

# Pathways to Progression

IMPROVING PROGRESSION RATES FOR  
YOUNG RETAIL WORKERS

Cameron Tait and Andrew Harrop | May 2018

COMMISSIONED BY THE TUC



Fabian Society  
61 Petty France London  
SW1H 9EU  
[www.fabians.org.uk](http://www.fabians.org.uk)

First published May 2018

© The Fabian Society 2018

## About the project

This paper reports on the findings of a literature review, expert roundtable and new quantitative analysis on progression in retail, commissioned by the Fabian Society and conducted by NIESR.

This paper, like all publications of the Fabian Society, represents not the collective views of the Society but only the views of the author. This publication may not be reproduced without express permission of the Fabian Society.

The **Changing Work Centre** was established by the Fabian Society and Community in February 2016 to explore progressive ideas for the modern world of work. Through in-house and commissioned research and events, the centre is looking at the changing world of work, attitudes towards it and how the left should respond. The centre is chaired by Yvette Cooper MP and supported by an advisory panel of experts and politicians.

[Andrew Harrop](#) is general secretary of the Fabian Society

[Cameron Tait](#) was head of the Changing Work Centre and senior research fellow at the Fabian Society until February 2018

## Acknowledgements

The Fabian Society is very grateful to the TUC for commissioning this project and particularly to Kate Bell, head of economic and social affairs, who worked with us to shape and refine the work. The report was informed by an in-depth roundtable and we warmly thank all the experts who participated and shared their insight: Julie Abraham (Richer Sounds), Amy Butterworth (Timewise), Stephen Clarke (Resolution Foundation), Martha Crawford (Living Wage Foundation), Lauren Crowley (Community), Andrea Haug (John Lewis Partnership), Amy Hulme (Living Wage Foundation), Jane Mansour, Claire McCarthy (Co-operative Party), Chris Morris (Usdaw), Seamus Nevin (Institute of Directors), Eva Pascoe, Jessica Rose (Business in the Community), Angela Lansbury (Co-operative Group) and Melissa King (Co-operative Group). The quantitative analysis in part 3 was conducted by Jiaqii Li and Andrew Aitken of NIESR and we thank them for the thorough and helpful way in which they approached the task. Lastly, we are very grateful for the support of all our colleagues at the Fabian Society and especially to Olivia Bailey and Claire Sewell.

## Introduction

Retail is “one of a handful of industries where it’s still genuinely possible for people to progress from the shopfloor to the boardroom” said Tony Hoggett, chief operating officer at Tesco, in a speech to retailers in March 2017.<sup>1</sup>

Indeed, the chief executives of Tesco, Morrisons and Asda, like Hoggett, began their careers stacking shelves and running tills. It is a similar story in medium-sized retailers – for example Richer Sounds told us that 11 members of their executive team had started on the shopfloor. But does a store assistant starting work today at one of the UK’s major retailers really have the same opportunities to progress as these retail titans did in their careers?

A review of research and data for this report suggests progression opportunities for the average retail worker are few and far between. Retail is now right at the bottom of the pay and progression league tables, and the sector has developed a reputation as a place where people get stuck rather than get on.

Of course, the retail industry makes a vast contribution to the UK economy: the sector provides one in eight jobs, accounts for over 10 per cent of the country’s economic output, and is a vital source of part-time, flexible jobs in every community.<sup>2</sup> But many of these jobs are low-paid, particularly for young workers. And progression rates in retail are lower than in any other industry.

Boosting rates of pay and progression has become an increasing public policy priority as in-work poverty has grown. Entering work is an essential staging-post on the route out of poverty, but it is no longer enough on its own. People need to grow their hours and earnings before they can guarantee escaping poverty. This is particularly true for young workers, who are making less progress in the labour market compared to previous cohorts at the same stage in their working lives.

Improving progression rates for young workers is in the interests of employers and society, as well as the workers themselves. Retail businesses tend to have extremely high rates of staff turnover, which are frequently costly to service. Progression opportunities are a tool for retention. Moreover, a growing number of businesses are recognising the need to diversify their talent pool, particularly in senior positions, something which progression from junior positions can assist. Finally, improved progression can lead to improved productivity too, so there is a wider social and economic interest in taking action too.

This briefing paper provides background on pay and progression in the UK, reports the findings of a new analysis of progression in retail, and reviews approaches that are being taken to improve progression rates at the firm, sector and economy-wide levels.

# 1. Pay and progression in the UK

Young workers entering the British labour market in recent years have done so at a particularly difficult time. A persistent pay squeeze has blighted the UK economy since the 2008 financial crisis. Average earnings remain over £1,000 a year below their pre-crisis peak,<sup>3</sup> and the last decade has been described by the Bank of England as the worst period for pay growth in two centuries.<sup>4</sup>

The UK's poor pay performance is linked to low productivity growth. The UK's output per hour of work lags 16 per cent behind the average for other G7 nations. This gap with other developed economies has grown since 2008, when year-on-year productivity growth (and consequent rises in living standards) came to an end. In particular, leading economists such as Andy Haldane of the Bank of England have identified a 'long tail' of 'laggard' firms holding UK productivity back.<sup>5</sup> Recent IPPR research suggests many of these firms can be found in retail and other low paying industries.<sup>6</sup>

## Low pay

This long tail of low productivity firms, in low paying industries, translates into a stubbornly high number of low wage jobs in Britain. Around one in five employees are paid below the usual threshold for measuring low pay - ie earnings below two thirds of the median wage.<sup>7</sup> And the number of workers paid below the voluntary living wage (calculated independently to represent a basic but socially acceptable level of pay) continues to rise each year, with 5.5 million workers earning less than this benchmark in 2017.<sup>8</sup>

In 2016 the government introduced a mandatory national living wage (NLW) for workers aged over 25 and the plan is to increase it in value until it is worth 60 per cent of median earnings in 2020. This has improved pay for millions of workers but the steady annual increase in the NLW - against the backdrop of the overall squeeze on pay - is leading to a growth in the proportion of jobs benchmarked to the legal wage floor. The Low Pay Commission predicts that four million jobs will have their pay set by the level of the NLW by 2020, including one million in the retail sector alone.<sup>9</sup>

