economies* 34: 336–359.

<sup>193</sup> What Works Centre for Local Economic Growth (n.d.). 'The In-work Progression Toolkit: In-Work Support.' As of 23/08/2019: [https://whatworksgrowth.org/public/files/Toolkits/In-Work\\_Progression\\_Toolkit.pdf](https://whatworksgrowth.org/public/files/Toolkits/In-Work_Progression_Toolkit.pdf)

<sup>194</sup> Sama-Miller, E., A. Maccarone, A. Mastri and K. Borradaile (2016). 'Assessing the Evidence Base: Strategies That Support Employment for Low-Income Adults, OPRE Report #2016-58, Washington, DC: Office of Planning, Research and Evaluation, Administration for Children and Families, U.S. Department of Health and Human Services.

- interventions that encouraged job moves may be more effective (Hendra et al. (2010), Robins et al. (2008))
- larger incentives are more likely to produce greater effects (Hendra et al. (2010))
- for sector-specific training provision, the timing of programme elements may matter (Schaberg 2017)

**In-work support can increase employment and wages, but effects vary both across and within programmes, and are not always positive.** Some programmes report stronger effects for the more disadvantaged groups:

- larger effects for the most disadvantaged group (Hendra et al. (2011), Robins et al. (2008)); also for moderately disadvantaged groups (Robins et al. (2008))
- no differences across groups (Hendra et al. (2010))

**Financial incentives are key:**

- effects on the long-term unemployed were large and sustained (Hendra et al. (2011))
- sustained effects were seen when interventions included employment services in addition to financial support (Robins et al. (2008), Michalopoulos (2005))

**Employment services may reinforce the effect of financial incentives** (Robins et al. (2008), Michalopoulos (2005)).

**In-work support can increase wages** (DWP 2018).

The review concluded that evidence on effectiveness was mixed. On the one hand, financial incentives (including benefit sanctions) could lead to increased employment durations or earnings. On the other hand, evaluations of active labour market policies suggest that these outcomes can be achieved without in-work financial support, by placing people into the right jobs (which could make it more cost-effective than in-work support).<sup>195</sup>

Source: Adapted from What Works Centre for Local Economic Growth (n.d.)

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<sup>195</sup> What Works Centre for Local Economic Growth (n.d.).



### 3.3. Impact of programmes on key subgroups

In terms of whether some populations are more responsive to in-work progression support when compared to others, the existing evidence is too limited to provide a robust answer.

This might be partly explained by the fact that favourable outcomes might be more common in the long- rather than in the short-term, and many interventions may require a longer time horizon (more than 18 months) to produce favourable impacts.<sup>196</sup> Until the body of literature on the effectiveness of pay progression interventions grows in volume and quality, it will be difficult to draw any firm conclusions in this respect.

Below is a summary of subgroup analysis results for the RCTs covered in this review, where this information was available and showed some statistically significant differences.

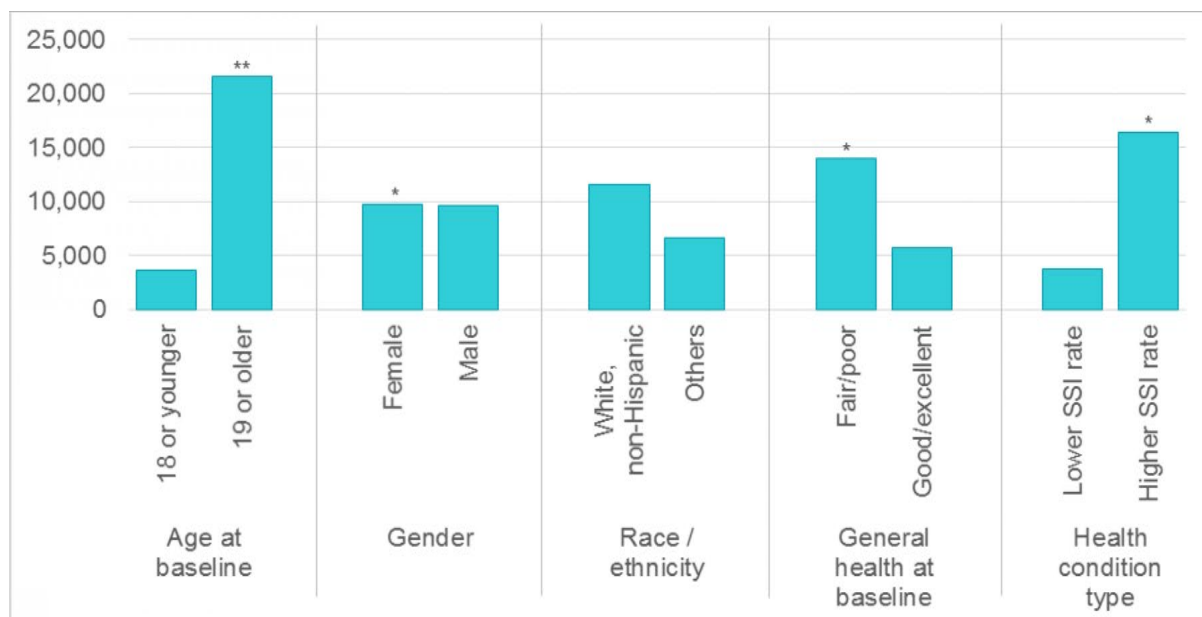
To ascertain who benefited the most from Job Corps, Hock et al. (2017) examined whether impacts differ between subgroups of youths with medical limitations. The authors formed 3 subgroups based on standard demographic measures: age at baseline, gender, and race and ethnicity, and 2 health-related subgroups. The first health-related subgroup was based on self-reported general health at baseline. The second health-related subgroup was based on types of baseline medical conditions associated with a higher or lower propensity to subsequently receive the Supplemental Security Income (SSI, a means-tested income support programme for low-income elderly or people with disabilities).

The authors found that earnings impacts per participant were substantially larger in magnitude for older participants than for younger ones (which may be attributed to the intervention design, as rules change with age). Earnings were also larger for participants with poor or fair health and those with conditions associated with higher SSI rate. The differences by race and ethnicity, and gender were small (see Figure 4).

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<sup>196</sup> Sama-Miller et al. (2016)

**Figure 4. Per-participant impacts of the Job Corps programme on total earnings over the 4-year follow-up period**



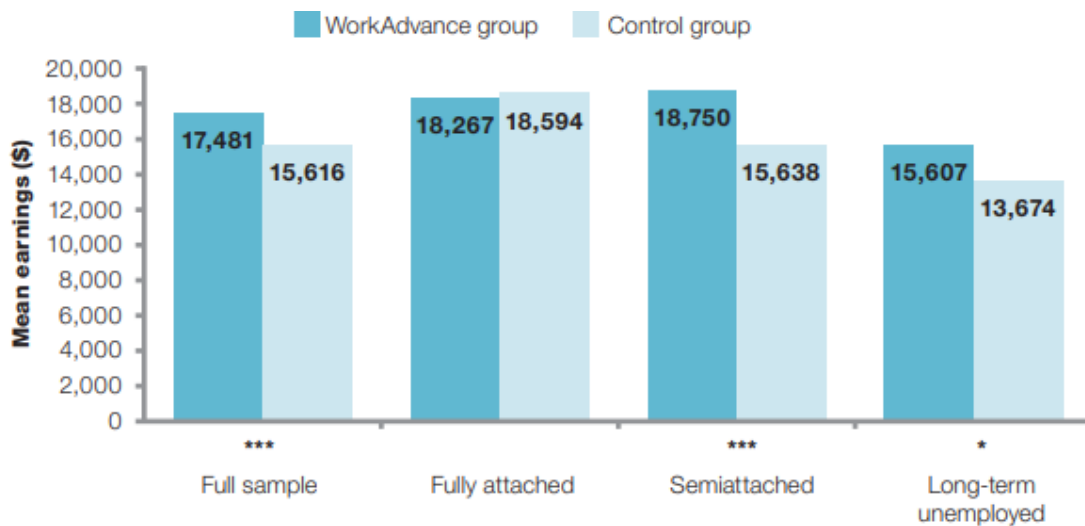
Note: All estimates are expressed in 2016 dollars. \*\*/\*\* indicates that the impact estimate for the given subgroup is significantly different from zero at the 0.10/0.05/0.01 level.

Source: Hock et al. (2017)

Schaberg (2017) carried out a subgroup analysis for the pooled sample of WorkAdvance beneficiaries to examine age, race, prior education, prior earnings, and prior conviction or incarceration status. While noting considerable variation across the sites that was masked due to pooling the data together, the author noted that the impacts of WorkAdvance did not vary greatly across many subgroups. Some of them experienced larger impacts than others, but most differences were not statistically significant. However, a subgroup analysis that looked at labour market attachment of participants and impacts of the programme showed more differences.

The analysis divided the sample into: the fully attached group (consisting of employed people or those out of work for less than one month); the semi-attached group (people out of work for between one and 6 months); and the long-term unemployed (those who had been out of work for 7 months or longer). Figure 5 shows that the impacts of WorkAdvance were limited to the semi-attached group (where earnings increased by about \$3,110, or 20%) and long-term unemployed group (where earnings increased by about \$1,930, or 14%). The author concludes that WorkAdvance could increase earnings for both the semi-attached and long-term unemployed, but the available evidence was not sufficient to demonstrate that WorkAdvance would work better for those groups than for others.

**Figure 5. Earnings impacts on WorkAdvance subgroups defined by baseline labour market attachment, pooled sample**



Note: Statistical significance levels are indicated as follows: \*\*\* = 1% \*\* = 5% \* = 10%. The difference between subgroups is not statistically significant.

Source: Schaberg (2017)

These findings are in line with previous reviews, which suggested that comparison of outcomes for different subgroups showed that increases in employment and earnings were often larger for more disadvantaged groups.<sup>197</sup>

<sup>197</sup> What Works Centre for Local Economic Growth (n.d.)

## 4. Examining selected interventions

This chapter provides insights into selected policies and programmes for in-work progression. The case studies presented below review the policy background and key features of each intervention and lessons for the UK. The chapter consists of 3 parts, beginning with a brief overview, followed by 3 case studies of interventions where evidence was available to discuss outcomes. The final section provides insights into 4 further case studies that outline promising interventions, but where evidence on effectiveness was limited or not yet available.






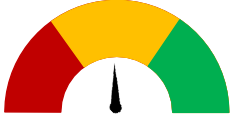


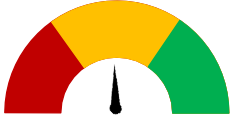






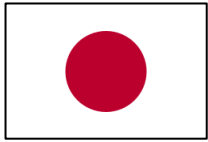


### 4.1. Overview of the case studies




Case studies were selected for more in-depth examination, guided by the following principles:

- Policies and programmes, identified through a systematic search, that show positive or promising outcomes. While they are not necessarily examples with the strongest evidence from the REA, the selection aims to present a range of intervention types and countries. Each case study describes the context, key aims and features of the programme, outcomes, lessons learned and summary conclusions.
- Policies and programmes that set out components of potentially interesting interventions, but with limited supporting evidence. These examples (referred to as policy design case studies) are not as extensively described as the ones above. They outline the aims of the intervention, its key beneficiaries, and plans for evaluation, if known. These examples introduce further diversity to the range of interventions and countries covered and offer inspiration and insights into developments in this new policy area.

The resulting selection is presented in Table 4.

**Table 4. Selected case studies**

Name	Category	Country	Outcomes	Strength of evidence
WorkAdvance	Sector-specific intervention	 US	 Earnings	 Strong
Sector-Focused Career Centers (SFCC)	Sector-specific intervention	 US	 Earnings	 Moderate to strong
Further training for low-skilled and older workers (WeGebAU)	Intervention targeting specific population	 Germany	 Education and training	 Moderate
Prime d'activité (activity bonus)	In-work benefit	 France	 Financial incentives	 Low
Reform of Temporary Agency Workers	Intervention targeting workers in non-standard employment	 Germany	 Type of contract	 Low
Firm-provided training for flexible and part-time workers	Analysis of workers in non-standard employment	 Japan	 Education and Training	 Low

The Women's Economic Stability Initiative (WESI)	Intervention targeting specific population	 US	 Earnings	 Low
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Note: The strength of evidence was assessed utilising an adjusted version of the Maryland Scientific Methods Scale (Madaleno and Waights 2016) to rank studies from least to most robust (with randomised controlled trials considered as strong, quasi-experimental designs as moderate and other designs as low).

The case studies were carried out based on documentation review. More detailed information on sources reviewed for each case study is presented in Appendix C.

## 4.2. WorkAdvance

### Background and context

WorkAdvance was developed to respond to low-skilled adults' struggle with low pay and lack of career progression.<sup>198</sup> WorkAdvance is a workforce development model that combines sectoral strategies and career advancement strategies.<sup>199</sup> The intervention was selected because it is underpinned by strong evidence, including an RCT, and explicitly targets progression.

Sectoral strategies seek to meet the needs of both workers and employers by preparing individuals for jobs in specific industries that have a demand for labour and progression opportunities. Career advancement strategies seek to improve workers' prospects for sustained employment and upward mobility, which could additionally offer productivity gains for the employer.<sup>200</sup>

The WorkAdvance programme makes use of a 'dual customer' approach to encourage progression.<sup>201</sup> This approach serves both employers, by addressing skills needs, and workers, by providing them with tailored skills-training and guidance.<sup>202</sup> The dual customer approach is frequently used in sectoral employment programmes that target one industry or set of occupations and tailor the services and training offered to the particular skills that individuals need to progress within that industry.<sup>203</sup> A defining element of this workforce development model (and of sectoral strategies) is the close relationship between the employers in a particular sector and the service provider or programme staff. To qualify as a sectoral program, an

<sup>198</sup> Tessler, B. L., M. Bangser, A. Pennington, K. Schaber and H. Dalporto (2014). 'Meeting the Needs of Workers and Employers: Implementation of a Sector-Focused Career Advancement Model for Low-Skilled Adults.' MDRC.

