

Staying In, Moving Up: Employment Retention and Progression in London

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ISSUES

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Contents

Executive Summary	4
1. Introduction	10
2. Measuring employment retention and progression	17
3. Patterns of employment retention and progression in London	24
3.1 Employment in London	26
3.2 Employment retention in London	35
3.3 Employment progression in London	48
4. Review of employment retention and progression programmes	66
5. Bibliography	82
Annex A: Employment retention and progression framework	84
Annex B: Index of employment retention and progression	86
Annex C: Best practice policy case studies	88

Executive summary

In the UK there are 4.8m working age people¹ in workless households and more strikingly there are 1.9m children² in households where no-one works.

The current UK Government is committed to improving this situation by promoting employment opportunity for all. Similarly, the opposition party have recently outlined their ideas on tackling the growing levels of worklessness in 'Get Britain Working'.

There is an emerging consensus on the importance of work as the main route out of poverty for all groups within society. Individuals who work are better off financially as well as being better off in terms of their health, well-being and their self-esteem³.

The Government has used policies like the National Minimum Wage, Tax Credits, and the New Deal programmes to increase employment and 'make work pay'. However, although the UK has relatively high employment rates compared to other developed nations, many people still have difficulty gaining long-term work that enables them to have an income that lifts them out of poverty.

Previous research has identified that of the 2.4 million new Jobseeker's Allowance claims made each year around 70 per cent are repeat claims⁴. Furthermore in the UK six in ten poor households have somebody in work and over half of children living in poverty now live in a working household.

To meet these challenges and to deliver the 80 per cent employment aspiration the objectives of employment and welfare policy have evolved from a 'work first' approach to a 'work first plus' approach, enabling individuals to retain, and progress in employment. The Government is increasingly recognising the importance of job quality, alongside job entry, and has set out 'not just jobs, but jobs that pay and offer retention and progression'⁵ as one of its five principles of welfare reform.

One considerable barrier to improving the retention and progression of people in employment is the employment and skills system itself. In 2006, the Leitch Review found that the skills and employment systems which should work in tandem to improve people's life chances were disjointed and that 'out of work' support was not joined up with 'in work' support.

The Government has committed to the integration of employment and skills (IES) to join up the system to improve efficiency and ensure integrated delivery of services. A series of IES trials were rolled out across the UK in 2008/09 to test different working structures and delivery systems to help people retain employment and ultimately progress within the workplace. There are two IES Trials underway in London to tackle these issues. One is focussed on those out of work and explicitly on integrating the existing employment and skills offer to jobseekers. The other is focussed on improving in-work retention and progression.

1. ONS, April – June 2009

2. ONS, April – June 2009

3. Waddell, G. and Burton, A. Kim, 2006. Is Work Good for Your Health and Well-being? TSO (The Stationary Office).

4. Ashworth and Liu, 2001

5. Department for Universities, Innovation and Skills [DIUS] and Department for Work and Pensions [DWP] 2007: 8.

This research report has the potential to impact on the employment and skills system not just in London, but at a regional and national level. Findings will support the London IES Trials and will ensure policy makers can help people through the challenging economic climate.

Measuring employment retention and progression

The measurement of employment retention and progression through accessible secondary sources of data is not something that has been tackled previously. This research, for the first time in the UK, develops a robust indicator framework that enables the analysis of patterns of retention and progression to identify priority groups within London who would benefit from in-work support.

We define employment retention as being 'staying steadily employed in any job for a minimum period of at least 12 months'. The key feature in measuring employment retention is the notion of a sustainable time period; in this case we propose a threshold of 12 months. This is a longer term measure of employment retention than the current DWP 13 week measure of sustainable employment or the 26 weeks measure used in the Government's flagship flexible New Deal programme. In terms of the measurement of employment progression, we define this as an individual progressing into a 'better job', and when we say a better job we are essentially referring to jobs with: higher pay, although this may be accompanied by better benefits and conditions of service; regular hours; and increased responsibility and advancement in job role.

The challenges for London

Despite strong employment growth up until the recent economic downturn, since 1992 London's employment rate has consistently lagged behind the national rate. In spring 2009, the employment rate for London was 68.9 per cent which was 3.8 percentage points behind the national rate.

Certain groups within London face particular challenges in securing and retaining employment. Amongst those that have the lowest employment rates in London are:

- Lone parents (43.1 per cent)
- People with a disability (45.0 per cent)
- People aged 16-24 (46.1 per cent)
- People of Pakistani/Bangladeshi ethnicity (47.1 per cent)

Importantly, although these are target groups for increasing employment nationally, the London rates are considerably lower than the national averages.

The lower employment rate in London can be largely explained by the higher concentrations of these groups in the London population and the higher competition for jobs in London that further disadvantage these groups. It should however, be noted that it is too simplistic to explain lower levels of employment by one characteristic alone and that people often face multiple barriers to finding and retaining work.

Key to understanding employment retention and progression is the cycle of individuals between out of work benefits and employment. Previous research has pointed to strong evidence of a ‘low pay, no pay’⁶ cycle affecting significant numbers of employees in Britain. Our analysis shows that the retention of employment for benefit claimants is a serious issue within London, and across the UK:

- One in two out of work benefit claimants return to benefits within six months of leaving. The percentage of people returning to benefits within six months has been increasing since May 2002
 - JSA claimants make up 80 per cent of those people on out of work benefits and further analysis shows that 55 per cent of JSA claimants in London return to a benefit within six months of leaving
 - Lone parents face particular challenges in sustaining employment with four in ten lone parents placed into work through the New Deal programme returning to JSA within 13 weeks
- While these findings for London are in line with the national data it presents a major challenge to policy makers in attempting to reduce the increasing number of individuals who cycle between out of work benefits and employment⁷. Further research will be essential to fully understand which groups are more likely to make repeat benefit claims, the reasons why they are making repeat claims and to explore the issues they face in sustaining employment.

The evidence on long-term employment retention in London shows that people working in lower level occupations and those employed in the hotel and restaurant sector and the wholesale and retail sector are more likely to have lower rates of employment retention.

- A quarter of London residents in routine occupations and 22 per cent of those in semi-routine occupations have been continuously employed for less than 12 months
- Twenty six per cent of those London residents working in the hotel and restaurant sector and 23 per cent of those working in wholesale retail and the motor trade sector have been continuously employed for less than 12 months.

Therefore these findings suggest that employment retention is much lower in those ‘entry’ level occupations and those ‘low paid’ sectors that often require a more flexible and part-time workforce. By contrast the public administration sector and managerial and professional occupations have by far the highest levels of employment retention.

While the retention of employment is an important policy goal, evidence of low pay and the existence of poverty highlight the need to progress individuals in employment. The concept of employment progression, alongside supporting sustainable employment, is focussed on providing as many people as possible with the opportunity to progress into more secure employment and ‘better paid jobs’.

In London there are a significant group of people who are in low paid employment and would benefit from progressing into high paid jobs to experience improvements in their quality of life.

6. ‘Low pay in Britain’ by Mark Stewart, in *The State of Working Britain*.

7. While an individual may be making a repeat claim for benefits as a direct result of no longer being in employment, it should be noted that the benefits system also counts individuals who have missed an appointment(s) due to a holiday or illness as ‘returning to benefits’ and therefore contributing to this high figure.

Our analysis of progression indicators shows that:

- There are around 436,000 people resident in London who are low paid, earning less than £7.45 per hour
- The low paid in London are more likely to be female, in lower level occupations (SOC7-9) and have no qualifications
- Low paid employment is concentrated in certain sectors:
 - (i) Over half of all low paid jobs in London are in three sectors - accommodation and food service sector, the administrative and support service sector and the wholesale and retail; motor vehicles repair sector
 - (ii) Fifty nine per cent of all jobs in the accommodation and food service sector pay less than £7.45

Much of the policy debate around employment progression refers to a lack of opportunity for progression for certain individuals, particularly at the low wage end of the employment spectrum. There is evidence in London of individuals becoming 'stuck' in low paid employment. Our analysis shows that one in ten people (42,000 individuals) who have been employed with the same employer for ten years or more are currently paid less than £7.45. Those people who have experienced long-term labour market retention and limited progression in earnings are more likely to be female, have some form of disability, work part-time, be in lower level occupations and be employed in the wholesale and retail sector.

There has also been a growth in earnings inequality within London evidenced by a lack of progression for the lowest earners. Median hourly earnings for the lowest earners have progressed at a slower rate than for the highest earners between 2002 and 2008. Furthermore, it is the case that over half of low paid workers in London had experienced no significant improvement in their income between 2006 and 2008. Intervening in the market to work with individuals and employers to progress people out of low pay is a critical policy goal. Our analysis shows that challenges exist in achieving this.

What works in implementing employment retention and progression policy?

For policy makers, responding to these challenges of supporting employment retention and progressing individuals is a complex and difficult issue. Evidence of 'what works' in employment retention and progression policy offers a range of approaches and key lessons that policy makers need to consider.

An individual's employment retention and progression depends on the individual 'being in the right job, with appropriate hours, skills and location'⁸. This job match is seen to be essential to ensure the individual retains employment which suits their needs. In addition, the ability of an individual to progress within their current employment is strongly affected by the opportunities presented to them in the current labour market⁹. The business models and attitudes of employers are important factors to consider when designing effective policy interventions.

8. Pamela Meadows, *Local Initiatives to Help Workless People Find and Keep Paid Work: Solutions, Lessons for Policy and Practice* (York, 2008), p. 1.

9. Karen Kellard, *Staying in work: Thinking about a new Policy Agenda* (Norwich, 2001), p. 17.

Two overall approaches have been identified which are used to support the retention and progression of individuals in work, these are:

- Interventions focused on directly supporting the individual
- Strategies to improve retention and progression for individuals by working directly with the employer to mutual benefit

Interventions focused on the individual are seen to be more effective when a holistic approach is taken. Individuals often need a range of services to overcome the barriers and problems they may face in retaining employment. Due to these differing needs, programmes need to be flexible: in how individuals are engaged, what services are offered to them and how individuals are supported once on the programme, and thereafter.

The three most important services to include in retention and progression programmes are:

- Re-employment services
- Case management
- Financial support

Whilst initial job match is important the most successful programmes have used re-employment methods to overcome the problem of individuals being in the wrong type of employment for them. These services can be used to assist employed individuals to move into new employment that offers improved progression opportunities and better matches the individual's needs. Financial support is seen to be a successful aspect of a number of retention and progression programmes and can take a variety of forms such as earning supplements or emergency financial support. Alongside these services the use of case management is an important tool in assessing individual's needs and providing them with tailored support alongside more tangible interventions.

Of the employer focussed interventions career ladders can have a positive effect on retention rates in organisations as well as providing individuals with a specific career path they can follow. Essential to the success of a career ladder or sector training approach is the buy in and investment from a group of employers both in terms of their commitment to develop the 'ladder' and then to implement it within their own organisations thereafter.

Our research recommends that retention and progression policy in London should focus on those individuals:

- Who cycle between benefits and employment; in particular lone parents
- Working within the hotel and restaurants and retail sectors who are in low paid employment that offers little opportunity for progression

Tackling issues related to employment retention and progression is a difficult and complex issue. There are various complexities involved in retaining and progressing an individual in employment and a range of factors which can affect how successful retention and progression policies are. However, employment retention and progression policy in the UK is in an embryonic stage and the evidence contained in this report should provide the tools and the evidence to support policy makers to develop successful retention and progression policies for the future.

1. Introduction

The purpose of this research report is to build a robust evidence base on patterns of employment retention and progression in London and to examine national and international evidence of how public policy in general, and IES Trials in particular, can improve employment retention and progression.

Why employment retention and progression is important

In the UK there are 4.8m¹⁰ people of working age in workless households and more strikingly there are 1.9m¹¹ children in households where no-one works. The UK Government is committed to improving this situation through promoting employment opportunity for all. In order to deliver against this objective the Government has set a challenging long term aspiration to achieve full employment, which it defines as an overall employment rate of 80 per cent. The Government believes that work provides the best form of security and independence for individuals and that being in work opens up the chance to progress, to develop and to participate fully in society.

To support the aspiration of full employment and opportunity for all people need better skills and qualifications to compete in the labour market. The Government has the ambition for the UK to have world class skills and has set challenging targets to be achieved by 2020 for: 95 per cent of adults to achieve functional literacy and numeracy skills (the levels needed to get by in life and at work) and 90 per cent to achieve a first full Level 2 qualification (equivalent to 5 GCSEs at grades A*-C) which is seen as the basic platform for sustainable employment and progression¹².

The progress towards and achievement of full employment plays a vital role in the Government drive to eradicate child poverty by 2020. As the Prime Minister said in June 2007, "In the fourth richest country in the world it is simply wrong – wrong that any child should grow up in poverty."¹³ But, 4 million children - one in three do live in poverty in the UK, in London one in four children live in poverty¹⁴. Increasing levels of employment is intrinsically linked to tackling poverty and social exclusion in the UK. The Government sees being in work as the main route out of poverty for all groups within society because people who work are better off financially, better off in terms of their health, well-being and their self-esteem¹⁵.

10 ONS, April-June 2009

11 ONS, April-June 2009

12 HM Treasury 2007: PSA Delivery Agreement 2: Improve the skills of the population on the way to ensuring a world-class skills base by 2020.

