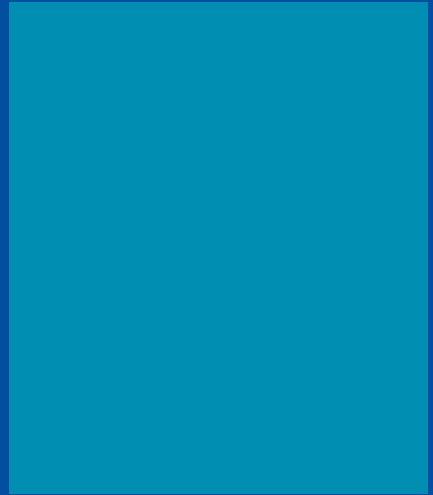


NIACE The National Voice
for Lifelong Learning

NO LIMITS: FROM GETTING BY TO GETTING ON

Policy Solutions Issue 1
February 2015





→ SUMMARY

Britain faces a wages crisis, underpinned by low productivity.

For the last seven years, people's wages have risen more slowly than the prices in the shops. By 2020 people's real incomes will still be 5% lower than in 2008, a lost decade.¹ People also often become 'stuck' in low pay and cannot advance their careers: three in four people in low pay in 2001 were still low paid a decade later.² This is, in part, a reason for the deficit remaining stubbornly high – because wages are not rising at usual pre-recession rates, neither are income tax receipts.

This unprecedented squeeze reflects underlying structural weaknesses, not just the aftermath of the recession. In particular, Britain's productivity, the amount that each worker produces and key driver of earnings and national prosperity, is around 17% lower than workers in other advanced nations.³ A relatively weak skills base and low investment are two of the key causes.

Britain's social security system doesn't support aspiration.

Most parties say they will cut public spending over the rest of the decade, and indicate this will include further cuts to the social security budget. This will be challenging to achieve unless some of the root causes of worklessness and low pay are tackled. At the same time, public support for social security continues to fall: in 1987 more people disagreed with the statement that many people who get benefits do not deserve any help than agreed with it; today that position is reversed.⁴

This fall in public support is partly due to perceived concerns over people not working when they can and relying on State support – a 'something for nothing' deal.

However, it is at least as much due to people whose wages haven't risen in years, or who want to retrain for a new career, feeling that support isn't there for them even when they've paid in – a 'nothing for something' deal. This reflects a break in the contributory principle that first underpinned the social security system, the idea that what you get is partly related to what you've paid in.

Britain needs new support for people in work to progress.

This paper argues for a new National Advancement Service, providing people in low paid work a Career Coach and Personal Budget to put together a personalised package of support to build their career and boost their earnings. It would give low paid workers a place to go for help to get on. And it would help to rebuild the link between doing the right thing, and getting the help you need. This new service would be an **engine of deficit reduction** (helping people boost their wages and so increasing income tax receipts); a **vehicle of public service reform** (helping to maximise the impact of investment in skills); and a **supporter of aspiration** (helping individuals to achieve their ambitions and get on in life).

The National Advancement Service would be cost neutral, funded by refocusing £100m of existing budgets. It would be developed through a series of structured trailblazers, building to a fully operational national service by 2020. It would be managed locally by cities and Local Enterprise Partnerships, where they agreed to top up support through, for example, European Social Fund or Growth Deal monies. Local areas would also need to integrate support through the new service with measures to promote the Living Wage and boost economic and business development. This would help to integrate support with other local services, such as money advice and business support.

Thinking of it like a game of snakes and ladders, the aim is to better help people find and climb the ladders, and to work with employers to create more ladders. Help to get people on the housing ladder is now an established feature of public policy, it is time for similar support to help people get on the career ladder. **The National Advancement Service could help 500,000 families by 2020, reducing child poverty by 150,000**, helping people to move from just getting by to really getting on.⁵

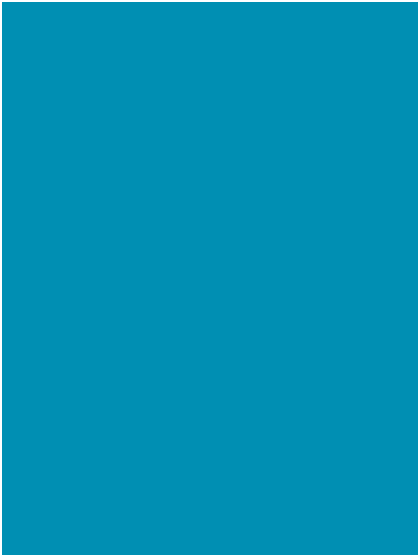
¹ *The state of living standards*, Resolution Foundation 2014.

² *Escape Plan: Understanding who progresses from low pay and who gets stuck*, Resolution Foundation, 2014.

