



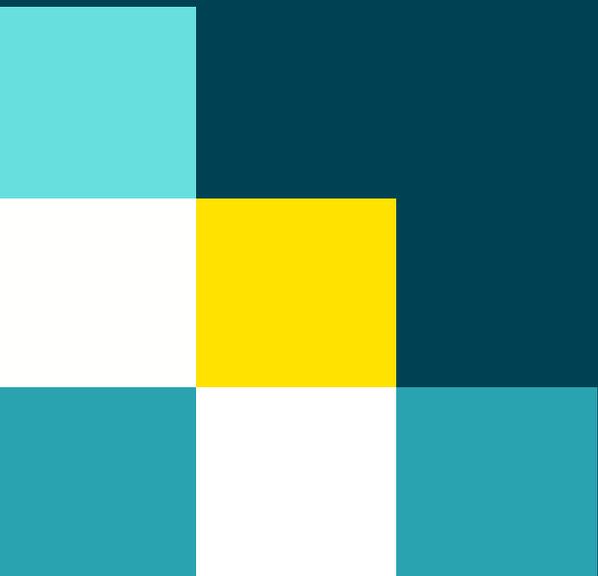
Wales Centre for Public Policy
Canolfan Polisi Cyhoeddus Cymru

Poverty and social exclusion: review of international evidence on in-work progression

Irene Bucelli and Abigail McKnight

Centre for Analysis of Social Exclusion, LSE

September 2022



Our Mission

The Wales Centre for Public Policy helps to improve policy making and public services by supporting ministers and public service leaders to access and apply rigorous independent evidence about what works. It works in partnership with leading researchers and policy experts to synthesise and mobilise existing evidence and identify gaps where there is a need to generate new knowledge.

The Centre is independent of government but works closely with policy makers and practitioners to develop fresh thinking about how to address strategic challenges in health and social care, education, housing, the economy and other devolved responsibilities. It:

- Supports Welsh Government Ministers to identify, access and use authoritative evidence and independent expertise that can help inform and improve policy;
- Works with public services to access, generate, evaluate and apply evidence about what works in addressing key economic and societal challenges; and
- Draws on its work with Ministers and public services, to advance understanding of how evidence can inform and improve policy making and public services and contribute to theories of policy making and implementation.

Through secondments, PhD placements and its Research Apprenticeship programme, the Centre also helps to build capacity among researchers to engage in policy relevant research which has impact.

For further information please visit our website at www.wcpp.org.uk

Core Funders



Cardiff University was founded in 1883. Located in a thriving capital city, Cardiff is an ambitious and innovative university, which is intent on building strong international relationships while demonstrating its commitment to Wales.



Economic
and Social
Research Council

Economic and Social Research Council (ESRC) is part of UK Research and Innovation, a new organisation that brings together the UK's seven research councils, Innovate UK and Research England to maximise the contribution of each council and create the best environment for research and innovation to flourish.



Llywodraeth Cymru
Welsh Government

Welsh Government is the devolved government of Wales, responsible for key areas of public life, including health, education, local government, and the environment.

Contents

Summary	4
Background	5
Introduction	6
Policy context	8
Evidence of policy effectiveness	16
Challenges and facilitating factors	28
Conclusion	29
References	31
Annex: Methodology	38
Acknowledgements	42

Summary

- Growing rates of in-work poverty demonstrate that work is often not enough to lift a household's income above the poverty line. In-work progression can help reduce in-work poverty, although increasing household-level hours of paid work and/or the generosity of in-work benefits can be just as important.
- An effective approach to increasing progression should combine policies to increase in-demand skills among lower skilled workers, address labour supply constraints, reduce progression disincentives in the tax and benefit system and reduce structural barriers to progression.
- There are connections between in-work progression and policy areas covered in other reviews, for instance:
 - **Further education and skills:** Investing more in high-quality further education can help increase wages among the lower skilled and provide opportunities for progression.
 - **Transport disadvantage; Affordable housing supply; Neighbourhood environment; Early childhood education and care:** Where people live in relation to good quality job opportunities, and access via good transport links (including access to further education, training and childcare), can aid in-work progression.
- We conclude the review with some promising actions that can improve the life chances of disadvantaged groups in Wales through in-work progression, namely:
 - 'Enabling' forms of active labour market programmes for the unemployed, such as training, have greater potential to lead to progression than 'demanding' forms of activation, such as monitoring and sanctions. Evaluation evidence which takes a longer-term perspective shows how training programmes for the unemployed tend to outperform demanding forms of activation.
 - Sector-specific workforce development initiatives which address the needs of employers as well as workers show positive impacts on earnings and net benefits to participants, governments and wider society. However, the current evidence base relies on small scale US studies.

Background

The Wales Centre for Public Policy (WCPP) was commissioned by the Welsh Government to conduct a review of international poverty and social exclusion strategies, programmes and interventions. As part of this work, the Centre for Analysis of Social Exclusion (CASE)¹ at the LSE was commissioned to conduct a review of the international evidence on promising policies and programmes designed to reduce poverty and social exclusion across twelve key policy areas. This report focuses on in-work progression.

The key questions addressed in each of the twelve policy reviews are:

- What effective international poverty alleviation policies, programmes and interventions exist?
- What are the key or common characteristics/standards and features of these different approaches?

The questions are addressed by providing:

- The Welsh context of each policy area and main initiatives being undertaken by the Welsh Government;
- Detailed information on the relationship between the policy area and poverty and social exclusion;
- A summary of evidence of lived experience, which could help to understand how people may experience and respond to policy interventions;
- An overview of the international evidence of policy effectiveness (including case studies); and
- Challenges and facilitating factors associated with policy implementation.

In addition to the twelve policy reviews, we have produced an overview report which summarises the key evidence from each of the individual reviews, highlights connections between different policy areas and reflects on all the evidence to make a number of policy recommendations, or promising actions, within each of the twelve

¹ The Centre for Analysis of Social Exclusion (CASE) at the London School of Economics and Political Science (LSE) was established in 1997. It is a multi-disciplinary research centre exploring social disadvantage and the role of social and public policies in preventing, mitigating or exacerbating it. Researchers at CASE have extensive experience in conducting policy reviews covering evidence in the UK and international literature.

areas. Please refer to the Annex for detail on methodology, including how the twelve policy areas of focus were chosen.

This work forms part of a suite of reports produced by WCPP as part of its work on poverty and social exclusion for the Welsh Government. As well as this work by CASE, there are two reports on the nature, scale and trajectory of poverty and social exclusion in Wales – one focusing on quantitative data and evidence, and a second focusing on lived experience evidence (Carter, 2022a; 2022b). WCPP also commissioned the New Policy Institute to conduct a review of international poverty alleviation strategies (Kenway et al., 2022) which examines overarching governmental approaches to tackling poverty.

Introduction

This report contains the findings from a rapid review of international evidence on policies and programmes designed to improve in-work progression and thereby reduce poverty and social exclusion. For the purposes of this review, in-work progression is defined as achieving higher rates of pay (hourly wage) or increasing income from work through increasing working hours. Progression might be achieved working with the same employer in the same job or another job, or changing employer. In-work progression can be key to workers and their households exiting from, and reducing the duration of, poverty and social exclusion spells. Recent increases in in-work poverty and the high share of children in poverty who are living in working households highlight the importance of in-work progression.

Despite work reducing the risks of poverty, it is often not enough to escape poverty. In 2015-2018, nearly six in ten working-age workless households in Wales were in poverty but four in ten households who were in poverty contained a full-time worker and over half had someone in work (JRF, 2020). Overall, 14% of workers in Wales were in poverty between 2016/17-2018/19; one of the highest in-work poverty rates in the UK (rates in London were 17%) (JRF, 2020). Rates vary by sector of employment with particularly high rates of in-work poverty among workers in the food, wholesale, and retail sectors (nearly one-quarter). Lone parents face multiple barriers and, across household types, have the highest in-work poverty rates in Wales (27%).

Groups of workers that are less likely to progress in work include women, workers from ethnic minority backgrounds, workers with disabilities, low-paid workers, older workers, part-time workers and workers on non-standard employment contracts (zero-hours, temporary, etc.). Barriers to progression include labour supply constraints, low skills, skill mismatch, discrimination, structural rigidities in the labour

market (which can be sector-specific), poor job design and lack of career ladders, and scarring effects relating to experience of unemployment and low pay.

Labour supply constraints have a greater negative impact on women's prospects for progression. Women continue to take greater responsibility for childcare and therefore lack of childcare places remains a barrier to progression for women. In 2021 only 47% of local authorities in Wales reported having sufficient childcare places for children under 2 years, 29% for children aged 5-11 years after school, 6% for children aged 12-14 years after school, and 8% for families living in rural areas (Jarvie, Shorto and Parlett, 2021).

Rates of in-work poverty and the likelihood of in-work progression also vary by employment type. In Europe, in-work poverty rates are higher among people in non-standard employment and among the self-employed without employees (Eurofound, 2017). Several studies have looked across European countries and highlighted important differences in patterns of working arrangements and how they relate to poverty risks (Ray et al., 2014; Fagan, 2014; Horemans and Marx, 2013; Horemans et al., 2016). Grzegorzewska and Thevenot (2014) found differences in the extent to which temporary or part-time jobs serve as stepping stones to higher paid jobs. In some countries the poverty risks associated with female part-time employment are not significantly different from those of full-time workers (for example, in the Netherlands or Denmark) and part-time work is generally more prevalent (including among men) where part-time jobs are better quality. In these countries women working part-time are spread across occupations, while in other countries, such as the UK – where the relative earnings disadvantage for women working part-time is one of the largest – they are concentrated in the lower-level manual/elementary and clerical/service occupations (Warren, 2008).

