



Changing the world
of work for good

In-work Progression

**TUC submission to the Work and
Pensions Committee inquiry on
Universal Credit**

Introduction

The Trades Union Congress (TUC) exists to make the working world a better place for everyone. We bring together more than 5.5 million working people who make up our 48 member unions. We support unions to grow and thrive, and we stand up for everyone who works for a living.

The introduction of Universal Credit (UC) is one of the most significant social security reforms in recent decades. And one of the key changes amongst many, is that UC will extend and intensify conditionality in the benefits system. The DWP's internal analysis indicates that there will be around 1 million claimants in- work potentially falling into in-work conditionality in UC.¹

We appreciate the opportunity to respond to the Work and Pensions Committee inquiry on Universal Credit and in-work progression. Tackling low pay and supporting progression in-work are both issues we have a strong interest in.

In-work progression can move individuals out of low pay. And low pay is a widespread problem in the UK with around one in five employees (five million workers in the UK) earning less than two-thirds of median earnings. However, lack of progression is commonplace among those who are low paid. Only one in six low-paid employees move out of low pay over the course of a decade.²

We also know there is considerable slack in the labour market. While this can be difficult to measure, we know there are 950,000 people in part-time work as they could not find full time work, and over 400,000 are in temporary work as they could not find permanent work. And recent TUC analysis shows insecure work is a daily reality for 3.7 million UK workers.³ Workers want to progress in to sustainable employment.

1 <https://www.parliament.uk/business/publications/written-questions-answers-statements/written-questions-answers/?house=commons&max=20&member=4400&page=2&questiontype=AllQuestions>

2 <https://www.resolutionfoundation.org/app/uploads/2018/05/Low-Pay-Britain-2018.pdf>

3 <https://www.tuc.org.uk/news/two-million-self-employed-adults-earn-less-minimum-wage>

Summary of key points

The TUC supports and encourages genuine progress in the workplace however, it does not believe extending conditionality in the benefits system is the right approach. The TUC is extremely concerned about this punitive approach, social security should support people not punish them.

There is also no evidence to support the idea that those subject to in-work conditionality will progress in-work.

In-work claimants face a number of barriers to progressing in-work.

- Those in insecure work, often face great fluctuations in their hours, over which they have little control.
- In- work claimants are likely to encounter difficulties in attending interviews with a work coach.
- The current employer may simply not be able to offer additional hours.
- In- work claimants can have childcare and other caring responsibilities that they need to fit in with their working hours.
- In UC, financial incentives for progression either in more hours or higher hourly pay are not that strong.
- The system of monthly assessment periods and the corresponding benefit payment can be highly complex to understand to see if you are financially better off.
- In- work conditionality assumes employer engagement; there is no evidence to show that this will be in place.

There is also concern about staffing levels at Job centres, and whether there will be a sufficient number of work coaches to provide adequate time for a personalised service. And there is concern on the amount and quality of training provided to work coaches.

The TUC believes the key to supporting in-work progression is access to learning and skills, rather than compelling people to take the first available job that meets conditionality.

Evidence shows that investment in learning and skills development for work can bring considerable benefits, both to the individual and the business they are employed with. However, the available evidence also shows that UC claimants will be less likely to benefit from training opportunities in the workplace because low-waged workers face the most barriers on this front.

Trade unions play a vital role in supporting adults to take up learning and training, especially through the role played by union learning representatives. The OECD has also acknowledged the effectiveness of union learning in supporting access to learning and skills by disadvantaged groups. Unions must be engaged in the learning agenda; they have

shown how effective they can be. Unions need to be a key stakeholder in designing in-work progression.

Answers to consultation questions

- **Q. What role, if any, should conditionality or sanctions play in encouraging and supporting in-work progression?**

The TUC supports and encourages genuine progress in the workplace however; it does not believe extending conditionality in the benefits system is the right approach. The TUC is extremely concerned about this punitive approach, social security should support people not punish them. The constant threat of sanctions causes a great deal of stress and anxiety for claimants. The rise in foodbanks has been clearly linked to a rise in sanctions for unemployed claimants.⁴ We do not want to see even more of those in work joining the queue.

There is widespread evidence that a positive relationship between work coaches and claimants must be built on trust and that this is key to the success of welfare to work programmes; the use of threat will only create a fractious relationship. The evaluation of DWP's own trials said, ' the presence of sanctions seemed effective at driving compliance with the claimant commitment, however the use of sanctions did not seem to have a positive impact on motivation to progress and could damage the relationship between the work coach and participant.'⁵

Barriers to increasing hours and pay are structural. And claimants have already provided evidence of their willingness to work by being in paid employment; it is not a lack of aspiration.

There is also no evidence to support the idea that those subject to in-work conditionality will progress in-work.