<sup>199</sup> Ibid.

<sup>200</sup> Ibid.

<sup>201</sup> Webb et al. (2018).

<sup>202</sup> Ibid.

<sup>203</sup> Gasper et al. (2017).

initiative must bring together multiple employers in a given field to collaborate closely on developing a qualified workforce.<sup>204</sup>

Webb et al. (2018) identified this approach as one of the most promising models for achieving progression.<sup>205</sup> There exists little evaluation and research into the effectiveness of sectoral approaches and career advancement strategies as a means to improve labour market outcomes. The implementation and evaluation of the WorkAdvance programme through 4 randomised controlled trials offers a unique, robust evidence base.

## Key features

Sponsored by New York City's Center for Economic Opportunity (CEO) Social Innovation Fund (SIF), the WorkAdvance programme was launched in 2011 in the states of New York, Ohio and Oklahoma. A total of 2,564 individuals were enrolled in the study between June 2011 and June 2013.<sup>206</sup> Services throughout the duration of the study were provided by the following 4 organisations in different sectors:

- Per Scholas focused on the information technology sector
- St. Nicks Alliance focused on environmental remediation and manufacturing
- Madison Strategies Group focused on the transportation and manufacturing sectors
- Towards Employment focused on the health-care sector

The programme consisted of 5 components. The first step was screening applicants prior to enrolment. Beneficiaries were selected based on income eligibility, minimum education levels (assessed through a test) and qualities such as professionalism and oral communication skills (assessed through interviews). The programme staff emphasised the importance of finding low-income applicants who were both able to complete the programme and be attractive to employers, and who were also unable to find high-quality jobs in the sector on their own.<sup>207</sup>

The second step involved career readiness services, such as career coaching or orientation to the sector, which aimed to accustom the participants to the expectations of the work environment. After the career readiness training, participants received occupational skills training (third step) that was expected to improve their credentials. Training was tailored to the selected sectors and aimed at occupations that were jointly identified (by the provider and the employers) as being in high demand and offering progression opportunities. Since the WorkAdvance model does not prescribe any particular structure or mode of delivery for the training, implementation varies across providers. However, providers should cover topics such as 1) an overview of the relevant sector; 2) job seeking skills (including resumes,

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<sup>204</sup> Tessler, B.L., M. Bangser, A. Pennington, K. Schaber and H. Dalporto (2014). 'Meeting the Needs of Workers and Employers: Implementation of a Sector-Focused Career Advancement Model for Low-Skilled Adults.' MDRC.

<sup>205</sup> Webb et al. (2018).

<sup>206</sup> Maguire, S., Freely, J. Clymer, C., Conway, M., and D. Schwartz (2010). 'Tuning In to Local Labor Markets: Findings from the Sectoral Employment Study.' Philadelphia, PA.

<sup>207</sup> Tessler et al. (2014).

cover letters, job search and how to prepare for interviews); and 3) the creation of individualised career plans.<sup>208</sup>

Participants were then placed into positions for which they had been trained and which offered genuine progression opportunities (fourth step). Participants were assigned to job developers, who were expected to maintain strong relationships with employers who hired the participants.

Finally, participants were given access to retention and advancement services (fifth step). Participants received coaching to address issues that might arise (both related to the workplace and wider factors), to identify progression opportunities and to aid in quick reemployment should the participant lose their job. Participants received individualized career training before placement and individualized coaching once they had been placed.

Target groups included unemployed and low-wage working adults with a family income below 200% of the federal poverty level.<sup>209</sup> Different levels of academic accomplishment were required, varying per provider. Specifically, one provider from the IT sector required higher academic entry requirements and specific skills to be eligible. The majority of the participants were male, with the exception of the health-care industry, in which more than 92% of the sample were female. The average age of the participants was 34, half were African-Americans, and less than half were parents at baseline.<sup>210</sup>

## Outcomes

Of the 2,564 individuals who took part in the study, 50% were randomly assigned to the treatment group. The control group members could not receive any services at the WorkAdvance providers' organizations.<sup>211</sup> Impact was assessed through 4 RCTs, for which results are available at a 3-year follow-up. Evaluation outcomes available are presented below per provider, as there was significant variability of impacts between the 4 providers.

**Per Scholas:** The programme produced notable impacts on employment and earnings. In the third year, 81% of the group was employed, a statistically significant increase of 7 percentage points over the control group's employment level. With respect to earnings, the treatment group increased their earnings by 27% (\$4,829) over the control group.<sup>212</sup>

**St. Nicks Alliance:** In the third year, participants saw little to no effect on their employment and earnings. In fact, the treatment group was less likely to be working

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<sup>208</sup> Ibid.

<sup>209</sup> Schaberg, K. (2017). 'Can Sector Strategies Promote Longer-Term Effects? Three-Year Impacts from the WorkAdvance Demonstration.' MDRC.

<sup>210</sup> Tessler, B.L., M. Bangser, A. Pennington, K. Schaber and H. Dalporto (2014). 'Meeting the Needs of Workers and Employers: Implementation of a Sector-Focused Career Advancement Model for Low-Skilled Adults.' MDRC.

<sup>211</sup> Ibid.

<sup>212</sup> Schaberg (2017).



and earned less on average (\$304 less) than the control group, although this is not statistically significant.<sup>213</sup>

**Madison Strategies Group:** For the full sample, the effect on both employment and earnings in the third year weakened to a non-statistically significant difference of \$1,371. Isolating the late cohort, the treatment group's earnings increased by \$3,603. Turning towards the early cohort, the treatment group earned around \$800 less than the control group.<sup>214</sup>

**Towards Employment:** In the third year, the effects faded to no longer be statistically significant. The difference in earnings in the third year in the late cohort between the WorkAdvance and control group was \$2,313. A similar pattern of a positive yet non-significant effect can be seen in the full sample.<sup>215</sup> The results of the subgroup analysis of the WorkAdvance impacts are presented in Chapter 3 above.

## Lessons learned

The results show considerable differences across providers, which can be partly explained by a series of factors.

One of the main findings is that it took time for the providers to fully implement all the components of WorkAdvance. For this reason, a distinction is made between an early and a late cohort in the evaluation. Madison Strategies Group and Towards Employment had not operated a sector-specific programme previously. As a result, individuals who entered the study later received a stronger set of services than those at the beginning. On the other hand, Per Scholas' substantial experience operating a sector programme gave it a head start, and is identified as an explanatory factor in its success.<sup>216</sup>

Another lesson relates to the sequence of the steps in the process. Two providers, Towards Employment and Madison Strategies Group, initially implemented a 'placement first' track. However, providers realized that individuals were entering low-wage jobs without realistic progression opportunities with respect to earnings and on-the-job upskilling.<sup>217</sup> Halfway through the enrolment period, this 'placement first' approach was phased out and every participant received occupational skills training before placement. This is another reason why a distinction was made between an early and a late cohort.

The intervention effects faded in the third year for the Towards Employment group. Although the earnings still increased in absolute terms, the decrease in impact can be explained partly by the control participants 'catching up' to the previous gains seen by the treatment group. Additionally, in the Per Scholas group, isolating the late cohort group showed a decrease in earnings impact. Again, this was due to the fact that the earnings for the control group were so high. The explanation for this might be that the economy in New York was rebounding and earnings were increasing,

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<sup>213</sup> Ibid.

<sup>214</sup> Ibid.

<sup>215</sup> Ibid.

<sup>216</sup> Ibid.

<sup>217</sup> Ibid.

independently of the intervention. In the Madison Strategies group, the weakening of the impact on earnings is thought to be due to a downturn in the oil and gas industries in Tulsa, which could have stifled the advancement opportunities. The economic climate could be seen as a contributing factor to the effectiveness of the intervention.<sup>218</sup> The author explains that this finding was consistent with earlier research showing that training interventions had larger impacts in weaker economic conditions.<sup>219</sup>

According to Schaberg (2017), 3 years after participation, there were visible positive impacts on other work-related measures, such as employer-provided benefits.

## Summary conclusions

### Evidence

The WorkAdvance programme aims to serve both employers and employees.<sup>220</sup> This 'dual customer' approach to progression makes it possible to offer tailored skills training and guidance to help people progress within a certain industry.<sup>221,222</sup>

The programme contributes to the growing body of evidence on the effectiveness of sectoral strategies. The rigorous evidence collection contributes to findings on the long-term effectiveness of sector programmes, a key measure to assess impact on progression.

### Relevance and transferability to the UK labour market context

The mismatch in the supply of and demand for labour is a relevant issue in the UK. Undertaking an assessment of where demand for labour exists and tailoring programmes accordingly seems relevant to address this mismatch.

## 4.3. Sector-Focused Career Centers (SFCC)

### Background and context

Sector-Focused Career Centers (SFCCs) operate under the assumption that sector-specific employment services can be more helpful to job-seekers, workers and employers than generic or mainstream programmes at finding and filling high-quality, well-paid, stable employment that has the potential for career progression. Sectoral employment programmes work with unemployed individuals, but also target less-educated and less-skilled workers who may be in jobs that offer low pay, few benefits and little job security.<sup>223</sup> Individuals who receive services from the SFCCs must be at

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<sup>218</sup> Ibid.

<sup>219</sup> Ibid.

<sup>220</sup> Webb et al. (2018).

<sup>221</sup> Ibid.

<sup>222</sup> Gasper et al. (2017).

<sup>223</sup> Elliott, M. and E. King (1999). 'Labor Market Leverage: Sectoral Employment Field Report.'; Conway, M., A. Blair, S.L. Dawson and L. Dworak-Munoz (2007). 'Sector Strategies for Low-Income Workers: Lessons from the Field. Washington D.C.'; Elliott, M., E. King, A. Roder and J. Stillman (2001). 'Gearing Up: An Interim Report on the Sectoral Employment Initiative.'; Maguire, S., J. Freely,

least 18 years old and eligible to work in the US. Industries are therefore usually chosen on the basis of having high growth potential and opportunities for mid-skill jobs with the possibility of career progression.<sup>224</sup>

Such programmes are increasingly common in the US, operating in 25 states and 22 industries as of 2010.<sup>225</sup> This case study focuses on Sector-Focused Career Centres (SFCCs) established in New York City (NYC), US in 2008 and 2011.<sup>226</sup>

## Key features

SFCCs work with employers within the industry to identify their hiring and training needs, then build training and job preparation services that are designed to meet these needs. The NYC SFCCs offer a sectoral employment programme in 3 industries, with each centre catering to a specific industry: transportation, advanced manufacturing and healthcare. Industries are chosen on the basis of offering competitive wages (defined as at least \$10 per hour), full-time jobs (at least 30 hours a week) and advancement opportunities for workers (to at least \$15 per hour).<sup>227</sup>

Participants are recruited through employment events and adverts, as well as referred by other employment agencies and local non-profits.

The programme offered by the SFCCs is highly personalised.<sup>228</sup> Participants are first introduced to the services and undergo an initial assessment to determine their readiness for employment and which services would be of use. Services focus on job placement and career advancement and largely take place within the SFCC itself. These services include:

- Job preparation and career strategies workshops
- Résumé review
- Interview skill development
- Job search
- Job matching
- Career advice
- (if needed) wider support services (including English as a Second Language programmes and onward referrals to food or clothing banks or to high school equivalency)

Participants may also access industry-specific education and training support. This is funded at no cost to the participant by New York City Centre for Economic

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C. Clymer, M. Conway and D. Schwarz (2010). 'Tuning in to local labor markets: Findings from the Sectoral Employment Impact Study.' Philadelphia, PA.

<sup>224</sup> Gasper et al. (2017).

<sup>225</sup> Ibid.; National Network of Sector Partners (2010). 'Sector Snapshot: A Profile of Sector Initiatives 2010.'

<sup>226</sup> Gasper et al. (2017).

<sup>227</sup> Ibid.

<sup>228</sup> The research conducted for this report did not identify details of any physical materials used to deliver the intervention.

Opportunity or through Workforce Investment Act (WIA).<sup>229</sup> This typically includes occupational-skills courses delivered by local colleges and public providers. Training is designed to be closely aligned to the needs of the employers and might be offered depending on a participant's interest, SFCC staff's recommendation and feedback from employers. Training may also be offered to incumbent workers depending on the employers' needs.

The SFCC that focuses on healthcare prepares participants for occupations including but not limited to: registered nurses, licensed practical nurses, certified nursing assistants, paramedics, emergency medical technicians, direct care, occupational therapy assistants, and medical billing and coding positions. Training from this SFCC therefore tends to relate to these specific occupations.

The SFCCs that focus on transportation and advanced management prepare participants for positions in transportation, manufacturing, wholesale trade and construction. Job placements include positions as baggage handlers, mechanics, drivers, dispatchers, machinists and customer service representatives.

The frequency and timing of delivery is likely to vary considerably depending on the individual's needs and wishes, as assessed by SFCC staff, employers and the participants themselves.

## Outcomes

The evaluation of SFCCs assessed its impact on participants' labour market outcomes, by comparing to participants in New York's non-sector-specific employment programme (Workforce1 Career Centers or WF1CC). Labour market outcomes were measured by looking at employment rate and average earnings in the quarters and year after exit from the programme. Evaluators used propensity-score matching to match SFCC participants who enrolled on the SFCCs between January 2009 and September 2011 with WF1CC participants who enrolled at the same time and had similar demographic characteristics, prior work history and earnings. The evaluators drew this information from administrative data (including individuals' demographic characteristics, programme enrolment, employment status, hourly wage and hours worked) held by the Department of Small Business Services (SBS).