³ *International comparisons of productivity 2013*, ONS, 2014.

⁴ *Generation strain*, Demos, 2013.

⁵ *Moving on up*, Evans, Working Links, 2012.



1. GOING NOWHERE

Living standards and economic growth

→ 1. GOING NOWHERE

Living standards and economic growth

The economy is growing again, recovering from one of the longest and deepest recessions on record. But for many it does not feel as though the good times are back. Wages are still struggling to keep pace with prices, and people on median incomes are likely to still be worse off in 2020 than they were in 2008.

This is part of the reason the Government deficit has fallen more slowly than originally hoped – because wages haven't risen as projected, neither have income tax receipts. However, the challenge is even more profound: **the ongoing stagnation in living standards reflects structural weaknesses in our economy that, without action, risk getting worse.** A lost decade could be just the start.

Explaining low pay Britain: structural weaknesses

Britain has three structural weaknesses that have contributed to our high levels of low pay and lack of chance for people to progress from entry level jobs

- 1 Employment: some groups have lower employment chances**
Around 73% of adults are in work, good by international standards and a rate that held up well through the recession.⁶ However, reaching the Government's objective of the highest employment rate in the G7 requires another 1 million people in work. This can only be delivered by cutting disparities in employment rates between groups and areas. In particular, only just over one in two disabled people are in work, much less than in some other countries such as Sweden;
- 2 Pay and productivity: large numbers of low paid jobs means fewer progression opportunities**
The UK has 1 million more low paid workers than the OECD average.⁷ This is partly related to low productivity: the average worker produces 20% less per hour than in the US. Low productivity is concentrated in particular sectors, such as retail and hospitality, and driven by a relatively weak skills base, low investment and weaknesses in management and leadership. This matters because productivity is the main engine of economic growth and a necessary condition for wages to rise;⁸ and

- 3 Social mobility: people become trapped in low pay.**
In Britain, your life chances are more closely linked to your parent's background than in other countries, a link which may have strengthened in recent decades. And people who start in low paid work have a relatively low change of progressing to better paid work and careers. The result is that as a country we are not making the most of the talents of all our people, or giving everyone a fair chance in life.

Trouble ahead?

Fundamental forces are reshaping our economy and society that risk exacerbating these structural weaknesses:

- 1 Changing demographics**
Our population is aging meaning longer working lives and more people of working age with caring responsibilities (both for children and parents). This increases the need to give everyone who can the chance to work, and means people will need to change careers more often and work more flexibly;
- 2 Changing economy**
The rise of emerging economies like China and India, combined with advances in technology, are creating a more globalised economy. British companies have access to new markets and a global workforce, but also face global competition. Emerging economies increasingly compete in higher value added sectors, not just in low skilled sectors; and
- 3 Changing society**
People's expectations of public services are rising. They expect to shape services so they are tailored to their needs, rather than having to fit themselves around 'one size fits all' services. At the same time, unprecedented squeezes in budgets for public services continue.

The result of our changing demographics and labour market is that people will have different careers in the 21st century. There are few, if any, jobs for life: people will have to change careers more often given longer working lives and rapid economic change. Even within jobs, required skills will change and increase. And more people will need to combine careers with caring responsibilities and / or their own conditions.

⁶ Statistical first release, ONS, 2014.

⁷ OECD statistics, 2014.

⁸ Though evidence suggests the previously almost automatic link between productivity and wages may be breaking due to declines in labour market institutions such as trades unions. See for example *Moving on up*, Evans, 2012.

LOW PAY BRITAIN

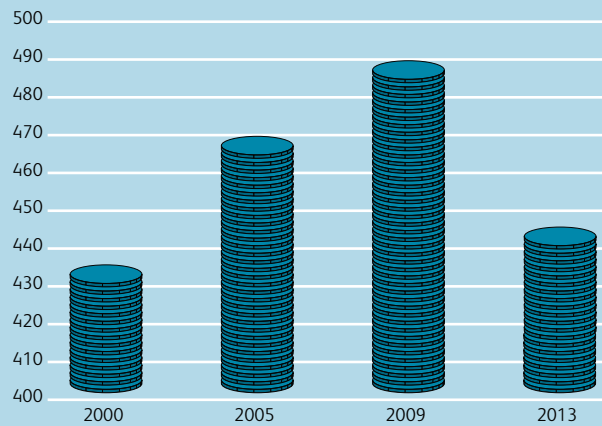
Real Wages have fallen to 2002 levels...

- Prices have risen faster than wages for an unprecedented seven years
- It will be at least 2020 before living standards return to pre-recession levels

...with high numbers in low paid work...