13 DWP 2006: In work better off

14 <http://www.endchildpoverty.org.uk/london/>

15 Waddell, G. and Burton, A. Kim, 2006. Is Work Good for Your Health and Well-being? TSO (The Stationary Office).

The welfare reform green paper¹⁶ stressed the importance of work as a route out of poverty. In cities (including London) in particular it stressed the need to:

- “Deliver a significant improvement in employment rates among those of working age, with a particular focus on the most disadvantaged, especially benefits claimants, lone parents, older people and people from minority ethnic groups
- Ensure that individuals within these client groups are better able to both find and remain in work
- Improve the skills of individuals within these client groups to enable them to progress once they are in work.”¹⁷

The Government has used policies like the National Minimum Wage, tax credits, and the New Deals to increase employment and ‘make work pay’. These policies have been the central planks of its strategy to deliver on two of its core goals: an 80 per cent employment rate, and the eradication of child poverty by 2020. However while the UK has relatively high employment rates, compared to other developed nations, and improvements have been made in employment rates for disadvantaged groups, many people still have difficulty sustaining employment and earning enough to lift their income above the poverty threshold.

Of the 2.4 million new Jobseeker’s Allowance claims made each year around 70 per cent are repeat claims. Research findings have consistently indicated that about half of people leaving unemployment, return within a year¹⁸, with a significant proportion of these returning to unemployment with three to six months¹⁹.

There are a number of factors that affect the likelihood and ability of an individual to retain employment and progress in work. These range from the characteristics, personal circumstances and capability of the individual to the nature and characteristics of the sector in which they are employed. Previous research has highlighted that:

- Rates of worklessness tend to be higher among lone parents, young people, black or minority ethnic individuals and those with low skills.
- Retention rates can be affected by gender. Men are more likely to return to JSA within three months of entering a job than women²⁰.
- Women often have shorter lengths of continuous employment compared to men; due to family circumstances, such as the birth of a child²¹.
- Many of those returning to work after having a child take part-time work; this can offer fewer opportunities for the individual to progress in the organisation they are in²².
- The notion of ‘benefit cycling’ is not new, data from the 1980s and 1990s showed that around 50 per cent of claimants had one spell of unemployment, around 20 per cent had two spells, and around 30 per cent had three or more spells of unemployment.

16 DWP 2006: In work better off.

17 DWP 2006a para 42

18 Teasdale, 1998

19 Ashworth and Liu, 2001; Trickey et al. 1998; Sweeney, 1996

20 Anthony Johnson, Job Retention and Advancement in Employment: Review of Research Evidence (Norwich, 2002), p. 8.

21 Kellard et al, Staying in Work, p. 17.

22 Kellard et al, Staying in Work, p. 17.

The current direction of welfare reform policy recognizes that helping people move into work is a key challenge and that paid work is the most common route out of poverty. But being in work does not always lead to a movement out of poverty. In the UK six in ten poor households have somebody in work and over half of poor children now live in a working household. Five million employees, a fifth of the UK workforce are 'low paid', earning less than 60 per cent of average earnings.

Work is not always a route out of poverty because some jobs are low paid. For many people, low pay is not a transient experience: low-paid workers tend to remain low paid and low-paid jobs often do not act as stepping-stones to better-paid ones. Previous research has pointed to the existence of a 'low pay, no pay' cycle in which periods of low pay are interspersed with periods of unemployment. Frequent moves between work and unemployment can be detrimental to individuals, and to society as a whole. Repeated spells of unemployment have 'scarring effects' on an individual's future employment prospects (see for example, Gregg, 1999), as labour market attachment may be eroded, skills become out of date.

To meet these challenges the objectives of employment and welfare policy have evolved from purely helping people move into employment to helping them to retain, and progress in, employment. The Government is increasingly recognising the importance of job quality, alongside job entry, and has set out 'not just jobs, but jobs that pay and offer retention and progression' as one of its five principles of welfare reform²³. Much of the UK's current policy approach remains focused on supply-side interventions, primarily, increasing the supply of skilled labour and subsidising low wages. However initiatives such as the Department for Work and Pensions led Employment Retention and Advancement Scheme (ERA) have attempted to trial retention and progression policy. Internationally much more policy development in this area has been led by the United States through their Employment Retention and Advancement (ERA) projects.

The term advancement (progression) first appeared in skills policy documents at the time John Denham became Secretary of State for Innovation, Universities and Skills in June 2007. The emergence of advancement and progression of individuals in employment can be traced back to Denham's 2004 speech to the Fabian Society, 'Making Work Work'.

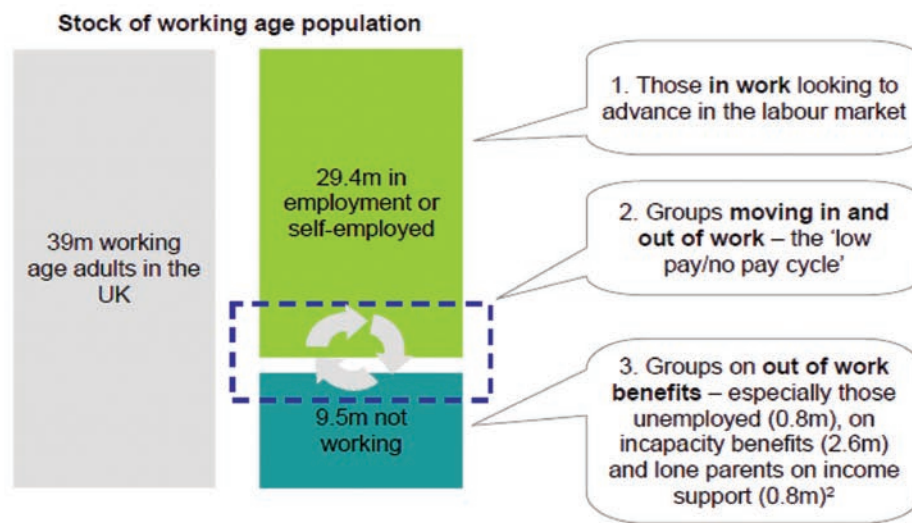
In this speech Denham was referring to how people 'get on' in society. At the heart of Denham's argument was the recognition that although there were plenty of jobs in the booming 2004 economy this was not the same as saying there were plenty of opportunities because the market is notoriously 'imperfect'.

Figure 1 reproduced from the Government's Life Chances report²⁴ highlights these imperfections and illustrates the challenges faced in moving to an 80 per cent employment rate.

²³ Department for Universities, Innovation and Skills (DIUS) and Department for Work and Pensions (DWP) 2007: 8.

²⁴ DWP, DIUS and Cabinet Office (2008) Life Chances: Supporting people to get on in the labour market

Figure 1: Labour market opportunities for three main groups



There is a need to create a more socially mobile society in the UK to allow people to progress up through the labour market. This challenge has recently been recognised by the UK Government through the establishment of the Panel on Fair Access to the Professions and the publishing in 2009 of their 'Unleashing Aspiration' report. This report argues that access to professional jobs has become increasingly the preserve of those people with a university degree²⁵ and that the top professions are increasingly restricted to those with a family tradition of university attendance and high levels of affluence. Therefore there are fewer opportunities for people to work their way up from the bottom to the top of the professional career ladder – this has serious consequences for social mobility.

One considerable barrier to improving the retention and progression of people in employment is the employment and skills system itself. In 2006, the Leitch Review of Skills found that the skills and employment systems which should work in tandem to improve people's life chances were disjointed and that 'out of work support was not joined up with in work support. The Leitch Review, identified a number of factors that limit the integration of employment and skills delivery by key agencies and how this means that public investment is less effective than it might be at promoting sustained employment and progression.

²⁵ (2009) Unleashing Aspiration: The Final Report of the Panel on Fair Access to the Professions

The Leitch Review Final Report states in paragraph 7.11 that:

“The Review has found that disjoints between skills and employment services mean they cannot give people the full support they need to overcome these problems. The skills system is largely separate from the employment system and both work to different goals: entry into jobs for the employment system and full qualification attainment for the skills system. This means they do not work together as effectively as they could, with policies not complementary and delivery fragmented. As a result, people get a disjointed service: skills improvements are not effectively used to help people who need them to find work or progress, skills policy is not focused enough on improving employability and support is not joined up across the transition to work.”²⁶

The Government has committed to integration of employment and skills (IES) to join up the employment and skills system to improve efficiency and ensure integrated delivery with the aim of supporting low skilled and unemployed adults to improve their skills, find work and progress in their careers.

IES Trials were rolled out across the UK in 2008/09 to test different working structures and delivery systems to help people retain employment and ultimately progress within the workplace. London has among the lowest employment rates in the country and poor employment retention and progression in work are key factors behind this. There are two IES Trials underway in London to tackle these issues. One is focused on those out of work and explicitly on integrating the existing skills and employment offer to jobseekers. The other is focused on improving in work retention and progression.

This research report has the potential to impact on the employment and skills system not just in London, but at a regional and national level. Findings will support the London IES Trial and will ensure policy makers can help people through the challenging economic climate.

Tackling issues related to employment retention and progression is a difficult and complex issue. There are various complexities involved in retaining and progressing an individual in employment and a range of different factors which can affect how successful retention and progression policies are. However, employment retention and progression policy in the UK is at an embryonic stage and policy development in this area will be particularly innovative in nature.

²⁶ HM Treasury (2006) Prosperity for all in the global economy – world class skills

Aim of the report

The aim of this report is to build a robust, quantitative evidence base on patterns of employment retention and progression in London, focusing on the seven boroughs covered by the IES Trials. No previous framework of indicators exists to measure employment retention and progression at a national, regional or local level.

We have developed a robust indicator framework for employment retention and progression that allows analysis of patterns of employment retention and progression to identify priority groups within London who would benefit from in-work support.

The research has also drawn together key examples from the UK and internationally of how public policy can improve retention and progression.

Scope of the report

This report provides an analysis of employment retention and progression across London. In particular it focuses on the seven central London boroughs of Camden, Islington, Lambeth, Southwark, Wandsworth, Kensington and Chelsea and Westminster. To set the London data in context a comparison with the national picture (using UK data excluding London) is included wherever possible.

The research comprises three key stages: indicator framework development; analysis of current patterns of employment retention and progression; and a desk-based review of policy interventions related to employment retention and progression. Implementing the indicator framework will provide an analysis of the current state of employment and levels of employment retention and progression in London. The results have culminated in a policy framework for employment retention and progression and this report detailing findings and recommendations.

Our basic analysis is statistical and utilises official statistics which are of high quality, wide-ranging and readily available. Our analysis is of data from the following major national datasets:

- The Annual Population Survey (APS)
- The Labour Force Survey (LFS)
- The Annual Survey of Hours and Earnings (ASHE)
- The Department for Work and Pensions administrative data

Next the report explores the extent to which past policy interventions focused on retention and progression have been successful and outlines the key learning from this. Finally, the report offers practical and deliverable recommendations for interventions that could improve the retention and progression of London residents.

It should be noted that this report was commissioned and is published at a time of economic recession and rapidly increasing unemployment. While we are confident we have produced meaningful results, through the application of robust analytical techniques and ensuring wherever possible we have used the latest data available, the results must be considered in the context of the current economic climate. More recent data releases will give more detail on the effect of an economic recession on employment retention and progression across London and the rest of the UK.

Structure of the report

First the report considers the measurement of employment retention and progression and proposes a retention and progression indicator framework.

The report then, using the indicator framework, analyses patterns of employment retention and progression across London and identifies target groups and sectors for intervention.

Next the report explores the extent to which past policy interventions focused on retention and progression have been successful and outlines the key learning from this. Finally, the report offers practical and deliverable recommendations for interventions that could improve the retention and progression of London residents.

2. Measuring employment retention and progression

The measurement of employment retention and progression is not something that has been tackled previously. As such, this report sets out for the first time in the UK, an indicator framework for policy makers to use to understand retention and progression across geographies, socio-economic groups and within the economy.

Defining employment retention and progression

The first stage in developing a robust set of indicators²⁷ was to define what we are measuring and the dimensions that underpin the concepts of retention and progression.

This was important as we established there is not one agreed way of defining employment retention and progression and a range of definitions exist. For example employment retention can mean different things to different organisations with varying lengths of time used to measure if 'employment is retained'. Furthermore employment retention has a different meaning from an employer's perspective when compared to that of an individual.

The choice of indicators depends solely on how the concepts are defined. Through an extensive review of policy documents and wider academic literature related to employment retention and progression we have established the following definitions:

Employment

CFE definition: Employment

For the purposes of this research CFE has defined employment as:

"People aged 16 and over who did paid work (as an employee or self-employed) or those who had a job that they were temporarily away from"

²⁷ CFE have followed the DeVaus process when developing indicators for more information see; David DeVaus, Research Design in Social Research (London, 2004)

Employment retention

The concept of employment retention has been interpreted in a variety of ways in the research and policy literature. One of the key features of employment retention is that it should explicitly state a time frame. Definitions of employment retention, encompassing the ideas of job stability and job retention are:

- Karen Kellard, a key academic in the field of employment retention and progression defines job retention as ‘Employees who remain in their job when their own circumstances change... or when the job itself changes.’²⁸
- Campbell (2002) defines employment retention as ‘Not keeping a particular job but staying steadily employed in any job.’²⁹
- The number of people who remain in post for over a year.³⁰ The actual length of time qualifying an individual to having retained employment varies from between 13 weeks to 1 year³¹. However, secure employment (a key determinant of job retention) has been defined as the achievement of long-term labour market retention (at least 12 months).³²

CFE definition: Employment retention

Through reviewing existing literature and our experience in the employment and skills arena, CFE has defined employment retention as: “Staying steadily employed in any job for a minimum period of at least 12 months”

Employment progression

Employment progression is the concept of increasing employment mobility whereby an individual can move throughout the labour market.