According to the Office for National Statistics (ONS):

“Wage progression of the lowest earners is a good indicator of earnings mobility as it can reflect the opportunity of adults to move upwards in the earnings distribution.” (ONS, 2018)

As part of a feasibility study the ONS published estimates of wage progression in England and Wales between 2011 and 2015, focusing on estimates of progression for the lowest 20% of earners in 2011. Low wage workers were classified as experiencing wage progression if their relative wages increased by at least 20 percentiles from 2011-2015. The results showed that low wage workers living in the north of England and Wales had the lowest probabilities of progressing compared with low wage workers living in London and the south of England (ONS, 2018). Other

UK research has shown that only one in six low paid workers in 2006 managed to escape low pay over the course of the following decade (D’Arcy and Finch, 2017).

Improving in-work progression of low earning workers living in in-work poverty can help to reduce low pay, as well as poverty and social exclusion more broadly.

Policy context

This is an area of policy that is still under-developed. With multiple drivers of lack of progression (low skills, labour supply constraints, structural factors in the labour market, poor job design, lack of career ladders in some occupations/industries and features of the tax and benefit system that create disincentives to progress), a mix of policies rather than a single initiative is required.

In general, targeted policies specifically designed to reduce in-work poverty are still rare (Eurofound, 2017, p.47). Wales does not currently have a set of policy or programmes specifically designed to increase in-work progression, but it does have a number of employability programmes. In addition, progression is considered a key component of ‘fair work’. This is reflected in the definition of fair work proposed by the Fair Work Commission:

“Fair work is where workers are fairly rewarded, heard and represented, secure and able to progress in a healthy, inclusive environment where rights are respected.” (Fair Work Commission, 2019, p.2)

The Fair Work Commission identified six characteristics within their definition of fair work, with the fourth characteristic, ‘*opportunities for access, growth and progression*’ relating to in-work progression.

The policy review in this series focusing on further education and skills includes a number of general Welsh Government technical and vocational education and training (TVET) policies and programmes, and outlines policy development in this area. Programmes specifically designed to help job seekers include *Working Wales*, delivered by *Careers Wales*, which is available to people living in Wales who have left compulsory education and need support to enter employment, or move on to full-time employment. It offers professional careers information, advice and guidance, needs-based assessment and referral to appropriate support.

In addition, there are five main employability initiatives in Wales: ReAct, Job Growth Wales, Access, Traineeships and the Employability Skills Programme.² There was a plan to create a single service from April 2020, called Job Support Wales, but this was abandoned following technical issues with the procurement exercise.³ The existing main employability initiatives are:

1. **ReAct** (Redundancy Action Scheme) provides vocational training grants to people who have recently been made redundant or unemployed for another reason, or are under current notice of redundancy, to retrain or update their skills.
 - The programme was first introduced in 2004 (part funded by the European Social Fund) and has evolved over time but the three core elements are largely unchanged: recruitment and training support; vocational training grant (discretionary award); and extra support grant (discretionary award).
 - Applicants' training needs are assessed by *Careers Wales* who also advise on suitable training courses and training venues, acting as 'gatekeepers' and 'quality control' (Griffiths et al., 2021). ReAct covers 100% of training costs to acquire new skills (up to a maximum of £1,500), helps towards the cost of travelling to training courses, overnight accommodation costs, and where appropriate, contributes towards childcare costs whilst training (subject to limits and conditions), and helps with the cost of special equipment to remove barriers to training.
 - The Recruitment and Training element of ReAct can provide new employers of participants up to £3,000 for recruitment and up to £1,000 towards the cost of training. How much they get depends on their circumstances.
 - An evaluation of Stage III (2015-2019) found that training prior to re-employment was largely 'additional' (it would not have taken place in the absence of the programme), but there was high deadweight in relation to the employment subsidy and the in-work training components (Griffiths et al., 2021).

² There is also an Apprenticeship programme in Wales which is outlined in the *Further Education and Skills* policy review.

³ <https://gov.wales/written-statement-employability-support-wales>

- The evaluation concluded that the programme has been successful at helping participants gain work, with an estimated net additional impact of 1,432 people in employment (Griffiths et al., 2021).
 - No estimates of the impact of the programme on earnings or progression are reported. However, the ReAct programme is more geared to helping the unemployed and those who have been made redundant gain work than improving longer-term progression.
- 2. Job Growth Wales** supports work experience for 16–24-year-olds who are out of work or working less than 16 hours per week, through six month opportunities in a paid job (paying at least the National Minimum Wage). Participants with a disability or who face other barriers can get additional help and mentoring while in the job.
- An impact assessment found that that participating in the Job Growth Wales programme accelerated a participants’ journey into employment and their in-work progression when compared to a matched sample of those who had not secured a position (Allies et al., 2020).
 - At 18 months post-application there were estimated employment and earnings gains (a 21 percentage point difference in employment rates and an earnings premium of over £3,000 per annum) (Allies et al., 2020). Furthermore, participants were more likely to be in a secure role (permanent or fixed term contract of over 12 months) than employed participants of the comparison group (Allies et al., 2020).
- 3. Traineeships** are designed to help 16–18-year-olds who are not employed or in full-time education move into paid work, an apprenticeship, or further education. Traineeships provide paid ‘taster’ job opportunities (from 6 weeks up to 12 months) with training before young people commit to a course or apprenticeship. Trainees receive an allowance of up to £50 per week and can get help with childcare and transport costs.
- Traineeships help with job entry and progression to further education. On their own, traineeships are unlikely to have a significant impact on longer term in-work progression.
- 4. The Employability Skills Programme** provides support for unemployed adults who are deemed to have a reasonable chance of being job ready within six months, to improve their employability skills and help them gain sustainable employment. It is delivered by four main training providers who offer participants work preparation training, essential skills if required, and a work placement or employer-specific training. Eligible adults can be referred to

the programme by Jobcentre Plus, the National Probation Service, or Community Rehabilitation Companies.

- A recent evaluation of the Employability Skills Programme found positive employment outcomes achieved across providers which ranged from 25% to 31%, but well below the 55% target (Harries and Lewis, 2019). The aim of the programme is to help participants gain sustained employment rather than to progress in work.

As we show above, these employability initiatives are mainly aimed at helping the unemployed gain work. **However, they have the potential to improve in-work progression, for example, if they are combined with effective post-employment support or targeted job matches with good progression prospects, or if they increase in-demand skills sufficiently to ensure that the job seeker is inserted higher in the labour market with better prospects.**

One initiative which is expressly aimed at helping low earning workers progress in Wales is the Personal Learning Accounts programme which was launched in September 2019. Workers earning under £29,534 a year, those who have been furloughed or whose job is at risk, workers on zero-hours contracts or agency workers, can qualify for flexible part-time study opportunities to gain skills and qualifications needed to change career or progress in a current job. Course costs are covered by the Welsh Government. Participants must be aged 19 or over, live in Wales and want to gain skills/qualifications in one of the 'priority sectors'.⁴ This programme takes a 'dual customer' approach as it also seeks to help businesses in priority sectors recruit new talent and overcome current and future skill shortages.

In-work progression is increasingly coming under the policy spotlight in the UK. The introduction of in-work conditionality for working Universal Credit claimants with household earnings beneath a low earnings threshold means that pressure will be put on claimants to increase their hours of work, secure promotion or find a higher paying job. Jobcentre Plus work coaches will be on hand to provide assistance to claimants but as this policy is new it is still very much under development.

⁴ The nine priority sectors are: tourism; life sciences; information communications technology (ICT); financial and professional services; food and farming; energy and environment; creative industries; construction; advanced materials and manufacturing.

Relationship to poverty and social exclusion

In-work progression can reduce the risk, and shorten periods, of poverty and social exclusion where progression is associated with sufficient increases in household income and resources. There are many benefits associated with higher earnings. Higher pay is associated with better terms and conditions of employment, more opportunities for training and further progression, lower risks of unemployment, more generous pension entitlements (providing a higher standard of living in retirement) and contributes to greater household financial resilience. Lower paid workers, and workers on part-time or temporary contracts are less likely to receive work-related training or opportunities to progress.

However, the relationship between in-work progression and reduced risk of poverty and social exclusion is not straightforward. To start with, low pay and poverty, and even in-work poverty, are distinctly different (McKnight et al., 2016; Horemans, Marx and Nolan, 2016; Marx and Nolan, 2014; Bennett, 2014; McKnight, 2002). Low pay is measured at an individual worker level and is usually defined in terms of low hourly wages but can also refer to low earnings (weekly or monthly). In contrast, poverty is measured at a household level – aggregating all sources of income, net of direct taxes, across all household members, adjusting for household size and composition before comparing to a poverty line. In-work poverty can be defined in a number of ways but typically households where at least one adult is in work but household income is below the poverty line are classified as being in in-work poverty.⁵

The latest official statistics for Wales (2017-18 to 2019-20) show the higher risks of relative income poverty for children living in workless households (73%) compared to children living in a working household (25%) (Welsh Government, 2021). However, 71% of children living in relative income poverty over this period lived in working households (around 140,000 children), an increase from 60% in 2012 to 2015 (Welsh Government, 2021). It does appear that the association between low pay and poverty in the UK has increased over time. Millar, Webb and Kemp (1997) found that the share of low paid workers living in poverty in the 1970s and early 1980s was only

⁵ Some measures use the Eurostat definition of 'in work', which considers individuals as employed if they were working for at least seven months during the income reference period of one year. As Horemans and Marx (2013) point out, the cut-off is arbitrary (as any would be) and excludes individuals with very weak labour market attachment (McKnight et al., 2016).

around 3-4% but by the early 1990s had increased to 13%. In part this is likely to reflect increases in poverty rates since the 1970s.