Share of full-time in low paid work across advanced economies: latest data (2010-2012)

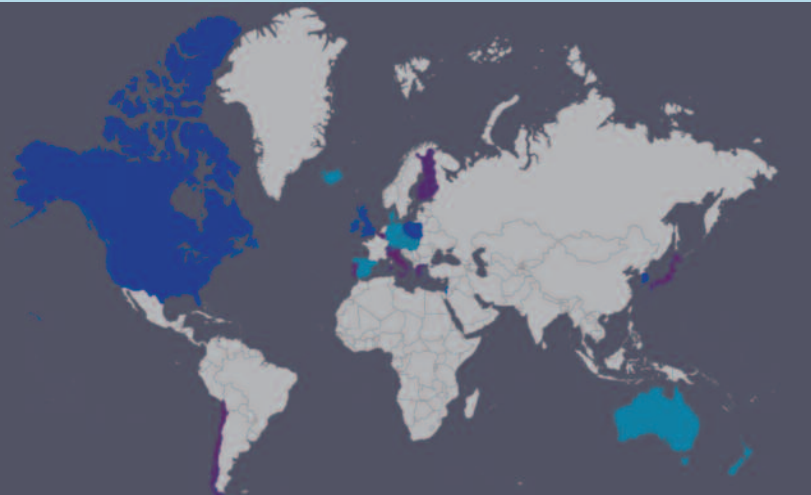
Average Weekly Wages, adjusted for inflation (RPI, Feb 2013 prices)



Wages data via www.ons.gov.uk/ons/rel/lms/labour-market-statistics/april-2013/table-eam01.xls, inflation index also ons

Proportion earning less than two-thirds median full-time pay

20 - 25%
15 - 19%
5 - 14%



- 1 million more people are in low paid work than the OECD average

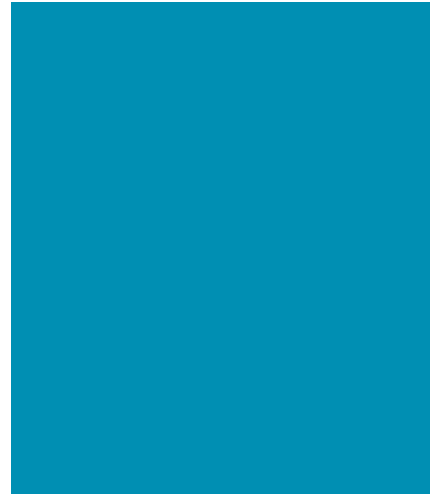
- Low pay is more prevalent in certain sectors, such as retail and hospitality

For every 4 people in low pay work in 2001, only one had permanently escaped low pay by 2011



...and low progression from low pay

- Three in four people in low pay in 2001 were still low paid in 2011
- Some groups, such as lone parents and people with disabilities, were even less likely to progress



2. FALLING SHORT

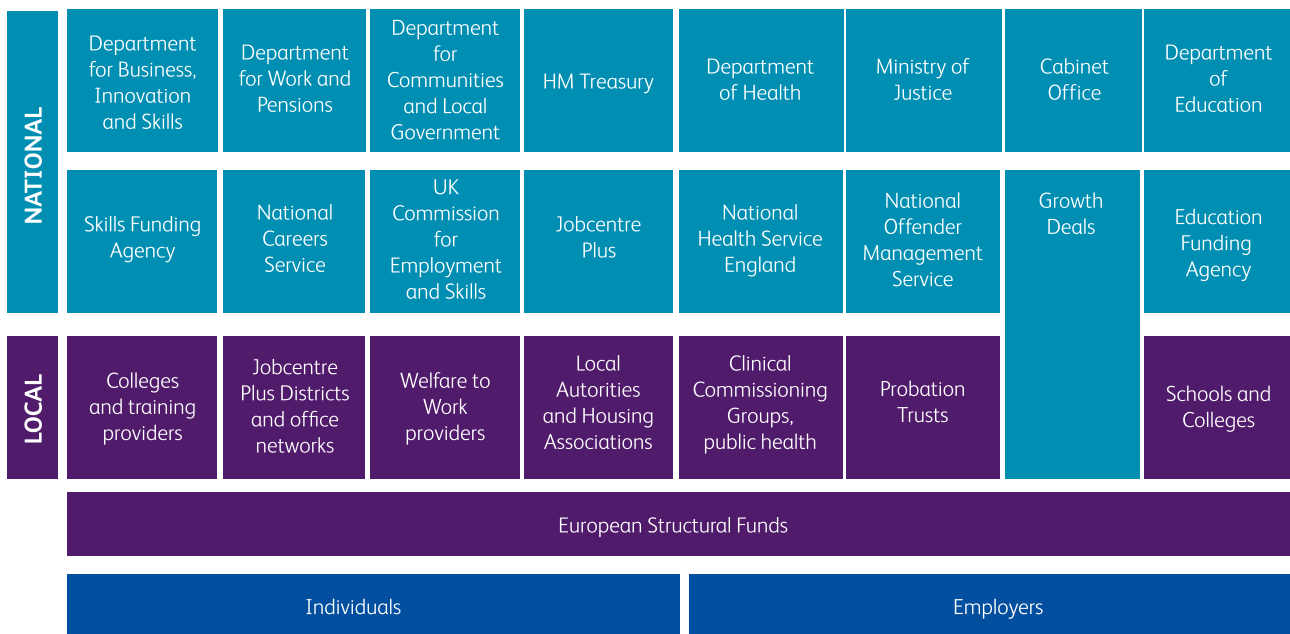
How current policy measures up to the challenge