Previous research in how to achieve workforce progression defined this as the achievement of better jobs, defined as those with higher pay, employer-provided benefits, regular hours, and/or full-time status.³³ Similarly, Strawn & Martinson (2001) define employment progression, or advancement, as ‘better jobs, i.e. jobs with higher pay, better benefits and conditions of service, regular hours, and/or, full-time status.’³⁴ Within the UK and US job mobility (moving to a new employer) is the most common way to achieve career progression. Career advancement itself can be split into promotions within an organisation and career advancement through changing jobs.³⁵

28 Karen Kellard, *Staying in Work: Thinking About a New Policy Agenda*, (2001, Loughborough), p.9.

29 Nancye Campbell, *Job Retention and Advancement in Welfare Reform* (Washington DC, 2002)

30 Claire Macauley, *Job mobility and job tenure in the UK*, Labour Market Division, Office for National Statistics (London, 2003)

31 House of Commons Committee of Public Accounts, *Sustainable employment: supporting people to stay in work and advance* Thirteenth Report of Session 2007–08 (London, 2008)

32 David Fischer, *The Road to Good employment Retention*, The Annie E. Casey Foundation (Maryland: 2005)

33 Anthony Johnson, *Job Retention and Advancement in Employment: Review of Research Evidence* (Norwich, 2000)

34 Julie Strawn: *Steady work and better jobs: how to help low-income parents sustain employment and advance in the workforce*” (New York, 2000)

35 Institute for Employment Studies, *Employer Perspectives on the Recruitment, Retention and Advancement of Low-pay, Low-status Employees* (Brighton, 2003)

Kellard et al (2001) reinforces this definition, stating that ‘Career advancement or development can occur through promotion to a more senior position, through gaining more experience in a job or by moving to a new employer...career advancement can be measured on a number of criteria including wage level, status, responsibility and perhaps, a higher probability of job retention’.³⁶

¹Kellard et al (2001) reinforces this definition, stating that ‘Career advancement or development can occur through promotion to a more senior position, through gaining more experience in a job or by moving to a new employer...career advancement can be measured on a number of criteria including wage level, status, responsibility and perhaps, a higher probability of job retention’.

Progression is typically measured through financial increases (salary and benefits) and/or employee status improvement (job status and job satisfaction). Other studies have created measures for advancement which included: managerial level, salary, number of subordinate staff, and total number of promotions.

CFE definition: Employment progression

Through reviewing existing literature and our experience in the employment and skills arena, CFE has defined employment progression as:“The recipient of a ‘better job’, i.e. jobs with higher pay, better benefits and conditions of service, regular hours and increased occupational responsibility”

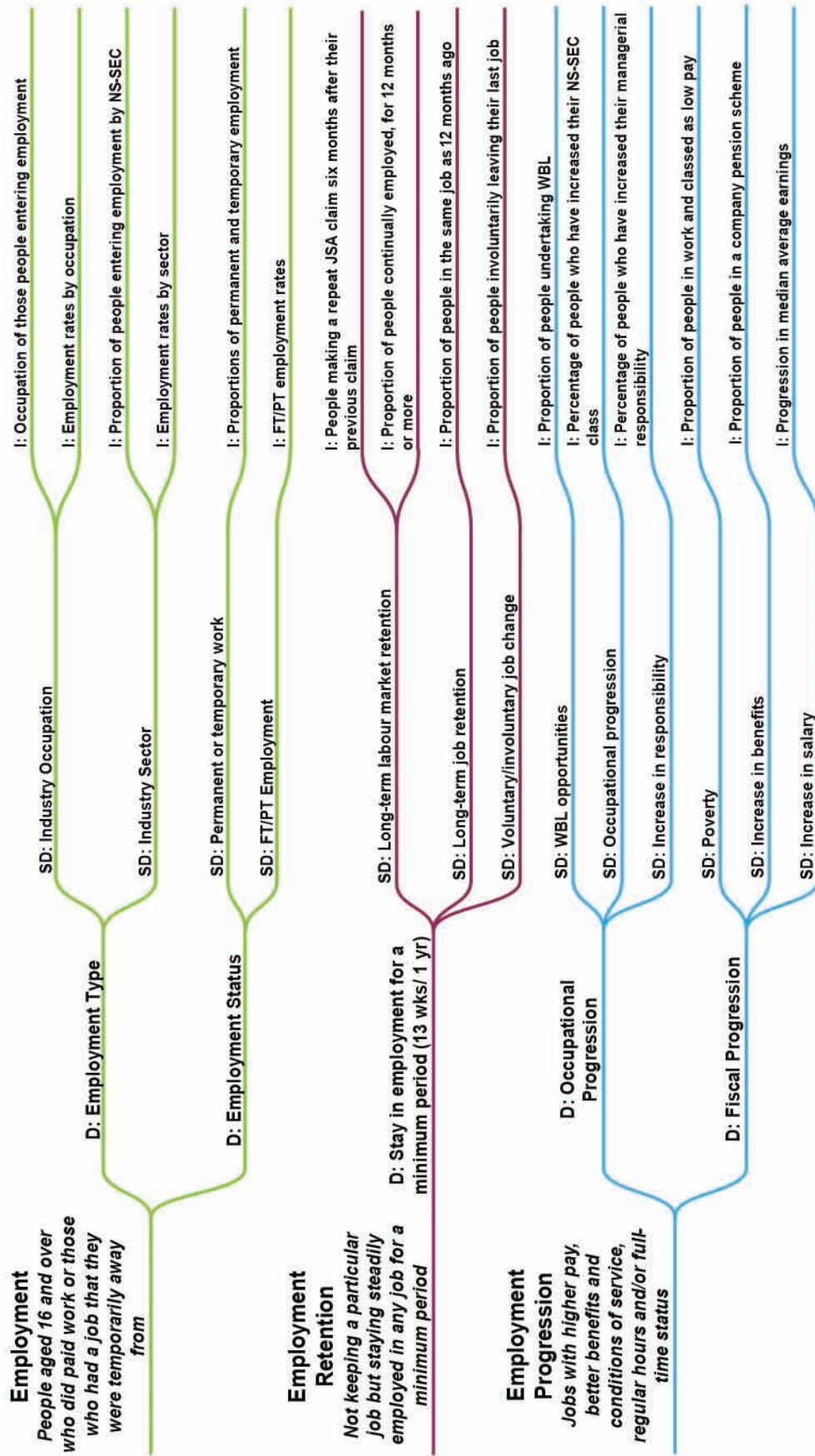
36 Karen Kellard, *Staying in Work: Thinking About a New Policy Agenda*, (2001, Loughborough)

Concepts and dimensions of employment retention and progression

In reviewing relevant literature it is clear the employment retention and progression is a complex subject, with various definitions and academic hypotheses applied to determine these concepts. To summarise and visualise this complexity we have developed a retention and progression mind map (Figure 2).

Figure 2 illustrates that through defining our concepts we developed a set of dimensions (D) and sub-dimensions (SD), which our indicators (I) of retention and progression seek to measure.

Figure 2: Employment retention and employment progression concept map



Indicator framework for measuring employment retention and progression

Building on our analysis of the definitions of employment retention and progression, Table 1 displays the indicator framework that has been developed to measure the patterns of employment retention and progression across London.

Each indicator has been selected to measure the concepts and the dimensions that define employment retention and progression. To ensure that changes in patterns of employment retention and progression over time can be evidenced each indicator has been devised from robust national surveys that enable replication of the analysis. Annex A contains the data for London and the UK for these indicators.

Table 1: Framework of employment retention and progression indicator

	Indicator	Source
Employment	E1.1: Overall employment rate	Labour Force Survey, ONS
	E1.2: Proportion of people in temporary employment	Annual Population Survey, ONS
	E1.3 Labour market flows: Proportion of people in employment in 1st quarter and unemployed in final quarter	Longitudinal Two Quarter Labour Force Survey, ONS
Retention	ER2.1 Proportion of people in any form of continued employment for 12 months or more	Annual Population Survey, ONS
	ER2.2: Proportion of people involuntarily leaving their last job	Annual Population Survey, ONS
	ER2.3: Proportion of people making a repeat out of work benefit claim within six months of their previous claim	DWP administrative data
	ER2.4: Proportion of unsustained job opportunities through the New Deal for Young People, 25 Plus and Lone Parents programme	DWP administrative data
Fiscal Progression	EP3.1: Proportion of residents classed as low paid (earning less than £7.50 gross hourly pay)	Annual Survey of Hours and Earnings, ONS
	EP3.2: Proportion of people who have been employed by the same employer for 10+ years and are low paid	Annual Population Survey, ONS
	EP3.3: Three year average annual percentage change in gross hourly pay for the bottom 10% of earners	Annual Survey of Hours and Earnings, ONS
	EP3.4: Proportion of low paid workers remaining in low pay over a two year period (2006-2008)	ASHE Panel dataset, ONS
Occupational Progression	EP3.5: Percentage of people who have increased their managerial responsibility	Longitudinal Two Quarter Labour Force Survey, ONS
	EP3.6: Percentage of people who have increased their NS SEC Class	Longitudinal Two Quarter Labour Force Survey, ONS
	EP3.7: Proportion of people undertaking work based training in previous four weeks	Annual Population Survey

3. Patterns of employment retention and progression in London

This section of the report analyses the indicators for measuring employment retention and progression across London. The chapter initially maps employment retention and progression across London through the analysis of a borough level index. The chapter then analyses in more detail the patterns of employment retention and progression across London and identifies target groups and sectors for intervention.

Index of employment retention and progression

Table 2 displays a London borough level analysis of employment retention and progression for the seven inner London boroughs in which the IES in-work trial will focus. Annex B contains a full breakdown of the index for all 32 London boroughs (the City of London is excluded because of the unreliability of resident level data in this borough).

The index is calculated by ranking each London borough for each indicator and by then calculating which quartile each falls in. The indicators used in the index are selected from the full indicator framework (Table 1) through an analysis of their robustness at a borough level.

The results in Table 2 show how each of the seven IES Trial boroughs rank against the 32 boroughs in London. Geographic priorities and patterns in employment retention and progression can then be highlighted.

Table 2: London borough index of employment retention and progression

London Borough	Employment		Employment retention		Employment progression		
	1	2	3	4	5	6	7
Camden	50-75%	Worst 25%	50-75%	50-75%	50-75%	50-75%	50-75%
Islington	50-75%	50-75%	Worst 25%	50-75%	50-75%	50-75%	50-75%
Kensington and Chelsea	Worst 25%	50-75%	50-75%	Worst 25%	50-75%	50-75%	50-75%
Lambeth	50-75%	50-75%	Worst 25%	Worst 25%	Worst 25%	50-75%	50-75%
Southwark	50-75%	50-75%	50-75%	50-75%	50-75%	50-75%	50-75%
Wandsworth	50-75%	50-75%	50-75%	50-75%	50-75%	50-75%	50-75%
Westminster	Worst 25%	50-75%	Worst 25%	Worst 25%	50-75%	50-75%	50-75%

Key

Worst 25%	Worst 25%
25-50%	25-50%
50-75%	50-75%
Top 25%	Top 25%

Indicators

1. Overall employment rate
2. Proportion of people in temporary employment
3. Proportion of people in any form of continued employment for 12 months or more
4. Proportion of people returning to out of work benefits within 6 months of leaving
5. 3 year average annual percentage change in gross hourly pay for the bottom 10% of earners
6. Proportion of residents classed as low paid
7. Proportion of people undertaking work based training in previous 4 weeks

The key points are:

- Westminster and Lambeth perform poorly on both employment retention indicators
- Kensington, Southwark and Westminster have the lowest employment rates
- Lambeth is the only London borough to be in the bottom quartile for any of the progression indicators
- Wandsworth does not rank in the bottom quartile on any of the retention and progression indicators.

3.1 Employment in London

Summary

Despite strong employment growth up until the recent economic downturn, London's employment rate has consistently lagged behind the national rate. The gap between London's employment rate and that of the UK closed to 1.9 percentage points in 1999 but since then it has increased again as employment rates in London fell and the national picture remained relatively static. In spring 2009 the employment rate for London was 68.9 per cent which was 3.8 percentage points behind the national rate.

Certain groups within London face particular challenges in securing and retaining employment. Amongst those that have the lowest employment rates in London are individuals who are aged 16-24, have a disability, are from BME groups or are a lone parent. Importantly, although these are already target groups nationally, employment rates for these groups in London are considerably lower than the national averages.

The lower employment rate in London can be largely explained by the higher concentrations of these groups in the London population and the higher competition for jobs in London that further disadvantages these groups. It should however, be recognised that it is too simplistic to explain lower levels of employment by one characteristic alone and that people often face multiple barriers to finding work.

Within the functioning of the labour market a series of micro level movements occur between the three main economic activity categories of employment, unemployment and inactivity which highlight the dynamic nature of London's labour market. Over a two quarter period between October 08 and March 09, 364,000 people moved between employment, unemployment and inactivity, with 125,000 of these people moving from employment to unemployment or inactivity.

The merits of temporary employment vary, on the one hand temporary employment provides a productive stepping stone on the path to more stable employment, both by increasing access to higher paid jobs and through individuals gaining useful employability skills. Conversely it can be argued that temporary employment can be characterised by low-wage workers who remain in low paid employment offering limited retention and opportunities for progression.

The evidence indicates that London has a higher level of temporary employment than the rest of the UK and that females and the young are more likely to fill this employment.