Recent research for the UK found that in 2014/15 nearly half of individuals in in-work poverty lived in a household with a low-paid worker (48%) but most individuals living in a household with a low-paid worker were not living in households classified as poor (78%) (Hick and Lanau, 2017). This is because many low-paid workers live in households with other workers, meaning only having one worker in a household is a key determinant of in-work poverty (Hick and Lanau, 2017).

An important factor driving in-work poverty is therefore the number of adults working and the total number of hours worked across all adults in a household (sometimes referred to as household work intensity) (McKnight et al., 2016). For single adult households, to escape in-work poverty through employment requires them to work longer hours or find a higher paying job and this might not always be possible if they have caring commitments or face other labour supply constraints. Gardiner and Millar (2006) examined how some low hourly paid workers managed to avoid household income poverty. They considered three potential strategies: 1) work long hours in one job or take on multiple jobs; 2) rely on earnings from other household members; 3) benefit from state cash transfers. They found that among the low paid only 8% managed to avoid poverty by working long hours or multiple jobs, 62% avoided poverty as a result of the earnings of other household members and 13% avoided poverty due to household income from state transfers.

However, the overlap between low pay and poverty at one point in time understates the extent to which they are related over longer time horizons (McKnight, 2002). This is because of the churning between 'low pay and no pay' and because poverty and low pay are entwined over the life course and between generations; childhood poverty is associated with adult low pay, persistence in low pay can lead to poverty, and low pay during the working life can lead to poverty in old age (McKnight, 2002). The precarious nature of many low-paid jobs means that getting a job may only represent a turn in the cycle of poverty (McKnight, 2002). Individuals can become trapped in 'low wage careers' (McKnight, 2002) characterised by cycling between unemployment and low paid precarious work or becoming trapped in low paying jobs or scarred by the experience of unemployment, low pay or the under-utilisation of skills (Stewart and Swaffield, 1999; McKnight, 1998; Arulampalam, 2001; Mavromaras et al., 2015).

Understanding differences between low pay and in-work poverty can be important from a policy perspective as the drivers and solutions can be different. For example, minimum wages are a very effective policy for reducing low pay, particularly extreme low pay, but are a blunt instrument for tackling in-work poverty due to the distribution

of low pay workers across households (McKnight et al., 2016). Prior to the introduction of the UK National Living Wage it was estimated that just over half (52%) of the gross wage gains would flow to households in the bottom half of the income distribution and, which decreased to under half (45%) after accounting for tax and benefits (D'Arcy, Corlett and Gardiner, 2015). In net terms the gains are lower because higher earnings can lead to reductions in entitlement to in-work cash transfers such as Universal Credit or Housing Benefit.

Overall, the evidence shows that minimum wages only have a small impact on reducing poverty risks (Matsaganis, Medgyesi, and Karakitsios, 2015). Similarly other policies to improve wage growth or progression among lower wage workers will only be partially successful at reducing in-work poverty (at least in the short term). From an in-work poverty perspective, policies addressing low work intensity at the household level due to, for example, labour supply constraints, and progression disincentives within the tax and benefit system can be more effective than higher hourly wage rates. There is also a risk that minimum wages can suppress progression if higher rates reduce the pay differential above the minimum wage and where the minimum wage becomes the 'going rate'. However, Avram and Harkness (2020) found limited evidence that the probability of remaining in a minimum wage job temporarily increased when the National Living Wage was introduced in 2016, and no evidence that minimum wage increases have a negative impact on progression in the long-term.

Although there is an important distinction between low pay and in-work poverty, there are many benefits to improving progression out of low pay. As outlined above, there are many benefits associated with higher earnings and poverty risks can be reduced over the longer term. Promoting progression can only ever be a partial response to in-work poverty, but it can help to turn 'dead-end' jobs into stepping stones (Devins et al., 2014).

Relationship to lived experience of poverty and social exclusion

Eurofound research finds that workers at risk of poverty and those experiencing deprivation have lower satisfaction with their personal relationships and lower trust in other people than the working population average (Eurofound, 2017). These workers are also more likely to say that they have nobody to discuss personal matters with and receive less help from relatives, friends or neighbours. Working people at risk of

poverty, and especially those experiencing deprivation, are more likely to experience social exclusion:⁶

“Over a third of materially deprived workers do not feel recognised by others, and over a quarter say that people look down on them due to their job situation or income. Feeling left out of society is also more common than in the working-age population.” (Eurofound, 2017, p.31)

Feelings of loneliness and depression were relatively uncommon among workers in general, but workers in deprived households were three times as likely to report having these feelings (Eurofound, 2017, p.32). Of course, these associations do not identify causal relationships, but they do highlight the multidimensional nature of disadvantage.

Evidence on lived experience highlights the motivational barriers to progression faced by some low paid workers. Webb et al. (2018), in their evidence review of in-work progression in Wales, stress how in sectors such as retail, hospitality and tourism, employees are reluctant to engage in job progression if it requires significant time investment for slight financial gain, reduced flexibility, worse work-life balance or additional responsibilities with the expectation of working unpaid hours (Green and Sissons, 2021; Green et al., 2016; Lloyd and Payne, 2011; Ussher, 2016).

Workers can be unconvinced of the benefits of progression, particularly if it means ‘unpicking’ carefully balanced work-life arrangements for uncertain gains (IWPC, 2021). In addition, rewards can be very small and ‘demotivating’ for many Universal Credit claimants, especially second earners, who can only gain 47p for every additional £1 earned (IWPC, 2021). As women are more likely to be second earners in households, there is a strong gender dimension in the work incentives inherent in the design of Universal Credit (IWPC, 2021).

A recent survey in Wales, Scotland and England carried out by Ipsos MORI for the Department for Work and Pensions (DWP) looked at barriers to progression among individuals who were working and receiving tax credits or Housing Benefit only, and based on their earnings, might move into the so-called ‘light touch’ in-work conditionality group if they moved onto Universal Credit (DWP, 2021). It found the majority were satisfied with the work that they do, with 81% reporting feeling satisfied with their job overall. Satisfaction was highest with work-life balance (80%) and the

⁶ Social exclusion is the average score of four statements relating to social exclusion measured on a scale of 1–5: ‘I feel left out of society’; ‘Life has become so complicated today that I almost can’t find my way’; ‘I feel that the value of what I do is not recognised by others’; and ‘Some people look down on me because of my job situation or income’ (Eurofound, 2017).

number of hours worked (79%). Two-thirds were satisfied with their pay and training opportunities (64% and 66% respectively) and over half (56%) with opportunities for career development. Nearly two-thirds (64%) strongly agreed that their biggest priority was keeping their current job rather than looking to progress at work. To overcome financial and motivational barriers to progression, low paid workers need to be able to access real opportunities for progression that lead to short-term and long-term increases in living standards.

Evidence of policy effectiveness

Intervention	Strength of evidence	Effectiveness
Active labour market programmes (particularly ‘enabling’ forms, such as training)	Strong (meta-level analysis of quasi-experimental)	Effective
Sector-specific workforce development	Strong (experimental)	Effective

There are four main policy approaches to improving in-work progression among the low paid, or those at risk of low pay:

- 1. Training programmes** targeted at low paid workers to increase skills or re-skill to meet skill shortages and for entry into occupations with good progression prospects.
- 2. Reduce labour supply constraints** to allow the low paid to work longer or different hours, travel further to better job opportunities and access training. Policies include improving access to affordable, high-quality childcare and reducing transport disadvantage. At a macro level they could include considering the location of affordable homes and business/employment opportunities.
- 3. Reform the tax and benefit system** to reduce high effective marginal tax rates that create a disincentive for low paid workers to earn more and reduce disincentives for second earners in a household to find and progress in work.
- 4. Structural changes** to the design of jobs (for example, opportunities for working part-time in more senior roles) and clear career ladders from low-paid, low-skilled occupations.

Webb et al. (2018), in their evidence review of in-work progression in Wales, stress the importance of understanding the interplay of potential barriers to in-work progression. The recently formed UK In-Work Progression Commission identified three main categories which create barriers to progression:

- **Logistical and structural** – geography of jobs, transport, caring responsibilities, lack of flexible working/employer support, incentives for progression in Universal Credit, structure of training/apprenticeships;
- **Skills** – lack of previous educational attainment/accredited training, gaps in functional skills, ease of access/cost of courses, lack of career progression pathway/not clear why training is worthwhile, lack of employer learning and development offer; and
- **Internal drivers including confidence/risk appetite** – lack of confidence to take up new roles, perceived as being too difficult to rebalance commitments, lack of understanding of progression opportunities and how to access them, no mentors/role models, content with current situation.

Structural changes in the labour market pose a further challenge to improving in-work progression. Job polarisation with falling shares of ‘middle-skill’ jobs (and more high-skill and low-skill jobs) has occurred since at least the mid-1990s in most OECD countries (OECD, 2020). A variety of drivers are behind this trend including technological change (particularly automation), globalisation and demographic change which accompanied a shift away from manufacturing towards services. From the perspective of in-work progression, these **middle-skill jobs can provide important rungs on the job ladder.**

Job polarisation has occurred over a period of expansion in the size of the graduate workforce with higher rates of participation in tertiary education among younger age cohorts. Graduates have filled the growing share of high-skilled jobs but workers with intermediate level qualifications who used to occupy middle-skill jobs are now increasingly working in lower-skilled jobs. Cross-country evidence shows that **some OECD countries have done better than others in mitigating the adverse effects of job polarisation.** In Sweden, Germany, Norway and Denmark, middle-educated workers have been more successful at securing employment in high-skilled occupations. What these countries have in common is **strong institutions and an emphasis on vocational education and training.**

In this review we concentrate on active labour market programmes and sector-specific workforce development, in relation to in-work progression. These are areas where there is good international evidence of policy effectiveness and there are promising approaches which could play a role in increasing in-work progression in Wales. In other policy reviews in this series we have looked at labour supply

constraints in relation to early childhood education and care and transport disadvantage.