While the NLW is pushing up pay for the lowest paid workers, it was not designed to support progression for workers above this floor. Nor will the NLW decrease the proportion of workers on low pay on its own. 2.8 million are paid between 60 per cent of median earnings and the low pay benchmark (ie two-thirds of median earnings) and they will not be directly affected by the NLW even when it reaches its 2020 level.<sup>10</sup> Additionally, the NLW does not apply to workers under the age of 25 even though young workers are more likely than any other age group to be in low paid work.<sup>11</sup>

## Getting stuck

Many workers are getting stuck on low wages and there is very little in the way of labour market infrastructure or programmes dedicated to supporting their progression (though a handful of pilots do exist). In 2017 the Resolution Foundation found that only 17 per cent of workers who were low paid in 2006 had successfully escaped low wage work ten years later. A quarter of the workers had been stuck on low pay for the whole period and just under half had cycled in and out of low paid work.<sup>12</sup>

This rate of progression is actually an improvement on previous years: only 11 per cent of low paid workers in 1981 had escaped ten years later, and 35 per cent were stuck on low pay throughout the period.<sup>13</sup> However, it is of particular concern that women continue to be overrepresented among the workers who are getting stuck on low pay (30 per cent of women in low paid work in 2006 were stuck ten years later, compared to 25 per cent overall).

## Young workers

The Resolution Foundation found that younger workers are less prone than older workers to get stuck, as you would expect given their stage in working life. However, the Institute for Fiscal Studies has warned that young workers entering the labour market during the recent recession are likely to experience some form of long-term impact on their earnings.<sup>14</sup> This means that while young workers are more likely than older workers to progress over this time, they are expected to advance less than previous cohorts of younger workers when they were the same age.

Previous TUC research indicates that the lack of opportunities for progression faced by young workers is contributing to a widespread 'I can't change anything' mentality.<sup>15</sup> The researcher asked young low-paid private sector workers to keep diaries about their working lives and many reported progression problems at work:

*"Low point: frustrated on not being able to progress at work – reminds me how my company doesn't care – will leave soon"* - Hospitality worker in London

*"Progression: it's not about how hard you work but who you know"* - Logistics worker in Birmingham

*"Unless you play the game/are a yes person... you won't progress or be recognised"* - Energy worker in Cardiff

Quotes from "I feel like I can't change anything", TUC, March 2017

A survey undertaken as part of the TUC's research showed these attitudes were typical amongst young 'core workers' – the term the TUC uses to describe non-graduates earning less than median earnings. Nearly two thirds of this group of young workers had neither participated in nor been offered training in the three months before the survey.

## *Retail*

Levels of low pay and progression rates differ from sector to sector. Young people working in retail are more likely to be in low paid work and are more likely to remain low paid than young people in any other industry. The Fabian Society estimates that around 520,000 workers between the ages of 18 and 29 are in low paid work in the retail sector.<sup>16</sup>

Average wages tend to be lower for young workers in retail than elsewhere. Median pay for young workers in the sector is £8.42 per hour, lower than the median for 18-29 workers (£9.88) and substantially lower than median pay for the population as a whole (£12.18).<sup>17</sup>

In part 2 we turn specifically to the question of progression in the retail sector.

## 2. Progression in retail

For this project the Fabian Society commissioned NIESR to analyse the latest data on employee earnings to compare progression in the retail sector with other parts of the economy.<sup>18</sup> The analysis looked at people who were low paid employees at some point from 2001 to 2004 to see if they were still low paid 10 or more years later in 2014 to 2016. For each year low pay was defined as earning less than two thirds of hourly median pay in that year.

The analysis only looks at people who were employees in both periods.<sup>19</sup> Employees who were low paid in 2001 to 2004 and were not low paid in any of 2014, 2015 or 2016 were placed in the 'progression' group, those who were low paid in one or two of the three years are classed as 'precarious', and those who were low paid in all three years are in the 'no progression' group.

We divided the employees based on their sector of employment in 2016 and found that people working in retail at the end of the period were far less likely to have escaped low pay than other employees. Over 4 in 10 of the employees who were low paid in the first period (2001-2004) and are now retail employees were also low paid in 2014-2016. This is double the rate for people who now work in the rest of the economy (just over 2 in 10 people). Figure 1 presents the results for employees in the 'progression', 'precarious' and 'no progression' groups.

**Figure 1: Percentage of employees who were low paid in 2001-2004 who were still low paid in 2014-2016,<sup>20</sup> by sector of employment in 2016**

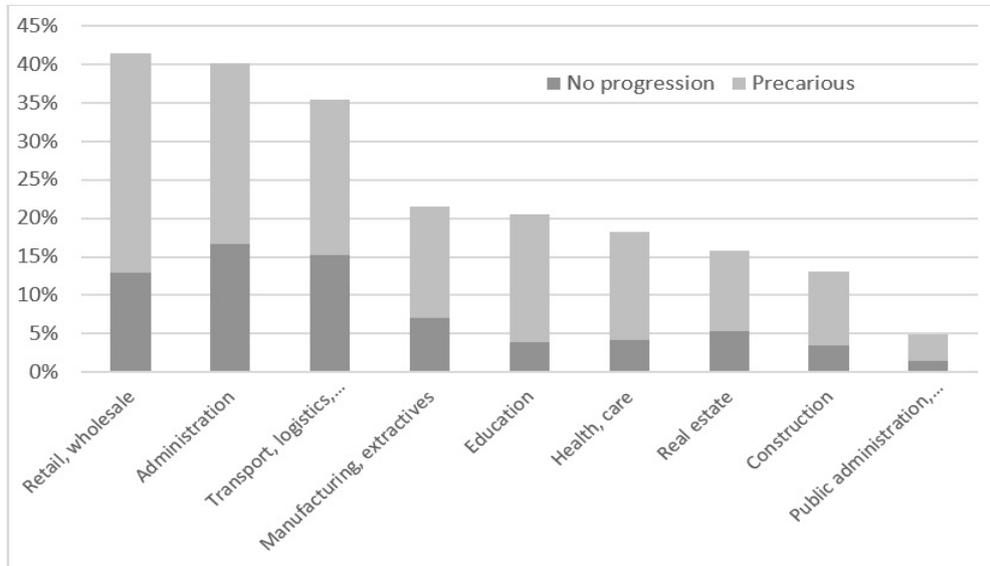
	<b>Retail sector</b>	<b>The rest of the economy</b>
<b>Progression</b>	58%	79%
<b>Precarious</b>	29%	14%
<b>No progression</b>	13%	7%