For these groups it can be the case that temporary employment offers a more flexible employment choice that matches with their lifestyles. It is the case that employers are more likely to have offered training to permanent employees than temporary staff.

Context

The following section analyses the level of employment in London, what micro level movements in the labour market take place and explores the nature of temporary employment.

Those people who are in employment are defined as 'people aged 16 and over who did paid work or those who had a job they were temporarily away from'. Employment rates are a key top level indicator of the health of a labour market. The main purpose of this section is to provide a contextual analysis of how levels of employment have changed over time and how this differs by target groups and geography.

The section also considers the micro level movements between employment, unemployment and inactivity that take place on quarterly basis within the economy: highlighting the dynamics that exist within a labour market and the scale of the transitions that individuals experience.

Finally this section analyses the nature of temporary employment in London. Temporary employment is classed as employment which is 'not permanent in some way'. It is important to recognise that temporary employment is a flexible employment option that many employers need to use, and therefore that the economy needs to function effectively. However it is the case that temporary employment, by definition, offers a higher probability that long term employment will not be sustained.

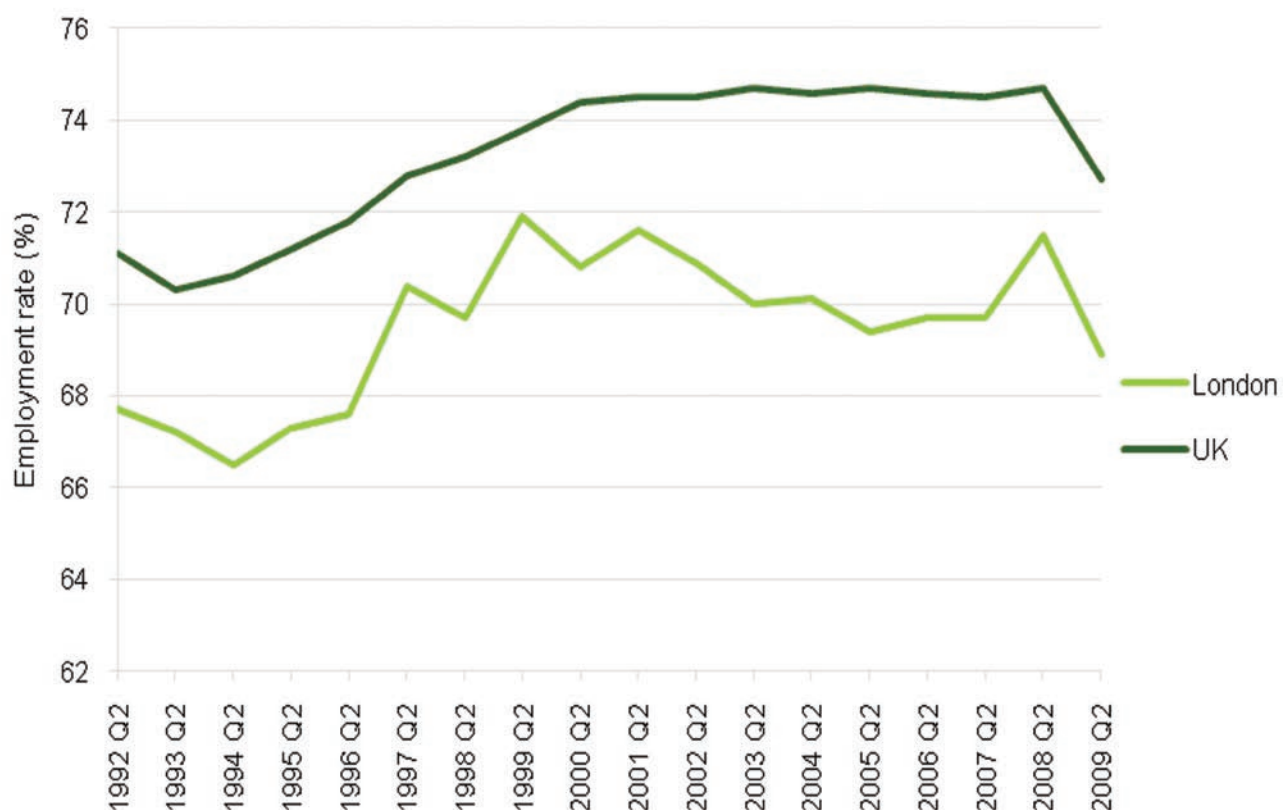
Employment rates in London

London's overall employment rate in Spring 2009 for those of working age (68.9%) is lower than the UK average (72.7%). In figures this translates to, 3.6m residents of working age in the capital were in employment and 1.61m were either unemployed or inactive.

Figure 3 analyses how employment rates in London and the UK have changed since 1992. Despite strong employment growth up until the recent economic downturn, since 1992 London's employment rate has consistently lagged behind the national rate and currently stands 3.8 percentage points lower than the employment rate nationally.

London's employment rates reached a peak of 71.9 per cent in 1999 and have fluctuated between 69 per cent and 71 per cent since then until the most recent data which shows a sharp decline in employment rates due to the impacts of the economic recession. Nationally employment rates steadily increased to 74.4 per cent in 2003 and then remained fairly constant around this rate until the two percentage point decline in the most recent data.

Figure 3: Changes in overall employment rate since 2004 in London and the UK



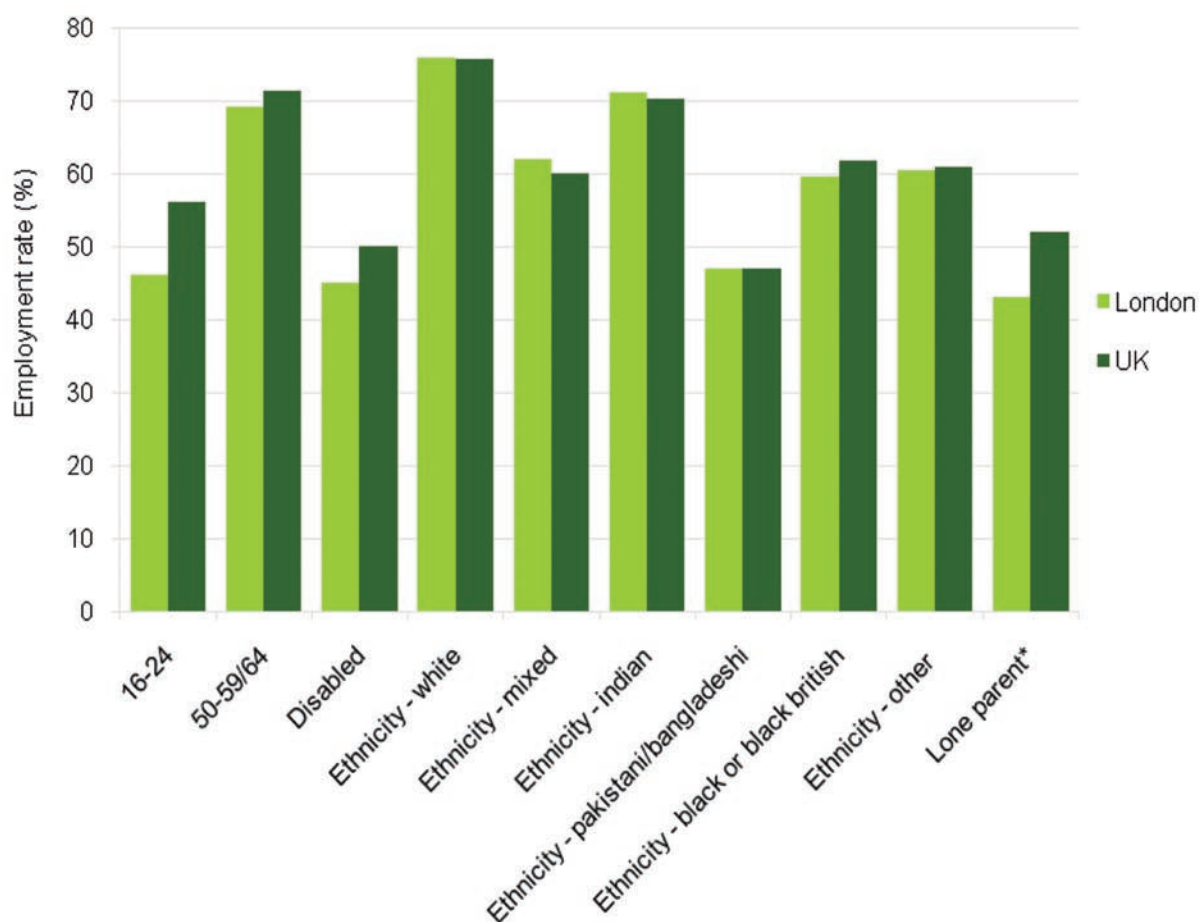
Source: ONS, Labour Force Survey, 1992 – 2009 Spring Quarters

Within the London central administrative area, overall employment rates³⁷ were highest in Wandsworth (78.1%) and lowest in Westminster (62.9%) and Kensington and Chelsea (66.4%). Wandsworth has by far the highest employment rate in the London central administrative area and was the only borough with an employment rate above the London average.

37 At the time of writing the most recent dataset available to examine employment rates at a borough level was the January - December 2008 Annual Population Survey, these rates vary from the previous Labour force survey data.

Figure 4 shows employment rates across particular groups known for facing lower employment within London and the rest of the UK. Among those who have lowest employment rates are people aged 16-24, people with a disability and lone parents.

Figure 4: Employment rates by selected group in London and the rest of the UK



Source: ONS, Annual Population Survey, January - December 2008. *data from the Labour Force Survey, December 2008

The key points are:

- The employment rate for 16-24 year olds (46.1%) in London is much lower than for those aged 50-retirement age (69.3%). Furthermore the employment rates for the young in London are much lower than the average for the UK (56.1%).
- The average employment rate for those London resident workers with a disability is 45 per cent; lower than the rest of the UK average.
- Employment rates within ethnic groups show that 75.9 per cent of people of white ethnicity are in employment. Those residents from ethnic minority groups have lower employment rates, with the lowest being for those of Pakistani/Bangladeshi ethnicity (47.1%).
- The employment rate for lone parents in London is 43.1 per cent which is considerably lower than the average for the rest of the UK (52%).

The evidence illustrates that employment rates are lower for individuals with certain characteristics. It should however be recognised that Figure 4 measures employment rates by a single characteristic and it is the case that any one individual could have more than one of these characteristics and face multiple barriers to finding work. For individuals who face several barriers to work the chances of finding employment are very low.

Furthermore it has not been possible within the scope of this research to analyse in-depth the complex situation that certain groups in society face in finding employment. It is too simplistic to explain lower employment rates by, for example, ethnicity alone, a range of other issues such as individuals' aspirations and levels of qualifications contribute to the challenge certain groups face in finding employment.

Previous research has analysed the multiplier effect of an individual facing multiple barriers to work. HM Treasury analysis suggests that being a lone parent is associated with a 14 percentage point reduction in employment chances compared to a single person with no children and Level 3 qualifications. Adding in that if a person was also disabled and had no qualifications the combination of these three factors would reduce employment chances by 63 percentage points³⁸. This multiplier effect of disadvantage can therefore make the risk of worklessness for some groups very high.

Micro-level labour market movements

The analysis of employment rates has shown that there have been fluctuations in the employment rate in London and the UK. However, underlying these macro level changes, there are a series of micro level movements between the three main economic activity categories of employment, unemployment and inactivity that highlight the dynamic nature of the labour market.

Table 3 displays the economic activity status of individuals in the first quarter and their status in the second quarter to highlight labour market transitions. This shows that the vast majority (92.6%) of residents in London were in the same economic activity category in the last quarter as they were in the first quarter. The UK average was slightly higher at 93.3 per cent.

³⁸ HM Treasury (2007). Employment opportunity for all: tackling worklessness in London

Table 3: Categories of labour market flows in London and the UK, October 08 – March 09

Change in status between first and second quarter	London		UK
	Weighted level	Flow	Flow
No change in status	4,737,727	92.6%	93.3%
Movement into employment	111,974	2.2%	1.9%
Movement out of employment	124,059	2.4%	2.6%
Movement between inactivity and unemployment	127,927	2.5%	1.9%
Reached retirement age by final qtr	14,524	0.3%	0.2%
Total	5,116,208	100%	100%

Source: ONS, Labour Force Survey Longitudinal linked two quarter dataset, October 08 – March 09

However the data does show that within London 7.1 per cent of residents experienced a labour market transition. This equates to around 364,000 people moving between employment, unemployment and inactivity between October 08 and March 09. In the UK there is slightly less movement in the labour market with 6.6 per cent of people experiencing a transition.

The three main movements residents of London experience are from inactivity to unemployment, employment to inactivity and employment to unemployment.

The data shows that 125,000 London residents moved out of employment and into unemployment or inactivity over the two quarter period, this is a considerable number and equates to 2.4 per cent of the working age population in London. The rest of the UK saw 2.6 per cent, or 867,000 people move from employment to unemployment or inactivity during the same period. In contrast 2.2 per cent of London's residents moved from unemployment or inactivity into employment over the 2 quarter period. This equates to 112,000 people.

In comparison Job Seekers Allowance (JSA) benefit flow data for residents of London released shows a slightly worse picture. For March 2009, 52,000 people flowed onto JSA with 39,000 people leaving JSA, meaning a net increase of 13,000 in the stocks of JSA claimants.