The Welsh Government has limited capacity to change features of the tax and benefit system that would improve progression, for example, reducing the taper rate (the rate at which benefits are withdrawn as earnings rise, which for Universal Credit is 63%). However, the Welsh Government has some capacity to offer additional support to Universal Credit claimants affected by in-work conditionality and via pre-employment support programmes for claimants.

In the policy review focusing on further education and skills we looked at technical and vocational education and training (TVET) in general, whereas in this review we focus on training policies and programmes that are specifically designed to improve in-work progression of low paid workers or those at risk of low pay. Many of these programmes combine training with additional support which can include work coaching, life skills development, career guidance, assistance with childcare, help with transport and job placements.

Active labour market programmes

Active labour market programmes (ALMPs) are designed to help the unemployed find and secure work. The design of these programmes and rules determining eligibility for participation can be crucial for tackling in-work poverty and low pay and have the potential to lead to in-work progression.

Different types of ALMPs can be classified into those that are ‘enabling’ (for example, training) and those that are ‘demanding’ (for example, monitoring job search efforts). These have been described as the ‘two sides of activation’ – see Table 1 (Eichhorst and Konle-Seidl, 2008). In practice programmes can combine elements of both. After the 1990s there was a shift in favour of ‘demanding’ work-first approaches in many countries. This was in part influenced by evidence from the US that suggested work-first approaches were more effective than human capital approaches which focused on education or training (although this evidence has since been questioned). This meant that greater emphasis was put on demanding forms of ALMPs which are typically cheaper. In the UK, although the over-arching emphasis of ‘work first’ remains, there has been some shift in the orientation of ALMPs in recent years which place greater emphasis on retention and progression of those entering employment (Sissons and Green, 2017). However, more enabling forms of ALMPs are often reserved for the long-term unemployed. One of the problems with this approach is that **demanding forms of ALMPs tend to return the unemployed to low paid, insecure jobs and do nothing to break the low-pay, no-pay cycle as they are excluded from enabling forms of ALMPs such as training.**

Table 1: Two sides of activation

Demanding	Enabling
1. Duration and level of benefits <ul style="list-style-type: none"> • Lowering insurance or assistance benefits • Reduction of maximum benefit duration 	1. ‘Classical’ active labour market policies <ul style="list-style-type: none"> • Job search assistance and counselling • Job-related training schemes • Start-up grants • Subsidised employment • Mobility grants
2. Stricter availability criteria and sanctioning clauses <ul style="list-style-type: none"> • More restrictive definition of suitable job offers • Punitive sanctions for non-compliance 	2. Fiscal incentives/make work pay <ul style="list-style-type: none"> • Earnings disregard clauses • Wage supplements granted in case of taking up low-paid jobs (‘in-work benefits’)
3. Individual activity requirements <ul style="list-style-type: none"> • Integration contracts • Monitoring of individual job search effort • Mandatory participation in active labour market policy schemes 	3. Social services <ul style="list-style-type: none"> • Case management, personalised support • Psychological and social assistance • Childcare support etc.

Source: Derived from Eichhorst and Konle-Seidl (2008)

Training activation programmes can appear less attractive to policy makers than other ALMPs for a number of reasons (McKnight and Vaganay, 2016):

- It is typically more expensive than many other interventions (e.g. job-search assistance).
- Programme ‘lock-in’ reduces initial outflow rates from unemployment. This can be unattractive to politicians looking for ‘quick fixes’.
- It is not easy for policy makers to determine which types of training to fund.

- It has the potential to lead to unintended consequences/perverse incentives e.g. creating incentives for people to become unemployed or remain unemployed to qualify for funded training places.
- Public funded training can displace employer funded training.

There is an extensive literature evaluating the impact of training programmes within ALMPs and a number of high-quality literature reviews (such as Heckman et al., 1999; OECD, 2005; Björklund and Regnér, 1996) and some meta-level studies evaluating training impact estimates either in isolation or more broadly assessed alongside other elements of activation policies (Card et al., 2010; Kluve, 2010; Bratu et al., 2014).

There is no general consensus on the impact of training programmes on future unemployment risks or earnings, or their success relative to other ALMPs (McKnight and Vaganay, 2016). For example, Heckman et al. (1999) concluded in their review of 75 evaluation studies across the US, Canada and Europe, that government-provided training programmes were often ineffective. Kluve (2010) concluded from their analysis of more than 100 evaluations of ALMPs in Europe that **wage subsidies for private sector employment and ‘services and sanctions’ (measures aimed at enhancing job search efficiency including job search courses, job clubs, vocational guidance, counselling and monitoring, and sanctions in the case of non-compliance with job search requirements) have generally more favourable outcomes than training programmes.**

Heterogeneity in the type and quality of training programmes, the extent to which selection is adequately controlled for in evaluations, differential outcomes across groups of participants and differences between short- and longer-term effects on unemployment/employment experience contribute to a mixed set of findings in the literature (McKnight and Vaganay, 2016). For example, findings from a review of evaluated European public funded training programmes are typical of the evidence reported elsewhere in the literature: around one-half of all the training programmes reviewed had a positive significant impact on ‘employment outcomes’ and one in five were found to have significant negative effects (Bratu et al., 2014). On-the-job training was more likely to be found to have a positive and significant impact on subsequent employment outcomes relative to classroom/vocational training (Bratu et al., 2014).

Card et al. (2010) conducted a meta-analysis of nearly 200 programme impact estimates from across 26 high- and middle-income countries and found that while **training programmes can appear to be less effective in the short term, they are more likely than other forms of ALMPs to lead to positive outcomes in the medium and long run.** In fact, it appears that evaluations which have not

considered long enough timescales can erroneously conclude that training is less effective than other ALMPs. This is largely because **training generally requires longer periods of ‘lock-in’** (i.e. when individuals are participating in training courses they are unavailable for work and therefore employment rates measured over short time horizons can be lower for those who participate in training) but **from an in-work progression perspective it is the longer-term outcomes that are most important** and provide a more reliable estimate of impact.

In the UK, Universal Credit brings six existing means-tested benefits and tax credits under one single payment and it includes an element of in-work conditionality which aims to ‘reduc[e] welfare dependency’ (DWP, 2010, p.2) but also shows increased focus on in-work progression, rather than solely on getting people into work (Bucelli, McKnight and Summers, 2020). In recent years, two pilots in the UK have explored how the welfare system could help to promote in-work progression: the Employment Retention and Advancement pilot and the national In-Work Progression Randomised Controlled Trial.

The **Employment Retention and Advancement (ERA) pilot** combined financial incentives for staying in work and increasing hours with in-work training, childcare assistance and one-to-one advice and support. It was piloted in six Jobcentre Plus districts, including Wales. The ERA represents a form of time-limited in-work support focused on improving retention, which was seen as an essential precursor to progression, and targeted the long-term unemployed and lone parents (Bucelli, McKnight and Summers, 2020). An evaluation of the pilot found **positive outcomes during the programme period, but mixed results over the longer-term, with effects fading once extra financial support ends** (Hendra et al., 2011).

The **In-Work Progression Randomised Controlled Trial** was run by the DWP between 2015 and 2018 and evaluation evidence was published in 2018 (DWP, 2018a; DWP, 2018b). Its aim was to test the effectiveness of offering differing levels of support and conditionality to benefit claimants to help inform how best to support Universal Credit claimants on in-work conditionality. The trial assessed the difference emerging from groups facing different levels of support and mandatory activities: frequent, moderate and minimal. After 52 weeks, **a small impact on earnings progression was found**. Frequent and moderate support participants earned £5.25 and £4.43 per week more respectively than minimal support participants and had a 2.9 and 2.4 percentage point difference in the proportion who had increased their earnings by 10% or more. Although these effects were not found to be statistically significant in the smaller scale external evaluation conducted by Ipsos Mori, the evaluation identified a number of key factors that could impact claimants’ chances of increasing their earnings which included undertaking in-work training.

However, evidence suggests that a focus on in-work progression is not generally embedded in relevant services beyond isolated pilots and small-scale initiatives. A recent report from the independent Commission on In-Work Progression (DWP, 2021) found that **‘Jobcentres do not currently have an in-work progression support offer’** and one of the Commission’s recommendations was that:

“Jobcentres need to have an established, credible in-work offer for all working benefit claimants. This could include, for example, annual, high quality, progression-focused career conversations. To realise this, Jobcentres need to invest in specialist expertise in progression. This will include acting as a specialist hub for expertise on local labour markets in close partnership with local actors including employers, local authorities and skills providers, amongst others.” (DWP, 2021)

Sector-specific workforce development

ALMPs are typically run or financed by public employment services and are generally targeted towards helping unemployed benefit claimants. Sector-specific workforce development programmes have a wider scope and can be funded through a variety of sources.

A number of workforce development initiatives have been introduced or trialled in the US. These interventions are often run by intermediaries and non-profit organisations. Many combine pre-employment and post-employment support for less advantaged job seekers and workers. They tend to be local, relatively small scale, targeted at specific groups and many are sector-specific.