Source: ONS

Figure 2 shows that retail is the worst major sector for progression between the two periods. Only 58 per cent of people working in retail by 2016 had securely escaped low pay – compared to 60 per cent of employees in administration and 65 per cent in transport, logistics and hospitality.

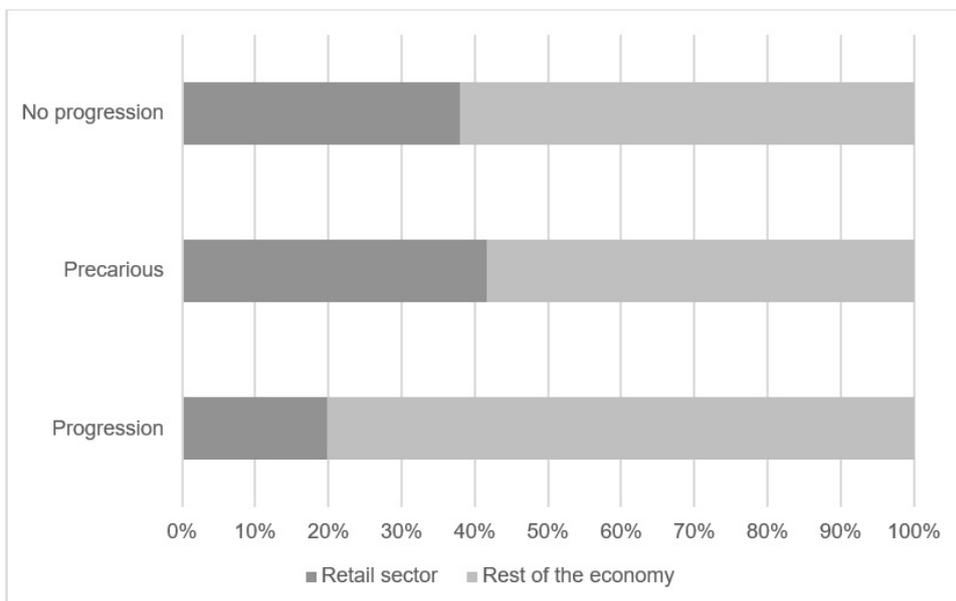
As well as being the worst performing sector for progression, retail is also a very large employer. As a result 4 out of 10 of all those who had failed to escape low pay between the two periods were working in retail in 2016 (figure 3).

**Figure 2: Percentage of employees who were low paid in 2001-2004 who were still low paid in 2014-2016, by sector of employment in 2016**



Standard industry classifications (2007). Source: ONS

**Figure 3: 40 per cent of employees who did not escape low pay were working in retail at the end of the period**



Source: ONS

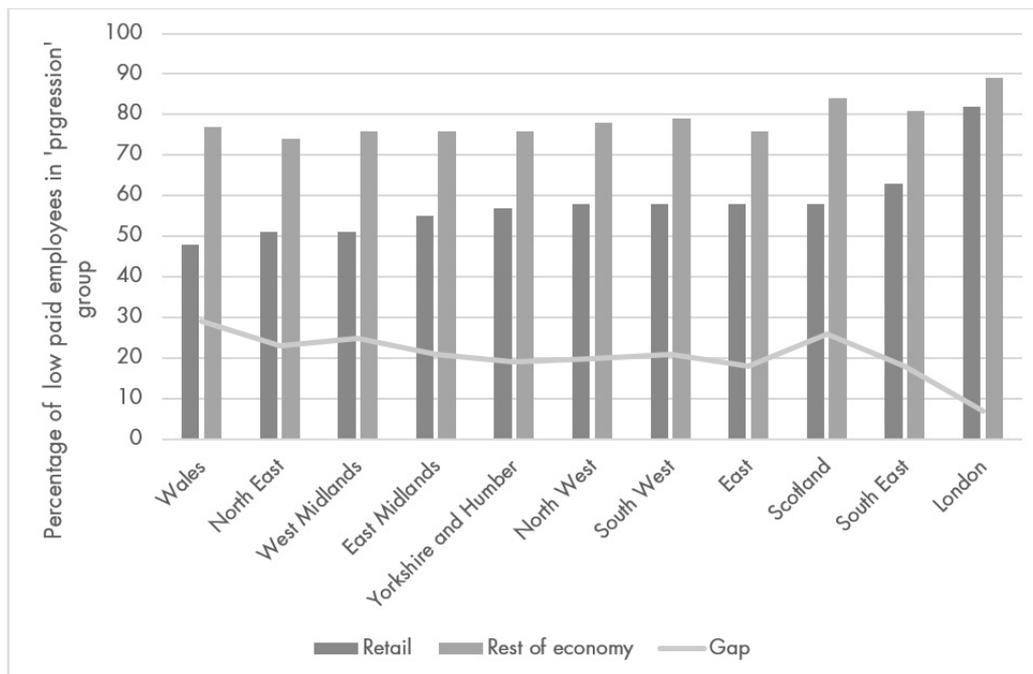
Additionally, people working in retail at the end of the period who had escaped low pay were still likely to be earning significantly less than employees in the 'progression' group in other sectors. The former low-paid workers in the progression group earned on average £10.80 per hour in retail in 2016. The next lowest performing major sector is administration, with average earnings of £11.80 (figure 4).