→ 2. FALLING SHORT

How current policy measures up to the challenge

There is much to be proud of in our labour market services.⁹ Our employment system gets most people back to work quickly when they lose their job, our learning and skills system helps people to achieve their goals and build their careers. And both help businesses to gain the workforce they need to succeed. But a fragmented system and ongoing funding cuts mean those in low paid work have less and less access to support to get on, and the needs of employers are not fully met.

The diagram gives an illustrative picture of the current systems in England. Many services, such as learning and skills, are devolved to Scotland and Wales. However, employment is reserved for the UK Government and many issues about integration of services for low paid workers apply across the UK.



“A fragmented system and ongoing funding cuts mean those in low paid work have less and less access to support to get on, and the needs of employers are not fully met.”

⁹ Defined here as support for individuals to find work and build their learning and skills, and for businesses to grow.

Structural Divides

The way Britain's labour market services are structured squeezes support from those on low to middle incomes, leaving them to largely fend for themselves if they want to progress and boost their earnings:

→ Employment system

The employment system focuses on getting people back to work quickly and increasing support the longer someone is out of work. As a result, almost 9 in 10 Jobseeker's Allowance claimants are off benefit within a year, but many get trapped in a 'low pay, no pay' cycle. Those with a track record of working, or good skills, get broadly the same support as anyone else – the system doesn't recognise their contribution or previous employment level, risking a focus on any job as quickly as possible, rather than the right job that matches their skills;

→ Learning and skills system

Funding is focused on young people and those with low previous qualification levels, with an HE-style loan system for everyone else. The measurement of success is primarily qualification attainment, rather than jobs and earnings outcomes. The National Careers Service focuses more on disadvantaged groups not in work, and has limited funding. The result is little, if any, support for those who have worked many years but now need to retrain or change career; and

→ Tax and benefit system

There have historically been sharp divides between the out-of-work and in-work tax and benefit systems, creating complexity, risk and sharp cliff edge effects. The contributory principle (the link between what you put in and what you get out) has declined and means testing increased. Both in and out of work benefits are under increasing pressure to be cut to contribute to savings in public spending.

In addition, labour market services are too often unaligned and fragmented. The employment system focuses primarily on reducing the number of people on benefits (Jobcentre Plus) and finding sustained work (contracted employment programmes) - but not progression to better paid work. The learning and skills system focuses support on the young and those with the fewest qualifications, measuring success primarily by qualification attainment – but not whether someone has outdated skills or if support leads to better paid work.

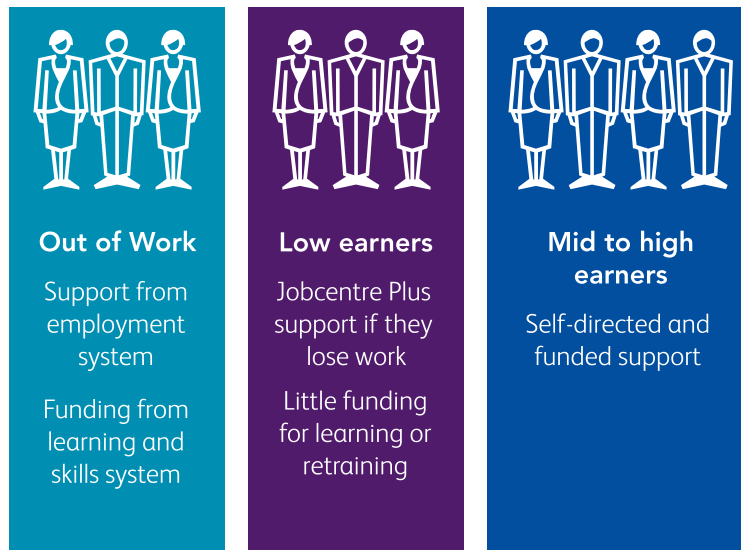
In part this arises because services are organised along Departmental lines rather than based around individual's needs and outcomes – too often the key customer is the relevant Department, rather than the person accessing the service. Services are designed on key transition points for the Government (such as age, highest qualification level and employment status) rather than key transition points for individuals (such as youngest child starting school, need to change career, aim to increase pension saving).