The evaluation set out to measure the impact on participants' labour market outcomes of taking part in a SFCC programme, receiving job services from the SFCC programme and receiving industry-specific training in the SFCC programme. Evaluators also considered the impact of participation in the SFCC depending on the extent of disadvantage and the specific industry (see Box 5).

### Box 5. Impact of sectoral employment programmes across the US & UK

As noted by Gasper et al. (2017), previous research on sectoral employment programmes largely lacked the use of a control group (to evaluate the specific value-added by the sector-specific nature of the programme) or the examination of

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<sup>229</sup> Gasper et al. (2017).

specific elements of sectoral employment programmes. As summarised in the evaluation, previous research includes:

- A longitudinal survey of participants of sectoral employment programmes that evaluated workers' outcomes from 3 sectoral employment programmes (Conway and Rademacher 2003; Zandniapour and Conway 2002). Findings suggested that the majority of participants indicated increased hours worked and increased earnings following participation, along with increased satisfaction and better benefits.
- A study that tracked the experiences of 9 sectoral employment programmes across several US states by methods including baseline and follow-up interviews with stakeholders and participants, observations and document review over 3 years (Rode et al. 2008). Findings included an increase in wages and earnings, decreases in poverty and access to higher quality jobs, as well as participants' positive experiences.
- A random assignment study of 3 sectoral employment programmes in Boston, New York City and Milwaukee in 2003 (Maguire et al. 2010). Findings suggested that after random assignment and 24 months in the programme, participants in the sectoral employment programmes were more likely to find employment, work more consistently, and work in higher paying jobs that offered better benefits.

In addition, an evaluation of a sector-based programme in the UK, Skills Growth Wales (SGW), found that both employees and employers reported an improvement in their skills and knowledge (including sector-specific) (ICF Consulting Services, 2016).<sup>230</sup> Two-thirds of surveyed employees reported improved career prospects, while one-fifth reported job promotions and pay rises. Active between 2009 and 2015, SGW operated in several industries (including automotive, manufacturing and IT). The evaluation found that 61% of interviewed employees reported that the training enabled them to expand the range of activities they carried out in their job, and 52% indicated that the training had allowed them to take on more responsibility at work. While no comparison group was available, the evaluation also compared SGW to other publicly funded employment-training programmes in terms of challenges and value added.

### Impact of SFCCs

The evaluation aimed to estimate the impact of New York's SFCCs (as a sectoral employment programme) compared to WF1CCs (a non-sector specific programme) on participants' labour market outcomes (primarily employment rate and average earnings) in the year after exit from the programme. In sum, SFCC participants were more likely to be employed in the year after exit from the programme and more likely to be earning more than matched WF1CC participants.

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<sup>230</sup> ICF Consulting Services (2016). 'Skills Growth Wales: Final Evaluation.' *Government Social Research*. As of 06/09/19: <http://dera.ioe.ac.uk/25878/1/160316-evaluation-skills-growth-wales-final-en.pdf>

**Impact of participating in the SFCC:** The evaluation estimated the impact of participating in an SFCC (regardless of the types of services received) on participants' labour-market outcomes, compared to participating in the non-sector-specific WF1CC. SFCC participants earned \$5,300 more than matched WF1CC participants in the year after their exit from the programme (and around \$1,300 more per quarter). SFCC participants were also 13.4 percentage points more likely to be employed in the first quarter after exit than matched WF1CC participants.

**Impact of receiving industry-specific training from the SFCC:** The evaluation estimated the impact of receiving industry-specific training from the SFCCs, by comparing the labour market outcomes of SFCC participants who received industry-specific training (approximately 7% of the total) with the outcomes of SFCC participants who did not receive this training. On average, SFCC participants who received industry-specific outcomes had better labour market outcomes than SFCC participants who did not receive industry-specific training. SFCC participants who received industry-specific training earned \$2,400 more in the year after exit from the programme (and several hundred dollars more per quarter) than those who did not receive this training. Those receiving training were also between 6 and 7 percentage points more likely to be employed.

### **Impact of SFCCs on subgroups**

Participants considered 'most disadvantaged' on the SFCC programme (those with low levels of education and prior employment) had an average earnings increase per quarter of \$1,200, and were between 11 and 14 percentage points more likely to be employed than those with similar levels of disadvantage on the WF1CC programme.<sup>231</sup> However, those who were 'least disadvantaged' benefited more: with an earnings impact that was more than double than that of the 'most disadvantaged'.

SFCC participation had an impact on earnings and employment in all 3 sectors. However, the evaluation found that participation in the SFCC for healthcare had a greater impact on average earnings (compared to matched WF1CC participants) than was the case in transportation or advanced manufacturing. The evaluators also noted demographic differences between participants in these industries (with those in healthcare more likely to be female and hold a higher level of education), which may contribute to this trend.

An earlier evaluation of the same programme also measured the impact of the SFCCs on participants who faced particular barriers in the labour market: including on young people, racial and ethnic minorities, low-wage workers, and individuals with an unstable work history.<sup>232</sup> In this evaluation, participation in a SFCC led to significant employment and earning gains for all groups compared to matched

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<sup>231</sup> Participants were divided into categories ('least disadvantaged', 'moderately disadvantaged', 'most disadvantaged') depending on their level of prior education and employment. Those who were 'most disadvantaged' had not been employed in the year before enrolling and did not have a qualification higher than a high-school-level diploma, while those who were 'least disadvantaged' had at least some vocational or college training and had been employed in all 4 quarters prior to enrolling.

<sup>232</sup> Gasper and Henderson (2014).

WF1CC participants, with limited differences by education level, disability or employment status.

## Lessons learned

The information reviewed in this case study suggests that sector-focused training may achieve better outcomes than generic training. While previous rationales for the success of sectoral employment programmes have emphasised strong employer connections and the selection of industries, the evaluators suggest that it may be the services that are provided within sectoral employment programmes that have the most significant impact. They found that some of the job-related services (including job placement, placement wages and hours worked) were associated with programme outcomes. In addition, those on the SFCC programme who received industry-specific training had on average higher earnings in the year after finishing the programme.<sup>233</sup>

As a result, the evaluation suggests that providing more job-related services tailored to in-demand occupations and more industry-specific training may help more job-seekers and incumbent workers find stable and well-paid employment.

## Summary conclusions

### Evidence

The SFCC showed a range of employment and earning outcomes in the short term. While evidence for maintaining these impacts for a longer period of time is not available, sectoral employment might be a promising approach in terms of providing high-quality job opportunities. Further research examining this could be helpful.

### Relevance and transferability to the UK labour market context

Sectoral employment programmes target groups of less-skilled and less-educated workers, aiming to provide well-paid and stable employment that has progression opportunities, while also working closely with industries and employers to fill employment gaps. These objectives align closely with policy priorities in the UK.

## 4.4. WeGebAU – Further training for low-skilled and older workers

### Background and context

Several EU countries have implemented a system of training vouchers to better enable adults to pursue further training.<sup>234</sup> Voucher schemes can differ in nature, but generally speaking refer to systems where the state or similar entity covers part or all of the costs of training that participants may incur as a result of their participation. According to Bosch (2018), Germany is slowly moving away from a 'work first' to a

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<sup>233</sup> Gasper and Henderson (2014).

<sup>234</sup> Görlitz, K. and M. Tamm (2016). 'The returns to voucher-financed training on wages, employment and job tasks.' *Economics of Education Review* 52: 51–62.

'train first' approach.<sup>235</sup> Earlier approaches that were more in line with 'work first' focused on short-term courses, such as how to prepare for a job interview.<sup>236</sup> This has been expanded significantly, moving towards offering courses where people might be able to gain a certificate (for example, training to become an electrician).<sup>237</sup>

WeGebAU [**W**eiterbildung **G**eringqualifizierter und **b**eschäftigter älterer **A**rbeitnehmer in **U**nternehmen, translates to 'Further training for low-skilled and older workers in companies'] was a job-training scheme for employed workers.<sup>238</sup> The German Bundesagentur für Arbeit (BA) which is the Federal Employment Agency (BA) was the implementing agency of WeGebAU,<sup>239</sup> and the programme was initiated in 2007 and updated in 2012.<sup>240</sup> It was the first intervention provided by the German Federal Employment Agency to focus on further training for employed, rather than unemployed workers.<sup>241</sup>

It should be noted that the programme was replaced in early 2019 by the Qualifizierungschancengesetz ['Qualification-chances-bill']. However, no evaluations have yet been published on this new policy.

## Key features

WeGebAU was preventive in nature.<sup>242</sup> It targeted employees who were at higher risk of becoming unemployed, and who were expected to encounter difficulties rejoining the labour market.<sup>243</sup> It focused on older workers because employers might be more reluctant to invest in training older employees, perceiving a lower return on investment for these workers.<sup>244</sup>

WeGebAU had the following key objectives:

1. To improve employability and prolong participants' ability to stay in employment.
2. To encourage small to medium-size employers (SMEs) to invest in further training and enable their employees to obtain further qualifications.<sup>245</sup>

WeGebAU focused on 2 main target groups:

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<sup>235</sup> Bosch, G. (2018). 'Wage Progression Through Strong Social Partnership?' Peer Country Comments Paper - Germany.

<sup>236</sup> Ibid.

<sup>237</sup> Ibid.

<sup>238</sup> Dauth, C. and O. Toomet (2016). 'On Government-Subsidized Training Programs for Older Workers.' *Labour* 30(4): 371–392.

<sup>239</sup> Dauth, C. (2017b). 'Weiterbildung Geringqualifizierter und beschäftigter älterer Arbeitnehmer in Unternehmen (WeGebAU).' *Arbeitsmarkt Kompakt. Analysen, Daten, Fakten*. J. Möller and U. Walwei, Institute für Arbeitsmarkt- und Berufsforschung (IAB).

<sup>240</sup> Ibid.

<sup>241</sup> Dauth and Toomet (2016).

<sup>242</sup> Dauth, C. (2017b).

<sup>243</sup> Ibid.

<sup>244</sup> van den Berg, G. J., C. Dauth, P. Homrighausen and G. Stephan (2018). 'Informing Employees in Small and Medium Sized Firms about Training: Results of a Randomized Field Experiment.'

<sup>245</sup> Dauth, C. (2017b).



1. Individuals with “low-qualifications”, as defined in paragraph 81 (2) SGB III. This refers to people who lacked qualifications that are “useable”.<sup>246</sup>
2. Employees in SMEs, irrespective of their qualifications, could receive support for “Anpassungsqualifizierungen” [adaptions of foreign credentials].<sup>247</sup> People over the age of 45 received more financial assistance to elevate the training costs than people under 45.

In the case of target group 1 – low-qualified or skilled individuals – the scheme financed 100% of the costs of the employees’ further training.<sup>248</sup> This included training courses that led to recognised qualifications that the employee did not have yet, or training that might have built on and therefore enhanced existing skills and/or qualifications.<sup>249</sup>

In case of target group 2 – employees in SMEs – the German Federal Employment Agency supported, regardless of existing qualifications, 75% of training costs of employees of 45 years of age and 50% of training costs for employees under the age of 45.<sup>250</sup> In the case of SMEs with fewer than 10 employees, the scheme funded 100% of training costs. The costs included direct programme costs and related expenditures (including transportation) and childcare costs.<sup>251</sup>

The type of training funded through WeGebAU was broad. In addition to the eligibility criteria outlined above, there were 2 more expectations of the training. First, that it helped increase participants’ employability in the current labour market context. Second, that the training occurred during regular working hours.<sup>252</sup>

Employers were obliged to continue paying wages while employees participated in training.<sup>253</sup> However, employers were eligible for financial compensation for the time the employee was not at work due to training.<sup>254</sup> Types of training varied greatly in length and style.<sup>255</sup> According to Dauth and Toomet (2016), an example of a course was a 24-hour fork-lift course conducted over the course of 3 working days, with part one focusing on theory, part 2 on practical training, and culminating in an examination (part 3).<sup>256</sup> In the healthcare sector, courses could include “one to two fulltime blocs every month, 2 or 3 days each, [with] overall 57 days of lectures”.<sup>257</sup>

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<sup>246</sup> While not fully defined in the main text, it can be inferred that ‘useable’ here refers to qualifications for which there should be job opportunities available.

<sup>247</sup> People with foreign qualifications or degrees may have to engage in activities or training to ensure that their foreign credentials can be recognised in Germany. More information can be found at (as of 14/01/2020): <https://www.bq-portal.de/Anerkennung-f%C3%BCr-Betriebe/Anerkennungsverfahren/Anpassungsqualifizierung>

<sup>248</sup> Dauth, C. (2017b).

<sup>249</sup> Ibid.

<sup>250</sup> Ibid.

<sup>251</sup> Dauth and Toomet (2016).

<sup>252</sup> Fragen und Antworten rund um die WeGebAU Förderung, *Baumann Bildung und Qualifizierung GmbH*. As of 11/12/2019: <https://www.bbq.de/fragen-und-antworten-rund-um-die-wegebau-foerderung/>

<sup>253</sup> Dauth and Toomet (2016).

<sup>254</sup> Dauth, C. (2017b).

<sup>255</sup> Dauth and Toomet (2016).

<sup>256</sup> Ibid.

<sup>257</sup> Ibid.