**Figure 4: Average pay in 2016 of employees who were low paid in 2001-2004, by sector of employment in 2016**

	Progression	Precarious	No progression
<b>Retail and wholesale</b>	£10.80	£8.00	£7.20
<b>Administration</b>	£11.80	£7.90	£7.10
<b>Health, care</b>	£12.00	£8.40	£7.10
<b>Transport, logistics, hospitality</b>	£12.10	£8.10	£7.10
<b>Manufacturing, extractives</b>	£13.10	£8.00	£7.20
<b>Public administration, defence</b>	£13.20	£8.70*	£6.80*
<b>Construction</b>	£13.50	£8.80	£7.00
<b>Education</b>	£13.60	£8.80*	£7.00
<b>Real estate</b>	£14.80	£11.80*	£7.00*

\* Sample size under 100. 2015 prices. Source: ONS

**Figure 5: There is much greater regional divergence in progression for employees in retail than in other sectors**



Workers' region and sector in 2016. Source: ONS

There is also much greater regional divergence in progression for employees in retail than in the rest of the economy, as figure 5 shows. For workers in the rest of the economy the proportion who had escaped low pay ranged between regions from 74 per cent to 89 per cent (a 15 point spread). For people working in retail at the end of the period the range was from 48 per cent in Wales to 82 per cent in London (a 34 point spread). This indicates that regional differences in retail sector pay are a major cause in geographic variations in prospects for low-paid workers across the whole labour market.

We now turn to young workers specifically. We looked at a cohort of workers who were in low paid work in their teens during 2001 to 2004 and were still aged under 30 in 2014. This group is far more likely to have escaped low paid work than workers of all ages because teenagers earn much less than average and many people will increase their earnings over the course of their 20s.

A large share of these young adults will have no doubt worked in retail during their teens and early 20s. But we wanted to look at the prospects for progression for retail workers around the age of 30, for whom working in retail is less likely to be a temporary phase. The data shows a stark difference between young adults working in retail compared to the rest of the economy.

Figure 6 shows that, for non-retail workers, 9 out of 10 of the low-paid teenagers of 2001-2004 had progressed out of low pay by their late-20s (2014-2016). Only 2 per cent of this group were stuck in low paid work in all three years. By contrast more than a quarter of people working in retail in their late 20s experienced low pay in at least one of the three years and 6 per cent were low paid in all three years.

**Figure 6: More than a quarter of employees who were low paid as teenagers (in 2001-04) and who were working in retail as they approached 30 (in 2014-16) had not escaped low pay**

	Late-20s		Aged 30 or over	
	Retail sector	Rest of the economy	Retail sector	Rest of the economy
<b>Progression</b>	73%	90%	56%	77%
<b>Precarious</b>	21%	8%	30%	15%
<b>No progression</b>	6%	2%	14%	8%

Source: ONS

This analysis confirms that being employed in retail is bad for pay progression. Retail is at the bottom of the league table, looking across sectors, and the chances of progression are particular low for retail workers in poorer regions. And although young retail workers are more likely to progress than their older peers, they are significantly less likely to than their contemporaries working in other sectors.

Retail workers are getting stuck – so in part 3 and 4 we search for solutions.

### 3. New progression pathways

Part 2 shows there is much to do to increase progression in the retail sector. So what action should businesses and trade unions be taking to improve pay progression for young workers in the industry?

In this part we examine firm and sector initiatives that can remove barriers and create new progression pathways. Most of our focus is on workers of all ages – not just young people - as the employers we spoke to said they did not like to distinguish between workers on grounds of their age.

#### *Firm level*

Improving progression routes can increase staff motivation and productivity while increasing the size of talent pools. But despite this, progression is not always a priority for retailers. Reviews of progression practice have found that retailers tend to have a greater focus on reducing costs than businesses in other industries.<sup>21</sup> Labour tends to be by far the largest business cost for retailers, and therefore parts of the industry have become characterised by attempts to keep wage bills low.<sup>22</sup>

However, not all retailers follow a 'low road' to turnover and profitability. The final report of the Fabian Society's retail taskforce differentiated between retailers that aim to 'connect on connectivity' (and invest in their staff) and those who 'squeeze the cost base'.<sup>23</sup> Other reviews have made similar distinctions,<sup>24</sup> and 'high road' routes to retail growth have recently been popularised by Zeynep Ton's book *The Good Jobs Strategy* (2014) and subsequent initiatives to promote investment in labour to establish a competitive advantage.<sup>25</sup>

Alongside this the TUC has launched the Great Jobs Agenda, with six standards to make every job a great job. Together they comprise a package to make all jobs rewarding and one of the standards deals with learning and progression. Under this standard employers are asked to: offer more high-quality apprenticeships; negotiate with unions to make sure learning and progression opportunities are available for everyone; make sure all employees know about their right to request time off for training or study; recognise trade union learning reps and give employees time off to pursue union-led learning opportunities.<sup>26</sup>

Research with retail employees by Kitty Ussher in 2016 found low progression rates were not the product of any inherent opposition from retail workers towards progression.<sup>27</sup> Instead, most retail workers said they felt they were overqualified for the work they did, and that they had the potential to offer much more to their employers. The research suggested around half of the retail workforce wanted more hours (they were 'under-employed'), and

that many workers who were keen to have more control over their hours felt they missed out on opportunities for progression and promotion.

The workers are not the problem then. Rather the challenge is to ensure that progression is recognised as a major issue by retailers – for example industry experts told us that few firms routinely collect data on progression. Progression strategies may be about to become much more valuable to businesses because the labour market is tightening, with firms reporting growing difficulties in recruiting externally and rising hiring costs. Brexit and the likely reduction in migration is causing retailers to worry increasingly about their talent pool, at all levels of their businesses. As a result, HR directors now have more sway than in recent years.