“Too often the key customer is the relevant Department, rather than the person accessing the service.”

The Missing Middle

The result are systems that have created a ‘missing middle’ of support for low paid workers – they can only get support if they lose their job, are young, or have very low previous qualifications. Each of these systems may make sense in isolation, but put together they miss the changes in working lives described in Chapter 1. Who is there to help people in low paid work to progress when they’ve done the ‘right thing’ by working?

THE “MISSING MIDDLE” GET LITTLE SUPPORT



Reasons to be cheerful?

There are a number of developments that begin to point the way to better support for low paid workers.

Perhaps the key one is Universal Credit. In principle (though there are significant implementation issues) this brings together key in and out of work benefits to create a smoother system that aims for people to always be better off working an extra hour. Universal Credit also introduces the principle of in-work conditionality – requiring people in low paid work to do more to boost their hours and earnings, rather than just those who are out of work.

This brings the opportunity to offer a positive service to people, working with employers. A focus solely on individuals and extending Jobcentre Plus job search support to those in work won't work. It would be the equivalent of pushing on a piece of string when Chapter 1 showed that reducing the number of low paid jobs requires work with employers to boost productivity, as well as with individuals to improve job matching and skills. In other words, a positive service that helps increase the quality of jobs on offer, rather than just trying to move individuals around the labour market in a zero sum game.

A number of pilots are also now underway to try and provide greater support to those in low paid work, including:

“A positive service that helps increase the quality of jobs on offer, rather than just trying to move individuals around the labour market in a zero sum game.”

→ Skills Support for Work Programme participants

The Skills Funding Agency has commissioned support to help Work Programme participants in work. The focus is still on achieving sustained employment and qualifications, and the programme is just one year long, but this offers providers the opportunity to trial something innovative that better integrates support from employment and skills programmes;

→ Mid-Life Career Reviews

NIACE has managed the delivery of 3,000 Career Reviews, funded by BIS, to people around the age of 50 both in and out of work. The aim is to have a rounded conversation with people about their life and career and draw up an agreed action plan. Initial results show increased confidence among participants, and longer-term tracking suggests increased numbers improving their skills, changing careers, and planning for the future as a result. They showed that, when offered the chance to access this form of support, people wanted it – there is ‘hidden demand’¹⁰;

→ Plymouth City Deal

This is trialling an in-work progression service for young people who have found work, measured by increased earnings. While small and with short-term funding, again this could provide interesting results. The delivery model is based around a Personal Adviser, with a Skills Ladder approach and bringing together support for employers; and

→ Manchester City Deal

This includes a commitment to measuring earnings outcomes for SFA funded provision, though it is not clear whether and when this data will be published.

These pilots build on previous Employment Retention and Advancement (ERA) pilots in the UK and US that aimed to boost earnings for low paid workers. In the UK, ERA focused on lone parents (both those out of work and those in low pay) and unemployed people aged over 25. It supported 8,000 people, offering personal adviser support, training and financial support. There was a short term boost in earnings for lone parents and long-term earnings boost for unemployed people – this group earned 12% more than the control group.¹¹

¹⁰ Mid-life career review: Extending working life through career review at mid-life, NIACE, 2014.

¹¹ Breaking the low pay, no pay cycle: Final evidence from the UK ERA demonstration, DWP, 2011.

In the US, a study of 12 trials supporting 45,000 people (which took a similar approach to the UK), found that three trials delivered a statistically significant boost to earnings of \$600-1000 per year.¹² Taken together, the UK and US ERA trials show that it is possible to help people in low pay to boost their incomes through a combination of training, advice and financial support, but that the evidence is relatively limited in how to do this for all groups.

Overall, there are perhaps three key lessons from the existing evidence base:

1 Engagement of individuals and employers is crucial and challenging

People need to see a benefit from engaging in support to boost their skills and career. Too often people may feel that the cost (in time and money) of undertaking learning and of a higher grade job may outweigh the benefits (for example, they may feel that their employer will not value their skills or that they won't earn more). This can lead to many people not wanting to progress, feeling they will get additional stress but little additional pay or benefits. A range of factors may underpin this: from labour market structure, personal circumstance, to lack of information and support.

Similarly, the purpose of support needs to be to help employers to deliver their business strategies and adopt best practice, as well as helping individuals progress. The two are inextricably linked – support for individuals and employers are two sides of the same coin. This makes it crucial to engage people around transition points in their life when they are considering change (such as NIACE's Mid-Life Career Review project) and to work closely with employers.

