



Department
for Work &
Pensions

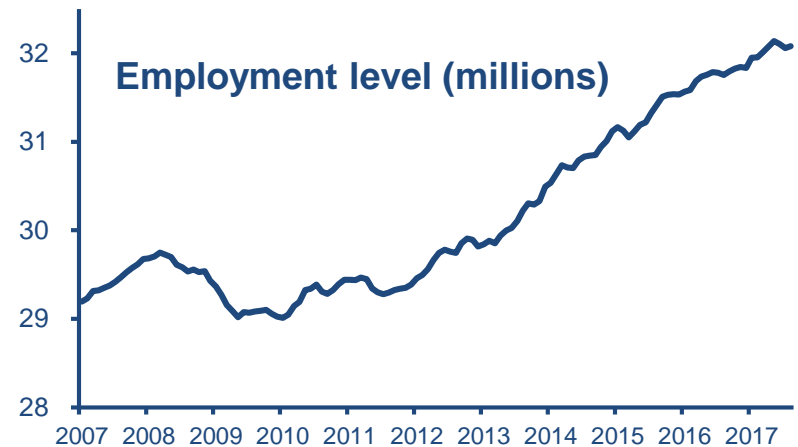
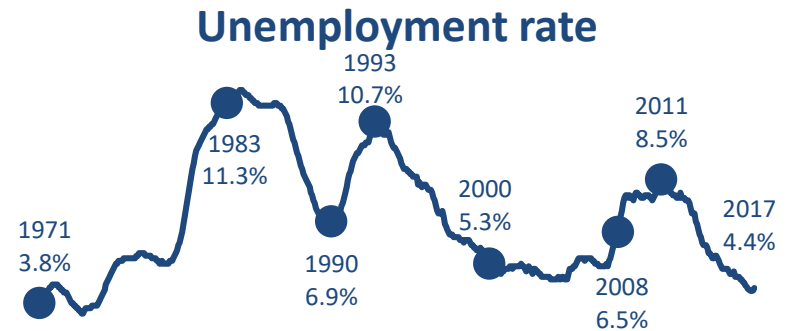
In-work Progression and Universal Credit

James Holland, Department for Work and Pensions.
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The case for tackling progression

The UK's labour market is performing strongly, with flexibility at the heart of its resilience...

- Over 32 million people in work and an employment rate of 75.2%.
- A low unemployment rate which at 4.4% is comparable to that seen in the mid-1970s
- Long term unemployment is down nearly 60% from its peak following the recession.
- Outcomes for some groups historically under-represented – such as women – have improved significantly
- There has been growth in higher skilled occupations and in alternative and flexible working patterns.



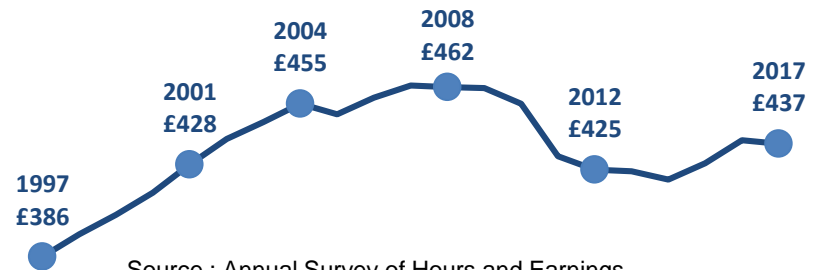
Source: Employment Rate / Unemployment Rate: ONS UK labour market statistics February 2018

The case for tackling progression

However...

- Real earnings are still below pre-recession levels
- Productivity is well below that of other G7 countries
- Unemployment has a long term scarring effect
- Many are trapped in low pay
- 70% of women with children under five work part-time, often in lower skilled occupations.
- Government spends substantial amounts on means-tested benefit payments for those in work.
- If people are stuck in the wrong job for their skills, they are likely to have reduced incomes and fewer opportunities, with increased likelihood of disadvantage.