Courses included a wide range of fields, including but not limited to “communication, personnel management, management care, business administration, law, and basics in health and social politics [...] vehicle operations, metal construction, medical, mechanical, and automotive engineering, transportation, ICT and production control”.<sup>258</sup> Considering that employers were still paying wages while the employee attended training, courses focused on improving human capital and were also often “firm specific”.<sup>259</sup>

Both employers and employees could request the subsidy.<sup>260</sup> Many recommendations for training were made by caseworkers who contacted the firm.<sup>261</sup> About 90,000 people participated in WeGebAU between 2007 and 2010.<sup>262</sup> Due to budget cuts resulting from the austerity measures that were implemented following the 2008 financial crisis, a focus shifted away from more flexible (“flexibilisierte Förderungen”) investments towards longer training leading to qualifications.<sup>263</sup> This led to a reduction in participation to about 14,000 per year.<sup>264</sup> While the programme did not differentiate based on qualifications, participants who were older workers also tended to be low-skilled.<sup>265</sup>

## Outcomes

The impacts of WeGebAU on labour market outcomes of the target groups have been analysed. Singer and Toomet (2013) used German registry data to apply a propensity score matching approach, and found that the programme “improves the probability of remaining in paid employment” for people over the age of 45.<sup>266</sup>

Dauth and Toomet (2016) examined the impacts of WeGebAU for SME workers over 45 years old who participated in the programme in 2007 and 2008.<sup>267</sup> Like the above mentioned source, the authors also find that “WeGebAU participation leads to improved job stability and improved survival in employment”, which seems to be due to delayed retirement.<sup>268</sup> This is higher by 2.7 percentage points compared to colleagues who did not participate in this programme, but who shared similar characteristics.<sup>269</sup> It was observed that the impacts varied for different groups of people. People who worked part-time, and people who were over the age of 55 seemed to benefit more from the programme than other groups.<sup>270</sup> This can be seen

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<sup>258</sup> Ibid.

<sup>259</sup> Ibid.

<sup>260</sup> Ibid.

<sup>261</sup> Ibid.

<sup>262</sup> Dauth, C. (2017b).

<sup>263</sup> Ibid.

<sup>264</sup> Ibid.

<sup>265</sup> Dauth and Toomet (2016).

<sup>266</sup> Singer, C. and O.-S. Toomet (2013). 'On government-subsidized training programs for older workers.' *IAB-Discussion Paper* 21.

<sup>267</sup> Dauth and Toomet (2016).

<sup>268</sup> Ibid.

<sup>269</sup> Dauth, C. (2017b).

<sup>270</sup> Dauth and Toomet (2016).

as an encouraging finding, given that older people often go into part-time work before retiring. Prolonging this kind of work at this life stage can have benefits.<sup>271</sup>

Dauth (2017a) analysed the effects on low-skilled employees' individual labour market outcomes by studying detailed administrative data for the period of 2007 to 2010.<sup>272</sup> The results demonstrate "positive effects of 28 more days of employment, an increase in earnings by 6.2%, and no effect on the receipt of unemployment benefits over a period of 3 years."<sup>273</sup>

However, for the over-45 group, Dauth and Toomet (2016) found that there were no significant impacts on pay, and no indication that people over 45 working in SMEs who participated in WeGebAU were any less likely to have to take advantage of social security later on in life than people who did not.<sup>274</sup>

## Lessons learned

A 2011 evaluation report analysing business and employer attitudes toward WeGebAU showed that the programme was more commonly used in business sectors that were traditionally more reluctant to offer further training opportunities to employees.<sup>275</sup> This was also the case for organisations with a high number of low-skilled workers.<sup>276</sup> This particular evaluation found that organisation size played a relevant role – smaller organisations at the time were found to be less likely to make use of WeGebAU, which is in line with what has been observed about the use of further training opportunities and programmes in Germany in general.<sup>277</sup> Employers often explained the less frequent use of WeGebAU by saying that they did not think there is a relevant business need for it.<sup>278</sup>

## Summary conclusions

### Evidence

While there is a reasonably large literature around the effect of training, the majority of studies focus on the unemployed. Existing evidence around the effects of training on people already in work is comparatively smaller.<sup>279</sup> The existing evidence on the effectiveness of training vouchers and/or subsidies is mixed. Results are heavily shaped by studies' and evaluations' different measurements and approaches. As explained by Biewen et al. (2006), analysis of administrative data over several years demonstrate "more positive effects of measures of further vocational training"

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<sup>271</sup> Ibid.

<sup>272</sup> Dauth, C. (2017a). 'Regional discontinuities and the effectiveness of further training subsidies for low-skilled employees.' *IAB-Discussion Paper 7/2017*.

<sup>273</sup> Ibid.

<sup>274</sup> Dauth, C. (2017b).

<sup>275</sup> Lott, M. (2011). 'WeGebAU für Weiterbildung: präventive Arbeitsmarktpolitik aus betrieblicher Sicht. Ergebnisbericht Modul 2 des Projekts Verschränkung von Arbeitszeit und Weiterbildung im Betrieb - Akzeptanz, Potenziale und Wirkungen.'

<sup>276</sup> Ibid.

<sup>277</sup> Ibid.

<sup>278</sup> Ibid.

<sup>279</sup> Dauth, C. (2017). 'Regional discontinuities and the effectiveness of further training subsidies for low-skilled employees.' *IAB-Discussion Paper 7/2017*.

compared to results obtained from survey data.<sup>280</sup> The latter tends to be much more common since panel data over a long period of time have only become available in the 1980s and 1990s.<sup>281</sup> However, their analysis also reveals that positive effects only become visible after a few years. This helps explain why other existing evidence, such as evaluations or randomized trials of training voucher interventions conducted within a short period of time following implementation, may show little impact.<sup>282</sup>

### **Relevance and transferability to UK**

WeGebAU as an initiative has value for the UK because part of its focus is to mitigate the effects of a faster changing economy, which is challenging for both employees and employers, but especially difficult for low-skilled and older workers to keep up with. Rather than focusing on progression per se (such as increasing people's earnings or working hours), the programme incorporates preventive measures to ensure that people stay in paid employment.

However, the role of social partners in Germany is an important consideration. Bosch (2018) specifically points out that "there is a long tradition of negotiating training agreements amongst social partners in Germany."<sup>283</sup> In his paper on approaches to in-work progression, Bosch (2018) further points out that it is not uncommon for German policy measures to have the objective of increasing cooperation between different stakeholders – including state and non-state actors – and to "strengthen collective bargaining".<sup>284</sup> As found by Cantner et al. (2014) in their study of investment practices in training for employees of 350 firms in Germany, works councils can play an important role.<sup>285</sup> Similarly, Dauth's (2017a) analysis of the effectiveness of WeGebAU for low-skilled employees indicated that the views of the case managers at the local employment agencies of a particular region may impact on the programme's success.<sup>286</sup> Dauth (2017a) explains that managers working at local employment agencies may, for example, prioritise the unemployed for training participation over people already in employment. If the UK were to adopt this intervention, it would be important to consider incentives for employers and relevant implementing agencies to ensure already-employed individuals are included.<sup>287</sup>

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<sup>280</sup> Biewen, M., B. Fitzenberger, A. Osikominu, R. Völter and M. Waller (2006). "Beschäftigungseffekte ausgewählter Maßnahmen der beruflichen Weiterbildung in Deutschland: eine Bestandsaufnahme." *Zeitschrift für ArbeitsmarktForschung - Journal for Labour Market Research* 39(3/4): 365-390.

<sup>281</sup> Ibid.

<sup>282</sup> Examples of such findings are also presented in the literature review conducted by Görlitz and Tamm (2016), where they cite Messer et al. (2012) and Hidalgo et al. (2014). According to Görlitz and Tamm (2016), a randomized field experiment of training vouchers in Switzerland (Messer et al. 2012) did not show any effects on earnings and employment. Similarly, data from a field experiment in the Netherlands also showed no impact on earnings and job mobility (Hidalgo et al. 2014).

<sup>283</sup> Bosch, G. (2018). 'Wage Progression Through Strong Social Partnership?' Peer Country Comments Paper - Germany.

<sup>284</sup> Ibid.

<sup>285</sup> Cantner, U., W. Gerstlberger and I. Roy (2014). 'Works councils, training activities and innovation: a study of German firms.' *Jena Economic Research Papers* 2014-006.

<sup>286</sup> Dauth, C. (2017a). 'Regional discontinuities and the effectiveness of further training subsidies for low-skilled employees.' *IAB-Discussion Paper* 7/2017.

<sup>287</sup> Ibid.

## 4.5. Policy design case studies

This report also presents some ‘policy design’ case studies. These short sections provide an overview of 4 different interventions that provide possible insights for service design in the UK context, but that do not have sufficient supporting evidence on effectiveness (or where the evidence is weak) to present results on their outcomes. Where possible, information on when more evidence (for example, evaluation results) might be available is included.

### France: Prime d’activité

The activity bonus (“prime d’activité”, PA) was created in 2016 as a combination of 2 existing benefit schemes: the in-work benefit (“revenue de solidarité active”, RSA) and working tax credit (“prime pour l’emploi”, PPE).<sup>288</sup> Similar to its predecessors, the new initiative aims to reduce poverty, improve social inclusion and encourage economic activity.<sup>289</sup> The PA and its predecessors were shaped by policy debates concerning the best practices to avoid the so-called poverty trap, and to ensure that any growth in income is “not offset by a loss of benefit or other aid”.<sup>290</sup>

Some key challenges were identified with the RSA and the PPE. The RSA was found to have a stigmatising effect on its recipients, and reimbursement of PPE was delayed.<sup>291</sup> In contrast, the PA is provided upon request on a monthly basis. Beneficiaries are no longer required to provide documentation justifying their eligibility.<sup>292</sup> The maximum monthly allowance is €291.<sup>293</sup> Even though some analysis emphasised that the implementation of the PA could lead to an increased risk of non-take-up, take-up has been high, at around 77%.<sup>294</sup> Consequently, Allegre and Ducoudré (2018) argue that the redistributive effects of the intervention have been more significant than were originally expected. As the major beneficiaries of the

<sup>288</sup> Bargain, Olivier (2018). ‘Introduction – socio-fiscal incentives to work. Taking stock and new research.’ *Economie et Statistique* 503-504: 5–12 (p. 6).

<sup>289</sup> Ministère des Solidarités et de la Santé (2017). ‘Rapport d’évaluation de la prime d’activité.’ (pp. 5 and 29). As of 27/09/2019: [https://solidarites-sante.gouv.fr/IMG/pdf/rapport\\_d\\_evaluation\\_prime\\_d\\_activite.pdf](https://solidarites-sante.gouv.fr/IMG/pdf/rapport_d_evaluation_prime_d_activite.pdf)

<sup>290</sup> Petit, Heloise. 2018. ‘Activity rate, poverty rate and wage progression: can we hit multiple targets in one go?’ (p. 3). As of 15/01/2020: <https://ec.europa.eu/social/BlobServlet?docId=19372&langId=en>

<sup>291</sup> Ibid. (p. 3); Ministère des Solidarités et de la Santé (2017). ‘Rapport d’évaluation de la prime d’activité.’ (p. 9). As of 27/09/2019: [https://solidarites-sante.gouv.fr/IMG/pdf/rapport\\_d\\_evaluation\\_prime\\_d\\_activite.pdf](https://solidarites-sante.gouv.fr/IMG/pdf/rapport_d_evaluation_prime_d_activite.pdf).

<sup>292</sup> Petit, Heloise. 2018. ‘Activity rate, poverty rate and wage progression: can we hit multiple targets in one go?’ (p. 3). As of 05/01/2020: <https://ec.europa.eu/social/BlobServlet?docId=19372&langId=en>; Ministère des Solidarités et de la Santé (2017). ‘Rapport d’évaluation de la prime d’activité.’ (p. 9). As of 27/09/2019: [https://solidarites-sante.gouv.fr/IMG/pdf/rapport\\_d\\_evaluation\\_prime\\_d\\_activite.pdf](https://solidarites-sante.gouv.fr/IMG/pdf/rapport_d_evaluation_prime_d_activite.pdf)

<sup>293</sup> Allègre, Guillaume & Bruno Ducoudré (2018). ‘Prime d’activité : Quelle efficacité redistributive et incitative ?’ *OFCE Policy brief* 37 (p. 2).

<sup>294</sup> Favrat, Adélaïde, Vincent Lignon & Vincent Reduron (2015). ‘Les effets redistributifs de la prime d’activité et l’impact du non-recours.’ *Revue des politiques sociales et familiales* 121: 27–41 (p. 1); Allègre, Guillaume & Bruno Ducoudré (2018). ‘Prime d’activité : Quelle efficacité redistributive et incitative ?’ *OFCE Policy brief* 37 (p. 4).

intervention have been those among the 3 lowest income deciles, the intervention has had an estimated impact of decreasing the French poverty rate by 0.4%.<sup>295</sup>

In 2017, the Ministry of Health and Social Affairs carried out an evaluation of the initiative.<sup>296</sup> The evaluation applied both qualitative and quantitative methodologies, which included participant interviews – both telephone and face-to-face – as well as in focus groups. The objective of the evaluation was not to find definite conclusions on the efficacy of the initiative, but rather to collect and analyse a first set of data relating to its use.<sup>297</sup>

As the evaluation took place only one and a half years after the initiation of the PA, it found inconclusive evidence on the impact of PA on employment.<sup>298</sup> Nevertheless, the Ministry found that 2.58 million households received PA at the end of 2016, an estimated 7.7% of the country's population.<sup>299</sup> The majority of the beneficiaries were found to be women, and households in which a single mother supported their children were particularly overrepresented. The beneficiaries tended to represent those who were among the poorest in France: more than two-thirds had a standard of living that was estimated to be less than 70% of the general population.<sup>300</sup>

As the intervention has been implemented relatively recently, there has not been much data collection nor analysis assessing the impact of the intervention. Petit notes that there is no clear evidence on the efficacy of the PA vis-à-vis other forms of financial incentives to work.<sup>301</sup>

## Germany: Reregulation of Temporary Agency Workers

As in other countries, Germany has experienced an increase of temporary agency work as a form of non-standard employment.<sup>302</sup> Concerns have been raised about employers increasingly using temporary workers to offset costs associated with more permanent employment.<sup>303</sup>

In order to address the situation and use of temporary agency workers, Germany passed the 'Act on the Reform of the Temporary Agency Work Act and other Acts', which came into force on 1 April 2017.<sup>304</sup> The primary purpose of temporary work agencies used to be to provide additional staff during peak business periods and/or

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<sup>295</sup> Allègre, Guillaume & Bruno Ducoudré (2018). 'Prime d'activité : Quelle efficacité redistributive et incitative ?' *OFCE Policy brief* 37 (p. 4).

