

Progression in Employment: A brief overview of policy options and evidence

The Progression in Employment project

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Introduction to the Progression in Employment (PIE) project

The Progression in Employment project, of which this paper forms a part, is designed to capture evidence and insights on developing and implementing upskilling pathways for low-skilled adults. The project aims to identify effective employer practice in supporting the in-work progression of adults in low-skilled and low-paid work, and to share the learning from this practice with employers through the creation of an employer toolkit and a range of dissemination activities.

The project is particularly timely and relevant given:

- The increasing risk of in-work poverty since the recession in 2008 (Eurofound, 2017).
- Job polarisation, characterised by demand for high volumes of high-skilled and low-skilled jobs, and reduced demand for jobs requiring intermediate skills, which is affecting internal career ladders and creating challenges for people with lower skills who want to progress.
- Low-skilled adults are less likely to participate in training (OECD, 2019). This is likely a reflection of both worker attitudes toward training and the lack of opportunities offered by employers to low-skilled workers (Kyndt et al, 2013).
- There are persistent mismatches between employer skills requirements and the available talent pool. Comparative analysis has shown 14 types of critical skills shortages in the UK, 15 in Germany and Spain, eight in Sweden, two in Italy and two in France.
- The Fourth Industrial Revolution is changing and is predicted to reshape the world of work and labour markets. People with low skills are typically the most vulnerable to the effects of labour market change.
- Comparative analysis of institutional contexts, national policy and employer choices show very different prospects for progression in different countries (Gautie and Schmitt, 2009), suggesting the value of sharing learning to support better practice.
- Career progression to higher skilled roles can offer higher salaries, better working conditions, job satisfaction, greater challenge and interesting work. Progression can also provide a platform to engage in lifelong learning and to access further qualifications.

The project is focused on four sectors and across six European countries. The four sectors are:

- Retail
- Hospitality

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- Health
 - Social care

These four sectors have been chosen as they employ significant numbers of low-skilled workers and are sectors that are projected to grow. By 2025, sectoral shares of employment across EU countries is predicted to increase 7.8 per cent in human health and social care activities, by 5.5 per cent in hospitality, and by 6.2 per cent in retail (Cedefop, 2017). These sectors are also increasingly affected by technological change.

The six countries are:

- Germany
- Spain
- France
- Italy
- Sweden
- United Kingdom

This paper is one of a series of research papers. The focus of this paper is to explore what is known about the progression of low-skilled workers across the six countries from available survey datasets. The analysis builds on previous work by isolating the effect of low skills on progression rather than a simple descriptive analysis of how low-skilled workers fare in the labour market. The results of the analysis will provide useful context for future phases of the project, including the development of the employer toolkit.

The other project outputs focus on the following aspects:

- employer initiatives to support progression of low-skilled, low-paid workers – this paper highlights examples of promising employer practice with respect to progression across the six countries drawn from publicly available sources;
- progression in employment: a cross-country data analysis – this paper investigates what is known about the progression of low-skilled workers across the six countries from available survey datasets. The analysis builds on previous work by isolating the effect of low skills on progression, rather than a simple descriptive analysis of how low-skilled workers fare in the labour market;
- using behavioural insights to promote progression in employment – this paper explores the potential application of behavioural insights or ‘nudge’ approaches to promoting progression for low-skilled, low-paid workers;
- employer toolkit – the toolkit provides example case studies and a range of HR tools and techniques that employers can use to support the progression of low-paid, low-skilled workers;
- case study collection – this provides example employer case studies of action to improve progression in the workplace in each of the six main countries and three sectors included in the Progression in Employment project;

- Progression in Employment (Main Report) – this will summarise findings from across all phases of the project, and incorporate in-depth employer case studies of progression.

We hope the project, through widespread communication of promising and effective employer practice, by employers of all sizes, will encourage other employers to take action to support the progression of low-skilled, low-paid workers.

Introduction

This paper provides an outline of why in-work progression is of increasing importance in public policy, the levers and approaches available to policymakers to facilitate in-work progression, and a short summary of the current evidence on what works. The paper also provides some suggestions on ways forward.

1.1 Context: why employment progression matters

Tackling low pay¹ and supporting employment progression have grown in importance across Europe in recent years – driven by increases in low-skilled work, increased employment insecurity, and rising poverty levels among those in work. Many of these trends have been long-running, reflecting growing ‘polarisation’ in employment as technology and globalisation have contributed to growth in both low-skilled employment (up by 10per cent across Europe between 2000 and 2010) and high-skilled work (up by 15per cent) while mid-skilled jobs have stagnated².