2 Support for advancement should be focused on employers as well as individuals, and integrated with other services

Simply equipping people with better skills and support will not change the type and pay levels of jobs on offer or support employers to grow – an advancement service would risk becoming a zero sum game. Instead it needs to be part of a wider package of labour market programmes designed to support employers to boost their productivity, including by adopting high performance workplace approaches and increasing employee engagement, and stimulate growth.

It is not enough to join up employment and skills services, they need to be integrated with business support as part of industrial strategy too. This makes it crucial that advancement support works with employers (as many US ERA projects did) and is grounded in a local economic development strategy.

3 A firmer evidence base is needed

There have been programmes that have looked to help people advance, and there are some clear evaluation findings. However, particularly in the UK context, the evidence base is not as robust as for other services (such as back to work services). This makes it crucial that innovation and robust testing are at the heart of new support.

“Support for individuals and employers are two sides of the same coin. This makes it crucial to engage people around transition points in their life when they are considering change.”

¹² Moving up, Evans, Working Links, 2012.



3. HIGHER SIGHTS

The case for a National Advancement Service

→ 3. HIGHER SIGHTS

The case for a National Advancement Service

A new National Advancement Service could provide support for people in low paid work to progress, tackling lack of advancement and restoring the link between contribution and support in the social security system.

National Advancement Service

The Advancement Service would be open to everyone in low paid work in receipt of tax credits (or Universal Credit as that gets rolled out). Its aim would be to help people boost their earnings, engaging them through a free Career Check and online support, providing personalised support to those that need it from a Career Coach and Personal Career Account (for the first time linking entitlement to public skills support to your household income rather than age and previous qualification).

The Advancement Service would consist of a spine of three core elements – the AIM model described below - with room for local innovation around this spine:

1 Attract

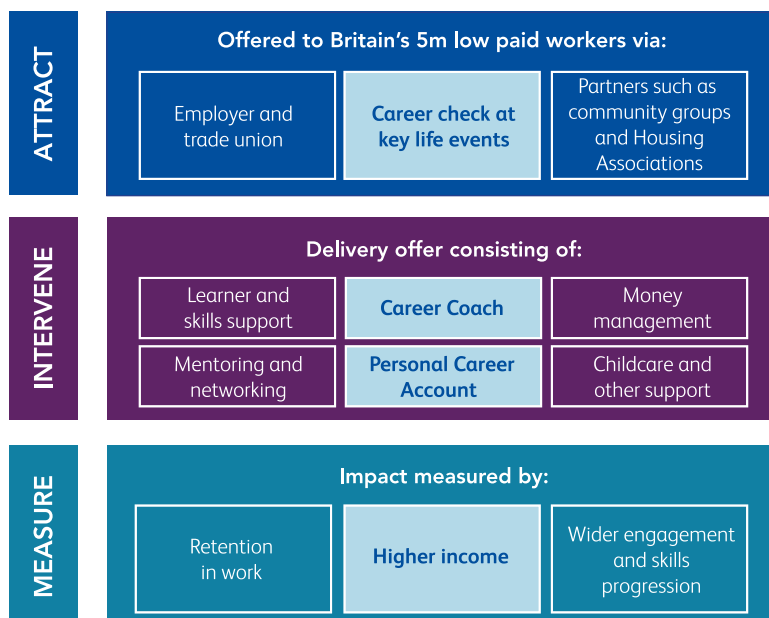
The Service would undertake a range of activities to engage low paid workers and employers in the service, particularly given that there may be some ‘missing demand’ from individuals and employers (people who would benefit from progression support may not recognise the potential benefits) and ‘hidden demand’ (people not wanting to come forward as they are ‘getting by’). Research and

testing would determine the best ways in which to engage people and how this varies by group, sector, region and personal motivations.

The experience from services described in Chapter 2 is that engagement is often best done through trusted intermediaries (rather than purely a media campaign) and drawing on people’s motivations and concerns (rather than purely focusing on costs and benefits). For example, people said they wanted to participate in NIACE’s Mid-Life Career Review for a range of reasons, including: looking for work, wanting to change career or gain promotion, caring responsibilities changing, and discussing retirement options.

Employers, trades unions and other trusted services such as Children’s Centres would be encouraged and supported to engage people and refer them to support. The Service would also offer a Career Check at key transition points, such as when a parent’s child starts primary school, based on Mid-Life Career Reviews trialled by NIACE to engage people in support. Some people might be required to participate under in-work conditionality in Universal Credit.