The DWP's in-work trial to test the effectiveness of differing intensities of support and conditionality on UC claimants in low paid work or low-income households, focussed on the earnings impact of the trial claimants.⁶ While there was a statistically significant impact for the frequent support group versus the minimal support (the comparison group), this only amounted to an additional £5.25 per week at 52 weeks. The extra amount of income also does not take in to account the interaction between earnings and benefits, so the net gain

4 <https://www.trusselltrust.org/2016/10/27/benefit-sanctions-foodbank-use/>

5

https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/739775/universal-credit-in-work-progression-randomised-controlled-trial-findings-from-quantitative-survey-and-qualitative-research.pdf

6 <https://www.gov.uk/government/publications/universal-credit-in-work-progression-randomised-controlled-trial>

is likely to be much smaller. And it is not possible to confirm the driving factor of the increase in income, it could be progression, it could be an annual pay award or increase in the national minimum wage, or a combination of these factors.

The independent analysis conducted by Ipsos MORI for the DWP, these findings showed no clear indication of greater progression for frequent or moderate support participants compared with minimal support participants, there was no statistically significant impact on earnings⁷. What it did show was that participants who had taken part in job-related training showed improved outcomes compared with other participants.

The DWP also published the 'Universal Credit Programme Full Business Case Summary' in 2018.⁸ The DWP estimated that those already in employment will work around 113 million additional hours (net) per annum under UC due to improved incentives. This estimate is actually very low once averaged across all workers on UC, the Resolution Foundation estimate this amounts to an extra half an hour a week per worker⁹. Hence, the expected gains are weak, while the potential costs in terms of sanctions could be significant for claimants.

- **Q. What barriers do people face to progressing in work, either by working more hours or increasing their pay?**

Tax credit claimants moving over to UC will experience engaging with Jobcentre plus and signing a claimant commitment for the first time. As they are currently in work, they are likely to encounter difficulties in attending interviews with a work coach or even arranging a telephone meeting; this will be very dependent on their employer. A DWP trial on in-work conditionality showed the failure to attend an interview with a work coach was the most common reason for being sanctioned.¹⁰ Harsh sanctioning has already been applied to the unemployed unable to attend their appointments.¹¹ We do not believe that it would be appropriate to deliver a four-week sanction because of missing an appointment, as your employer was unable to let you attend on the day.

Those in insecure work, particularly those on zero-hours or short-hours contracts, often face great fluctuations in their hours, over which they have little control. Bosses can re-jig shifts constantly, TUC analysis shows, more than half (51%) of zero-hours workers have had shifts cancelled at less than 24 hours' notice. And nearly three-quarters (73%) have been offered work at less than 24 hours' notice.¹² Meeting in-work conditions can be particularly

7 <https://www.gov.uk/government/publications/universal-credit-in-work-progression-randomised-controlled-trial>

8 <https://www.gov.uk/government/publications/universal-credit-programme-full-business-case-summary>

9 <https://www.resolutionfoundation.org/media/blog/with-the-benefits-of-benefit-reform-diminishing-universal-credit-needs-a-new-direction/>

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https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/739775/universal-credit-in-work-progression-randomised-controlled-trial-findings-from-quantitative-survey-and-qualitative-research.pdf

11 <https://www.theguardian.com/society/2015/mar/24/benefit-sanctions-trivial-breaches-and-administrative-errors>

12 <https://www.tuc.org.uk/news/two-thirds-zero-hours-workers-want-jobs-guaranteed-hours-tuc-polling-reveals>

challenging for this group of workers. They may not be able to commit to working evenings with a new employer, as they do not know which hours of the day, they will be available.

Also, if the current employer is not able to offer additional hours as a result of a business case, it is unfair to punish the claimant. Some employers also have a business model that relies on short hours work in order to avoid paying national insurance contributions. No one should be sanctioned who has worked short hours because their employer is unable to offer them additional hours, at a minimum the DWP should guarantee this.

In-work claimants can have childcare and other caring responsibilities that they need to fit in with their working hours. Additional work may be offered to them at unsociable hours which would not fit in with their existing commitments. If a mother was, working 10am to 1pm- four days a week locally and she wanted to increase her hours – being offered 6-11pm five days a week on the other side of the city would not fit in with current childcare responsibilities, and they could experience transport difficulties working the new hours. Lack of affordable childcare keeps many mothers in low paid, low-hours jobs with little opportunity for progression. Measures to encourage in- work progression in hours for lone mothers and for carers should be sensitive to their individual circumstances.

The benefit system can also hinder progression. UC is supposed to be designed to ensure that moves into work always pay and that advancement in- work also pays too. However, financial incentives for progression either in more hours or higher hourly pay are not that strong. UC has reduced incentives to work, with less generous work allowances, and a relatively high taper rate of 63 per cent (75 per cent once claimants start paying taxes and national insurance). Earlier designs of UC suggested a lower taper rate of 55 per cent.