However they have also reflected an uneven recovery from the economic crisis, with average hours of work lower and employment insecurity higher than before the recession (and overall one in five part-time workers and more than half of those in temporary work doing so because they cannot find full-time or permanent jobs)³. These trends, often combined with cuts in social assistance for working families, have led to persistently high levels of working poverty – now affecting one in ten workers across Europe.⁴

Taking the UK as an example, 4.7 million employees are low paid (around one in six workers)⁵ and more than half of all people living in poverty in working households. Once in low pay, workers often find it hard to escape – with research suggesting that just one in six of those low paid in 2006 have sustainably ‘escaped’ low pay by 2016.⁶ At the same time, one third of employers report that they have staff whose skills are under-utilised⁷, while UK productivity is significantly lower than many of our main competitors. So there is a strong case to address low pay and poor progression:

¹ Low pay is defined as having hourly earnings below two thirds of the median hourly rate

² Thompson S, Hatfield I (2015), *Employee Progression in European Labour Markets*, Institute for Public Policy Research

³ EC (2018), *Draft Joint Employment Report from the Commission And The Council*, European Commission

⁴ Ibid

⁵ Cominetti N, Henehan K, Clarke S (2019), *Low Pay Britain 2019*, Resolution Foundation

⁶ D’Arcy C, Finch D (2017), *The Great Escape? Low pay and progression in the UK’s labour market*

⁷ Winterbottom M et al (2018), *Employer Skills Survey 2017*, Department for Education Research Report

- **for individuals** – because improving progression creates opportunities to increase income, have more fulfilling work and improve wellbeing;
- **for businesses** – because improving work quality, progression opportunities, and skills utilisation can lead to more engaged and productive staff and greater success; and
- **for society** – because increasing opportunity, raising incomes and improving productivity will support inclusive growth and reduce inequalities.

Defining employment progression for low paid workers

There is no single definition of employment progression for low paid workers. Most quantitative analysis of low pay and progression focuses on movements from below to above a threshold of two-thirds of the median rate of hourly pay. However, this simple measure does not take into account other factors that evidence suggests can contribute to improvements in work quality, wellbeing and productivity – for example, improvements in job security, job satisfaction, job design, skills utilisation, wellbeing at work and work-life balance.⁸

Indeed evidence suggests that for many people in low paid work, progression can in the short term lead to a horizontal step (or even a backward one in terms of earnings), where individuals are able to get more secure employment, a better ‘match’ with their skills, and/or a role with better career prospects or pathways.⁹

Research literature also distinguishes between ‘internal’ (within the same firm) and ‘external’ progression (achieved by moving jobs).¹⁰ Internal progression can be particularly limited for those in less secure work or in sectors with low growth potential, and as a consequence public policy has tended to focus on measures to support individuals to change jobs rather than to improve internal career paths. However, there is a growing body of research suggesting that even in low-paying sectors there are opportunities to improve job quality, security and pay.¹¹

In this project, we focus particularly on the employer role in supporting progression for low paid staff, by improving career prospects and job quality. We are interested in all factors that can contribute to improved work quality, wellbeing and productivity, and that ultimately will lead to opportunities for workers to move out of low pay.

⁸ RSA and Carnegie Trust (2018), *The final report of the Measuring Job Quality Working Group*

⁹ Webb J, Parken A, Hodges H, Matias M (2018), *Promoting job progression in low pay sectors*, Wales Centre for Public Policy

¹⁰ Sissons P, Green A, Lee N, (2016), *Supporting Progression in Growth Sectors: A Review of the International Evidence*, Public Policy Institute for Wales

¹¹ Ton Z, (2014), *The Good Jobs Strategy: How the Smartest Companies Invest in Employees to Lower Costs and Boost Profits*, New Harvest

2 Improving progression

2.1 Policy levers

As issues relating to pay and progression have risen up the agenda, so has the response within public policy and among employers and employer bodies. Within public policy, there are a number of potential levers to address low pay and support progression. These include:

- **Education and skills policies:** Evidence suggests that these reduce the risk of low pay, but at the same time do not guarantee progression from a low skilled to a higher skilled job. This is likely partly a result of the types and quality of training available to low-skilled workers and the relevance of the skills acquired¹². Evidence suggests that upskilling is more likely to lead to progression where it addresses identified barriers and skills gaps, and where initiatives are supported by local actors including trade unions and employer forums. There is also evidence that existing skills are underutilised. It is not clear whether this is a result of a mismatch between supply and demand, or whether low-skilled workers are constrained in some way from using all their skills. How employers facilitate use of the skills in their organisation through better job design and greater flexibility may also be part of the answer.
- **Active labour market programmes:** These have typically focussed on helping jobseekers to return to the job market as soon as possible and have tended to focus less on helping workers cycling between low-paid jobs and unemployment. There is a need for more research to understand what interventions work best in helping to end the low pay-no pay cycle. In the UK for example, led by the Department for Work and Pensions, government has been testing the effectiveness of providing one-to-one support to those in work and receiving social security, in advance of potential larger-scale rollout under Universal Credit¹³. The current Secretary of State has identified this as one of her key labour market priorities¹⁴.
- **Minimum wages and wage floors:** Minimum wage rates (either set by statute or achieved through collective bargaining) can help address low pay without impacting adversely on employment rates. The risk from a progression perspective is that such rates become the 'going rate' for low wage jobs and do nothing on their own to address