The tough business environment for retailers may create difficulties, however, with fewer progression opportunities or less investment in people development. Some of the industry representatives we spoke to told us of businesses that are re-introducing supervisory roles and middle managers. But across the industry there are high-profile cases of firms reducing the number of supervisor and store manager positions, led by Tesco which has removed two tiers of store-level managers.<sup>28</sup>

Cuts in HR departments also risk slowing the pace at which good practice on progression can be tested and implemented. To take one example of the value strategic HR can have, industry figures told us that re-designing job descriptions is a simple way of widening the pool of people seeking internal promotions. Good job descriptions avoid unnecessary qualification and experience requirements and sell jobs with accessible language. This is obviously an issue for external recruitment too and Business in the Community have published research and guidance on jargon-free job descriptions to attract young workers (industry experts also mentioned Apple as an example of good practice).

The high incidence of flexible and part-time work in retail is one of the main factors behind low rates of progression, because flexible opportunities are often less available in more senior roles. Retailers find that offering flexibility is key to attracting employees but it is often also a barrier to progression. 1.5 million workers across the economy are in low-paid part-time work for which they are over-qualified.<sup>29</sup> On average part-time workers also experience lower earnings growth than full-time workers.<sup>30</sup> And in retail 56 per cent of employees think they are less likely to get promoted if they work part time.<sup>31</sup>

The charity Timewise which promotes flexible working reports that the barriers to progression for part-timers include inaccurate attitudes and operational challenges. The myths include assumptions that part-time workers don't want to be promoted, that senior jobs can't be done part-time and that only parents want flexible work. Operational barriers include re-designing rostering and staff development programmes, and ensuring that supervisory roles such as store opening and closing duties can be performed on flexible terms.

Timewise is working with retail employers to increase flexible career paths from the shopfloor to senior management, in order to unlock the potential of those workers who want to progress while maintaining control over their working hours. Employers working with the charity include B&Q, the John Lewis Partnership, Tesco, Cook and Dixons Carphone. For example the retailer Pets at Home piloted, developed and rolled out a number of new progression-boosting initiatives including job-share partnerships, four-day-week management roles, flexible working guidance for managers, and explicitly mentioning flexible working opportunities in job advertisements.<sup>32</sup> Timewise argues that sustainable change requires increasing the skills of managers and HR teams with respect to flexible job design; and demonstrating the link between improved flexibility and reported financial metrics like turnover which are scrutinised by senior executives.

Beyond flexible working initiatives, there are other experiments to improve progression. Business in the Community's new 'Good Work for All' hub includes examples of progression innovations by retailers, including Greggs' use of trial promotions.<sup>33</sup> The baker was struggling to appoint existing employees to senior store roles and discovered that lack of confidence and concerns about undertaking a formal interview were a barrier. The firm offered promising employees a 4-week trial, without an interview and held open their previous job. Nine out of 11 of the employees who tried out a senior role in the pilot decided to accept the post and the scheme was rolled out across the company. Initiatives like this can be run alongside traditional open recruitment methods to deliver fair opportunities to any qualified candidate.

The UK Commission on Employment and Skills (UKCES) also supported a number of pilot initiatives with retailers and partner organisations before it closed in March 2017. These included the Living Wage Foundation's (LWF) work with a range of retailers to test high performance workforce techniques based on Ton's good jobs approach. The LWF worked with Hobbs and EE to reduce staff turnover by giving staff more control over hours, and in their pilot IKEA introduced more cross-training to give their staff a broader skill set and more opportunities for progression.

The industry figures we spoke to confirmed that broadening the range of employees' skills was central to their approach to retention, productivity and progression. Some retailers have formalised modular training programmes, with bite-sized knowledge and skills components. More generally, the experts all made the link between strong training and development programmes and progression. In progressing this agenda, Union Learn has an important contribution to make especially in encouraging reluctant employees to engage in skills development. A 2017 evaluation of the programme (looking across all sectors) found that 11 per cent of participants went on to receive a pay rise, 19 per cent took up additional responsibilities and 91 per cent wanted to take part in further learning opportunities.<sup>34</sup>

## Sector level

Many retailers are investing time and resources into improving progression routes in their business because it can make their firms more competitive, while also improving the working lives of their staff. However, there are also a number of cross-sector initiatives that are bringing retailers together in an attempt to establish new industry-wide benchmarks for pay and progression.

The UKCES recommended small- and medium-sized retailers should establish employer networks to address common skills issues and challenges.<sup>35</sup> The networks would allow retail workers to move more easily between retailers in the network, which would open up more progression opportunities. The UKCES argued this would be in the interest of retail SMEs because it would keep talented workers in the sector. In our research industry experts also called for support to help small retailers develop shared services, including HR support to help them to design jobs and development routes.

Collective bargaining also remains an essential means of improving pay and wider opportunities. The shop workers union Usdaw have been working with the employers with which they have recognition agreements to ensure that under 25s are paid at least the level of the national living wage, even though lower pay for young workers is legal. Speaking at the 2017 Trades Union Congress meeting, general secretary John Hannett said, "Udaw has negotiated the removal of youth rates, because it is fundamentally unfair to pay young workers less."<sup>36</sup>

On the employer side, the British Retail Consortium (BRC) has established the Retail 2020 programme with the aim of 'building momentum on the journey to better jobs.' The BRC has begun to measure changes made to progression structures by retailers, and has established a partnership with Timewise to embed flexible working practices and innovative approaches to progression across the industry.<sup>37</sup>

Retail experts we spoke to suggested that the industry should next work together in re-imagining the role of middle managers, as the whole sector is grappling with issues like the number of store supervisors and managers required, their responsibilities and good career pathways.

Research on progression has proposed that the government works with employers on sector-wide initiatives. For example, JRF's report on progression in low paying sectors recommends government sets up a business support function to promote the business benefits of progression and talent development and provide specialist practical advice on progression.<sup>38</sup>

Support from government through public policy is the focus of part 4.