Sissons et al. (2016) reviewed the evidence on initiatives targeting progression, which typically target different stages in the pathway to higher paid employment. **Robust evidence, mostly from the US, from a range of localised targeted initiatives, provides support for a sector-focused approach to progression.** This essentially entails programmes that target industries characterised by good quality employment opportunities, which are more likely to offer chances for career advancement and in which there is scope for integration with place-based economic development. **These sector-focused initiatives adopt what is called a ‘dual customer’ approach, where providers seek to help both employers and jobseekers/low-wage workers through the same programme, for instance integrating the training and skills needs of individuals with the demand-side needs of particular employers or sectors** (Schaberg, 2017). Green et al. (2015) found that ‘A central element of targeting policy at progression, at least in internal or sectoral labour markets, is working with employers’ (Green et al., 2015, p.116).

However, the dual-customer approach is associated with inherent tensions between employers and intermediaries seeking to help employees (Sissons and Green, 2017).

Targeting the right sector matters, but so too does the quality of delivery by the organisations providing services and the strength of the employer links. Lessons around partnership working, the importance of understanding sector needs and aligning training effectively are applicable across all sectors.

Evidence from the US shows promising results from sector-specific workforce development interventions. See Case Study 1 for results from the Sectoral Employment Impact Study. Another example of a sector-specific workforce development programme is *SkillsWorks* which operates in Boston and across Massachusetts with funding from public and private funders. It was launched by the Boston Foundation⁷ in 2003 and the programme is run by a number of partner organisations. **It aims to help low-income individuals find work and advance in their jobs, while improving the quality of the workforce for employers and enhancing the quality of workforce development providers.** Partners connect with or provide training and offer personalised coaching to support career advancement.

So far there have been three different phases. Relevant evaluation results are available for Phase II which focused on strengthening pathways to post-secondary education, training and accredited attainment for low-skilled adults. The evaluation found that nearly 27% of the 829 participants who were already in-work when they entered the programme **advanced in some way along a career path.** This could be through promotion or job change with a pre-existing employer, or through moving to a new employer. Some achieved more than one job advancement during the follow-up period. However, there is no control group or counterfactual estimate, so it is not possible to estimate the impact of the programme because we do not know what the progress of participants would have been without the programme.

⁷ <https://www.tbf.org/>

Case Study 1. Sector-specific workforce development

Evidence from the US based on a randomised control trial found that sector-specific workforce development programmes organised by the third sector ('non-profit') can have positive impacts on employment outcomes and earnings (Maguire et al., 2010).

In 2003 the Sectoral Employment Impact Study (SEIS) was launched to test whether sector-focused programmes could increase the earnings of low-income, disadvantaged workers and job seekers. The evaluation focused on three sector-specific workforce development programmes that prepared unemployed and under-skilled workers for skilled positions and connected them with employers seeking to fill such vacancies. Three organisations took part, each offering sector-specific development opportunities:

- The Wisconsin Regional Training Partnership (WRTP) is an association of employers and unions which develops short-term training programmes in response to specific employers' requests or for clearly identified labour market needs. WRTP's short-term pre-employment training programmes in the construction, manufacturing and healthcare sectors were included in the study.
- Jewish Vocational Service–Boston (JVS–Boston) is a community-based not for profit organisation that provides workforce development services to disadvantaged populations in the Boston area (including refugees, immigrants and welfare recipients). Its training programmes in medical billing and accounting were included in the study.
- Per Scholas is a social venture in New York City that combines a training programme with efforts to refurbish and recycle 'end of life' computers which are then made available to less advantaged people or organisations working with them. Per Scholas' computer technician training programme was included in the study.

In addition to the sector-specific workforce development programmes, a variety of support activities were offered to participants by the organisations. These included internships, job readiness training, life skills training, case management, transport and childcare assistance, job placement, career mentoring and post-employment retention services. Across the three organisations, 1,286 individuals were recruited for the study over a two-year period, half of whom were in the control group. Maguire et al.'s (2010) evaluation reported five key findings:

1. Participants earned significantly more than control group members (29% more, on average, in the second year after interventions were completed);
2. Participants were significantly more likely to be employed and worked more consistently in the second year than control group members (52% versus 41% worked all 12 months of the second year);
3. Participants were significantly more likely to work in jobs with higher wages;
4. Participants were significantly more likely to work in jobs that offered benefits; and
5. For each subgroup analysed (men, women, African Americans, Latinos, immigrants, people who were formerly incarcerated, welfare recipients and young adults), participants had significant earnings gains relative to their counterpart controls.

The evaluation demonstrated that sector-specific training interventions and employment support programmes can have a positive effect on employment and earnings outcomes for less advantaged workers. The results were not dependent on a specific training programme or support activities as the three organisations offered a range of interventions and focused on different sectors. It is important to note that the findings do not only relate to in-work progression as many of the participants were out of work at the start of the programme. Just over one-third (34%) of participants were in work when they joined the programmes and results are not reported separately for this group.

Another promising programme was the WorkAdvance US demonstration of a sector-specific workforce development programme which was targeted at low-income individuals and designed to increase in-work progression through investing in education and skills and providing pre- and post- employment support (see Case Study 2).

Case Study 2. WorkAdvance

WorkAdvance was a US-based sector-specific workforce development programme which ran between June 2011 and June 2013. Its aim was to help low-income individuals advance in the labour market through investing in education and employment-related skills and experience in high-demand sectors. The demonstration was set up as a randomised control trial with 2,564 individuals enrolled on the programme. It was delivered by four experienced employment intermediaries operating in different sectors:

1. **Per Scholas** – specialising in IT training, operating in the Bronx, New York;
2. **St. Nicks Alliance** – specialising in environmental remediation training, operating in Brooklyn, New York;
3. **Madison Strategies Group** – specialising in transportation and manufacturing, operating in Tulsa, Oklahoma; and
4. **Towards Employment** – specialising in healthcare and manufacturing, operating in Northeast Ohio.

The initiative is based on a demand-driven skills training programme and a focus on jobs that have identifiable career pathways. Schaberg and Greenberg (2020) outlined the key components of the programme:

1. Intensive screening of applicants before enrolment for motivation and readiness, to ensure programme providers select participants who can take advantage of the training and qualify for jobs in the target sector;
2. Sector-appropriate pre-employment and career readiness services, including an orientation to the sector, career advancement coaching, and limited support services;
3. Sector-specific occupational skills training aligned with employer needs, leading to certifications that are in demand in the regional labour market;
4. Sector-specific job development and placement services based on strong relationships with employers and intended to facilitate entry into positions that participants have been trained for and that offer genuine opportunities for continued skills development and career advancement; and
5. Post-employment retention and advancement services, including ongoing contact, coaching, skills training, and rapid re-employment help if needed.

Delivery varied between organisations, with some suffering from ‘teething problems’ and changes due to shifts in local labour demand and programme redesign. For example, two of the organisations initially ran a placement-first

approach (with an emphasis on getting participants into work at the earliest opportunity whether or not there were good prospects for progression). Early evaluation evidence demonstrated that this was unsuccessful and the approach was abandoned.

Early and intermediate evaluations assessing the impact of the programme on employment outcomes were undertaken (Tesler et al., 2014; Hendra et al., 2016; Schaberg, 2017) and a final evaluation assessed outcomes in 2017 and 2018, between four and eight years after participants entered the programme (Schaberg and Greenberg, 2020). This longer timeframe is important for estimating the impact on progression. Key findings included:

- Statistically significant positive effects on average earnings among individuals participating in the Per Scholas programme (IT training in New York), who showed 20% higher earnings relative to the control group. Impacts on earnings were positive but not statistically significant at the other three sites.
 - However, when the data were pooled across the four sites, positive earnings impacts did not appear to be all due to the high impact of the Per Scholas programme (pooling the data is likely to have increased the sample size and statistical significance).
 - There was no evidence of a statistically significant impact on employment rates (rates were high in the follow-up period for both participants and members of the control group). This means that the higher earnings are due to higher wage rates or longer hours of work, not due to more people being in employment.
 - The cost-benefit analysis found positive net benefits to WorkAdvance participants, the government and wider society.
-

Challenges and facilitating factors

A summary of the challenges and facilitating factors relating to in-work progression and the effectiveness of active labour market programmes and sector-specific workforce development initiatives in addressing poverty and social exclusion is provided in Table 2.

Table 2: Challenges and facilitating factors

Challenges	Facilitating factors
<ul style="list-style-type: none">• Including good quality training in Active Labour Market Programmes can be costly upfront, but offer net benefits in the longer term.• Identifying the most effective training programmes and how to meet skill deficiencies is challenging.• The evidence base on sector-specific workforce development programmes is largely from small scale initiatives trialled in the US. More evidence is required to understand whether these initiatives would be successful in Wales given differences in institutional settings and welfare systems.• Sector-specific workforce development initiatives require employment intermediaries with institutional knowledge of sectoral employment, skill gaps and post-employment support.	<ul style="list-style-type: none">• The introduction of in-work conditionality within Universal Credit has put in-work progression under the policy spotlight. The work of the In-Work Progression Commission and the Fair Work Commission in Wales could help policy development in this area.• A growing consensus on the value of training and its role in active labour market programmes can further inform policy development in this area.• The Welsh Government has a mature set of employability policies which have the potential to be extended to improve in-work progression.• The Welsh Government's work with stakeholders, including trade unions, could effectively contribute to designing programmes to improve in-work progression.