To make matters worse, second earners in a household receive no work allowance, so all their initial earnings are immediately subject to the taper, and they therefore keep just 37p in the pound of their pay. The second earner is more likely to be a woman, so this disproportionately hits them. It is essential second earners are entitled to a work allowance. Targeting increases in the work allowance to those who are more responsive to them encourages greater take-up of hours, and this would be a more effective way to increase the total number of hours worked than the proposed system of in-work conditionality.

In addition, the new monthly assessment periods in UC do not work well for those working irregular hours and likely to experience fluctuations in their earnings. The monthly assessment periods are set arbitrarily, based on the date of someone's claim rather than being aligned with pay cycles. For some claimants, temporary increases in monthly incomes due to short-term work or a second job with an employer who has payday on a different date, can take them over the earnings threshold for UC. The system of monthly assessment periods and the corresponding benefit payment can be highly complex to understand to see if you are financially better off.

In- work conditionality assumes employer engagement, but there is no evidence to back this assumption. There is very little known about how much the employer understands their role within UC and in- work progression. DWP's own analysis in 2018 with employers by in-depth telephone interviews, found that

- Employers awareness of the Government and DWP focus on in- work progression was low.

- Progression opportunities varied by the size and structure of the organisation.
- Progression was open to both full-time and part-time staff on permanent contracts, but not those on zero-hours or temporary contracts or agency staff.
- When accommodating requests for additional hours, business need was the deciding factor.
- Staff budgets placed limits on the number of positions, levels of pay or training on offer.
- Limited numbers of roles at higher level restricted opportunities for vertical progression.
- For some employers, part time work was their business model, particularly small organisations.¹³

In 2017, The Social Security Advisory Committee (SSAC) report on in-work progression and Universal Credit, points out “there is very little evidence as to what can be done to advance earnings progression – either in the UK or in other countries”. This means that the DWP will need to test a broad range of approaches. The report argues that a much better understanding of the circumstances of those currently in low-paid work is needed.

- **Q. Do work coaches have the training and tools to support people in work effectively? AND**
- **Q. If not, what further training and tools do they need**

There are serious concerns about inadequate levels of staffing to deal with the delivery of UC. PCS, our affiliate union, continue to raise this issue and the impact that this has on staff and claimants. Their members report that they are under significant pressure, and PCS describe the DWP’s approach to staffing levels as 'reckless'.

DWP have notified PCS that they anticipate an increase in the pressure that Jobcentre-based work coaches will face. By their own figures, more than a million extra claimants will be added to the caseloads of UC work coaches over the next year. However, budgets are already overstretched.

The National Audit Office, reports by the end of UC rollout, work coach caseloads are expected to increase significantly - from 85 claimants per work coach to 373.¹⁴ If these are the expected numbers, the result can only be a declining number of meaningful interventions by work coaches in the most under pressure areas.

More detail is also needed on how the DWP is developing the full potential of employment support for in- work claimants via the use of work coaches.

PCS say DWP has not been forthright in discussing any evidence-based approach to the question of the training and tools needed to overcome barriers to in- work progression, either with staff or with the recognised Trade Unions.

¹³ <https://www.gov.uk/government/publications/universal-credit-in-work-progression-randomised-controlled-trial>

¹⁴ <https://www.nao.org.uk/report/rolling-out-universal-credit/>

Despite this, the anecdotal evidence shared with PCS by work coaches in Jobcentres suggests that they feel that, given the right tools, they could use their experience with the local labour market, or local training opportunities, to support claimants who are in-work. They are open to discussing directly with DWP their views of how the toolkit available to Jobcentre staff (which already varies widely according to the Jobcentre itself) could be adapted for this, while preserving the voluntary approach members have expressly called for.

In addition, the DWP's own qualitative analysis on training work coaches received, found –

- Responses ranged from no or limited training to receipt of national training from the IWP project team or Learning and Development staff. Some received training as part of broader UC training through half or full-day sessions. Where it was included as part of wider UC training, it was described as limited. Where no formal training was given, work coaches acquired knowledge from other sources, such as talking to and observing colleagues, written guidance and email updates.
- Work coach confidence in delivery of the trial again varied. Some had no requirements for further support and felt confident about delivering the trial, others, however, struggled at the beginning of the trial.
- Some work coaches also noted that there was a potential tension in pressing claimants to spend their time working more hours instead of using that time to pursue a career via training or voluntary work.¹⁵

In sum, we need to know more about work coach staffing, their training and how their relationship with the claimant is developing. As we have said the claimant should be receiving personalised support from the work coach to progress in-work, not be threatened with sanctions.