## 4. Supportive public policy

In this research we identified four promising avenues for public policy to improve progression:

1. Influencing individuals' choices
2. Improved support on skills development
3. Better entry-level jobs
4. Industrial strategy to shift industry practice

Additionally, and beyond the scope of this study, there is the wider issue of improving the economic security of young people. The cold economic climate is thought to have made young people more risk averse. It has certainly reduced the proportion of young people changing jobs each quarter (job changing plummeted for young adults after the financial crisis and has not yet recovered to levels seen in the 1990s and early-2000s).<sup>39</sup> Job moves are a key route of pay progression so this is a worrying trend. Decent social security, public services and employment rights are an essential safety-net to ensure that young people are not excessively risk-averse with respect to changing work.

### 1. *Influencing individuals' choices*

Individual choices will partly come down to work environments. If progression options appear attractive and if employers encourage people to put themselves forward, progression is more likely. But public policy can make a big difference in the choices people make, especially through financial incentives. There is considerable interest in influencing pay progression through the design of social security.

Universal credit (UC), the government's current flagship social security initiative, is supposed to be designed to ensure that moves into work always pay and that advancement in work also pays. However, the new benefit's financial incentives for progression (whether that takes the form of additional hours or higher hourly pay) are in fact not strong at all. Workers who earn an extra pound can lose over 80 pence through tax and social security changes. UC also includes no financial incentive to work over 16 hours a week (unlike tax credits), which means that many individuals have little reason to move from a handful of hours a week to a substantial part-time job (while employers have a tax incentive to keep them on short hours).

To combat these problems universal credit establishes an untested scheme of in-work conditionality, which requires claimants to take steps to increase their hours or hourly pay until they reach a designated threshold. Ongoing pilots are assessing the efficacy of coaching programmes to support low earners to progress at work.<sup>40</sup> The Learning and Work Foundation and House of Commons Work and Pensions Committee have urged the

government to extend and improve these pilots.<sup>41,42</sup> But the government's Social Security Advisory Committee has warned that the evidence on the potential for universal credit to improve earnings has not yet been established and the Child Poverty Action Group argues that the compulsion nature of in-work conditionality inhibits progression because it degrades 'human capital', removing desire to stay and progress in the labour market.<sup>43,44</sup> The debate continues around the ability of universal credit to improve progression, given it is the first initiative of its kind.

Before universal credit, the last Labour government established Employment Retention and Advancement (ERA) pilots in six Jobcentre Plus districts in 2003. These provided support for out-of-work and low-hours lone parents and for long-term unemployed people (groups with a high incidence of cycling between unemployment and low paid jobs). A review of the pilots found they were successful for some groups, particularly for long-term unemployed men and participants with higher levels of education, but outcomes were mixed for lone parents and other groups.<sup>45</sup>

Learning from the ERA pilots informed the payment-by-results approach of the Work Programme, the coalition government's main welfare-to-work scheme. This was designed to provide contractors incentives for sustained employment outcomes (not just job starts) for long-term unemployed people.<sup>46</sup> However, the threshold for success ranged from three to six months in a job depending on the participant's circumstances, and did not take in-work pay progression, or progression beyond that qualifying period, into account.

The government's devolution agenda has also allowed city and regional governments to pursue local approaches to progression. New local approaches to progression are being developed in London,<sup>47</sup> Manchester,<sup>48</sup> the Plymouth and South West Peninsula, and a range of other city and local growth areas.<sup>50</sup> The government is working closely with regional authorities on these local pilots, which have been designed to cater specifically for the characteristics of local labour markets.

## *2. Skills pathways*

In-work skills provision and support have long been unsatisfactory. Good employers have invested in long-term development to support entry-level staff progress and attain accreditation and qualifications. But many have not, especially in sectors like retail where this is not a regulatory requirement.

The creation of the controversial new levy-funded apprenticeship system provides an opportunity, although the initial evidence of take-up suggests the new regime will take time to develop. The wider use of intermediate and advanced apprenticeships across retail may have the effect of systemising training and development following initial induction and help standardise progression routes. B&Q is one employer that is planning an apprenticeship

specifically to develop supervisor skills as part of a plan to introduce more senior store roles. Moreover, the further development of industry-wide apprenticeship standards with common approaches to skills could help workers to move easily between retailers into more senior positions.

A range of organisations have identified the potential for government to play a greater role in progression by offering a career advice service to workers in low paying industries and jobs. Reports from the Resolution Foundation, the Learning and Work Institute and JRF support the establishment of a special careers service for low paid workers to coach them through their career and provide advice to navigate employment and training markets.<sup>51</sup>

<sup>52</sup> The Resolution Foundation note that the government would be able to use the data it receives via universal credit to target low earners for support.<sup>53</sup>

### *3. Better entry-level jobs*

Improving the quality of entry level jobs is good in its own right, but it will also create conditions in which employers chose to support their progression. When entry-level jobs are more secure, and a little more expensive for employers, firms have incentives to invest in their employees, retain them for longer and encourage progression.

Policy makers should remove the tax incentive for employers to employ people on very short hours, below the minimum threshold for employers' national insurance. This will reform an odd incentive pushing employers to hire people on short, casual hours instead of substantial part-time and full-time positions. For many workers, securing hours is the first and most important step on the progression pathway.

Zero-hours contracts and other employment arrangements that demand extreme flexibility on the part of employees should also be outlawed or tightly regulated. The OECD has highlighted the downsides of these forms of employment with respect to securing extra hours, accessing legal entitlements to sick pay and holiday pay and also for accessing training to support workers' future development.<sup>54</sup> In particular, established workers with a routine working pattern should have a contract that reflects their usual hours. This will increase their employment security and attachment to their employer.

The wage floor for entry-level jobs should also continue to be increased, both by increasing the National Living Wage for employees aged over 25 – and by extending its coverage to younger age groups (and ensuring its enforcement among people with self-employed 'worker' status). However, the government will also need to work with employers to consider how to ensure that low-paying industries like retail have clear career pathways, with meaningful pay differentials above the NLW.

## 4. *Industrial strategy*

The Fabian Society report *At the crossroads* argued that the retail sector needed a 'sector deal' under the government's industrial strategy because it is a very large employer with low levels of pay and productivity. This proposal was taken up by the retail sector and then agreed by government, but details of a deal are yet to emerge.