Real Median Weekly Earnings



'do everything we can to help anybody, whatever your background, to go as far as your talents will take you'.
(Prime Minister, July 2016)

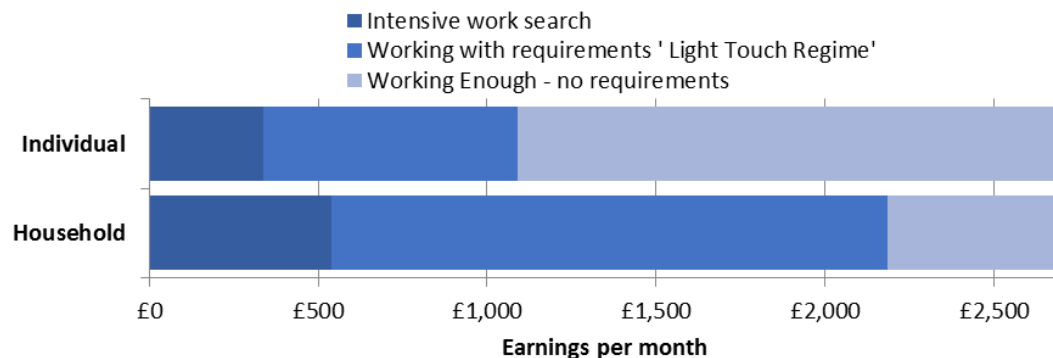


Universal Credit

- For DWP, the starting point of our interest in progression is **Universal Credit** (UC).
- The introduction of Universal Credit (UC) simplifies the benefit system by merging six existing legacy benefits into one, namely:
 - income-based JSA, income-based Employment and Support (ESA), Income support
 - Housing Benefit
 - Child Tax Credit
 - Working Tax Credit.
- It introduces a range of structural changes which seek to better enable people to move into and progress in work, and it introduces a framework of labour market conditionality to support this.
- The potential to support people who are in work but earning relatively small amounts is a **central** and **transformational element** of UC. It marks a significant change from the legacy system of benefits and tax credits.
- The number of UC claimants in working households will be substantial – rising to around **3 million** by the time UC is fully rolled out, with around **1 million** people potentially falling into some kind of in-work conditionality (the ‘Light Touch’ group).

Universal Credit – in-work support

- UC offers the opportunity for the first time to support people who are in work but on low incomes.
- They will come from a variety of backgrounds: the most significant proportions from Working and Child Tax Credits and Housing Benefit only, where for many, there has not previously been any real Government engagement.
- We are at the very early stages of bringing these people to UC, and the final caseload will be very different to the existing one – with different barriers, service needs and behaviours.



In-work conditionality in broad terms, could encapsulate individuals earning from £338 per month up to the equivalent of 35hrs per week at the National Living Wage – with a similar calculation for couples. Beneath this range, they are treated as ‘looking for work’ and provided with intensive support; above it, they are deemed ‘working enough’, with no conditionality.

Earlier trials

- This is the first time that this country has sought to support people in this way and at this scale, and the evidence about what works is relatively limited. We have a programme of analytical work and trialling to find out what works.
- Following on from the Employment, Retention and Advancement demonstration project (2003-2005), DWP has been involved in a number of relatively small trials to look at a range of approaches to supporting people to progress.
- This has included work with **employers** – including our projects with the UK Commission for Employment and Skills and with Timewise – where we saw some important work on supporting people in part time work to progress
- And with **individuals** – where we have funded projects with GOALS UK and with Timewise to look at a range of approaches including different support and motivational methods, and a better-integrated employee and employer support model.

Earlier trials

The emerging evidence includes the following:

- Interventions work well when **targeted** at either those at a life transition point, at the outset of work or when they feel “ready” to engage.
- A focus on case management or advice with links to a sector or employer can be successful but this must be **tailored** to the client and their circumstances.
- Coaches need to have **specialist knowledge** of the labour market, training and careers. Their role is less effective if they just focus on removing barriers.
- It is important to **include employers**, but to do so in such a way that they see the benefits of progression and it meets their needs.
- Low confidence, fear of losing benefits and caring are common barriers to progression; and progression is often perceived – and experienced – as incompatible with working part time.

The In-work Progression RCT

- Our most substantial existing trial – a randomised control trial – tests the effect on earnings of an active labour market regime for claimants who are in low-paid work or low-income households. This includes:
 - Providing work coach support to set relevant goals, identify and address barriers, and agreeing actions with those seeking to progress;
 - Setting mandatory requirements and ensuring compliance, to make sure that individuals take reasonable action that should help them to earn more where appropriate; and
 - Having challenging conversations to monitor and drive the progress that individuals are making, and to understand the challenges they face.