- **Q. What evidence is there for what works to help people progress in work? AND**
- **Q. What more could the Department do to help in-work claimants increase their earnings and progress in work?**

Access to learning and skills is key to supporting in-work progression. Evidence shows that investment in learning and skills development for work can bring considerable benefits, both to the individual and the business they are employed with.¹⁶ However, the problem is getting the necessary skills and development. The latest edition of the government's biennial survey of employer investment in training shows that many employees receive no training¹⁷. According to this survey, a third of UK employers admit that they have not trained any of their staff in the past year and nearly two-fifths (38%) of employees received

15 <https://www.gov.uk/government/publications/universal-credit-in-work-progression-randomised-controlled-trial>

16 <https://www.voced.edu.au/content/ngv%3A76867>

17 Department for Education (2018) Employer Skills Survey 2017

no training in the last 12 months. Other research shows that employer investment in continuing vocational training per employee in the UK is half the EU average.¹⁸

The available evidence also shows that UC claimants will be less likely to benefit from training opportunities in the workplace because low-waged workers face the most barriers on this front. The result is a system where large numbers of low-skilled workers have little opportunity to build up their skills and escape low pay.

Earlier this year the Social Mobility Commission published new research showing that those most in need of training, especially low-waged workers, receive the least¹⁹. Some of the key findings were as follows:

- About 30% of those employed in managerial and professional occupations participated in training in the last 3 months compared to 18% in routine and manual jobs. This follows earlier research showing that half (49%) of adults from the lowest socio-economic group receive no training at all after leaving school.
- In contrast, high-skilled workers tend to benefit from 'a virtuous circle' of frequent in-work training and pay increases. Professional or managerial workers are twice as likely to be sent on courses as other workers, while graduates are 3 times as likely to access training as those with no qualifications.
- The Commission concludes that 1 in 4 of the UK's low-paid workers will never escape low pay – a problem due largely to low skill levels. Yet the UK lags behind other countries in giving adults a second chance to learn new skills and achieve their potential. The UK spends just two-thirds of the European average on adult training, and investment is in decline.

Recent research by the Institute for Fiscal Studies, also shows public investment in adult skills has weakened over time.²⁰ Two of the key findings from this study are that:

- FE "has been a big loser from education spending changes over the last 25 years" and "spending and numbers in 19+ further education have both fallen significantly over time." For example, the total number of adult FE learners fell from 4 million in 2005 to 2.2 million by 2016.
- The IFS estimate that total funding for adult education and apprenticeships fell by 45% in real terms between 2009–10 and 2017–18.

The combination of the adult skills funding cuts and the introduction of tuition fees in the college sector in recent years has hit adult learning participation rates. There is an urgent need to boost funding for colleges and the adult skills system.

18 <https://www.ippr.org/blog/a-plan-for-britain-the-role-of-a-smart-skills-system-in-a-modern-industrial-strategy>

19 Social Mobility Commission (2019) The Adult Skills Gap: is falling investment in UK adults stalling social mobility?

20 Institute for Fiscal Studies (2018) 2018 Annual Report on Education Spending in England

Employers also need to be more actively engaged with the in-work progression agenda, and they will need to be incentivised by tax reliefs and subsidies for employer training on the least skilled workers.

Inequalities in access to learning and training opportunities need to be urgently addressed.

The TUC has welcomed some policy interventions aimed at supporting more adults to access learning and skills. One is the National Retraining Scheme that is being developed by the government in partnership with the TUC and CBI. However, in order to address the extensive barriers to training and development facing British workers, the TUC is calling for an expanded National Retraining Scheme that would be linked to a number of associated developments, including:

- A new lifelong learning account open to all adults
- A right to a mid-life skills/career review
- Reform of the right to request time to train so that it is changed to a new strengthened entitlement to paid time off for education and training

Trade unions also play a vital role in supporting adults to take up learning and training, especially through the role played by union learning representatives. Government funding for unionlearn and the Union Learning Fund (ULF) has enabled the TUC and unions to expand their support for workers facing barriers to learning and training. Independent evaluations of union learning have highlighted that the impact is particularly powerful in relation to disadvantaged groups. For example:

- Over two-thirds (68%) of learners with no previous qualification that engaged with ULF training or learning attained a qualification as a result; and
- Seven out of ten learners say that they would not have taken part in the learning or training without union support. The effect was even greater in engaging those without any qualifications, with 79% of this group saying that they would not have taken part without union support

The OECD has also acknowledged the effectiveness of union learning in supporting access to learning and skills by disadvantaged groups. A recent report concluded: "Unionlearn ... assists its members in the delivery of learning opportunities and the management of the Union Learning Fund [and] this initiative has been particularly successful in recruiting low-skilled workers into training courses."²¹

In our response to this consultation, we focus on the importance of investment in training and development as the TUC believes in-work progression is about genuine development and not wielding the stick of conditionality and sanctions. Unions need to be a key stakeholder in designing in-work progression. We would welcome the opportunity to discuss this with the committee.

21 OECD (2018) Good Jobs for All in a Changing World of Work