In the retail sector industrial strategy must overlap with a 'good work' strategy. The task of government and the industry is to work together to prevent retail responding to technology change by adopting a low-value, low-cost model that seeks profits through reducing staff costs and customer experience. The sector deal needs to focus on technology-driven transformations that lead to better work and more varied roles and progression opportunities.

A sector-wide, government facilitated partnership can provide the context and framework for the firm-level actions and less formal cross-firm networks and collaborations discussed in part 3. The TUC is proposing that new sector bodies are created that bring together government, employers and trade unions to discuss pay, skills, productivity and progression in industries characterised by low pay.

## Conclusion

The retail industry is at the bottom of the UK's progression league table. In general employees in retail are far less likely to escape low pay than those working in other sectors. And it is the same story for young people in particular, who are much less likely to sustainably exit low paid work by their late 20s if they work in retail.

Now is the time to act. Retailers are starting to take talent strategy more seriously as labour shortages grow and Brexit threatens a big shift in migration policy. This presents a real opportunity for retailer businesses to concentrate more effort on progression.

At firm-level, employers need to learn from the practice being developed by their peers to encourage progression, including flexible working initiatives, trial promotions, and better job design.

Collectively the retail sector must come together to work with government on an industrial strategy with good jobs at its heart. It must also respond to the development of the new apprenticeship regime to develop in-work qualifications and opportunities that lead to great careers in individual firms and across the sector.

Finally, the government must show leadership by setting a policy framework that is conducive to good jobs and progression. It must ensure that the social security and skills system encourages progression; improve the quality of insecure entry-level jobs to give employers reason to invest in their people; and develop an industrial strategy 'sector deal' that supports retailers to embrace innovations that lead to better work.

## Notes

- <sup>1</sup> <https://www.tescopl.com/news/news-releases/2017/tesco-chief-operating-officer-tony-hoggetts-speech-to-retail-week-live-2017/>
- <sup>2</sup> [http://www.fabians.org.uk/wp-content/uploads/2017/01/FABJ4765\\_Retail\\_report\\_260117\\_WEB\\_.pdf](http://www.fabians.org.uk/wp-content/uploads/2017/01/FABJ4765_Retail_report_260117_WEB_.pdf)
- <sup>3</sup> Living on the edge: the rise of job insecurity in modern Britain. Trades Union Congress, 2016.
- <sup>4</sup> 'A millennium of macroeconomic data' in Research datasets, Bank of England. <https://www.bankofengland.co.uk/statistics/research-datasets#>
- <sup>5</sup> <https://www.bankofengland.co.uk/speech/2017/productivity-puzzles>
- <sup>6</sup> [https://www.ippr.org/files/publications/pdf/low-wage-sectors\\_May2016.pdf](https://www.ippr.org/files/publications/pdf/low-wage-sectors_May2016.pdf)
- <sup>7</sup> ONS labour market statistics
- <sup>8</sup> <https://home.kpmg.com/uk/en/home/insights/2017/11/kpmg-living-wage-research-2017.html>
- <sup>9</sup> [http://www.fabians.org.uk/wp-content/uploads/2017/01/FABJ4765\\_Retail\\_report\\_260117\\_WEB\\_.pdf](http://www.fabians.org.uk/wp-content/uploads/2017/01/FABJ4765_Retail_report_260117_WEB_.pdf)
- <sup>10</sup> Author's analysis based on Low Pay Commission estimates of the number of people covered by the national minimum and national living wage in April 2017 (2.3 million) and the number of people paid below the low paid threshold (5.1 million) according to Resolution Foundation estimates in Low Pay Britain 2017 (October 2017).
- <sup>11</sup> "I feel like I can't change anything": Britain's young core workers speak out about work. TUC, March 2017. <https://www.tuc.org.uk/sites/default/files/lfeellikecantchangeanythingreport.pdf>
- <sup>12</sup> <http://www.resolutionfoundation.org/app/uploads/2017/10/Great-Escape-final-report.pdf>
- <sup>13</sup> Ibid
- <sup>14</sup> <https://www.ifs.org.uk/uploads/publications/wps/WP201727%20-%20executive%20summary.pdf>
- <sup>15</sup> <https://www.tuc.org.uk/sites/default/files/lfeellikecantchangeanythingreport.pdf>
- <sup>16</sup> Based on author's analysis of the Annual Survey of Hours and Earnings (2016 provisional), using the standard low pay threshold of two thirds of median hourly pay, which was equivalent to £8.12 per hour in 2016. This preliminary analysis suggests that in 2016, 72 per cent of 18-21 year olds and 37 per cent of 22-29 year olds working in retail were paid below the low pay threshold, which makes a total of 519,285 workers aged between 18 and 29 paid below the threshold.
- <sup>17</sup> Ibid
- <sup>18</sup> The analysis is based on the New Earnings Survey Panel Dataset, an ONS longitudinal panel drawing on the Annual Survey of Hours and Earnings and the New Earnings Survey. The analysis contains statistical data from ONS which is Crown Copyright. The use of the ONS statistical data does not imply the endorsement of the ONS in relation to the interpretation or analysis of the statistical data. This work uses research datasets which may not exactly reproduce National Statistics aggregates.
- <sup>19</sup> For this reason these findings are not comparable to previous studies of pay progression, for example Hurrell, A, Starting Out or Getting Stuck, Resolution Foundation, 2013. People who were not employees in 2014, 2015 and 2016 (either because they were self-employed, not working or living overseas) are excluded from the analysis.
- <sup>20</sup> The table reports on people who were low paid employees in 2001, 2002, 2003 or 2004 and were still employees in 2014, 2015 and 2016.
- <sup>21</sup> <https://www.jrf.org.uk/report/improving-progression-low-paid-low-skilled-retail-catering-and-care-jobs>
- <sup>22</sup> Carré F, Tilly C, van Klaveren M and Voss-Dahm D 'Retail jobs in comparative perspective' in Gautié J and Schmitt J (eds) Low-Wage Work in the Wealthy World. Russell Sage Foundation, 2010.
- <sup>23</sup> [http://www.fabians.org.uk/wp-content/uploads/2017/01/FABJ4765\\_Retail\\_report\\_260117\\_WEB\\_.pdf](http://www.fabians.org.uk/wp-content/uploads/2017/01/FABJ4765_Retail_report_260117_WEB_.pdf)
- <sup>24</sup> <https://www.jrf.org.uk/report/improving-progression-low-paid-low-skilled-retail-catering-and-care-jobs>