Key learning from the trial will include:

Impact Assessment

- Whether in-work support and conditionality improves earnings progression for this population
- If it works, what frequency is the most effective
- Whether this Trial increased employment sustainability

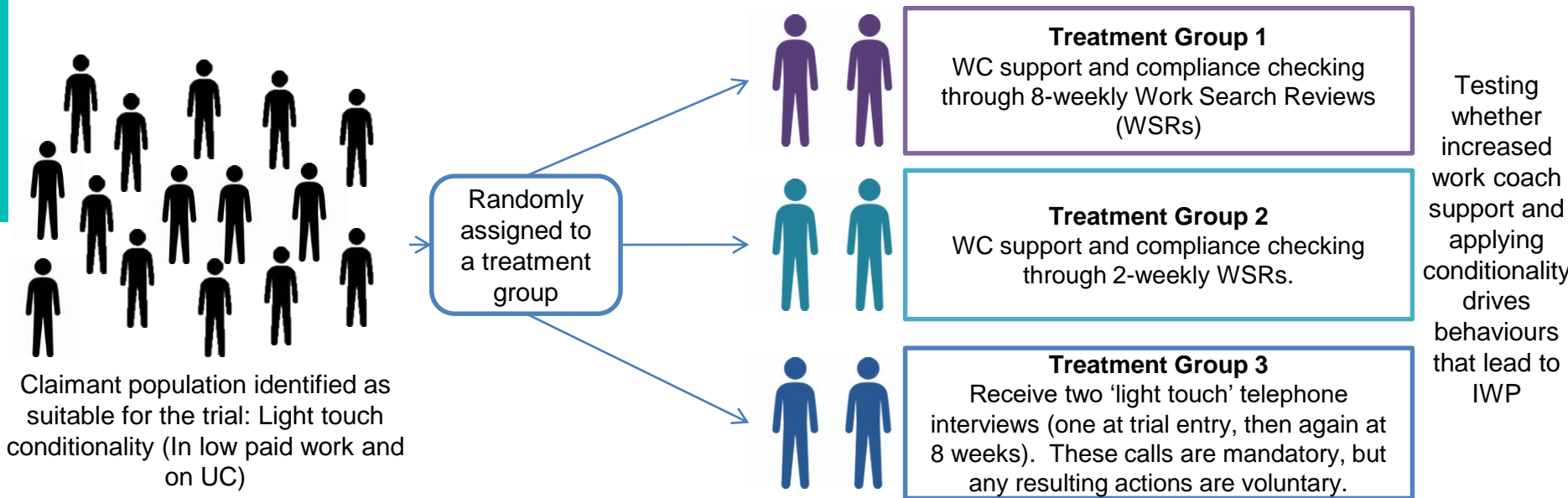
Claimant Research

- Claimant attitudes, motivations and barriers, and how they interlock
- The actions that claimants have taken to progress
- Progression outcomes including horizontal
- The reasons why an individual has made certain decisions
- Experiences of the support

Employer Research

- What employers think of the progression agenda
- Employer decision making processes on who to progress.