<sup>296</sup> Ministère des Solidarités et de la Santé (2017). 'Rapport d'évaluation de la prime d'activité.' As of 27/09/2019: [https://solidarites-sante.gouv.fr/IMG/pdf/rapport\\_d\\_evaluation\\_prime\\_d\\_activite.pdf](https://solidarites-sante.gouv.fr/IMG/pdf/rapport_d_evaluation_prime_d_activite.pdf)

<sup>297</sup> Ibid. (p. 5).

<sup>298</sup> Ibid. (p. 7).

<sup>299</sup> Ibid. (pp. 6 and 16).

<sup>300</sup> Ibid. (p. 7).

<sup>301</sup> Petit, Heloise. 2018. 'Activity rate, poverty rate and wage progression: can we hit multiple targets in one go?' (p. 4). As of 05/01/2020: <https://ec.europa.eu/social/BlobServlet?docId=19372&langId=en>

<sup>302</sup> Hanesch, W. (2017). 'Reform of Temporary Agency Work and Service Contracts in Germany.'

<sup>303</sup> Stegemann, A. (2016). 'Beschlussempfehlung und Bericht des Ausschusses fuer Arbeit und Soziales (11. Ausschuss).' D. B. Wahlperiode. See also: Absenger, N., A. Priebe, H. Baumann, M. Amlinger, W. Brehmer, K. Schulze Buschoff, D. Seikel, T. Schulten and A. Kleinknecht (2016). 'Leiharbeit und Werkverträge.' Das Aktuelle Reformvorhaben der Bundesregierung.

<sup>304</sup> Hanesch, W. (2017). 'Reform of Temporary Agency Work and Service Contracts in Germany.'

seasons characterised by staff fluctuations.<sup>305</sup> The Reform was passed with the objective to “re-orientate temporary agency work to its core function [...] and to prevent the abuse of service contracts”.<sup>306</sup>

As pointed out by Addison et al. (2018), much of existing research around temporary work tends to focus on whether it can serve as a ‘stepping stone’ for more permanent employment.<sup>307</sup> The data is usually not very optimistic.<sup>308</sup> In Germany, “only 15% of all temporary employment relationships last longer than 18 months” and the “average pay of temporary agency workers was 42% lower than that of core employees.”<sup>309</sup> Another purpose of the regulation is therefore to “strengthen the employment and income protection of temporary agency workers.”<sup>310</sup> Temporary agency workers generally experience low pay, are unable to progress and are often unable to make use of channels available to more permanent employees in terms of protecting their interests in cases of workplace violations.<sup>311</sup>

The Regulation’s key provision includes that 1) temporary agency workers can only be hired for a maximum of 18 months at the same employer;<sup>312</sup> and 2) after 9 months of employment, employers must pay temporary agency workers the same pay as permanent workers.<sup>313</sup> (Though adjustment periods may last up to 15 months provided that pay is gradually increased to the level of the ‘standard’ worker at the business.)

The Regulation also outlines that in accordance with German case law, in the case of legal disputes, a worker can still be legally recognised as an employee, regardless of terminology used in the contract, if that is the nature of the role.<sup>314</sup> It further requires employers to inform their relevant work council when hiring workers without a regular or standard employment contract.<sup>315</sup>

The passing of the reform was controversial.<sup>316</sup> The Confederation of German Employer’s Associations opposed tighter regulation and controls due to employers’ needs for flexibility.<sup>317</sup> However, others have argued that the Regulation does not go far enough to protect temporary workers and worry that the Regulation’s impact may

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<sup>305</sup> Ibid.

<sup>306</sup> Ibid.

<sup>307</sup> Addison, J., P. Teixeira, P. Grunau and L. Bellmann (2018). ‘Worker Representation and Temporary Employment in Germany: The Deployment and Extent of Fixed-Term Contracts and Temporary Agency Work.’

<sup>308</sup> Ibid.

<sup>309</sup> Hanesch, W. (2017). ‘Reform of Temporary Agency Work and Service Contracts in Germany.’

<sup>310</sup> Ibid.

<sup>311</sup> Stegemann, A. (2016). ‘Beschlussempfehlung und Bericht des Ausschusses fuer Arbeit und Soziales (11. Ausschuss).’ D. B. Wahlperiode.

<sup>312</sup> Longer periods may be negotiated in some sectors. Hanesch, W. (2017). ‘Reform of Temporary Agency Work and Service Contracts in Germany.’

<sup>313</sup> Ibid.

<sup>314</sup> Ibid.

<sup>315</sup> Ibid.

<sup>316</sup> Absenger, N., A. Priebe, H. Baumann, M. Amlinger, W. Brehmer, K. Schulze Buschoff, D. Seikel, T. Schulten and A. Kleinknecht (2016). ‘Leiharbeit und Werkverträge.’ Das Aktuelle Reformvorhaben der Bundesregierung.

<sup>317</sup> Hanesch, W. (2017). ‘Reform of Temporary Agency Work and Service Contracts in Germany.’

be limited.<sup>318</sup> Concerns have also been raised that assessing the extent to which the Regulation has been able to prevent the misuse of service contracts might be challenging.<sup>319</sup> An evaluation is to be commissioned in 2020, with results to be available in 2022.<sup>320</sup>

## Japan: Firm-provided training for flexible and part-time workers

The REA identified a study by Hara (2014) that assessed the impacts of firm-provided training on the productivity and wages of workers in non-permanent contracts, as well as their progression to more regular forms of employments in Japan.<sup>321</sup> Rather than discussing a specific type of intervention, the source relies on survey data to provide information on the extent and effects of training opportunities for non-regular workers. Although no specific intervention is identified, Hara (2014) links the provision of training to the Japanese Part Time Employment Act – which was revised in 2008 – and the Job-Card system, which was introduced to promote training. According to Hara (2014), the Job-Card system “is a policy for people who have difficulty finding new jobs, i.e. job-hopping part-timers [...], women who have finished raising children, and mothers of single parent families”.<sup>322</sup> Job-Card users can record everything related to their job search (for example, training attended, skills improved, positive performance ratings received). The card constitutes a visual representation of skills and past work experience.<sup>323</sup>

Like Germany and the UK, Japan has experienced some deregulation of the labour market in recent years, with the number of contingent workers hired by employers on either non-temporary or part-time contracts increasing.<sup>324</sup> Non-regular workers in Japan receive less firm-provided training and are subject to lower wages and higher job insecurity, which has led to growing social and public concern.<sup>325</sup>

Hara (2014) differentiates between on-the-job (OJT) and off-the-job (Off-JT) training. OJT occurs throughout a work day and involves learning from supervisors and colleagues, whereas Off-JT is done away from the job site. OJT is broken down into:

- “received instructions or advice from superiors or colleagues (receiving advice)”

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<sup>318</sup> Ibid. See also: Absenger, N., A. Priebe, H. Baumann, M. Amlinger, W. Brehmer, K. Schulze Buschoff, D. Seikel, T. Schulten and A. Kleinknecht (2016). 'Leiharbeit und Werkverträge.' Das Aktuelle Reformvorhaben der Bundesregierung; Stegemann, A. (2016). 'Beschlussempfehlung und Bericht des Ausschusses fuer Arbeit und Soziales (11. Ausschuss).' D. B. Wahlperiode.

<sup>319</sup> Hanesch, W. (2017). 'Reform of Temporary Agency Work and Service Contracts in Germany.'

<sup>320</sup> BAP (2019). 'Evaluation des Arbeitnehmerüberlassungsgesetzes (AÜG): Bundesarbeitsministerium erwartet Ergebnisse im Jahr 2022.' As of 14/01/2020:

[https://www.personaldienstleister.de/presse/aktuelles/detail/evaluation-des-](https://www.personaldienstleister.de/presse/aktuelles/detail/evaluation-des-arbeitnehmerueberlassungsgesetzes-aueg-bundesarbeitsministerium-erwartet-ergebnisse.html)

[arbeitnehmerueberlassungsgesetzes-aueg-bundesarbeitsministerium-erwartet-ergebnisse.html](https://www.personaldienstleister.de/presse/aktuelles/detail/evaluation-des-arbeitnehmerueberlassungsgesetzes-aueg-bundesarbeitsministerium-erwartet-ergebnisse.html)

<sup>321</sup> Hara, H. (2014). 'The impact of firm-provided training on productivity, wages, and transition to regular employment for workers in flexible arrangements.' *Journal of the Japanese & International Economies* 34: 336–359.

<sup>322</sup> Ibid.

<sup>323</sup> Ibid.

<sup>324</sup> Ibid.

<sup>325</sup> One reason for concern is the decrease in human capital accumulation for society and another is the potential for a further widening of wage differentials.



- “gave instructions or advice to subordinates or colleagues (advising others)”
- “learned from watching superiors or colleagues as they worked (learning by watching)”
- “experienced work in other areas that helped in the current job (experiencing other areas)”
- “learned information useful for work in meetings (sharing information)”<sup>326</sup>

For Off-JT, survey participants were asked whether their company had sent them to “a workshop, training session, or somewhere else to acquire knowledge or skills [...]”<sup>327</sup> Outcomes, specifically with respect to skills, productivity and wage growth, of firm-provided training were assessed using self-reported data from the survey.

More OJT is associated with increases in skill levels and job performance for all workers. Specifically, ‘sharing information’ significantly increased job performance of non-regular workers more than that of regular workers. Similarly, Off-JT participation was more effective for non-regular workers than regular workers in enhancing skill levels and job performance.

The analysis shows that both regular and non-regular workers who experience different types of OJT experienced an increase in productivity. ‘Receiving advice’ was found to be the most effective way of improving productivity for non-regular workers, more so than for regular workers. However, neither OJT nor Off-JT were found to have a significant impact on wages for non-regular workers, whereas there was a significant positive effect for regular workers. Indirectly, non-regular workers who participated in Off-JT are more likely to transition into regular employment within the same occupation, which would then translate into an increase in earnings.

## United States: The Women’s Economic Stability Initiative (WESI)

Single mothers in the United States are more likely than other adults to be unemployed,<sup>328</sup> to have a low level of education,<sup>329</sup> and to have few financial assets.<sup>330</sup> Connected to these issues, single parenthood (with the majority being women) in the US has a close association with poverty.<sup>331,332</sup> This has been further exacerbated in recent years as a consequence of the 2008 economic recession, and

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<sup>326</sup>Hara, H. (2014). ‘The impact of firm-provided training on productivity, wages, and transition to regular employment for workers in flexible arrangements.’ *Journal of the Japanese & International Economies* 34: 336–359.

<sup>327</sup> Ibid.

<sup>328</sup> Hegewisch, A. and C. Williams (2011). ‘The gender wage gap: 2010.’ Institute for Women’s Policy Research. As of 14/01/2020: <http://www.iwpr.org/publications/pubs/the-gender-wage-gap-2010>

<sup>329</sup> McLanahan, S. (2004). ‘Diverging destinies: How children are faring under the second demographic transition.’ *Demography*, 41, 607–627.

<sup>330</sup> Zhan, M. (2006). ‘Economic Mobility of Single Mothers: The Role of Assets and Human Capital Development.’ *The Journal of Sociology and Social Welfare*, 33(4).

<sup>331</sup> Maldonado, L.C. and Nieuwenhuis, R. (2015). ‘Family policies and single parent poverty in 18 OECD countries, 1978–2008.’ *Community, Work & Family*, 18:4, 395–415.

<sup>332</sup> McLanahan, S. (2004). ‘Diverging destinies: How children are faring under the second demographic transition.’ *Demography*, 41, 607–627.

reforms to Temporary Assistance to Needy Families (TANF) that placed a 5-year limit on cash benefits.<sup>333</sup>

The Women's Economic Stability Initiative (WESI) aims to address these issues by enabling single, low-income women with children to earn a living wage. It is underpinned by a concern with escaping poverty and achieving long-term economic security.<sup>334</sup> Funded through a grant by Trio Foundation of St Louis,<sup>335</sup> the programme is based on an empowerment approach and is focused primarily on education as an empowerment strategy.<sup>336</sup> Emphasis is placed on preparing participants for careers traditionally undertaken by men, on the basis that these careers typically pay more and are more likely to offer employment-related benefits than careers traditionally undertaken by women. The programme is on-going.

The WESI programme consists of 2 phases. Phase 1 – a full evaluation of which has been published<sup>337</sup> – was implemented between November 2007 and June 2010. It initially included 45 women who were referred from educational and service providers in the St. Louis area and screened for suitability to participate in the initiative.<sup>338</sup> Participants who successfully completed Phase 1 (10 out of 11) moved on to Phase 2. A more up-to-date evaluation with preliminary results from Phase 2 (July 2010 to June 2012) has been published,<sup>339</sup> although to date no full evaluation of this phase has been published. This second report also includes additional data: findings from qualitative interviews with participants and a pre and post comparison of participant satisfaction across a number of quantitative metrics. Compared to Phase 1, Phase 2 placed stronger emphasis on peer-support and group networking, and provided less financial support and life coaching.<sup>340</sup> The evaluation reports do not mention any other changes planned or implemented as part of Phase 2 of the programme. A new cohort of participants began the WESI initiative in 2013,<sup>341</sup> but no results are currently available for this cohort.