¹² Mcknight A, Stewart K et al (2016), '*Low pay and in-work poverty: preventative measures and preventative approaches*', CASE

¹³ DWP (2019), *Universal Credit: In-Work Progression Randomised Controlled Trial Summary research findings*, DWP Research Report 966

¹⁴ "The Future of the Labour Market", speech by Rt Hon Amber Rudd MP, 9 May 2019

opportunities for progression. How minimum wage rates can best be combined with other policies and approaches to aid progression is a live question and area for exploration. In the UK for example, the introduction of the National Living Wage in 2016 saw significant increases in the 'wage floor' for those aged 25 and over, which now stands at £8.21 an hour (a 23% rise in nominal terms on the 2016 minimum wage). This has contributed to sustained falls in the numbers in low pay, but an increase in the proportion of workers paid at or near this minimum¹⁵.

- **Tax and in-work benefit systems:** In-work cash transfers can boost the incomes of low-paid workers living in low income households but can also encourage employers to create low paid jobs. Defining policy approaches that effectively combine minimum wage rates, active labour market policies, tax and in-work benefit systems in ways that best support low paid workers requires careful design.
- **Action to address labour supply constraints:** There are a range of factors that if left unaddressed, can limit the type or amount of work that an individual may be able to do. These include caring responsibilities, health issues, how far an individual is able to travel to work, or the need for more flexible hours of work.
- **Stronger employment regulation:** In the UK as an example, the government's Good Work Plan¹⁶ sets out a range of measures to improve the law around employment status, protections for those in insecure work and the enforcement of rights at work. These take forward in particular the independent Taylor Review, and should lead to improvements in security, quality and employment opportunity for those in less secure work¹⁷.
- **Industrial strategy:** In the UK as an example, the government's Industrial Strategy¹⁸ brings together a range of activity intended to boost productivity and growth. In particular, 'people' is one of five key priorities – including plans for investment in technical education, retraining support and workforce skills.

In addition to national Government policy and practice, there are local approaches that can support progression in work. For example, in the UK, individual areas are now publishing their own Local Industrial Strategies, which often include a focus on supporting progression. A number of local areas have also introduced initiatives to encourage more employers to offer progression opportunities including the London Good Work Charter, and Scotland Fair Work. There are also a range of other local initiatives to support individuals to progress in the UK, including the West London Skills Escalator. The recently established Better Work Network summarises this range of work, and relevant research evidence¹⁹.

¹⁵ Cominetti N, Henahan K, Clarke S (2019), *Low Pay Britain 2019*, Resolution Foundation

¹⁶ HM Government (2018), *Good Work Plan*, Command Paper 9755

¹⁷ Taylor M (2017), *Good Work: The Taylor Review of Modern Working Practices*, RSA

¹⁸ HM Government (2017), *Industrial Strategy: Building a Britain fit for the future*

¹⁹ <https://www.learningandwork.org.uk/our-work/work-and-careers/better-work-network/>

2.2 Employer approaches

Overall, across Europe, the policy focus in addressing low pay has tended to emphasise individual-based responses – through active labour market policies, skills acquisition and facilitating job moves. Key elements of a successful approach appear to be: engaging with those motivated to progress; addressing and overcoming reasons why progression may be a low priority; engaging through trusted networks; providing support tailored to individual needs; linking up careers and skills support with help to find a better role; and often looking at issues around job design and workplace (in particular, improving flex working opportunities for parents, and workplace support/ adjustments for disabled people or those with health conditions). Projects have tended to have most success in helping people find another job than improving internal progression opportunities.

There has been less policy and practical focus on what workplace interventions and employer practices might support progression for low paid workers. A review of the evidence of practice among employers in low paying sectors that do progress their staff points to a number of important factors, including their leadership culture, HR and line management approach; having structured career pathways; and designing jobs in a way that works for part time workers²⁰. Looking further afield, work by Zeynep Ton makes a powerful case for how the often ascendant business model in low-paying sectors of low costs, low quality and low prices is a choice rather than a necessity – with better quality jobs leading to lower turnover costs, improved staff performance, higher quality products and better customer service²¹.