- <sup>25</sup> <https://www.gov.uk/government/publications/ukces-futures-programme-evaluation-progression-pathways-in-retail-and-hospitality>
- <sup>26</sup> [https://www.tuc.org.uk/sites/default/files/The\\_Great\\_Jobs\\_Agenda\\_2017\\_AW\\_Digital\\_0.pdf](https://www.tuc.org.uk/sites/default/files/The_Great_Jobs_Agenda_2017_AW_Digital_0.pdf)
- <sup>27</sup> <https://www.jrf.org.uk/report/improving-pay-progression-and-productivity-retail-sector>
- <sup>28</sup> <http://www.cityam.com/217743/tesco-loses-1000-store-managers-restructure-completes>
- <sup>29</sup> [https://timewise.co.uk/wp-content/uploads/2016/01/JRF\\_Flexible\\_Hiring\\_Research\\_Summary.pdf](https://timewise.co.uk/wp-content/uploads/2016/01/JRF_Flexible_Hiring_Research_Summary.pdf)
- <sup>30</sup> <https://www.ifs.org.uk/publications/10358>
- <sup>31</sup> <https://timewise.co.uk/wp-content/uploads/2018/02/1880-Timewise-Retail-Flexible-working-report-10.pdf>
- <sup>32</sup> [https://timewise.co.uk/wp-content/uploads/2016/11/Moving\\_Up\\_In\\_Retail\\_Pilot.pdf](https://timewise.co.uk/wp-content/uploads/2016/11/Moving_Up_In_Retail_Pilot.pdf)
- <sup>33</sup> <https://www.bitc.org.uk/all-resources/case-studies/good-work-all-why-greggs-offers-progression-trial-basis>
- <sup>34</sup> <https://www.unionlearn.org.uk/publications/measuring-success-union-learning>
- <sup>35</sup> [https://www.gov.uk/government/uploads/system/uploads/attachment\\_data/file/545241/UKFP\\_PC3\\_FINAL\\_EVALUATION\\_REPORT.pdf](https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/545241/UKFP_PC3_FINAL_EVALUATION_REPORT.pdf)
- <sup>36</sup> <https://www.usdaw.org.uk/about-us/news/2016/september/usdaw-calls-for-a-real-living-wage-and-an-end-to-a>
- <sup>37</sup> <https://timewise.co.uk/article/flexible-working-retail-partnership-brc/>
- <sup>38</sup> <https://www.jrf.org.uk/report/improving-progression-low-paid-jobs-city-region-level>
- <sup>39</sup> <http://www.resolutionfoundation.org/app/uploads/2015/07/A-steady-job.pdf>
- <sup>40</sup> <https://www.gov.uk/government/publications/developing-in-work-support-for-people-claiming-universal-credit/universal-credit-in-work-progression-randomised-control-trial>
- <sup>41</sup> <http://www.learningandwork.org.uk.gridhosted.co.uk/wp-content/uploads/2017/02/IWP-inquiry-response-from-Learning-and-Work-Institute-final.pdf>
- <sup>42</sup> <https://www.parliament.uk/business/committees/committees-a-z/commons-select/work-and-pensions-committee/news-parliament-2015/in-work-progression-report-published-15-16/>
- <sup>43</sup> [https://www.gov.uk/government/uploads/system/uploads/attachment\\_data/file/657842/ssac-occasional-paper-19-in-work-progression-and-universal-credit.pdf](https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/657842/ssac-occasional-paper-19-in-work-progression-and-universal-credit.pdf)
- <sup>44</sup> [http://cpag.org.uk/sites/default/files/UC\\_in\\_work\\_progression\\_inquiry\\_response\\_from\\_CPAG.pdf](http://cpag.org.uk/sites/default/files/UC_in_work_progression_inquiry_response_from_CPAG.pdf)
- <sup>45</sup> [http://www.psi.org.uk/site/project\\_detail/384](http://www.psi.org.uk/site/project_detail/384)
- <sup>46</sup> <http://ppiwi.org.uk/files/2016/10/PPIW-Report-ESRC-Evidence-Review-Paper-Progression.pdf>
- <sup>47</sup> <https://www.london.gov.uk/sites/default/files/skills-for-londoners-draft-strategy-november-2017.pdf>
- <sup>48</sup> [https://www.greatermanchester-ca.gov.uk/devolution\\_november2015](https://www.greatermanchester-ca.gov.uk/devolution_november2015)
- <sup>49</sup> <https://www.jrf.org.uk/report/improving-progression-low-paid-jobs-city-region-level>
- <sup>50</sup> [https://docs.google.com/spreadsheets/d/1ilAgZjg5jpd57VPtKnsIOEjbltHEtB2RFy3KP\\_S5yl/edit#gid=0](https://docs.google.com/spreadsheets/d/1ilAgZjg5jpd57VPtKnsIOEjbltHEtB2RFy3KP_S5yl/edit#gid=0)
- <sup>51</sup> <http://www.learningandwork.org.uk/our-work/work-and-careers/low-pay-progression/#nolimits>
- <sup>52</sup> <http://www.jrf.org.uk/sites/default/files/jrf/migrated/files/employment-progression-skills-full.pdf>
- <sup>53</sup> <http://www.resolutionfoundation.org/app/uploads/2017/10/Great-Escape-final-report.pdf>
- <sup>54</sup> <http://www.oecd.org/eo/surveys/United-Kingdom-2017-OECD-economic-survey-overview.pdf>