Levels of temporary employment in London

The merits of temporary employment have been discussed by various economists and often contradictory messages appear to its value. It can be argued on the one hand, temporary employment particularly gained through agencies provides a productive stepping stone on the path to more stable employment, both by increasing access to higher paid jobs and through individuals gaining useful employability skills.

Conversely it can be argued that temporary employment is characterised by workers who churn from low-wage job to low-wage job, offering limited retention and opportunities for progression.

It remains the case that temporary employment contracts are an essential part of the economy which can offer benefits to both employers and employees. Careful judgements should be made on the merits of temporary employment. When used effectively it is a positive feature of the labour market and can provide an important stepping stone for many people into sustained employment, however by definition, temporary employment offers a greater risk that employment will not be sustained.

The current proportion of people in temporary employment in London is 6 per cent amounting to 180,000 people. This is slightly higher than for the rest of the UK, where temporary employment stands at 5.2 per cent or 1,112,000 people. There has been little variation in temporary employment rates since 2004 in both London and the UK. The rates of temporary employment within the seven London central boroughs vary from 7.6 per cent in Camden to 4.7 per cent in Wandsworth.

Interestingly, women (57.9%) make up more of London's temporary employment workforce than men (42.1%). This is different to the national picture where in the rest of the UK the temporary workforce is approximately split 50/50.

Young people are more likely to be in temporary employment with nearly a third (32.2%) aged 16-24 years old and only 11.1 per cent aged 50+. This difference by age is what would be expected, as temporary employment offers a more flexible employment choice that matches with many young people's lifestyle choices. Nationally, whilst temporary employment for 16-24 year olds (33.9%) mirrors that of London, the 50+ age group is higher at nearly a fifth (19.4%).

In terms of the profile of temporary work, in London 44.7 per cent of those who were in temporary employment were on a fixed term contract, 19 per cent were working for a temping agency and a further 18.5 per cent were undertaking casual work. In the rest of the UK the highest percentage was also those on a fixed term contract (43.2%) followed by 19.1 per cent doing casual work and 16.9 per cent working for a temping agency.

It is also the case that temporary employment is more pronounced in lower managerial and professional occupations, with this group making up 21 per cent of temporary workers in London. Those in routine occupations have the lowest proportion (9.6%). The national picture also shows that the greatest proportions of temporary workers are in the lower managerial and professional occupations (22%). Those in lower supervisory and technical occupations have the lowest proportion (5%) in temporary employment.

The education sector has the highest proportion (16.8%) of workers in temporary employment in London. This is closely followed by real estate, renting and business activities (16.3%) and health and social work (13.8%).

Interestingly looking at the reasons people take temporary work, if we exclude ‘some other reason’ (at 36.6%) the majority of people took temporary employment because they either did not want a permanent job (27%) or could not find a permanent job (25%). These findings were mirrored by the rest of the UK with figures standing at 26.9 per cent and 26 per cent respectively.

When temporary employment is used properly it can provide an individual with employability skills that can assist them in sustaining further employment and progressing in the labour market. Evidence on access to work-based training shows that a higher proportion of people in temporary employment had received training in the last four weeks compared to those in permanent employment. With 19.6 per cent of people in temporary employment having received job-related training in the last four weeks compared to 14.5 per cent in permanent employment. This is a similar picture to the rest of the UK with 19.1 per cent and 14.7 per cent respectively.

Reasons for this may be that those people entering temporary employment are more likely to need initial training than those people in permanent employment and that work-based training can include a range of statutory training, such as health and safety training. When looking at if individuals have ever been offered training by their employer it is the case that those people in temporary employment are less likely to be offered training. In London, 57 per cent of those in permanent jobs have been offered education or training compared to 32.4 per cent in temporary employment. Clearly levels and access to training will vary by the type of occupation and sector an individual is in but this does show that employers are more likely to invest in training for permanent staff.

Section overview

This contextual analysis of employment in London has shown that while macro level employment rates remain relatively static, employment rates do vary for certain sections of the resident population. The young, lone parents and those people with a disability face the biggest challenges in being employed. Within the labour market at the micro level there are significant changes that occur that are masked by static macro level employment rates.

The merits of temporary employment vary, the evidence indicates that London has a higher level of temporary employment than the rest of the UK and that females and the young are more likely to fill this employment.

The following section considers the concept of retention of employment for target groups in London.

3.2 Employment retention in London

Summary

Although the UK has relatively high employment rates, many people still have difficulty sustaining long-term employment and many who move into work return to benefit in a relatively short time.

The evidence on long-term employment retention shows that within London a higher proportion of people have been in continuous employment for less than 12 months when compared to the average for the rest of the UK. The evidence indicates that people working in lower level occupations and employed in the hotel and restaurants and wholesale and retail sector are more likely to have lower rates of employment retention.

Therefore it is the case that employment retention is lower in those 'entry' level occupations and those 'low paid' sectors that often require a flexible part time workforce. By contrast the public administration sector and managerial and professional occupations have by far the highest levels of employment retention.

Key to understanding employment retention and progression in employment is the cycle of individuals between out of work benefits and employment. The retention of employment for benefit claimants resident in London is a serious issue with one in two out of work benefit claimants returning to benefits within six months of leaving. While this is in line with the national data it presents a major challenge to policy makers in attempting to reduce the increasing number of individuals who cycle between out of work benefits and employment.

JSA claimants make up 80 per cent of those people on out of work benefits and further analysis shows that 55 per cent of JSA claimants in London return to a benefit within six months of leaving. This figure is higher than for all other out of work benefits.

Further research is needed to fully understand who is making repeat benefit claims and why they are not sustaining employment. Further to this why an individual leaves a benefit needs to be examined. Not all individuals who leave a benefit are moving into employment, some may have missed a Jobcentre appointment or for some other reason had not claimed their benefit. Therefore not all of those who are making a repeat claim may be leaving employment to do so.

Analysis of targeted support through the over the lifetime of the Governments New Deal programme shows that 24 per cent of those people supported into employment return to JSA within 13 weeks. Particular issues exist with Lone Parents with four in ten supported into a job placement through the New Deal programme returning to JSA within 13 weeks.

These findings are of importance as the New Deal programme often incorporates private sector provision which from this data also appears to have face significant challenges in supporting people into sustained employment.

Context

Although the UK has relatively high employment rates, many people still have difficulty sustaining long-term employment and many who move into work return to benefit in a relatively short time.

Employment retention has been defined ‘as staying steadily employed (in any job) for a minimum period of at least 12 months’. The following analysis uses four indicators that have been selected to measure the patterns of employment retention across London. Two indicators focus on an individual’s retention of employment through analysing length of time they are continually employed (using 12 months or more as an indicator of long-term labour market retention) and involuntary job change.

Through analysing involuntary job loss we are able to quantify the number of job separations in the economy and understand patterns in which types of employment individuals are more likely to leave employment through no choice of their own.

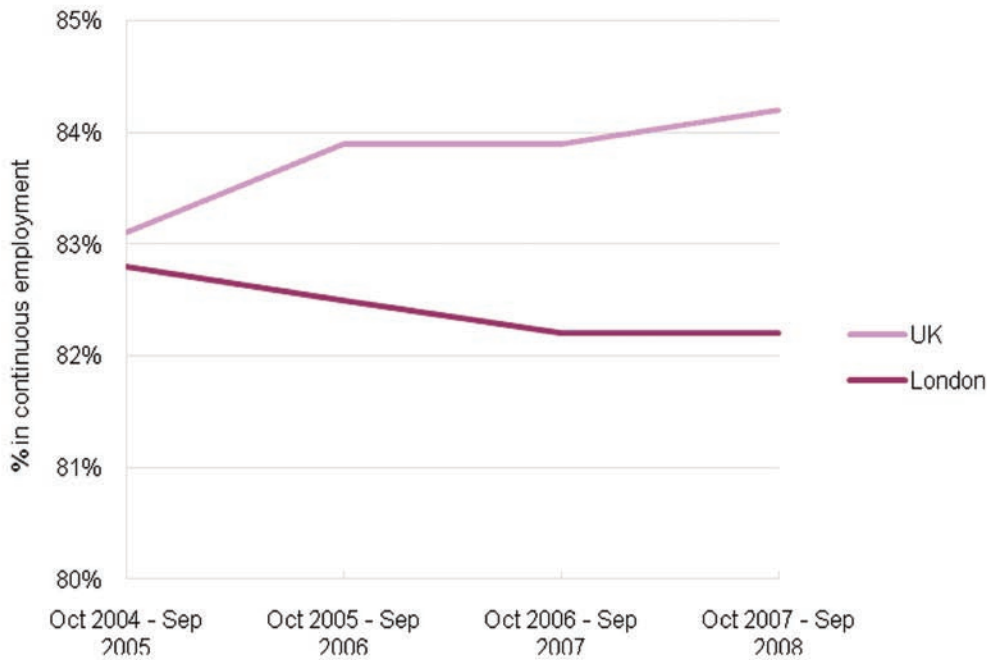
The two remaining indicators focus on the movement between employment and benefits or ‘benefit churn’ using DWP Administrative data. There is considerable literature and debate on the extent of the cycle between employment and benefits, often defined as the ‘low pay no pay’ cycle and the detrimental effects that this can have on an individual’s long-term success in the labour market. The evidence contained in this section will quantify the extent of this issue and identify priority groups for intervention.

Levels of continuous employment

Figure 5 analyses the proportion of people of working age who have been continuously employed for 12 months or more. For Londoners this stands at 82.2 per cent; equating to 2.8m people. Although this rate has fluctuated the overall trend since 2004 has been a decline in the proportions of people being continually employed. In contrast the latest national average is 84.2 per cent and the overall trend has been one of growth since 2004 (83.1%).

The proportion of people in continuous employment for less than 12 months amount to 17.8 per cent or 640,000 people.

Figure 5: Changes in continuous employment, for 12 months or more, since 2004 in London and the UK



Source: ONS, Annual Population Survey, October 2004 to September 2008

Analysing the data across London boroughs shows that only two of the seven central London boroughs have a greater proportion of residents in a form of continuous employment for 12 months or more compared to the London average. These are Wandsworth (87.4%) and Kensington and Chelsea (83.7%). The borough with the lowest proportion is Lambeth (77.9%).

Demographic profile of continuous employment

Levels of continuous employment fall as age decreases. Of those London residents aged 50+, 93.1 per cent have been in continuous employment for 12 months or more. This drops to 83.6 per cent for the 25-49 group and 52.2 per cent for the 16-24 age group. The national level shows similar rates. As young people are more likely to stay in full-time education, it is not surprising to learn that those people aged 16-24 are less likely to have been continuously employed for 12 months or more.

Women residents in London make up a smaller proportion of all those people continuously employed for 12 months or more (46%), this is slightly lower than the rest of the UK average (46.8%).

When looking at the average length of time that people have been employed, it is the case that females on average have retained employment for less time than males. Females in London have been continuously employed on average for 6.1 years compared to 7.5 years for males.

An individual's ethnicity also appears to affect the likelihood that they have been continuously employed for less than 12 months. A quarter of those people of a mixed ethnicity³⁹ and 23 per cent of those from the 'other ethnic group' have been employed for less than 12 months. In contrast 17 per cent of people of White ethnicity are continuously employed for the same period.

Sectoral and occupational profile of continuous employment

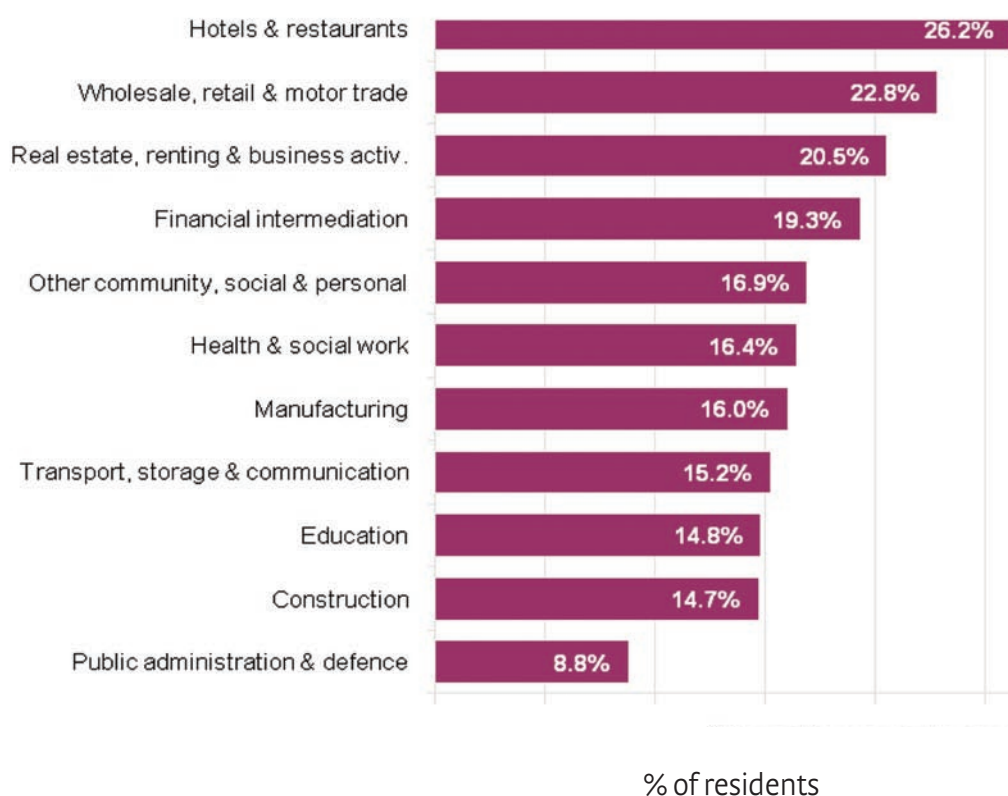
Nearly a third (32%) of Londoners in continuous employment for 12 months or more are in lower managerial and professional occupations. This is the leading occupation type for London and the UK (28.8%). Higher managerial and professional occupations provide the second highest proportion of people continuously employed for both London and the UK. However, London (21.5%) has a considerably higher proportion than the UK (13.8%). The third most popular occupation for continuous employment differs. In London those who are in intermediate occupations make up 10.6 per cent. However, for the UK it is those in semi-routine occupations (13.5%) that accounts for the third largest proportion. This difference reflects the knowledge intensive nature and lack of a manufacturing base in the London economy.