The WESI programme has 2 main components: financial assistance and life coaching. In total, more than \$175,000 was distributed during Phase 1 of the intervention. Financial assistance was provided by the Trio Foundation of St Louis to help participants with costs associated with education (tuition, books and fees), childcare, housing, utilities, transportation, medical costs, food assistance, and tools and supplies needed for new occupations. Financial assistance was tailored to

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<sup>333</sup> Ahn, Haksoon. (2014). 'Economic well-being of low-income single-mother families following welfare reform in the USA.' *Journal of Social Welfare*, 24, 14–26.

<sup>334</sup> Scheuler et al. (2014).

<sup>335</sup> Trio Foundation of St Louis (2019). 'Special Projects.' As of 19/08/2019: <http://www.triostl.org/special-projects-2018/>

<sup>336</sup> YWCA (2020). 'Economic Stability Begins at Home.' As of 19/08/2019: <https://www.ywcastl.org/what-were-doing/economic-empowerment>

<sup>337</sup> Scheuler et al. (2014).

<sup>338</sup> Ibid.

<sup>339</sup> LS Associates (2012). 'The Women's Economic Stability Initiative: A Joint Effort of the Trio Foundation of St. Louis and the YWCA of Metro St. Louis.' As of 21/08/19: [http://static1.1.sqspcdn.com/static/f/1224858/24384516/1392569522220/Final+WESI\\_Report+10-6-12+2.pdf?token=nhpwmtfGHQp1NsygCACF3GCqCFE%3D](http://static1.1.sqspcdn.com/static/f/1224858/24384516/1392569522220/Final+WESI_Report+10-6-12+2.pdf?token=nhpwmtfGHQp1NsygCACF3GCqCFE%3D)

<sup>340</sup> Scheuler et al. (2014).

<sup>341</sup> Ibid.

individual need and circumstances, and varied across individuals and over time. Levels of financial assistance during Phase 1 ranged from \$1,474 to \$26,238 per calendar year.<sup>342</sup> All participants were offered one-on-one coaching with the Life Coach or Case Manager (LCCM), a social worker at the implementing institution. Coaching was primarily delivered face-to-face from the LCCM at the implementing institution, with some sessions conducted by phone or email. Coaching sessions covered topics such as education (including applications, selecting classes) and employment (for example, job applications, CVs, interviewing and negotiating), as well as budgeting and debt reduction, and other factors such as medical needs, housing needs and childcare. The amount of coaching hours differed across individuals and over time. The number of hours provided on an annual basis differed from 11 to 31 per person. Other elements of the WESI programme were workshops to help women develop life skills, peer groups for social support and mentoring with women in the community who could provide guidance.

The evaluation notes a number of positive outcomes, including new qualifications and employment opportunities in male-dominated sectors, reduced credit-card debt, increased motivation of participants and increased aspirations for their children. The average income for participants rose from \$935 per month in June 2008 to \$1,351 at the end of Phase 1 in June 2010 – a 44% increase.<sup>343</sup> However, only one participant was earning a living wage<sup>344</sup> at the 5-year follow-up in 2012.<sup>345</sup> Furthermore, most participants increased their financial assets during Phase 1 of the initiative and were able to reduce their financial debts. Average credit-card debt declined from \$2,607 at the beginning of Phase 1 to \$960 at the end.<sup>346</sup> However, student loan debt increased over this period from \$7,702 to \$16,975.<sup>347</sup>

Qualitative interviews with evaluators in 2012 highlighted the social and psychological benefits for participants, such as increased motivation and confidence.<sup>348</sup> Participants reported increased satisfaction with their emotional health after participating in the programme.<sup>349</sup> Satisfaction also increased in relation to access to housing, transportation and childcare.<sup>350</sup> Qualitative feedback on the coaching element of the initiative was overwhelmingly positive.<sup>351</sup>

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<sup>342</sup> The evaluation does not state whether restrictions were placed on spending and how this was monitored/assessed. It also does not identify who was responsible for making decisions about financial assistance.

<sup>343</sup> Scheuler et al. (2014).

<sup>344</sup> The evaluation does not state how a 'living wage' was defined.

<sup>345</sup> LS Associates (2012). 'The Women's Economic Stability Initiative: A Joint Effort of the Trio Foundation of St. Louis and the YWCA of Metro St. Louis.' As of 21/08/19: [http://static1.1.sqspcdn.com/static/f/1224858/24384516/1392569522220/Final+WESI\\_Report+10-6-12+2.pdf?token=nhpwmtfGHQp1NsygCACF3GCqCFE%3D](http://static1.1.sqspcdn.com/static/f/1224858/24384516/1392569522220/Final+WESI_Report+10-6-12+2.pdf?token=nhpwmtfGHQp1NsygCACF3GCqCFE%3D)

<sup>346</sup> Scheuler et al. (2014).

<sup>347</sup> Ibid.

<sup>348</sup> LS Associates (2012). 'The Women's Economic Stability Initiative: A Joint Effort of the Trio Foundation of St. Louis and the YWCA of Metro St. Louis.' As of 21/08/19: [http://static1.1.sqspcdn.com/static/f/1224858/24384516/1392569522220/Final+WESI\\_Report+10-6-12+2.pdf?token=nhpwmtfGHQp1NsygCACF3GCqCFE%3D](http://static1.1.sqspcdn.com/static/f/1224858/24384516/1392569522220/Final+WESI_Report+10-6-12+2.pdf?token=nhpwmtfGHQp1NsygCACF3GCqCFE%3D)

<sup>349</sup> Ibid.

<sup>350</sup> Ibid.

<sup>351</sup> Ibid.

Overall, the results suggest that support packages of this kind can be successful in moving low-income single mothers towards economic self-sufficiency. However, due to methodological weaknesses in relation to the evaluation, there are limits to the conclusions that can be drawn about the effectiveness of the WESI programme. The lack of a control group and the small sample size mean that it is impossible to say how much, if at all, these changes would have taken place without the intervention, and how far they are due to other factors (for example, improved economic conditions).

WESI's target group and rationale for the WESI programme is highly relevant to the UK context. There has been a large and sustained rise in the proportion of single parents in the UK who are in employment: statistics from the Office of National Statistics (ONS) show that 69.5% of single parents were in employment in January to March 2019, compared to 43.8% in April to June 1996.<sup>352</sup> However, single parents have not achieved parity with workers from other household types in the labour force. Single parents are more likely than the average employee to be trapped in low-paid and insecure work,<sup>353</sup> and single parents have the highest poverty rate among working-age households.<sup>354</sup> As in the US, reform to the tax and benefits system in the UK has disproportionately affected lone-parent households.<sup>355</sup> In short, the target group and rationale for the WESI programme is highly relevant to the UK context.

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<sup>352</sup> ONS (2019). 'Employment rates of people by parental status: Table P.' As of 23/08/19: <https://www.ons.gov.uk/employmentandlabourmarket/peopleinwork/employmentandemployeetypes/datasets/workingandworklesshouseholdstablepemploymentratesofpeoplebyparentalstatus>

<sup>353</sup> Nieuwenhuis, R. and L.C. Maldonado (2018). '10 Single-parent families and in-work poverty.' In *Handbook on In-Work Poverty*, Lohmann, H. and I. Marx (eds.). London: Edward Elgar Publishing. p.171.

<sup>354</sup> Ibid.

<sup>355</sup> Ibid.

## 5. Conclusions

This chapter summarises the findings presented above and draws conclusions on the key research topics: cross-country comparisons of progression rates and associated factors, the review of policies and programmes targeting in-work progression, the effectiveness and impact of these interventions and transferability to the UK context.

### 5.1. Cross-country comparisons on in-work progression

Chapter 2 provided an overview of the policy context for this study. The main findings are summarised below.

#### **Low pay and progression in the UK compared to other countries**

While there can be some variation in the data and consequently in the ranking of countries, most sources identify the UK as a country with a large proportion of low-paid workers. The OECD ranks the UK among countries with a high incidence of low pay (after the US, Israel and Ireland). In Europe, the UK ranks among the top 5 EU countries with the highest percentage of low-paid employees (where such data were available). In terms of progression out of low pay, the UK is among countries with the lowest rates (after Luxembourg, Cyprus and Lithuania).

The evidence demonstrates that some people are more likely to end up in low-paid jobs than others. This includes women, single-parents, young people, people with disabilities, people from ethnic minority backgrounds and people who are low-skilled. Workers in non-traditional employment situations, such as workers on flexible contracts and/or people working part-time, also tend to be more affected. Existing research also notes that while the UK is comparatively good at getting people back into work after having become unemployed, there is little support focused on people already in work, but who are affected by low pay.

#### **Supply and demand factors and the rate of pay progression**

The literature examines a variety of supply- and demand-side factors that might shape pay progression. On the supply-side these include individual characteristics, such as gender, age and skill levels. Depending on who they are, people may encounter different barriers and obstacles to progression. For example, women and/or single parents' progression might be hindered by childcare commitments, whereas young people might be more affected by lack of strong transition systems

from education into employment. An important demand-side factor frequently mentioned in the literature is firms' size and structure. People working in organisations with established routes for career progression and/or who have access to training while being in work may be more likely to experience progression than others.

## **Relationships between pay progression, productivity and living standards**

Evidence is mixed on the links between pay progression, productivity and living standards. While there is a body of evidence on the positive relationship between productivity and pay, more recent analysis suggests that this relationship may have broken down (known as decoupling). This has been attributed to a range of factors including an increased focus by employers on driving down labour costs.

Similar nuances apply to analysing the relationship between pay progression and living standards. On the one hand, pay is clearly an important factor shaping people's living conditions. On the other hand, poverty is the result of complex set of interrelated factors. For example, not all people on low pay live in poor households, and not all workers who live in poor households are low paid. Hence, supporting pay progression represents one strand in a broader suite of measures to address poverty.

Overall, an important point from Chapter 2 is that wages and pay progression are elements within a complex and multi-faceted labour market system, and approaches to improving worker conditions require a holistic response, of which pay progression is one element.

## **5.2. Policies and programmes aiming at in-work progression**

Chapter 3 presented the results of a rapid evidence assessment (REA), which in part aimed to identify how policies and programmes that targeted in-work progression are defined and described in various countries. The search yielded 630 results, of which the titles and abstracts were screened and 30 sources were selected for in-depth review. Of these, only 17 sources focused on one or more specific IWP interventions (23 interventions in total). The search was limited to sources from 2014 to 2019 that met the inclusion and exclusion criteria listed in the appendices.

The results pointed towards a broad landscape. Policies or interventions that target progression can focus on a variety of different outcomes, including but not limited to progression in pay, hours, skills, employment contract (for example, flexible or temporary to permanent), and even quality of work or job satisfaction. Many interventions focus on individual training, education or otherwise upskilling programmes, however, there are also examples of regulatory reform aimed at addressing underlying conditions. The REA used a framework developed by McKnight et al. (2016), who identify 6 different categories of interventions: 1)

education and training; 2) career coaching or counselling; 3) reducing labour supply constraints; 4) design of tax and in-work benefit systems; 5) employer-focused initiatives; and 6) statutory minimum wages. The assessment did not identify any initiatives related to the last category.<sup>356</sup> However, in terms of the other categories, 18 programmes fell under education and training, 16 under career coaching or counselling, 5 interventions under reducing labour supply constraints, 4 under tax and benefit systems, and 4 under employer-focused initiatives. However, some interventions comprised different elements and thus often fell into 2 or more categories. The majority of sources investigating in-work progression policies and/or interventions identified by this review were from the US. Other countries included Germany, the UK, Czech Republic, France, Japan, Lithuania, Netherlands, Spain and Sweden.

The assessment included 2 sources focused on interventions targeting migrants or refugees (8 interventions in total), parents, families, or women (4 interventions), the unemployed and working adults in low income households (3 interventions), and individual interventions for young people, non-regular or part-time workers, low-skilled health-care workers and 'other'.

### 5.3. Effectiveness and impact of these policies and programmes

The range of definitions and approaches to in-work progression presents challenges when comparing policies and programmes. Furthermore, the evidence base underpinning this report constituted a mix of levels of robustness, ranging from randomised controlled trials to policy reviews. As a result, the conclusions drawn about the effectiveness of interventions reviewed in this report should only be taken as indicative.

The evidence base is more readily available and stronger for interventions involving education or training. Overall, the sources identified as part of this review supported the view that both training and job counselling can be effective in promoting in-work progression. For example, participants who received sector-specific training were more likely to be employed and had higher earnings than those who received standard training. Some evidence suggests that training or counselling programmes that include an employer-focused component or a 'dual customer' approach can be particularly effective, although this was based on a small number of studies. For this reason, WorkAdvance and SFCC, both in the US, were selected as case studies to facilitate further learning.

Furthermore, evidence suggests that IWP programmes tend to be more effective for the most disadvantaged,<sup>357</sup> including long-term unemployed clients and those on

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<sup>356</sup> Examples of such interventions are presented in this report in Chapter 2.

<sup>357</sup> An early evaluation of SFCCs found limited differences among key subgroups considering participants' education level, disability or employment status. However, a later study showed that participants considered 'most disadvantaged' (defined as those with low levels of education and prior

benefits. For this reason, another case study examined WeGebAU – a German training programme for low-skilled and older workers.

The evidence base for policies and programmes relating to employment legislation, wage flows and reducing labour-supply constraints was weaker. However, while fewer robust studies on effectiveness of these interventions were included in the review, this does not necessarily mean that these interventions are less successful.

Given the fact that in-work progression is an emerging area with a limited evidence base, a number of potentially promising interventions that had minimal supporting evidence were also explored. These cases included research on firm-provided training to flexible workers in Japan; the French ‘prime d’activité’ – or ‘activity bonus’ in-work financial benefit; re-regulation of temporary agency workers in Germany; and a US initiative focused on facilitating wage progression for single mothers.

## 5.4. Transferability to the UK context

The rapid evidence assessment and the case study analysis provide some evidence on the different labour market conditions in each country, and how this might shape in-work progression.