AIM Model for National Advancement Service



2 Intervene

Once engaged, people would be allocated a dedicated Career Coach and activate a Personal Career Account. They would undertake a personalised assessment to build an agreed action plan to help boost earnings, consisting of already funded services, personal actions, and activity funded by their Account. This could include training for a promotion, searching for a full-time or better-paid job, attending networking events with employers, or volunteering to build skills.

The crucial difference with current support is that access to a Career Coach and entitlement to support would be linked and via the same provider (rather than divided between the NCS, skills providers and JCP as at present).

A person's entitlement to an Account would be based on their household income not their age and previous qualification, and the funding would follow them, supported by their Career Coach, rather than being controlled by providers and commissioners.

To succeed, the Service would need to build close joint working between into-work services, learning and skills support, and business growth initiatives. The Career Coach would need to work closely with the employer to integrate support for the individual with the wider business strategy – the twin aim of the service is to help people progress and businesses succeed.

The experience of the ERA pilots suggests that building soft skills and networks would be more crucial than full formal qualifications. Supervisory training and some occupation-specific training would likely be important too. The crucial point is that the NAS provider would be free to build an individualised package of support as payment would be based on whether the customer increased their earnings, rather than whether qualifications were attained.

3 Measure

The success of the Service would be measured by outcomes (primarily whether low paid workers retained employment and earned more money) rather than outputs (such as the number of people that access the service). Measurement of these outcomes would be built in from the commissioning stage, and payment to providers partly contingent on these outcomes (a smaller proportion such as 20% at the start with a payment structure that avoids the incentive for providers to cherry pick participants and thus reduce the impact of the service by supporting mostly those who would have progressed anyway, rising over time as the evidence base builds). This mirrors the approach in employment programmes where, as what works becomes more tried and tested, the proportion of payment by results has risen.

Chapter 2 showed that the evidence base on what works in helping people progress from low paid work is not complete. To build this evidence base, there should be a clear approach to evaluation and innovation promoted through a Challenge Fund in each Network.

“A person’s entitlement to an Account would be based on their household income not their age and previous qualification, and the funding would follow them.”

Commissioning and funding the National Advancement Service

In England, the Service would be managed by a prime provider in each Local Enterprise Partnership (LEP) or city-region area. They would be responsible for bringing together a wide partnership of providers (community groups, Housing Associations, learning and skills providers, advice services etc) together. They would be paid in part on whether low paid workers earned more money. To begin with, the proportion paid on results would be low, reflecting the limited evidence base of what works.

The Scottish and Welsh Governments would need to think how best to commission and manage such a service – the principles in this paper apply equally across the UK, but the method of delivery would differ.

The Advancement Service would be funded from existing budgets. In England, up to £50m of the National Careers Service (NCS) annual budget (currently around £100m) would be ring-fenced. Currently this is focused primarily on those out of work and most disadvantaged, who would continue to receive support from Jobcentre Plus and employment programmes as well as the NCS. Up to £50m per year would also be top sliced from the adult skills budget by 2020.

This is in line with the Skills Funding Agency's move toward greater measurement of the outcomes of learning and skills provision, as well as qualifications – the National Advancement Service would provide a testbed for innovation in this field. It pushes this existing direction of travel further and faster, giving the best providers, who already focus on the career and earnings impact of their provision, the chance to expand this work – this is not about cuts, it is about refocusing existing resources on the outcomes they seek to achieve and giving providers greater freedom to deliver this.

In addition, the Service would be devolved to LEP areas or groups of Local Authorities if they agreed to use their European Social Fund (ESF) allocations to increase its size. Again, the Scottish and Welsh Governments would need to consider appropriate funding routes.

Chapter 2 identified that there is some evidence of what works in boosting progression, but that this is relatively limited. The Government should establish a What Works Centre for progression, to build the evidence base. This would be supported by requiring National Advancement Service providers to ring-fence part of their budgets for innovative ideas – a Challenge Fund – and to set out a clear approach to robust evaluation of their services.

This would require Government to be clear that there will be a fully operational, national service by 2020, with a clear road map of structured tests and trailblazers to inform the design and roll out of this service.

In total, this could give an Advancement Service of up to £200m per year across England by 2020. This could support 500,000 people in low paid work over five years, based on evidence from delivery of ERA services.¹³ Over time, as the evidence base built, part of the Service could be funded through the increased tax revenues and reduced benefit spending resulting from people earning more.