Of those continuously employed for 12 months or more in London, 18.5 per cent work in real estate, renting & business activities. A further 10.8 per cent work in wholesale, retail & motor trade and 10.5 per cent work in Health & social work. At the national level this differs. People working in wholesale, retail & motor trade account for 13.8 per cent of all those in continuous employment for 12 months or more. The second most popular sectors are Manufacturing and Health & social work. Each has 13.6 per cent respectively.

Those working in the Hotels and restaurants sector (26.2% of all employment) are most likely to have been continuously employed for less than 12 months (Figure 6). At a national level this rises to 32.2 per cent and both figures reflect on the seasonal nature of businesses in this sector.

³⁹ Some caution should be taken as the sample size for the mixed ethnic group is less than 250

Figure 6: Proportion of London residents employed continuously for less than 12 months by sector



Source: ONS, Annual Population Survey, September 2008

The higher the occupational grade, the more likely a worker is to have experienced long term labour market retention. Of those working in routine occupations in London, nearly a quarter (24.5%) have been employed for less than 12 months whereas in higher managerial and professional occupations only 14.3 per cent have been employed for less than 12 months. There is a similar pattern nationally, with 23.8 per cent of workers in routine occupations being employed for less than 12 months.

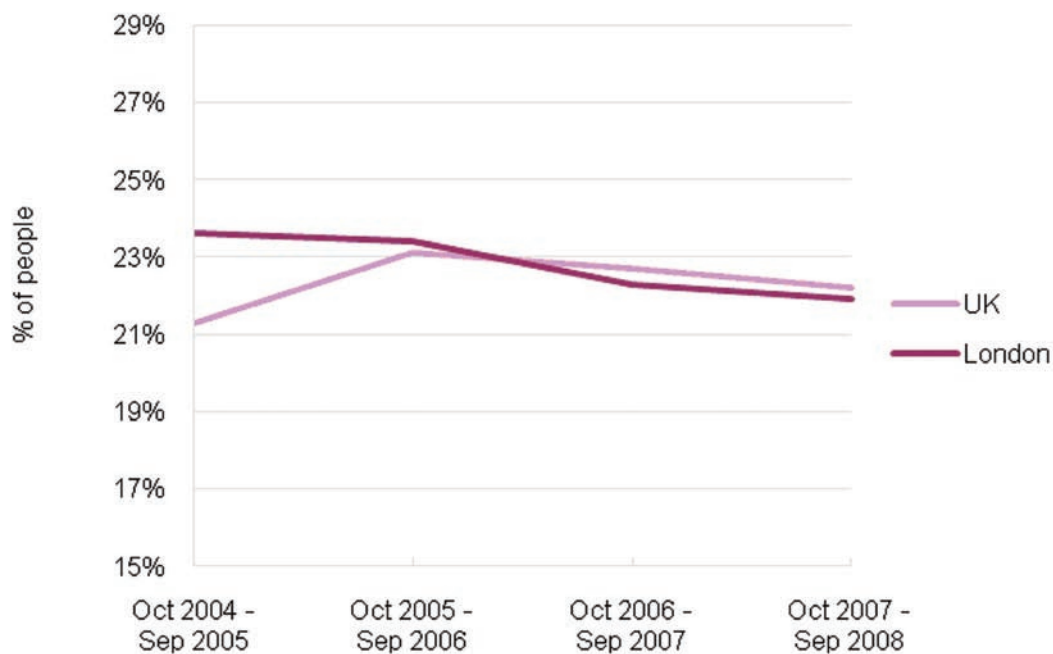
Involuntary job loss

The preceding analysis has identified that certain groups in society and certain types of employment are characterised by lower levels of long term labour market retention, indicating a lower level of employment retention. The decision to end a spell of employment when made involuntarily is more likely to lead to an individual leaving the labour market. Similarly where a job loss is voluntary in nature, there is an increased likelihood that the individual will move into another job, thereby retaining employment.

The following analysis focuses on the proportion of people of working age resident in London who identified that they involuntarily left their last job. This indicator uses the ONS classification for involuntary job moves which includes those people who were dismissed, made redundant, took voluntary redundancy and whose temporary contract ended.

Figure 7 shows that 21.9 per cent of people in London involuntarily left their last job⁴⁰. This has steadily declined from 23.6 per cent in 2004. In comparison, latest figures show 22.2 per cent of people in the UK involuntarily left their jobs, an increase from 21.3 per cent in 2004.

Figure 7: Change in percentage of people involuntarily leaving last employment since 2004 in London and the UK



Source: Annual Population Survey, October 2004 to September 2008

⁴⁰ This analysis has been undertaken on data prior to the full impact of the recession. The impact of the recession is likely to put upward pressure on the number of people involuntarily leaving their last job.

The demographic profile of involuntary job loss shows that older workers are more likely to involuntarily leave their last job than younger workers. Over a quarter (27.3%) were aged 50+ and 16.1 per cent were aged 16-24 years old. At the national level, the 50+ age group accounts for a third (33.9%) of those involuntarily losing their last job and those aged 16-24 make up 22.1 per cent.

From the perspective of equality it is interesting to note that 22.1 per cent of those London resident workers involuntarily leaving their last job had some form of disability. For the rest of the UK this figure increases to 28.2 per cent.

Of those London resident workers involuntarily losing their last job, the majority (62.2%) were of White ethnicity. The next greatest proportion were workers from a Black or Black British background (15.7%). This was followed by London residents of an Asian or Asian British origin (13.2%). In the UK the overwhelming majority of workers involuntarily leaving their last job were of White ethnicity (92.8%). Workers from an Asian or Asian British background were the second highest group (3.8%). Workers from a Black or Black British origin were the third highest (1.3%).

When considering the occupational profession of London residents, those who are most likely to involuntarily leave their last job work in lower managerial and professional occupations (19.6%). The next highest occupational grouping was routine occupations (13%), then semi-routine occupations (12%).

Comparing this to the UK, routine occupations (20.7%) followed closely by semi routine occupations (19.8%) had the highest proportions of workers involuntarily leave their last job. Those in lower managerial and professional occupations were the third highest group (14.4%).

London residents working in real estate, renting and business activities were the most likely to have left their last job involuntarily (22.2%). This is followed by those working in the other community, social and personal sector (18.5%) and the wholesale, retail and motor trade sector (13%). For the rest of the UK, manufacturing had the highest proportion of workers involuntarily leaving their last job (17.7%). This was followed by wholesale, retail and motor trade (13.7%) and real estate, renting and business activities (13.4%)

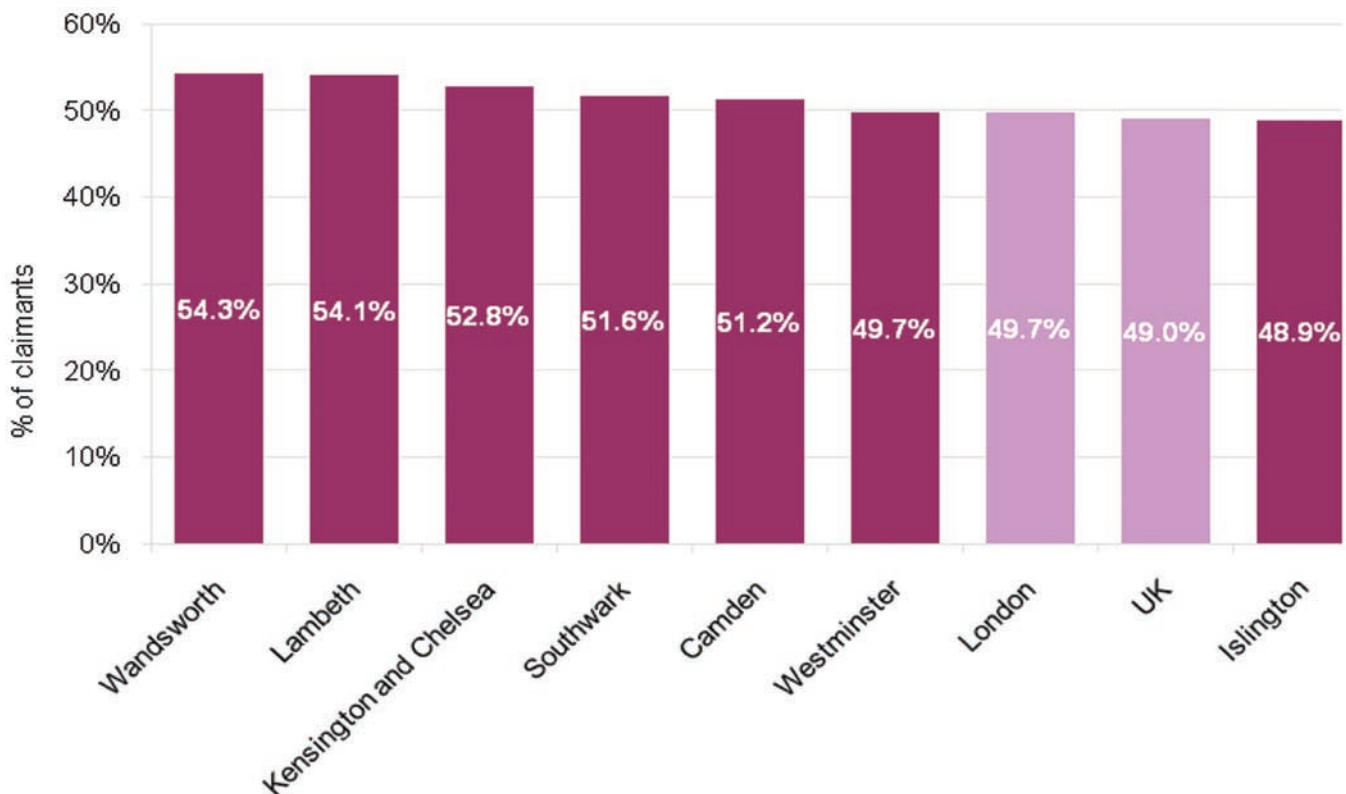
People working full-time account for 62.9 per cent of London residents involuntarily losing their last job, with part-time workers accounting for the remaining 37.1 per cent. For the rest of the UK this figure is significantly lower, with only 23.4 per cent of part-time workers involuntarily leaving their last job.

Cycle between employment and out of work benefits

Key to understanding employment retention and progression in employment is the cycle of individuals between out of work benefits and employment. Previous research has pointed to strong evidence of a 'low pay, no pay' cycle affecting significant numbers of employees in Britain⁴¹. Using data sourced from the Department for Work and Pensions (DWP) we are able to explore the reality of this proposition and quantify the extent of the cycle between employment and out of work benefits⁴².

Figure 8 analyses the proportion of people who fail to retain their employment and return to out of work benefits within six months of their previous claim, a key indicator of employment retention. In this analysis of repeat benefit claims it should be recognised that not all individuals who leave a benefit and return have moved in and out of employment. While an individual may be making a repeat claim for benefits as a direct result of no longer being in employment, it should be noted that the benefits system also counts individuals who have missed an appointment(s) due to a holiday or illness as 'returning to benefits' and therefore contributing to this high figure.

Figure 8: The proportion of out of work benefit claimants returning to benefits within six months of their previous claim (in May 2008)



Source: DWP, May 2002 – 2008

⁴¹ 'Low pay in Britain' by Mark Stewart, in The State of Working Britain.