- The end of access to the European Social Fund which has previously part-funded a number of employability programmes in Wales, presents a further challenge.
-

Conclusion

Growing rates of in-work poverty demonstrate that work is often not enough to lift a household's income above the poverty line. In-work progression can help reduce in-work poverty, although increasing household-level hours of paid work and/or the generosity of in-work benefits can be more important than tackling low pay. An effective approach to increasing progression should combine policies to increase in-demand skills among lower skilled workers, address labour supply constraints and reduce progression disincentives in the tax and benefit system. Other areas include improving job design, internal labour markets and addressing employers' and employees' attitudes to progression.

There is potential to provide more 'enabling' forms of active labour market programmes which go beyond moving unemployed people as rapidly as possible into work. Enabling forms of activation have a greater potential to increase job retention and advancement as they involve investing in people and taking a longer-term perspective. In-work conditionality for Universal Credit claimants living in low earning households is set to increase the impetus for reform.

Some promising results from the US suggest that sector-specific workforce development which takes a 'dual customer' approach (considering the needs of workers and employers) can be successful at helping low paid, low skilled workers progress in the labour market, but more evidence is required to determine 'what works'.

Transferability to Wales

The Welsh Government already has a range of employability policies and programmes which could be extended to incorporate features designed to improve in-work progression.

The UK In-Work Progression Commission is actively looking for ways governments, and other stakeholders, can improve progression from low pay, including reforms to

Universal Credit. The work of the Fair Work Commission in Wales, which sees progression as an important element of fair work, has helped to move the policy agenda forward in Wales.

The types of sector-specific workforce development initiatives that have shown promising results in the US were delivered through employment intermediaries and a different institution setting. There remain knowledge gaps on ‘what works’ and the introduction of similar policies in Wales need to be trialled first using an experimental design with pilots and follow-ups lasting a long enough period to assess progression and its long-term impacts. Harnessing the knowledge of employment intermediaries and other stakeholders – particularly trade unions – would help to inform the development of such programmes in Wales.

Promising actions

This section concludes with **promising actions** to consider in the Welsh context as emerging from the analysis of the international literature.

- 1. ‘Enabling’ forms of activation** for the unemployed, such as training, have greater potential to lead to progression than ‘demanding’ forms of activation (i.e. that focus on the use of activation demands on participants), such as monitoring and sanctions.
 - **Evaluation evidence** which takes a longer-term perspective shows how training programmes for the unemployed tend to outperform demanding forms of activation. However, good quality training is more costly in the short term and policy makers need to identify which courses to offer or support.
- 2. Sector-specific workforce development initiatives** which use a dual-customer approach (working with employers as well as workers) show positive long-term impacts on earnings and net benefits to participants, governments and wider society.
 - The **current evidence base relies on small scale US studies**. More needs to be understood about which programmes work and why. These initiatives are also reliant on experienced employment intermediaries and their transferability to Wales needs to be given due consideration.
- 3. In-work conditionality** for low earning Universal Credit claimants is set to increase UK-wide policy focus on in-work progression.

References

Allies, O., Burgess, A., Gallagher, P., O'Prey, L., and Careless, H. (2020). **Evaluation of Jobs Growth Wales 2015-2019**. Cardiff: Welsh Government, 40/2020. Retrieved from: <https://gov.wales/evaluation-jobs-growth-wales-2>

Arulampalam, W. (2001). **Is unemployment really scarring? Effects of unemployment experiences on wages**. *The Economic Journal*, 111, 475, F585-F606.

Avram, S., and Harkness, S. (2020). **The NMW/NLW and progression out of minimum wage jobs in the UK**. Final Report. Low Pay Commission.

Retrieved from:

https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/942609/Avram_Harkness_ISER_Essex_Bristol_Wage_progression_Dec_2020_FINAL.pdf

Bennett, F. (2014). **The “living wage”, low pay and in work poverty: Rethinking the relationships**. *Critical Social Policy*, 34, 1, 46-65.

Björklund, A., and Regnér, H. (1996). **Experimental evaluation of European labour market policy**, in Schmid, G. et al. (eds): *International handbook of labour market policy and evaluation*, 89-114. Cheltenham: Edward Elgar.

Bratu, C., Lombardi, S., Rodrigues, M., Santangelo, G., and Shaleva, A. (2014). **Knowledge gaps in evaluating labour market and social inclusion policies: use of counterfactual impact evaluation**. JRC Science and Policy Report, DG JRC and DG EMPL. Retrieved from:

<http://publications.jrc.ec.europa.eu/repository/bitstream/JRC93543/lbna27287enn.pdf>

Bucelli, I., McKnight, A., and Summers, K. (2020). **Understanding the relationship between inequalities and poverty: policy toolkit**. CASEreport 125, LIP Paper 11. Retrieved from:

https://sticerd.lse.ac.uk/case/_new/research/Inequalities_and_Poverty/policy-toolkit/media/JRFIP-policy-toolkit.pdf

Card, D., Kluve, J., and Weber, A. (2010). **Active labour market policy evaluations: A meta-analysis**. *Economic Journal*, 120, F452–F477.

Carter, I. (2022a). **Poverty and social exclusion in Wales**. Cardiff: Wales Centre for Public Policy.

Carter, I. (2022b). **Poverty and social exclusion in Wales: Review of lived experience evidence**. Cardiff: Wales Centre for Public Policy.

D'Arcy, C., Corlett, A., and Gardiner, L. (2015). **Higher ground: who gains from the National Living Wage**. Resolution Foundation. Retrieved from: <https://www.resolutionfoundation.org/publications/higher-ground-who-gains-from-the-national-living-wage/>

D'Arcy, C., and Finch, D. (2017). **The Great Escape? Low pay and progression in the UK's job market**. London: Social Mobility Commission. Retrieved from: <https://www.gov.uk/government/publications/low-pay-and-labour-progression-the-great-escape>

Devins, D., Bickerstaffe, T., Mitchell, B., and Halliday, S. (2014). **Improving progression in low-paid, low-skilled retail, catering and care jobs**. York: Joseph Rowntree Foundation. Retrieved from: <https://www.jrf.org.uk/report/improving-progression-low-paid-low-skilled-retail-catering-and-care-jobs>

DWP [Department for Work and Pensions]. (2021). **Supporting progression out of low pay: a call to action**. In-Work Progression Commission. Retrieved from: <https://www.gov.uk/government/publications/supporting-progression-out-of-low-pay-a-call-to-action/supporting-progression-out-of-low-pay-a-call-to-action>

DWP [Department for Work and Pensions]. (2018a). **Universal Credit: In-Work Progression Randomised Controlled Trial: Findings from quantitative survey and qualitative research**. Research Report 966. Retrieved from: <https://www.gov.uk/government/publications/universal-credit-in-work-progression-randomised-controlled-trial>

DWP [Department for Work and Pensions] (2018b). **Universal Credit: In-Work Progression Randomised Controlled Trial: Impact Assessment**, Research Report 966. Retrieved from: <https://www.gov.uk/government/publications/universal-credit-in-work-progression-randomised-controlled-trial>

DWP [Department of Work and Pensions]. (2010). **Universal Credit: welfare that works**. White Paper Cm 7957. Retrieved from: <https://www.gov.uk/government/consultations/21st-century-welfare>

Eichhorst, W., and Konle-Seidl, R. (2008). **Contingent Convergence: A Comparative Analysis of Activation Policies**. IZA Discussion Paper No. 3905.

Fagan, C., Norman, H., Smith, M., and González Menéndez, M.C. (2014). **In search of good quality part-time employment**, Conditions of Work and Employment Series 43, Inclusive Labour Market. Labour Relations and Working Conditions Branch. ILO: Geneva.

Gardiner, K., and Millar, J. (2006). **How low-paid employees avoid poverty: an analysis by family type and household structure**. Journal of Social Policy, 35(3): 351-369.

Green, A., and Sissons, P. (2021). **Fair work in the foundational economy: key data**. Merthyr Tydfil: Bevan Foundation. Retrieved from: <https://www.bevanfoundation.org/resources/fair-work-in-the-foundational-economy-key-data/>

Green, A., Sissons, P., Broughton, K., and De Hoyos, M. (2015). **How Cities Can Connect People in Poverty with Jobs**. York: Joseph Rowntree Foundation. Retrieved from: https://www.jrf.org.uk/sites/default/files/jrf/files-research/cities-poverty-jobs-full_0.pdf

Griffiths, E., Marshall, T., Gallagher, P., Grunhut, S., Melville, D., Bivand, P., and Stevens, C. (2021). **Evaluation of the ReAct III Programme (2015–2019): Main Report**. Cardiff: Welsh Government. GSR report number 47/2021. Retrieved from: <https://gov.wales/sites/default/files/statistics-and-research/2021-07/evaluation-of-the-react-iii-programme-20152019-final-report.pdf>

Grzegorzewska, M., and Thevenot, C. (2014). **Working age poverty: what policies help people finding a job and getting out of poverty, in Employment and Social Developments in Europe 2013**. European Commission. Luxembourg: Office for Official Publications of the European Communities.

Harries, S., and Lewis, S. (2019). **Mid Programme Review of the Employability Skills Pilot Programme**. Cardiff: Welsh Government. GSR report number 05/2019. Retrieved from: <https://gov.wales/statistics-and-research/evaluation-employability-skills-programme/?lang=en>

Heckman, J.J., Lalonde, R.J., and Smith, J.A., (1999). **The economics and econometrics of Active Labor Market Programs**, in: Ashenfelter, O., Card, D. (Eds.), Handbook of Labor Economics. Volume 3A. Handbooks in Economics, vol. 5, 1865–2097.