A catalogue of employer approaches across six European countries is available in a separate report as part of this project²². Employer initiatives to support progression include the creation of internal labour markets and the facilitation of on-the-job learning through mentoring, job placements, internal secondments, and a range of other initiatives. What is apparent though, is the importance of job design and adjusting work schedules and tasks so that higher-paid jobs can be undertaken by those working part-time and opportunities for learning are accessible to all.

²⁰ UKCES (2012),, *Employer practice in progressing low paid staff*, UK Commission for Employment and Skills

²¹ Ton Z (2014),, *The Good Jobs Strategy: How the Smartest Companies Invest in Employees to Lower Costs and Boost Profits*, New Harvest

²² Rickard C et al (2019), 'Employer initiatives in relation to progression in employment: Overview of employer initiatives in France, Sweden, Spain, Italy, UK and Germany', IES

3 What works?

From a policy perspective, and thinking about how policy might best support and influence employer practice, Pathway models such as the WorkAdvance programme seem to have the best supporting evidence. There are also a number of other approaches that have been used that have had some promising results. This is all, however, in the context of relatively few examples of in-work progression initiatives.

Job progression models

Pathway models focus on supporting workers into work, and then continue to support their progression in work. An example of such an approach is the ‘dual customer’ WorkAdvance Programme in the USA²³. Under the programme, job progression initiatives are designed collaboratively by employers, employees and training providers. Dual customer approaches are typically underpinned by supportive HR structures that enable the identification of skills gaps and support engagement with the workforce. The programme was launched in 2011 in the States of New York, Ohio, and Oklahoma, remains an active programme, and was focussed on specific, low-paying sectors. The support extended from sector-focussed pre-employment training, through to post-employment retention and advancement services. The programme has been robustly evaluated and shown increases in earnings compared to control groups.

A review of the literature has suggested five key principles that should inform the design of a pathway model:

- collaborative design, involving employers, employees and training providers;
- having clear objectives, ideally within specific sectors;
- clear, identifiable path of progression;
- deliver appropriate skills relevant to participating organisations and sectors;
- employers that have a long-term vision and desire to provide more work and flexible job design, and suitably resourced training and development²⁴.

Whilst there are not loads of examples of job progression initiatives, there are some interesting and promising initiatives that have been tested, these include²⁵:

²³ Schaberg K (2017), ‘Can sector strategies promote longer-term effects? Three-year impacts from the WorkAdvance Demonstration’, MDRC

²⁴ Webb J, Parken A, Hodges H, Mathias M (2018), ‘Promoting job progression in low pay sectors’, Wales Centre for Public Policy

- Effective use of careers advisers – for example, the Employment Retention and Advancement²⁶ project in the UK provided a mix of financial incentives and adviser support to help individuals stay in, and progress in work. A two-year evaluation found examples of in-work progression including increased hours, better pay, job moves into roles with greater responsibility. Key to progression was the support of employers and the provision of in-work support.
- Targeted upskilling interventions – The Welsh Government funded the Workforce Development Programme (WDP) which provided support to SMEs to help them build a skills development plan for their business. The initiative led to some positive results including 48% of training participants saying that their pay had improved as a result of the programme²⁷.
- Flexible progression pathways – Timewise Foundation worked with retail employers in the UK to develop flexible job designs that enabled part-time staff take advantage of higher-level job opportunities²⁸.
- Harnessing procurement – several councils in the UK have adopted social procurement initiatives to incentivise employers to embed job progression in recruitment and management practices.

²⁵ Ibid

²⁶ Sianesi B (2018), 'Employment Retention and Advancement (ERA) demonstration: The impact on Workers' Outcomes', Research Report No 759, Department for Work and Pensions (DWP)

²⁷ Bryer H (2016), 'Evaluation of the Workforce Development Programme (WDP)', Government Social Research, Retrieved from <https://dera.ioe.ac.uk/26680/1/160616-evaluation-workforce-development-programme-en.pdf> on 5th August 2019

²⁸ Timewise (2016), 'Moving up in retail', Retrieved from <https://timewise.co.uk/wp-content/uploads/2018/02/1880-Timewise-Retail-Flexible-working-report-10.pdf> on 5th August 2019

4 Taking this forward

From the available evidence, a number of actions can help support in-work progression of low paid workers:

- adopting a 'dual-customer' model, aimed at designing interventions collaboratively with employers, employees and training providers, to meet both employer and employee skills needs, and supporting individuals to progress;
- build the evidence base on what employers can do, and showcase effective employer practice in low-paying sectors;
- taking a 'What Works' approach, building the evidence base on effective interventions, and sharing this widely with Government, employers, employer bodies, training providers and intermediaries.