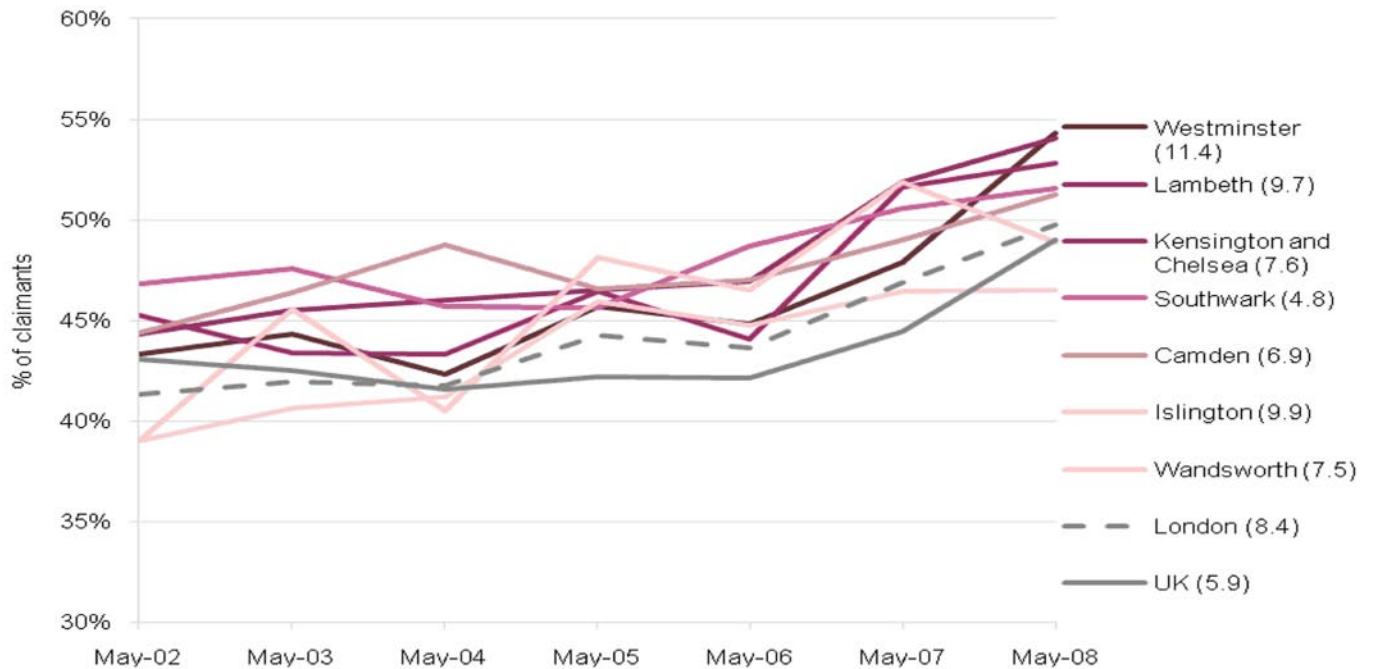
⁴² Out of work benefits are classed as Job Seekers Allowance, Incapacity Benefit, Lone Parents and other income related benefits

This analysis shows that within London one in two out of work benefit claimants return to benefits within six months of leaving. For the month of May 2008 this equated to 14,780 residents who failed to remain off benefits for longer than six months. While this is in line with the national data (that shows that 49% of out of work benefit claimants in the UK return to benefits within six months of leaving) it presents a major challenge to policy makers in attempting to reduce this high proportion of people returning to benefits.

Within the seven central London boroughs, Westminster and Lambeth have the highest proportion of repeat benefit claimants; after leaving benefits in May 2008 54 per cent returned within six months. This equated to 386 individuals in Westminster who returned to benefits, and 855 individuals in Lambeth. All of the London IES Trial boroughs excluding Islington and Wandsworth have a higher proportion of repeat benefit claimants than the regional and national averages.

Figure 9 displays how the proportion of people who have returned to out of work benefits within six months of their previous claim has changed between 2002 and 2008. This shows that for London and the UK there has been an upward trend in the proportion of people failing to retain their employment when leaving out of work benefits. Within London the proportion has increased by 8.4 percentage points compared to a 5.9 percentage point increase for the UK.

Figure 9: Trend in the proportion of out of work benefit claimants returning to benefits within six months of their previous claim between 2002 and 2008 (percentage point change in brackets)



Source: DWP, May 2002 - 2008

The individual IES Trial boroughs within London have all seen an upward trend. The largest increase is in the Borough of Westminster which has seen an 11.4 percentage point increase in the proportion of people returning to benefits within six months of leaving.

Although we know that one in two people in London make a repeat benefit claim within six months and that all IES Trial boroughs have seen an increase in the percentage of people making a repeat claim data is currently unavailable on the characteristics of these people. Further research will be essential to fully understand which groups are more likely to make repeat benefit claims and what issues they face in sustaining employment.

JSA claimants make up 80 per cent of those people on out of work benefits and changes in this indicator are driven by JSA claims. Further analysis shows that 55 per cent of JSA claimants in London return to a benefit within six months of leaving. This figure is higher than for all other benefits: 26.8 per cent of IB/ESA claimants who moved into employment claimed a subsequent benefit within six months, 21.3 per cent of lone parents returned to a benefit and 51.5 per cent of individuals on other income related benefits. Table 4 displays the data for employment retention for JSA claimants by IES Trial borough.

Table 4: Proportion of JSA claimants returning to benefits within six months of leaving, May 2008

	% returning to a benefit within 6 months	Total claimants (off flow)
Lambeth	59.6	1,286
Southwark	58.4	1,052
Westminster	58.2	596
Kensington and Chelsea	57.1	347
Camden	55.1	617
Islington	52.9	756
Wandsworth	51.4	630
London	54.8	23,672
UK	54.8	23,672

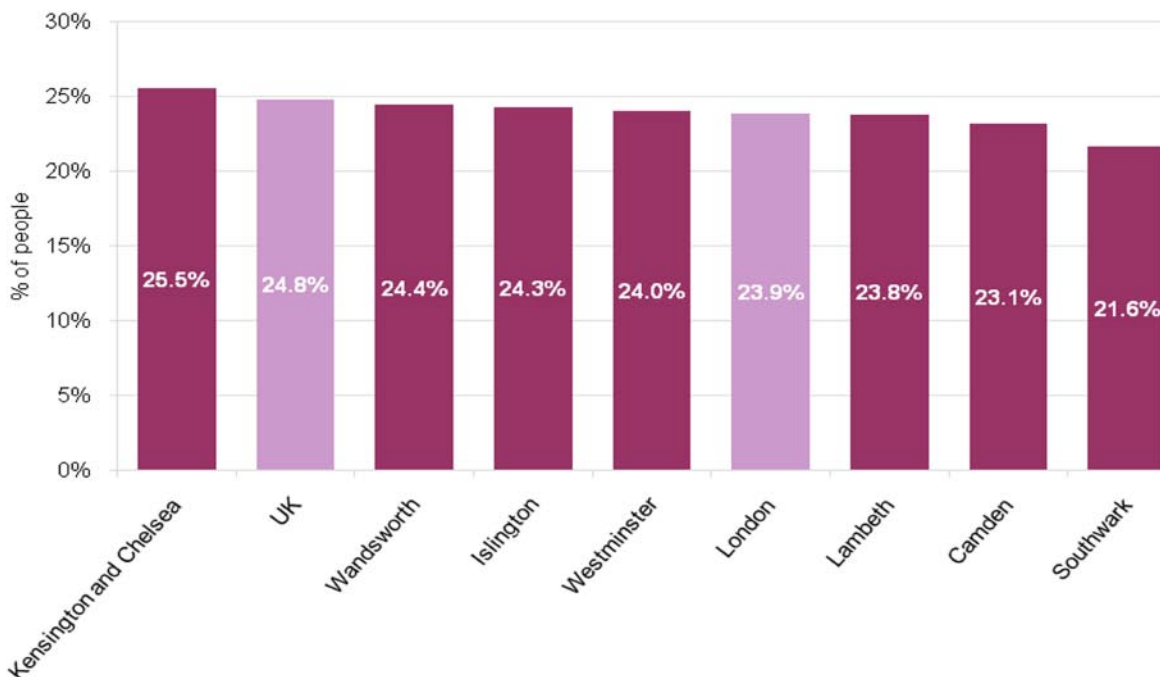
Source: DWP, May 2002 - 2008

Taking the analysis of repeat claims of JSA further we can analyse the proportion of jobs gained by New Deal ⁴³ participants since its implementation in 1998 that have been unsustainable; Jobcentre Plus defines a job to be unsustainable if an individual returns to JSA within 13 weeks. This is a shorter timeframe than our previous analysis and although it is Jobcentre Plus's preferred measure it does not align with the measure of sustainable employment used in this research; as such a measure of 1 year would be much more valuable.

Figure 10 shows that in London 24 per cent of those people supported into employment through the New Deal since 1998 did not sustain their employment. This means that out of the 261,700 people supported into employment through the New Deal programmes, 62,400 of them returned to JSA within 13 weeks. This cannot be directly compared to the previous analysis of repeat claims by benefit type due to the disparity in length of time measured (13 weeks and 6 months). Although it appears that a greater proportion of New Deal participants retain employment than those not on New Deal, this has only been measured for 13 weeks and it is unknown as to if they sustained this employment up until the six month mark.

The proportion of unsustainable job placements in London is slightly lower than the UK average. There are limited differences by London Borough with the Borough of Southwark having the highest level of sustained job opportunities.

Figure 10: Proportion of unsustainable job placements through the New Deal Employment programmes⁴⁴ by IES Trial Borough



Source: DWP Tabulation tool, cumulative data from 1998 to February 2009

⁴³ This is the previous version of the New Deal (not the Flexible New Deal).

⁴⁴ Note: Data includes those individuals supported through the New Deal for Young People, the New Deal for 25 Plus and the New Deal for Lone Parents

Table 5 outlines the proportion of job opportunities that were unsustainable for the three individual New Deal programmes by IES Trial borough. This shows by target group where the biggest issues with employment retention exist.

Table 5: Proportion of unsustainable job placements by New Deal programme

	New Deal for Young People		New Deal for 25 Plus		New Deal for Lone Parents	
	% of unsustainable jobs	People gaining a job	% of unsustainable jobs	People gaining a job	% of unsustainable jobs	People gaining a job
Camden	17.4%	3,270	20.0%	2,600	39.1%	1,690
Islington	17.4%	4,660	22.6%	3,140	39.7%	2,420
Kensington and Chelsea	17.8%	1,690	21.4%	1,680	47.8%	900
Lambeth	16.5%	6,380	21.0%	4,770	38.1%	4,200
Southwark	17.2%	6,000	20.2%	990	35.3%	2,040
Wandsworth	16.8%	3,450	19.1%	2,720	39.3%	2,720
Westminster	18.8%	2,760	18.7%	2,410	45.3%	1,280
London	15.5%	125,050	19.9%	66,060	40.7%	70,570
UK	16.4%	875,680	18.4%	363,160	41.4%	625,490

Source: DWP tabulation tool, February 2009

The key points are as follows:

- The highest level of unsustainable job placements are from clients of the New Deal for Lone Parents programme. For the London region 28,750 (41%) of Lone Parents supported through the New Deal returned to JSA within 13 weeks of leaving.
- Analysis by London Borough shows that Kensington and Chelsea (48%) and Westminster (45%) have the highest levels of Lone Parent unsustainable job placements, although these boroughs do have the smallest number of JSA claimants.
- The New Deal for Young People and the New Deal for 25 Plus have a higher proportion of job placements that are sustained.
- Some New Deal provision is offered by private providers and not Jobcentre offices, however this appears to have little affect on whether an individual will sustain employment, therefore further improvement is needed to the New Deal offer to ensure individuals are supported to sustain employment

Section overview

This analysis has shown that those people working in lower level occupations and working in the hotel and restaurant and wholesale and retail sector are more likely to have lower rates of employment retention. It is the case that these sectors and occupations are more likely to be 'entry' level employment for many people.

There is significant evidence of a cycle of individuals between out of work benefits and employment. Over half of JSA claimants leaving benefits return within six months and in particular lone parents face considerable challenges in achieving sustainable employment.

The next section of the analysis focuses on the patterns of progression for residents of London in employment.

3.3 Employment progression in London

Summary

In London there are a significant number of people who are in low paid employment that need to progress into higher paid jobs to experience improvements in their quality of life. In total 436,000 residents were in jobs that paid less than £7.45 an hour. This means that 15 per cent of employees earn a wage which is less than the level expected for a decent quality of life and can be classed as being low paid.

Those people in low pay are more likely to be female, in lower level occupations (SOC 7-9) and have no qualifications. Training offered at work has a relationship with the level of pay, of those people who are low paid within London, 62 per cent of them have never been offered any training by their employer.

It is the case that low paid employment is more likely to be more prominent in certain sectors of the London economy. Over half of all low paid jobs in London are from three sectors - accommodation and food service sector, the administrative and support service sector and the wholesale and retail; motor vehicles repair sector. Particular challenges exist in the accommodation and food services sector where 59 per cent or 87,600 jobs pay less than £7.45 an hour.

Much of the policy debate around employment progression refers to a lack of opportunity for progression for certain individuals. There is evidence in London of individuals becoming 'stuck' in low paid employment. Our analysis shows that one in ten of people who have been employed with the same employer for 10 years or more are currently paid less than £7.45. Those people who have experienced long-term labour market retention and limited progression in earnings are more likely to be female, have some form of disability, working part-time, be in lower level occupations and be employed in the wholesale and retail sector.

Certain sectors offer little opportunity for progression. There are a limited number of higher paid jobs within sectors such as accommodation and food services; arts, entertainment and recreation; and wholesale, retail and motor vehicles. There is a need to move lower paid individuals into sectors that are accessible and offer a greater distribution of earnings such as the education, health, manufacturing and construction sectors.

There has been increased inequality in earnings within London, with median hourly earnings for the lowest earners progressing at a slower rate than for the highest earners between 2002 and 2008. Furthermore, it is the case that 53 per cent of low paid workers in London had experienced no significant improvement in their income between 2006 and 2008.

Those people receiving job-related training are more likely to experience a wage increase than those who receive no training. Evidence shows that those people in lower level occupations and with a lower level of skills who may need training and development to progress receive less work-based training than their higher skilled colleagues.

Context

Previous research has evidenced that low paid employees are more likely to be out of work in the future; those who re-enter the labour market after being unemployed are likely to be in low paid jobs. Low paid individuals therefore are more likely to fall into poverty. In addition to this a lack of social mobility means that although employment rates have been high individuals and their children have become stuck in low paid employment traps with little opportunity for them to progress.

How people 'get on' in society and the concept of social mobility have recently regained prominence in public policy. There is recognition that although there may be plenty of jobs in an economy this is not the same as saying there are plenty of opportunities, particularly for those with low skills and in lower level occupations.