Hendra, R., Greenberg, D. H., Hamilton, G., Oppenheim, A., Pennington, A., Schaberg, K., and Tessler, B. L. (2016). **Encouraging evidence on a sector-focused advancement strategy: Two-year impacts from the WorkAdvance demonstration**. New York: MDRC. Retrieved from: <https://www.mdrc.org/publication/encouraging-evidence-sector-focused-advancement-strategy>

Hendra, R., Riccio, J., Dorsett, R., Greenberg, D., Knight, G., Phillips, J., Robins, P., Vegeris, S., and Walter, J. (2011). **Breaking the low-pay, no-pay cycle: Final evidence from the UK Employment Retention and Advancement (ERA) demonstration**. London: Department of Work and Pensions.

Hick, R., and Lanau, A. (2017). **In-work poverty in the UK: Problem, policy analysis and platform for action**. final report to the Nuffield Foundation. Retrieved from: https://www.nuffieldfoundation.org/sites/default/files/files/Hick%20and%20Lanau%20_%20In-Work%20Poverty%20in%20the%20UK.pdf

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

Horemans, J., Marx, I., and Nolan, B. (2016). **Hanging in, but only just: part-time employment and in-work poverty throughout the crisis**. IZA Journal of European Labor Studies 5, 5. Retrieved from: <https://link.springer.com/content/pdf/10.1186%2Fs40174-016-0053-6.pdf>

Howick, J., Chalmers, I., Glasziou, P., Greenhalgh, T., Heneghan, C., Liberati, A., Moschetti, I., Phillips, B., and Thornton, H. (2011). **The 2011 Oxford CEBM Levels of Evidence (Introductory Document)**. Oxford Centre for Evidence-Based Medicine. Retrieved from: <https://www.cebm.ox.ac.uk/resources/levels-of-evidence/ocebmllevels-of-evidence>

Jarvie, M., Shorto, S., and Parlett, H. (2021). **Childcare Survey 2021**. Coram Family and Childcare. Retrieved from: https://www.familyandchildcaretrust.org/sites/default/files/Resource%20Library/Childcare%20Survey%202021_Coram%20Family%20and%20Childcare.pdf

JRF [Joseph Rowntree Foundation]. (2020). **Briefing: Poverty in Wales 2020**. Joseph Rowntree Foundation. Retrieved from: <https://www.jrf.org.uk/report/poverty-wales-2020>

Kenway, P., Ayrtton, C., Chandran, C., and Tortajada, I. (2022). **What makes an anti-poverty strategy effective?** London: New Policy Institute.

Kluve, J. (2010). **The effectiveness of European Active Labor Market Programs**. *Labour Economics*. 17, 904–918.

Levitas, R., Pantazis, C., Fahmy, E., Gordon, D., Lloyd-Reichling, E., and Patsios, D. (2007). **The multi-dimensional analysis of social exclusion**. Bristol: University of Bristol.

Lloyd, C., and Payne, J. (2011). **Flat Whites: Who gets progression in the UK café sector?** *Industrial Relations Journal*, 43(1), 38-52.

Maguire, S., Freely, J., Clymer, C., Conway, M., and Schwartz, D. (2010). **Tuning in to local labour markets Findings from The Sectoral Employment Impact Study**. P/PV Public/Private Ventures. Retrieved from: <http://www.aspenwsi.org/wordpress/wp-content/uploads/TuningIntoLocalLaborMarkets.pdf>

Marx, I., and Nolan, B. (2014). **In-Work Poverty**. In: Cantillon, B., Vandenbroucke, F. (eds) *Reconciling work and poverty reduction. How successful are European welfare states*. Oxford University Press, Oxford, pp 131–156.

Matsaganis, M., Medgyesi, M., and Karakitsios, A. (2015). **The interaction between minimum wages, income support, and poverty**. Research Note No. 10/2015, European Commission, Brussels.

Mavromaras, K., Sloane, P., and Wei, Z. (2015). **The scarring effects of unemployment, low pay and skills under-utilization in Australia compared**. *Applied Economics* 47, 2413–2429.

McKnight, A. (2002). **Low-paid work: drip-feeding the poor**, in J. Hills, J. Le Grand, and D. Piachaud, *Understanding Social Exclusion*. Oxford: Oxford University Press.

McKnight, A. (1998). **Low-wage mobility in a working life perspective**, in R. Asplund, P. Sloane and I. Theodossiou (eds), *Low pay and earnings mobility in Europe*, Cheltenham: Edward Elgar.

McKnight, A., Stewart, K., Himmelweit, S.M., and Palillo, M. (2016). **Low pay and in-work poverty: preventative measures and preventative**

approaches. Brussels, Directorate-General for Employment, Social Affairs and Inclusion, European Commission. Retrieved from:
<https://op.europa.eu/en/publication-detail/-/publication/de93b952-e6b9-11e6-ad7c-01aa75ed71a1/language-en>

McKnight, A., and Vaganay, A. (2016). **The Strength of the Link between Income Support and Activation.** Evidence Review, European Commission, DG Employment, Social Affairs and Inclusion. Retrieved from:
<https://op.europa.eu/en/publication-detail/-/publication/bbb0569c-e6ba-11e6-ad7c-01aa75ed71a1>

Millar, J., Webb, S., and Kemp, M. (1997). **Combining work and welfare.** Findings, Joseph Rowntree Foundation, Ref: SP132. Retrieved from:
<https://www.jrf.org.uk/report/combining-work-and-welfare>

OECD [Organisation for Economic Co-operation and Development]. (2020). **OECD Employment Outlook: Worker Security and the Covid-19 Crisis**, Chapter 4: What is happening to middle-skill workers. OECD Publishing, Paris. Retrieved from:
https://read.oecd-ilibrary.org/employment/oecd-employment-outlook-2020_1686c758-en#page4

OECD [Organisation for Economic Co-operation and Development]. (2005). **Labour market programmes and activation strategies: evaluating the impacts**, in OECD Employment Outlook 2005. OECD Publishing: Paris.

ONS [Office for National Statistics]. (2018). **Inclusive growth: measures and trends.** Office for National Statistics. Retrieved from:
<https://www.ons.gov.uk/economy/nationalaccounts/uksectoraccounts/compendium/economicreview/july2018/inclusivegrowthmeasuresandtrends>

Ray, K., Sissons, P., Jones, K., and Vegeris, S. (2014). **Employment, Pay and Poverty: Evidence and Policy Review.** Joseph Rowntree Foundation: York.

Schaberg, K. (2017). **Can sector strategies promote longer-term effects? Three-year impacts from the WorkAdvance demonstration.** New York: MDRC. Retrieved from: <https://www.mdrc.org/publication/can-sector-strategies-promote-longer-term-effects>

Schaberg, K., and Greenberg, D. H. (2020). **Long-term effects of a sectoral advancement strategy: Costs, benefits and impacts from the WorkAdvance demonstration.** New York: MDRC. Retrieved from:
<https://www.mdrc.org/publication/long-term-effects-sectoral-advancement-strategy>

Sherman, L. W., Gottfredson, D., Mackenzie, D., Eck, J., Reuter, P., and Bushway, S. (1997). **Preventing Crime: What Works, What Doesn't, What's Promising**. Report to the U.S. Congress. Washington, D.C. U.S. Dept. of Justice.

Sissons, P., Green, A. E., and Lee, N. (2018). **Linking the sectoral employment structure and household poverty in the United Kingdom**. *Work, Employment and Society*, 32(6), 1078–1098.

Stewart, M. B., and Swaffield, J. K. (1999). **Low Pay Dynamics and Transition Probabilities**. *Economica*, 66: 23-42.

Tessler, B., Bangser, M., Pennington, A., Schaberg, K., and Dalporto, H. (2014). **Meeting the needs of workers and employers: Implementation of a sector-focused career advancement model for low-skilled adults**. New York: MDRC. Retrieved from: <https://www.mdrc.org/publication/meeting-needs-workers-and-employers>

Ussher, K. (2016). **Improving pay, progression and productivity in the retail sector**. JRF Report, York: Joseph Rowntree Foundation.

Webb J., Parken, A., Hodges, H., and Mathias, M. (2018). **Promoting job progression in low pay sectors**. Wales Centre for Public Policy. Retrieved from: <https://www.wcpp.org.uk/wp-content/uploads/2018/11/Promoting-job-progression-in-low-pay-sectors.pdf>

Warren, T. (2008). **Universal disadvantage: The economic well-being of female part-timers in Europe**. *European Societies*, 10(5), 737-762.

Welsh Government. (2021). **Relative income poverty: April 2019 to March 2020**. Welsh Government. Retrieved from: <https://gov.wales/relative-income-poverty-april-2019-march-2020-html#section-66909>

Annex: Methodology

Definition of poverty and social exclusion

For the purposes of this project it was agreed that a multidimensional concept of disadvantage, including social as well as economic dimensions, would be adopted. The Bristol Social Exclusion Matrix (B-SEM) (Levitas et al., 2007) provides the theoretical structure that underpins the selection of policy areas. The B-SEM uses the following working definition of social exclusion:

“Social exclusion is a complex and multi-dimensional process. It involves the lack or denial of resources, rights, goods and services, and the inability to participate in the normal relationships and activities, available to the majority of people in a society, whether in economic, social, cultural or political arenas. It affects both the quality of life of individuals and the equity and cohesion of society as a whole.” (Levitas et al., 2007, p.9).

It is structured around three main domains and ten sub-domains (see Table A1).

Table A1: B-SEM domains and sub-domains

A. Resources:	
A1: Material/ economic resources	Includes exclusion in relation to income, basic necessities (such as food), assets, debt and financial exclusion.
A2: Access to public and private services	Relates to exclusion from public and private services due to service inadequacy, unavailability or unaffordability. The range of services encompass public services, utilities, transport, and private services (including financial services).
A3: Social resources	Reflects an increasing awareness of the importance of social networks and social support for individual well-being. A key aspect relates to people who are separated from their family and those who are institutionalised.