The existing evidence is, however, not strong enough to pinpoint one particular intervention that achieved the objective of pay progression, regardless of country context. Most of the robust evidence identified in this report comes from the US. As explained throughout the report, that does not necessarily mean that these interventions are the most effective, since the existing evidence base is not comprehensive enough to make clear comparisons to policy development in other countries.

However, it is worth mentioning that interventions from the US do have applicability to the UK context. These 2 countries face a similar challenge of low-pay populations, and both aim to tackle low pay and to enable progression. In that regard, transferability from the US to the UK may hold more potential compared to other countries. Not all European countries adopt policies that explicitly aim to facilitate progression, even if some interventions might contribute to this objective. Many countries take an in-work poverty approach instead, and/or focus more on tackling labour market challenges for particular groups, such as placing emphasis on migrant integration. In addition, both the US and the UK have rather low trade union density, whereas bargaining powers in other countries play a crucial role in implementing these types of policies, which might also impact on transferability.

In summary, this report illustrates that in-work progression is a new and complex policy area that requires a holistic response, of which pay progression is just one piece of the puzzle. The analysis revealed that the existing evidence base is limited, but a number of countries are experimenting with different approaches. The strongest evidence is available from US programmes, and this provides the UK with relevant

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employment) benefited from the programme, but less so than those who were considered ‘least disadvantaged’.



information about what might work in the UK context. While the evidence base is weaker outside of the US, there are example of countries using a range of approaches that could support progression. These approaches include subsidising training, reforming in-work benefit systems, and legislating to improve employee protections. The evidence is mixed on who benefits most from progression interventions and impact is not observed across all outcomes or locations. This suggests that achieving sustainable impact in this area is hard and can be heavily dependent on the context.

A lot of the existing evidence centres on training interventions and suggests that sector-specific approaches might be more successful than generic ones. The reviewed literature further highlights the importance of support and buy-in from employers. Some evidence also shows that the wider regulatory environment can play a key role in promoting quality employment and training, and supporting demand-side enablers of progression. Lastly, providing an environment that is conducive to ensuring access to secure and high-quality employment will be key to improving conditions for the low paid.

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# Appendices

## Appendix A. Mapping research questions and methods used

<b>Topic 1: Cross-country comparisons, factors affecting IWP rates and links between pay progression, productivity and living standards</b>	<b>Initial targeted review</b>	<b>REA</b>	<b>Case studies</b>
1. What comparative evidence currently exists on how rates of in-work progression vary between countries?	■		
2. What demand side factors influence the rate of pay progression in other countries?	■		
3. What supply side factors influence the rate of pay progression in other countries?	■		
4. Is there a link between pay progression and productivity?	■		
5. Is there a link between pay progression and living standards?	■		
<b>Topic 2: Policies and programmes aiming at IWP</b>			
6. How are policies that implement IWP defined or labelled in various countries?		■	
7. Which countries appear to be employing relevant IWP policies and programmes?		■	
8. What are these policies and programmes?		■	■
9. Who or what do these policies and programmes target?		■	■
10. What evidence exists to show the impact of these policies on progression when other demand and supply side factors are taken into account?		■	■
<b>Topic 3: Effectiveness and impact of these policies and programmes</b>			
11. Which types of policies or programmes appear to be the most effective in promoting IWP? What has been the impact of these IWP policies or programmes?		■	■
<b>Topic 4: Impact of programmes on key subgroups</b>			
12. Are certain groups of people more responsive to IWP support? If so, which types of policies and programmes are most effective for which type of people?		■	■
<b>Topic 5: Labour market context</b>			
13. How does labour market context affect the transferability of these policies or programmes?			■
<b>Topic 6: Transferability to the UK context</b>			
14. What policies or practices look most promising for the UK context?		■	■

## Appendix B. Methodology and its limitations

### Targeted literature review

DWP and RAND Europe worked together at the project's inception to refine the research questions, study scope and methodological approach. This was followed by a narrow literature review to inform the systematic search for and review of evidence. The review used a form of the 'systematic snowball process' that builds on a non-keyword-based reviewing process,<sup>358</sup> and allows for newly found concepts and emerging ideas to be incorporated into the review.<sup>359</sup> Critically, key pieces of literature (including those cited in the tender specifications, suggested by DWP and sourced independently by the research team) were reviewed. These included contributions to a workshop on approaches to in-work progression organised by the EC and hosted in the UK in March 2018 that was attended by representatives from Belgium,<sup>360</sup> France,<sup>361</sup> Germany,<sup>362</sup> Latvia,<sup>363</sup> Norway<sup>364</sup> and the UK.<sup>365</sup> Publications providing cross-country comparisons, such as a paper on in-work poverty in Europe, were prioritised.<sup>366</sup>

The targeted review helped to ensure that the study complemented – but not repeated – work already conducted, and adequately reflected the terminology used in the field. A definition of key terms (including in-work progression, policy and programmes) was agreed in order to refine the scope of the rapid evidence assessment (REA, see below) and facilitate finding the most appropriate search terms.

Sources identified in this targeted literature review provided useful insights for Chapter 2, which sets the context for this study. However, the targeted review does not represent an exhaustive and systematic synthesis of the literature – it merely introduces concepts commonly discussed in connection with this policy area.

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<sup>358</sup> Contandriopoulos, D., M. Lemire, J.L. Denis and É. Tremblay (2010). 'Knowledge exchange processes in organizations and policy arenas: a narrative systematic review of the literature.' *Milbank Q* Vol. 88, No. 4, 444–83.

<sup>359</sup> Nutley, S., H. Davies, and I. Walter (2002). 'What is a conceptual synthesis? Briefing Note 1.' St Andrews: University of St Andrews Research Unit for Research Utilisation.

<sup>360</sup> Vandekerckove, S. and I. Pollet (2018). 'Peer Country Comments Paper - Belgium. In-work Progression in Belgium: no jump, no joy?'

<sup>361</sup> Petit, Heloise. 2018. 'Activity rate, poverty rate and wage progression: can we hit multiple targets in one go?' (p. 3). As of 05/01/2020: <https://ec.europa.eu/social/BlobServlet?docId=19372&langId=en>

<sup>362</sup> Bosch, G. (2018). 'Wage Progression Through Strong Social Partnership?' Peer Country Comments Paper - Germany.

<sup>363</sup> 'Peer Country Comments Paper – Latvian Agenda: Is there a universal way to in-work progression?' (2018).

<sup>364</sup> 'Peer Review on in-work progression – approaches and challenges: Wage progression in Norway – a question depending on the social partners and on formal qualifications? Presentation' (2018).

<sup>365</sup> Brewer M. and D. Finch (2018). 'Breaking Out: progressing out of low pay in the UK labour market. Peer Review on "In-work progression – approaches and challenges" – Host Country Discussion Paper.' European Union, 2018.

<sup>366</sup> Pena-Casas, R., D. Ghailani, S. Spasova and B. Vanhercke (2019). 'In-work poverty in Europe. A study of national policies.' European Social Policy Network (ESPN), Brussels: European Commission.

## Rapid evidence assessment

While following the same principles of a systematic literature review, a REA makes certain concessions to the breadth of the process by limiting the databases searched and time-span of eligible studies. Detailed information on the inclusion and exclusion criteria are stipulated in the search protocol in Appendix C. Databases searched included academic (Web of Science, Scopus, Econlit, Academic Search Complete and Business Source Complete) and grey literature (ERIC, OAISTER, WorldCat and Public Policy File) databases.

This REA was complemented by 'snowball' and hand searches in order to find as many relevant studies as possible within available resources. The search yielded 630 sources, of which 30 sources were ultimately included in the REA after titles and abstracts had been screened. Of these, only 17 sources focused on one or more specific IWP interventions (23 interventions in total).

The quality of identified evidence was assessed utilising an adjusted version of the Maryland Scientific Methods Scale (SMS).<sup>367</sup> The scale ranks studies from least to most robust (with randomised controlled trials (RCTs) considered the most robust). The purpose of this assessment is to quickly summarise the adequacy of research for answering questions about effectiveness. This assessment is presented in Chapter 3.

An important limitation of the REA is that, while systematic, its parameters and inclusion and exclusion criteria necessarily constrained its scope. It is possible that further relevant interventions might be identified in literature that did not meet the criteria for inclusion in this review.

## Case studies

To illustrate different approaches to in-work progression, examples of interventions from different countries were selected as case studies for in-depth review. An initial longlist of cases was developed based on the systematic search and shared with DWP, indicating the potential strengths and limitations of each case. Given that DWP hoped to achieve a good variety of the case studies (in terms of geographical coverage going beyond the US examples, and including different categories of interventions), this initial list was further expanded based on further 'snowballing' and hand searches.

The case studies are primarily based on review of the documentation and literature relating to the policy, including those available in the language of the country.

In order to recount features of each programme selected as case studies, a template for Intervention Description and Replication<sup>368</sup> was used. This template recorded – where possible – (i) name of the intervention; (ii) rationale or theory essential to the

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<sup>367</sup> Madaleno, M. and S. Waights (2016). 'Guide to scoring methods using the Maryland scientific methods scale.' What Works Centre for Local Economic Growth.

<sup>368</sup> Hoffmann, T.C., P.P. Glasziou, I. Boutron, R. Milne, R. Perera, D. Moher, D.G. Altman, V. Barbour, H. Macdonald, M. Johnston and S.E. Lamb (2014). 'Better reporting of interventions: template for intervention description and replication (TIDieR) checklist and guide.' *BMJ* 348, p.1687.

intervention; (iii) materials, procedures and activities used; (iv) details on providers and expertise needed; (v) modes and locations of delivery; (vi) duration, intensity and dose; (vii) information on personalised elements; (viii) modifications introduced; and (ix) implementation fidelity.

## Appendix C. Search protocol

Different ways of searching for relevant evidence were used. These included the following:

1. A preliminary search in Campbell Collaboration Library of Systematic Reviews, Google Scholar, Science Direct and OpenGrey informed by early discussions with the client, using a number of iterations of the following search terms:

*("in-work progress\*" OR "pay progress\*" OR "career progress\*" OR "career development" OR "earning\* progress" OR "employee progress\*" OR "worker progress\*" OR "contract progress\*" OR "occupational progress\*" OR "hours progress\*" OR "skills progress" OR "skills development" OR ((wage OR salary OR hours) AND increase)  
AND  
(pilot OR trial OR policy OR program\* OR impact OR evaluation OR outcome)*

The purpose of these searches was to identify search terms producing the most relevant results for this review.

2. Identification of 2 pieces of literature of relevance to this review. Final search strings were then tested by checking that these papers would be captured in the results.
3. A systematic search using a targeted search of databases in the field of social sciences, economics and business.
4. 'Snowball' searching of bibliographies of included sources. References cited in the literature that met the inclusion criteria were followed up on and identified for inclusion in this review.

All search results were screened by members of the research team against the inclusion criteria. Screeners consulted with each other during the early stages of the review to ensure consistency in the process. For the papers that were included in the review, the evidence was analysed and synthesised and the findings interpreted and presented in the final report.

### Inclusion criteria

The **inclusion criteria** were as follows:

<b>Included in the rapid evidence assessment</b>
Articles reporting primary research

Government documents or reports
Grey literature
Articles published after 2009 <sup>369</sup>
Research from or about any country from the European Union, USA, Canada, Australia and New Zealand
Systematic reviews or rapid evidence assessments.

The **exclusion criteria** were as follows:

<b>Excluded from the rapid evidence assessment</b>
Commentaries, editorials and features
Research relating to standard delivery of policies and not specifically aimed at (or resulting in) improving IWP
Evidence on the UK was only included for information for answering Research Questions 1 to 5. The UK has been excluded as a possible case study.

## Database searches

### Search terms

**Search terms and synonyms** were as follows:

("in-work progress*" OR "pay progress*" OR "career progress*" OR "career development" OR "earning* progress*" OR "employee progress*" OR "worker progress*" OR "contract progress*" OR "occupational progress*" OR "hours progress*" OR "skills progress" OR "skills development" OR "in-work support" OR "vocational progress*" OR "occupational progress*" OR "vocational training" OR "occupational training" OR "low pay" OR "in-work support" OR "upskilling" OR "in-work poverty" OR "flexible work" OR "temporary work" OR "insecure work")
AND ((wage* OR salar* OR pay OR earnings OR hours) AND increas*)
AND (pilot OR trial OR policy OR program* OR impact OR evaluation OR outcome)

### Databases searched and numbers of studies found

The research team liaised with research experts from RAND's Knowledge Services team to focus on the most comprehensive and relevant databases. Initially, the intention was to search **Web of Science, Science Direct, Cochrane Database of Systematic Reviews, Campbell Collaboration Library of Systematic Reviews, Econlit, Academic Search Elite, Business Source Plus, ERIC, SSRN and Google Scholar** for peer-reviewed research. It was subsequently decided to exclude the

<sup>369</sup> Could potentially be changed to 2014, depending on number and relevancy of search results.



Cochrane Database, as its main focus is on medical research and was therefore deemed unlikely to yield relevant results. Similarly, Campbell Collaboration Library of Systematic Reviews included 4 reviews in the field of social welfare and related to earnings, only 2 of which were relevant and only one of which met inclusion criteria and was kept for the review. Knowledge Services advised excluding SSRN and Google Scholar, as their search engines cannot support sophisticated search strings, do not allow the exportation of more than one citation at a time into EndNote and return results of which most would be found in the other academic databases (for example, Web of Science, Scopus, Academic Search Complete). In addition, grey literature was also searched for using **OAISTER, ERIC, WorldCat and Public Policy File**.

Search results were imported into a single EndNote file and combined with the literature identified in the preliminary search. After removal of duplicate studies, the titles and abstracts were screened by RAND researchers. Full papers of potentially relevant studies were retrieved and a final judgement on eligibility was made by RAND researchers.

Data from relevant studies were extracted by RAND researchers into a standardised template (see below).