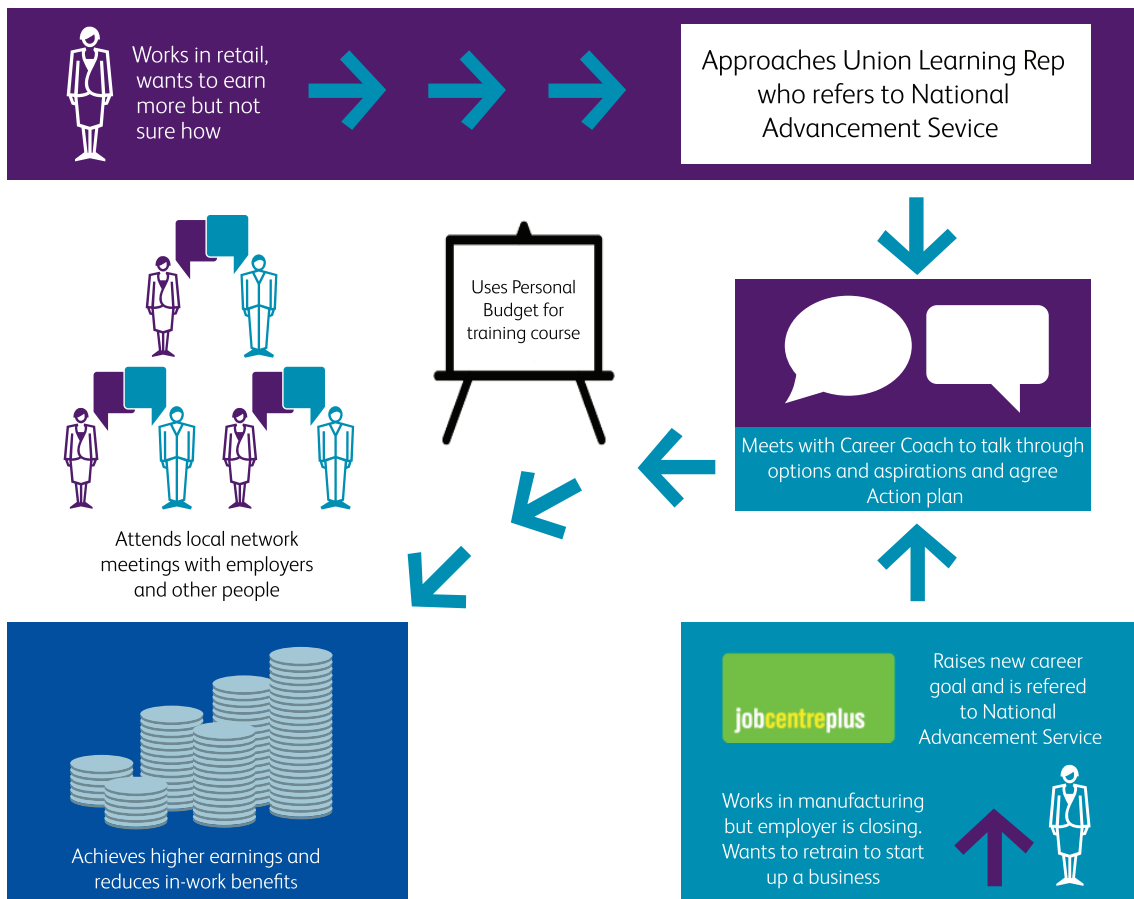
¹³ *Moving on up*, Evans, Working Links, 2012.

Building advancement into all labour market programmes

The National Advancement Service would be focused on those already in low paid work. However, a focus on advancement and promoting take-up of high performance organisation practices should be built into other programmes too. For example, Jobcentre Plus and future into-work services (such as the successor to Work Programme) should measure and be funded partly on wage outcomes for customers, not just benefit off-flows or moves into low paid work. Providers could sub-contract this element of their service to the Service if they wished.

Overall, the aim is an integrated set of local services that focus on cutting poverty and raising productivity, not just reducing benefit claims or attaining qualifications.

THE NATIONAL ADVANCEMENT SERVICE IN PRACTICE





→ CONCLUSION

Britain has a low pay challenge: too many people in low pay and struggling to progress their careers and earnings. At the same time, people feel they don't get support when they need it, that it doesn't support their aspiration or reward their contribution.

A National Advancement Service would rebuild this link, supporting aspiration by providing people in low paid work support to boost their careers and earnings. Like a game of snakes and ladders, its aim would be both to help people in low pay better find the ladders and to work with businesses to create more ladders.

The National Advancement Service would not solve all challenges in our labour market for employers and individuals. But it could make a significant difference, when delivered in partnership with other services, and increase the impact of existing public investment. To take a related example, employment programmes alone cannot solve a shortage of jobs in a recession. But they can help to ameliorate the impact of this shortage and better match people and labour market need.

Support for people to get on the housing ladder is now a fixed part of the policy landscape and seen to support aspiration. It is time for extra help for people to get on the career ladder and make the most of their talents.

“It is time for extra help for people to get on the career ladder and make the most of their talents.”



NIACE The National Voice
for Lifelong Learning

National Institute of Adult Continuing Education (England and Wales)

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