B. Participation:

B1: Economic participation

Includes participation in employment – which is not only important for generating resources but is also an aspect of social inclusion in its own right. Whether work is a positive, inclusionary experience depends partly on the financial rewards it brings, and partly on the nature and quality of work. Work is understood broadly and includes caring activities and unpaid work.

B2: Social participation

Comprises participation in common social activities as well as recognising the importance of carrying out meaningful roles (e.g. as parents, grandparents, children).

B3: Culture, education and skills

Covers cultural capital and cultural participation. It includes the acquisition of formal qualifications, skills and access to knowledge more broadly, for instance digital literacy inclusion. It also covers cultural and leisure activities.

B4: Political and civic participation

Includes both participation in formal political processes as well as types of unstructured and informal political activity, including civic engagement and community participation.

C. Quality of life:

C1: Health and well-being

Covers aspects of health. It also includes other aspects central to individual well-being such as life satisfaction, personal development, self-esteem, and vulnerability to stigma.

C2: Living environment

Focuses on the characteristics of the 'indoor' living environment, with indicators of housing quality, inadequate housing and exclusion in the form of homelessness; and the 'outdoor' living environment, which includes neighbourhood characteristics.

C3: Crime, harm and criminalisation

Covers exposure to harm, objective/ subjective safety and both crime and criminalisation. This reflects the potentially exclusionary nature of being the object of harm, as well as the exclusion, stigmatisation and criminalisation of the perpetrators.

Notes: the descriptions of the sub-domains are the authors' understanding of what each sub-domain includes based on Levitas et al. (2007).

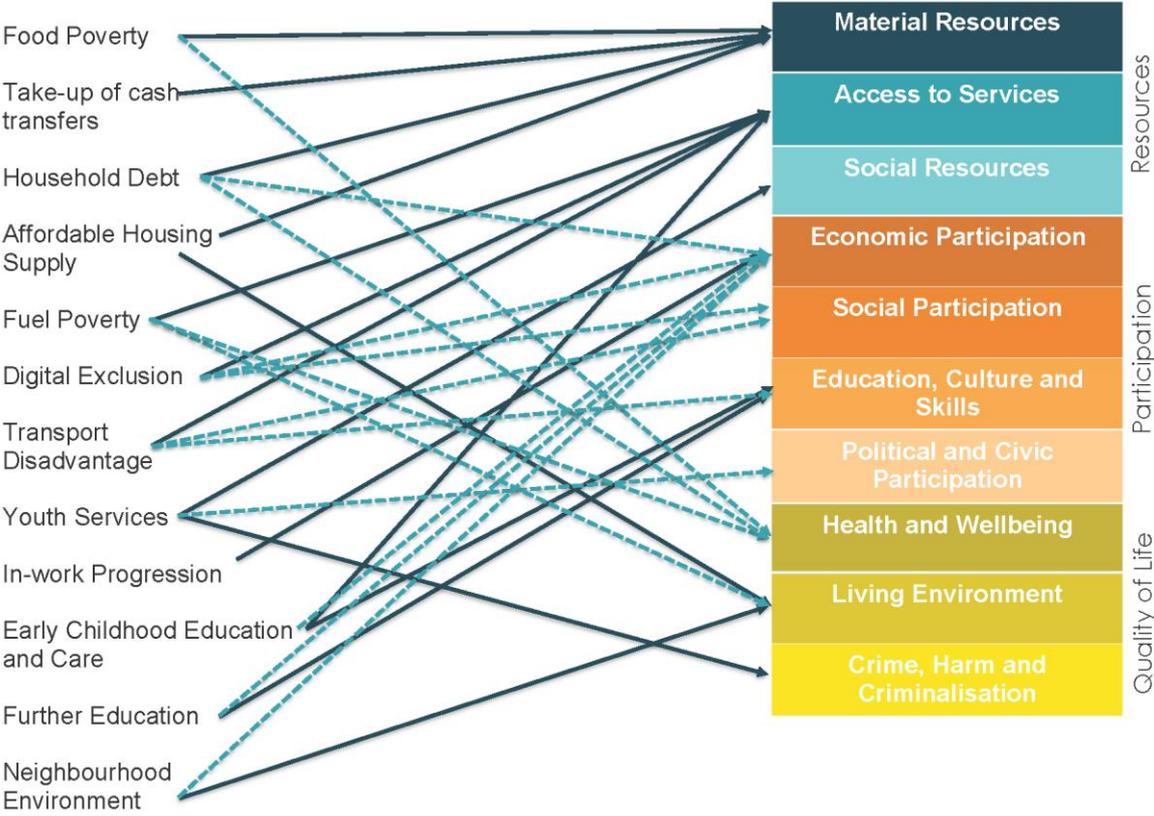
Selection of policy areas

The first step involved the research team identifying a long list of 40 policy areas with reference to the domains and sub-domains of the B-SEM. The long list was, in part, informed by a review of key trends in poverty and social exclusion in Wales, across the ten sub-domains, conducted by WCPP (Carter, 2022a); a consideration of the Welsh Government's devolved powers across policy areas; and meetings with experts. From this long list a shortlist of 12 policy areas was agreed. The shortlisting process took into account advice on priority areas identified by a focus group of experts, but ultimately the final list of 12 policies was selected by the Welsh Government.

The final set of 12 policy areas covers a broad spectrum within the B-SEM, and most are related to more than one sub-domain within the B-SEM (Figure A1). However, the final selection should not be considered exhaustive from a poverty and social exclusion policy perspective. This is because some important policy areas are not devolved to the Welsh Government and, therefore, were not included. For example, while adequacy of social security is a key driver of poverty the Welsh Government currently has no powers to set key elements of social security policy (e.g. rates and eligibility criteria for the main in-work and out of work benefits) and this is the reason why we focus on one aspect of social security, take-up of cash transfers, that the Welsh Government has power to influence.

Another factor was the project's scope and timescales, which limited the selection to 12 policy areas and meant that other important areas had to be excluded (for instance, social care, health care and crime). To make the reviews manageable, it was also necessary to identify a focus for each of the 12 policy areas. The research team identified a focus for each of the reviews on the basis of a brief initial scope of the research evidence and consultation with WCPP who, where relevant, consulted sector and policy experts. This means that there are likely to be additional policies which could be included in a poverty and social exclusion strategy by the Welsh Government *within* the 12 policy areas and *in addition to* the 12 policy areas reviewed.

Figure A1. The selected policy areas mapped to relevant B-SEM sub-domains



Source: prepared by the authors

Notes: The figure outlines the mapping of the 12 selected policy areas to the B-SEM matrix: bold lines show the relationship between each policy area and main B-SEM sub-domain(s), light dotted lines identify selected secondary B-SEM sub-domains the policies are related to (a full list of these ‘secondary subdomains’ is included in the specific reviews).

Review stages

In the ‘evidence of policy effectiveness’ section, while it was not possible to produce a full systematic review (although evidence from existing systematic reviews and meta-level analyses were included where available), a structured approach was adopted. This first involved an evaluation of the state of the relevant literature, focusing on whether effectiveness was assessed via methods standardly considered better suited to establish causality (e.g. on the basis of hierarchical grading schemes such as the Maryland Scientific Method Scale (Sherman et al., 1997) or the Oxford Centre for Evidence-Based Medicine’s (OCEBM) levels of evidence (Howick et al., 2011) such as randomised controlled trials (RCTs), meta-analyses of RCTs and other quasi-experimental studies. While RCTs are particularly powerful in identifying whether a certain intervention has had an impact in a given context, other forms of evidence, such as quasi-experimental and observational studies with appropriate

controls may be better suited, depending on the type of intervention, to establish the range of outcomes achieved as well as providing an understanding of distributional effects and allowing sub-group analysis (i.e. 'for whom' did the intervention work). In the process of assessing evidence, case studies were selected to further elaborate some of the key findings resulting from the review and to identify specific examples of promising policy interventions.

In a few areas, the literature review highlighted a lack of robust evaluations – the reviews underscore this and present the best available evidence found along with an assessment of the strength of the evidence. Where possible, an evaluation of the underlying mechanisms of change was also considered, allowing an explanation of not just whether, but why a certain intervention works, thus also facilitating the identification of challenges and facilitating factors, which is crucial in thinking about not just 'what' should be done but also 'how' it can best be implemented.

Acknowledgements

We are grateful to a number of experts who attended a series of focus groups whose input:

- helped guide the identification of key policy areas;
- improved our understanding of the transferability of policies to Wales; and
- informed our consideration of implementation challenges and facilitating factors.

We would also like to thank the following people for peer reviewing the policy reviews: Dr Rod Hick, Cardiff University; Dr Victoria Winckler, Bevan Foundation; and Gwennan Hardy; Citizens Advice Bureau. Amanda Hill-Dixon, Dan Bristow, Manon Roberts and Isabelle Carter at WCPP helped steer the project and provided invaluable feedback and detailed comments on drafts of the policy reviews.

Author Details

Dr Irene Bucelli is a research officer at the Centre for Analysis of Social Exclusion at the London School of Economics and Political Science.

Dr Abigail McKnight is the Director of the Centre for Analysis of Social Exclusion and Associate Professorial Research Fellow at the London School of Economics and Political Science.

For further information please contact:

Dan Bristow

Wales Centre for Public Policy

+44 (0) 29 2087 5345

info@wcpp.org.uk

OGL This report is licensed under the terms of the Open Government License