#### Search results (academic and grey databases)

Database	Search terms	Number of results
<b>Web of Science</b> Article Early Access Proceedings Paper Review	(“in-work progress*” OR “pay progress*” OR “career progress*” OR “career development” OR “earning* progress*” OR “employee progress*” OR “worker progress*” OR “contract progress*” OR “occupational progress*” OR “hours progress*” OR “skills progress” OR “skills development” OR “in-work support” OR “vocational progress*” OR “occupational progress*” OR “vocational training” OR “occupational training” OR “low pay” OR “in-work support” OR “upskilling” OR “in-work poverty” OR “flexible work” OR “temporary work” OR “insecure work”)  AND  ((wage* OR salar* OR pay OR earnings OR hours) AND increas*)  AND  (pilot OR trial OR policy OR program* OR impact OR evaluation OR outcome)	290
<b>Scopus</b> Article, Review, Article in Press	(“in-work progress*” OR “pay progress*” OR “career progress*” OR “career development” OR “earning* progress*” OR “employee progress*” OR “worker	291

	<p>progress*" OR "contract progress*" OR "occupational progress*" OR "hours progress*" OR "skills progress" OR "skills development" OR "in-work support" OR "vocational progress*" OR "occupational progress*" OR "vocational training" OR "occupational training" OR "low pay" OR "in-work support" OR "upskilling" OR "in-work poverty" OR "flexible work" OR "temporary work" OR "insecure work")</p> <p>AND</p> <p>((wage* OR salar* OR pay OR earnings OR hours) AND increas*)</p> <p>AND</p> <p>(pilot OR trial OR policy OR program* OR impact OR evaluation OR outcome)</p>	
<p><b>Econlit</b> Academic Journals Working Papers</p>	<p>("in-work progress*" OR "pay progress*" OR "career progress*" OR "career development" OR "earning* progress*" OR "employee progress*" OR "worker progress*" OR "contract progress*" OR "occupational progress*" OR "hours progress*" OR "skills progress" OR "skills development" OR "in-work support" OR "vocational progress*" OR "occupational progress*" OR "vocational training" OR "occupational training" OR "low pay" OR "in-work support" OR "upskilling" OR "in-work poverty" OR "flexible work" OR "temporary work" OR "insecure work")</p> <p>AND</p> <p>((wage* OR salar* OR pay OR earnings OR hours) AND increas*)</p> <p>AND</p> <p>(pilot OR trial OR policy OR program* OR impact OR evaluation OR outcome)</p>	<p>84</p>
<p><b>Academic Search Complete</b> Scholarly (Peer Reviewed) Journals</p>	<p>("in-work progress*" OR "pay progress*" OR "career progress*" OR "career development" OR "earning* progress*" OR "employee progress*" OR "worker progress*" OR "contract progress*" OR "occupational progress*" OR "hours progress*" OR "skills progress" OR "skills development" OR "in-work support" OR "vocational progress*" OR "occupational progress*" OR "vocational training" OR "occupational training" OR "low pay" OR "in-work support" OR "upskilling"</p>	<p>153</p>

	<p>OR “in-work poverty” OR “flexible work” OR “temporary work” OR “insecure work”)</p> <p>AND</p> <p>((wage* OR salar* OR pay OR earnings OR hours) AND increas*)</p> <p>AND</p> <p>(pilot OR trial OR policy OR program* OR impact OR evaluation OR outcome)</p>	
<p><b>Business Source Compete</b> Scholarly (Peer Reviewed) Journals</p>	<p>(“in-work progress*” OR “pay progress*” OR “career progress*” OR “career development” OR “earning* progress*” OR “employee progress*” OR “worker progress*” OR “contract progress*” OR “occupational progress*” OR “hours progress*” OR “skills progress*” OR “skills development” OR “in-work support” OR “vocational progress*” OR “occupational progress*” OR “vocational training” OR “occupational training” OR “low pay” OR “in-work support” OR “upskilling” OR “in-work poverty” OR “flexible work” OR “temporary work” OR “insecure work”)</p> <p>AND</p> <p>((wage* OR salar* OR pay OR earnings OR hours) AND increas*)</p> <p>AND</p> <p>(pilot OR trial OR policy OR program* OR impact OR evaluation OR outcome)</p>	133
<p><b>ERIC</b> Academic Journals Educational Reports ERIC Documents Reports</p>	<p>(“in-work progress*” OR “pay progress*” OR “career progress*” OR “career development” OR “earning* progress*” OR “employee progress*” OR “worker progress*” OR “contract progress*” OR “occupational progress*” OR “hours progress*” OR “skills progress*” OR “skills development” OR “in-work support” OR “vocational progress*” OR “occupational progress*” OR “vocational training” OR “occupational training” OR “low pay” OR “in-work support” OR “upskilling” OR “in-work poverty” OR “flexible work” OR “temporary work” OR “insecure work”)</p> <p>AND</p> <p>((wage* OR salar* OR pay OR earnings OR hours) AND increas*)</p> <p>AND</p>	68

	(pilot OR trial OR policy OR program* OR impact OR evaluation OR outcome)	
<b>WorldCat</b>	<p>("in-work progress*" OR "pay progress*" OR "career progress*" OR "career development" OR "earning* progress*" OR "employee progress*" OR "worker progress*" OR "contract progress*" OR "occupational progress*" OR "hours progress*" OR "skills progress" OR "skills development" OR "in-work support" OR "vocational progress*" OR "occupational progress*" OR "vocational training" OR "occupational training" OR "low pay" OR "in-work support" OR "upskilling" OR "in-work poverty" OR "flexible work" OR "temporary work" OR "insecure work")</p> <p>AND</p> <p>((wage* OR salar* OR pay OR earnings OR hours) AND increas*)</p> <p>AND</p> <p>(pilot OR trial OR policy OR program* OR impact OR evaluation OR outcome)</p>	470
<b>Public Policy File</b> Reports only	<p>("in-work progress*" OR "pay progress*" OR "career progress*" OR "career development" OR "earning* progress*" OR "employee progress*" OR "worker progress*" OR "contract progress*" OR "occupational progress*" OR "hours progress*" OR "skills progress" OR "skills development" OR "in-work support" OR "vocational progress*" OR "occupational progress*" OR "vocational training" OR "occupational training" OR "low pay")</p> <p>AND</p> <p>((wage* OR salar* OR pay OR earnings OR hours) AND increas*)</p> <p>AND</p> <p>(pilot OR trial OR policy OR program* OR impact OR evaluation OR outcome)</p>	26
<b>OAISTER</b>	<p>("in-work progress*" OR "pay progress*" OR "career progress*" OR "career development" OR "earning* progress*" OR "employee progress*" OR "worker progress*" OR "contract progress*" OR "occupational progress*" OR "hours progress*" OR "skills progress" OR "skills development" OR "in-work support" OR "vocational progress*" OR "occupational progress*")</p>	130

	<p>OR “vocational training” OR “occupational training”  OR “low pay” OR “in-work support” OR “upskilling”  OR “in-work poverty” OR “flexible work” OR  “temporary work” OR “insecure work”)</p> <p>AND</p> <p>((wage* OR salar* OR pay OR earnings OR hours)  AND increas*)</p> <p>AND</p> <p>(pilot OR trial OR policy OR program* OR impact OR  evaluation OR outcome)</p>	
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### Summary results

- Total number of search results: 1,830
- Total number of results from academic databases: 951
- Total number of results from grey literature search: 879
- Total number of results selected for screening after the removal of duplicates and limiting the results to since 2014: 630
- Total number of studies retained after title and abstract screening: 104
- Total number of studies included in the review: 30

### Snowball search

The bibliographies of studies identified via the search of academic and grey literature databases that were deemed to meet the inclusion criteria and were retained for full-text review were searched for potentially relevant sources. RAND researchers compiled a list of all potentially relevant sources and undertook the same steps as those for the results of the database search, involving the removal of duplicates, application of inclusion and exclusion criteria, title and abstract screen, full-text review and data extraction. This process focused in particular on identifying studies from outside the English-speaking world.

### Data extraction

Category	Description	Source 1
<b>General information</b>	Database	
	Short reference	
	Full reference	
	Type of study (systematic review, REA, primary research, other)	

	Hierarchy of evidence (Maryland Scientific Methods Scale)	
	Methods used	
	Limitations of the study	
	Abstract	
	Countries covered	
	Years covered	
<b>IWP</b>	Definition or interpretation used	
	Rates of IWP at baseline	
<b>Intervention</b>	Programme description	
	Typology according to McKnight et al. (2016) <sup>370</sup> <ul style="list-style-type: none"> <li>· Education and training</li> <li>· Career coaching or counselling</li> <li>· Reducing labour supply constraints</li> <li>· Statutory minimum wages, wage floors, and other changes to employment legislation or rights</li> <li>· Design of tax and in-work benefit systems</li> <li>· Employer-focused initiatives</li> </ul>	
	Pillars of the ToC: skills; progression between organisations; progression within organisations [light-touch]	
	Target audience(s)	
	Institutional set-up	
	Sources of additional information, contacts to implementers, etc.	
<b>Findings</b>	Effectiveness or ineffectiveness (subgroups, if available)	
	Sustainability	
	Limitations of the programme noted by the authors	
	Learning and potential barriers & enablers to implementation in the UK context	
	Other	

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<sup>370</sup> McKnight et al. (2016).

## Appendix D. Case study methods

### WorkAdvance

The following source was identified as part of the Rapid Evidence Assessment (REA): Schaberg, K. (2017). 'Can Sector Strategies Promote Longer-Term Effects? Three-Year Impacts from the WorkAdvance Demonstration.' MDRC. In addition, an internet search was conducted to identify any other published sources related to WorkAdvance. Two additional articles were identified and reviewed: Tessler, B. L., M. Bangser, A. Pennington, K. Schaber and H. Dalporto (2014). 'Meeting the Needs of Workers and Employers: Implementation of a Sector-Focused Career Advancement Model for Low-Skilled Adults.' MDRC; and Webb, J., A. Parker, H. Hodges and M. Mathias (2018). 'Promoting Job Progression in Low Pay Sectors.' Cardiff: Wales Centre for Public Policy.

### SFCC

The following source was identified as part of the REA: Gasper, J., K. Henderson and D. Berman (2017). 'Do Sectoral Employment Programs Work? New Evidence from New York City's Sector-Focused Career Centers.' *Industrial Relations* 56(1): 40–72 (Gasper et al. 2017). In addition, an internet search was conducted to identify any other published sources related to the specific sectoral employment programme in question, yielding an additional report by the evaluators at an earlier stage in the evaluation (Gasper 2014). The executive summary of this additional report was used alongside the original source to provide additional information about the intervention provided. In addition, the abstracts of a few evaluations of other sectoral employment programmes identified within the source were consulted and used to inform the background section.

### WESI

The following source was identified as part of the REA: Scheuler, L., K. Diouf, E. Nevels and N. Hughes (2014). 'Empowering Families in Difficult Times: The Women's Economic Stability Initiative.' *Affilia*, 29(3), 353–367. The WESI, also referred to as the Women's Economic Stability Partnership (WESP), was selected as a case study because of the programme's emphasis on supporting in-work progression for parents of young children, and single parents in particular. Although this intervention was implemented in St. Louis, US, the target group – single mothers – and the objective of promoting economic self-sufficiency through improving educational and employment outcomes and increasing financial assets, align closely with policy priorities in the UK.

A database search was conducted to identify any other published sources relating to the WESI, and the programme evaluators<sup>371</sup> were approached by email to confirm that this search was exhaustive. The database search did not yield any results but an additional report from the evaluators was identified through the web page of the

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<sup>371</sup> LS Associates

fundlers of the WESI initiative, the Trio Foundation of St. Louis: LS Associates. (2012). 'The Women's Economic Stability Initiative: A Joint Effort of the Trio Foundation of St. Louis and the YWCA of Metro St. Louis.' A supplementary web search was conducted to identify any additional information relating to the WESI programme.

The original source is the published evaluation of Phase 1 of the programme, which ran from November 2007 to June 2010. The second source is a more up-to-date evaluation incorporating data from the beginning of Phase 2 (2011–2012). This updated report incorporates qualitative data from interviews with programme staff and participants. The evaluators developed a logic model for the programme, outlining intended activities and outcomes. They also developed a questionnaire and rating scale to collect data from programme participants about their perceived needs and strengths. Documents were developed by evaluators to enable programme staff to regularly collect data on educational enrolment and completion, Grade Point Averages (GPAs), employment, number of hours worked, earnings, levels of credit card and other debt, balances in bank accounts and other factors such as perceived suitability of housing and childcare services. Metrics were compared before, after and during participation in the WESI programme. The evaluators also conducted bi-annual interviews with participants to gather qualitative data on life changes.

## **WeGebAU**

The client suggested the following source: Peer Country Comments Paper – Germany: Wage Progression through Strong Social Partnership.<sup>372</sup> The paper was presented as part of a workshop on approaches to in-work progression organised by the EC and hosted in the UK in March 2018. The paper mentioned 'further training' as one approach to in-work progression.

The research team then searched databases for existing interventions in Germany and found Dauth (2017a),<sup>373</sup> a study that examined survey data to analyse the impact of participation in WeGebAU on low-skilled workers and found some positive outcomes, as described in more detail in the case study. The research team then conducted a further search to gather relevant studies and evaluations on WeGebAU. Based on the evidence base this search yielded, it was determined that there is sufficient evidence available to include this programme as a case study.

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<sup>372</sup> Bosch, G. (2018). 'Wage Progression Through Strong Social Partnership?' Peer Country Comments Paper - Germany.

<sup>373</sup> Dauth, C. (2017a). 'Regional discontinuities and the effectiveness of further training subsidies for low-skilled employees.' IAB-Discussion Paper 7/2017.