The In-work Progression RCT: design

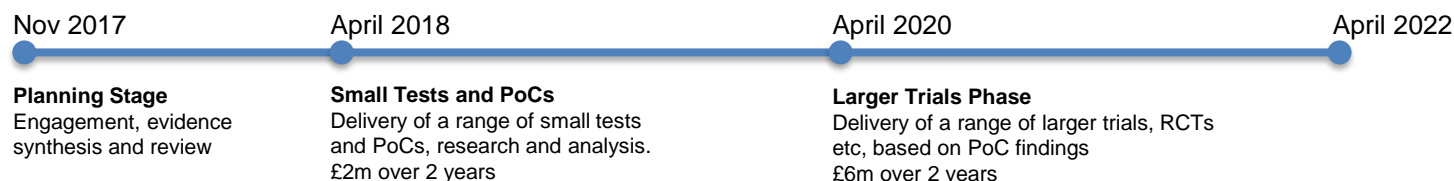


The In-work Progression RCT

- The RCT is an important trial and will provide a wealth of information about the interventions and our ability to deliver them; about claimants; and about employers' attitudes to the progression agenda.
- However, **it is very much a first step**:
 - We are not testing mode of delivery – our default delivery is face-to-face
 - Given the point at which the trial is running, we are testing with a very specific cohort of in-work UC claimants, who could be quite different to those migrating into UC at later stages, and could react quite differently to the intervention.
 - Whilst the specific interventions will be tailored to individuals, the model as a whole is a general one and not aimed specifically at any particular group
 - We are not, in the RCT, testing significantly new skills or other provision
 - Similarly, this represents a substantial cultural and capability change for our work coaches, who have hitherto focused primarily on those out of work.
- We need to build on this and on our other trials to further develop our in-work offer.

£8m fund

Autumn Budget 2017 provided us with £8m funding over the next four years to further develop the evidence base on what works to support people to progress in work.

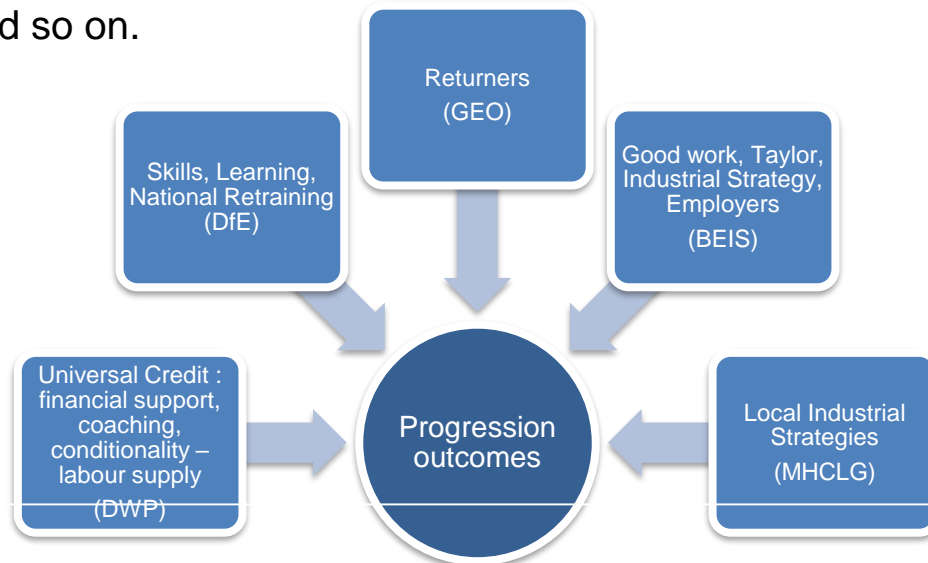


We are looking at a range of approaches, **with the starting point of what DWP can do to facilitate progression**; and we would expect the programme to be iterative, with findings from early research and trials used to steer the shape of later ones. Projects might include:

- **Research** into our future cohorts (for example those migrating from Tax Credits), to better understand their life situations, support needs and opportunities to progress.
- Testing at small scale a range of ways of interacting with individuals through **digital means**, using the enhanced capability of the UC system.
- Looking at support needs and mechanisms in particular **geographies, sectors or job-types** – including those in **insecure work**.
- Investigating the extent to which **Work Coach capability** can be developed to ensure that they are able to offer the right support to the right people effectively
- Looking at the way we provide or signpost to complementary support alongside our core in-work offer
- Looking at how we might **support people in different parts of the life course**, and in particular, **women returning to work** following a period caring and out of the labour market –
- Looking at household dynamics and **how UC can support households as a whole to improve their incomes** - including support for non-working partners in working households.

The Bigger Picture

- DWP and Universal Credit focuses largely on the labour supply side - how we can support people to progress.
- But clearly, we need to look wider. We need to create the right labour market conditions for people to progress; and we need to utilise and integrate the support being developed inside and outside of Government.
- There are projects being developed and delivered right across Government which have progression at their core – with focuses on skills; gender equality; devolution; productivity; quality work; and so on.



- It is still relatively early stages: we want to engage a range of experts and stakeholders, and we are very keen to understand the approaches that other countries are taking as we develop our approach