Progression in employment has been defined as progression for individuals into 'better jobs'. In reality this means jobs with higher pay; better benefits and conditions of service; regular hours; and increased responsibility and advancement in job role.

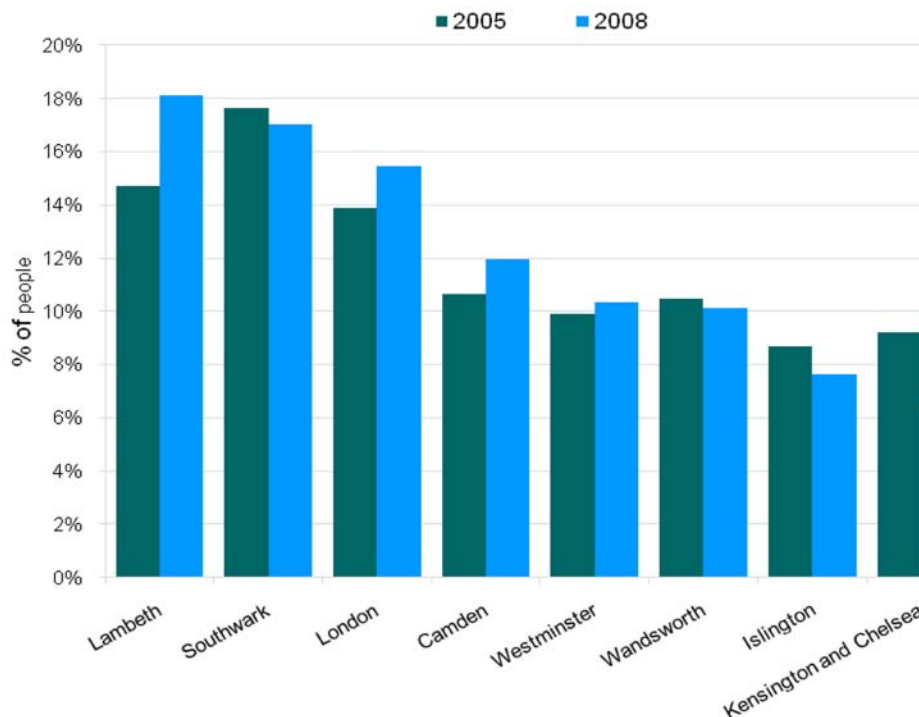
The purpose of this section is to analyse the patterns of employment progression to do this we have focussed on two dimensions:

- Fiscal progression: Analysing the concept of low pay and the profile of those people who are the lowest earners and an analysis of the low pay economy in London. Then a focus on progression in earnings and movement out of low pay for residents of London.
- Job/occupational progression: Measured by increases in managerial responsibility, progression in NS-SEC and the access to job related training.

Low pay in London

Figure 11 analyses the proportion of residents of London who earn less than the London Living Wage⁴⁵ threshold. This has been analysed over time to understand if there has been progression in earnings for the lowest earners to move a higher proportion of people out of low pay.⁴⁶

Figure 11: Proportion of people earning less than the London Living Wage by London Borough



Source: Annual Survey of Hours and Earnings, 2008

The key points are:

- In 2008, 15.2 per cent of employees resident in London earned less than the London Living Wage (£7.45) and are classed as being low paid. This means that there are currently 436,000 residents of London who are in jobs that pay less than £7.45 an hour.
- The proportion of people who are low paid has increased between 2005 to 2008. In 2005 with a London Living Wage threshold of £6.70, 13.9 per cent of employees were classed as low paid equating to 363,700 jobs.
- Within the seven central London Boroughs Lambeth and Southwark are the only Boroughs with a higher proportion of low paid residents than the London average. Within Lambeth 18 per cent of residents in employment are classed as low paid and as with the regional trend this proportion has increased from 15 per cent being low paid in 2005.
- The lowest proportions of low paid individuals are resident in Kensington and Chelsea (6.0%) and Islington (7.4%) and both of these Boroughs have seen a reduction in the proportions of low paid residents since 2005.

⁴⁵ For more information on the London Living Wage and its implementation please see http://www.london.gov.uk/mayor/economic_unit/docs/living-wage-2009.pdf

⁴⁶ Low pay proportions are calculated through a process called interpolation. See the technical note in Annex A

Profile of low paid workers resident in London

Using data from the Annual Population Survey 2008 the characteristics of the low-paid in London can be analysed. It should be noted that the measurement of hourly pay is not simple and that the APS data is an imperfect measure for it, particularly at the bottom end of the earnings distribution. Office for National Statistics (ONS) advice is that ASHE data is the best source for measuring low pay and that is the data we have used to analyse levels of low pay. However the APS data set does contain a much wider number of variable related to an individual's characteristics that allow us to profile the low paid.

According to the APS 2008 the low paid in London have the following profile:

- More likely to be female with females making up 56 per cent of the low paid
- The levels of low pay are fairly evenly distributed across age bands, although people aged 35-49 make up the highest proportion (34%)
- More likely to be in lower end occupations, with sales and customer service occupations, process plant and machine operatives and elementary occupations (SOC 7, 8 and 9) making up 51 per cent of the low paid
- Qualifications are important, with 55 per cent of those people with no qualifications being low paid compared to 13 per cent of those with higher education qualifications and 6 per cent of those people with a degree level qualification
- Training offered at work also has a relationship with the level of pay. Of those people who are low paid within London, 62 per cent of them have never been offered any training by their employer

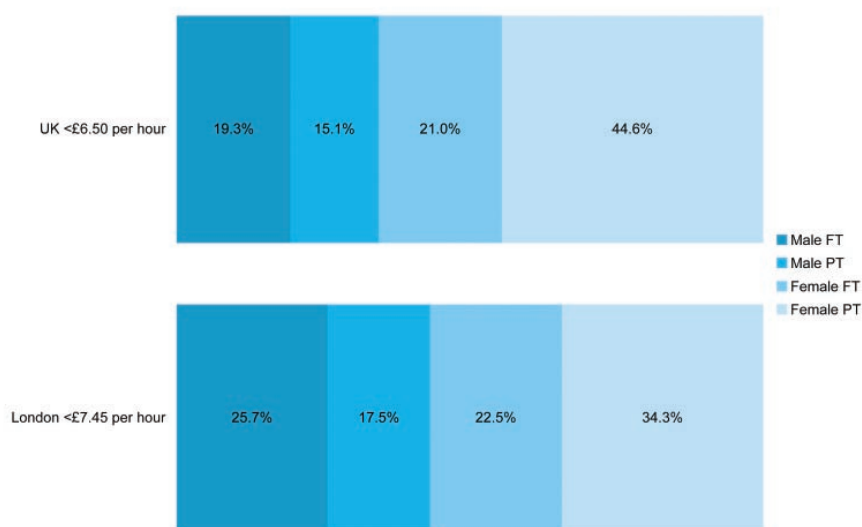
Profile of low paid employment

The analysis so far has focused on individual's characteristics and the profile of earnings for residents in London and the jobs they hold. The ASHE dataset also allows analysis of the profile of wages and progression opportunities within the London economy, through analysis of workplace data.

The evidence so far has indicated that there are a significant number of individuals resident in London who earn less than the London Living Wage and are classed as low paid. The following analysis profiles the makeup of earnings and employment in the London economy to understand in which sectors and occupations low paid employment is more pronounced.

Using a workplace analysis 13 per cent of jobs in London pay less than £7.45 an hour, this equates to 468,000 jobs. This number is higher than the number of residents in London who have a job which pays less than £7.45, indicating that a number of the low paid jobs are filled by individuals not resident in London.

Figure 12: Profile of low paid jobs by gender and hours worked



Source: ASHE 2008

Figure 12 examines the breakdown of low paid job by gender and hours worked in London and the UK. For a meaningful comparison we have classed low paid employment in the UK to be that paying less than £6.50 an hour.

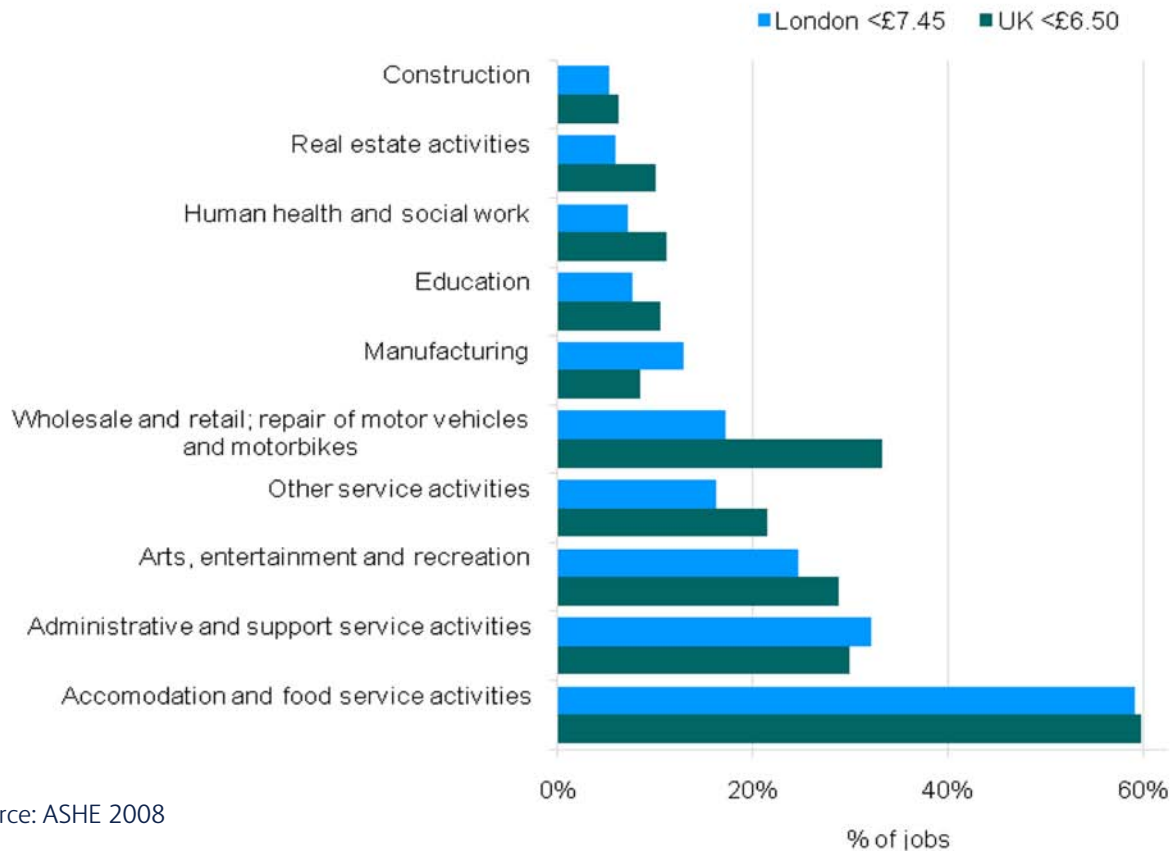
The key points of analysis are:

- There is little difference between full and part-time employment with full-time employment making up 49 per cent of all low paid jobs in the London economy and part-time 51 per cent.
- The highest proportion of low paid jobs within London are filled by females working part-time (34%), which equates to 163,500 jobs. This is lower than the UK figure, where females working part-time fill 45 per cent of low paid jobs.
- This difference between the UK and London may be explained by the fact that female part time jobs make up a smaller proportion of total employment in London (14%) compared to the national profile, where female part time employment makes up 20 per cent of all jobs. There are a lower proportion of part time jobs in London than compared to the UK⁴⁷.
- Although female part time employment makes up the highest proportion of low paid jobs. Males working part time are more likely to be low paid with 42 per cent of male part time employment low paid compared to 34 per cent of all female part time employment.

It is also the case that low paid employment is more likely to be more prominent in certain sectors of the London economy. Using the ASHE data for 2008 we have calculated the proportion of employment in individual sectors that is classed as low paid.

⁴⁷ For a more detailed explanation of part time work in London please see: Andrew Harker, Why are there so few part-time jobs in London? GLA Economics (2007, London).

Figure 13: Proportions of low paid employment by sector in London and the UK⁴⁸



Source: ASHE 2008

Table 6: Number of low paid jobs by sector in London

Sector	Number of low paid jobs
Accommodation and food service activities	87,600
Administrative and support service activities	80,600
Arts, entertainment and recreation	21,000
Other service activities	11,500
Wholesale and retail; repair of motor vehicles and motorbikes	70,050
Manufacturing	15,300
Education	38,250
Human health and social work	26,300
Real estate activities	3,500
Construction	5,800

Source: ASHE 2008

⁴⁸ Note: Data based on total jobs including full and part-time employment. The following sectors have less than 5% of their employment classed as low paid and the data is therefore unreliable (Transportation and storage, Information and communication, Finance and insurance, Professional, scientific and technical, Public administration)

Figure 13 highlights that the sectors within London's economy with the highest proportion of low paid employment are the accommodation and food service sector, the administrative and support service sector and the arts, entertainment and recreation sector. This is a similar structure to the profile of low paid employment in these sectors nationally.

The largest sector in terms of low paid employment is the accommodation and food service sector in which 59 per cent of all jobs or 87,600 jobs pay less than £7.45.

Over half (51%) of all low paid jobs in London are from three sectors - accommodation and food service sector, the administrative and support service sector and the wholesale and retail; repair of motor vehicles and motorbikes. In terms of the importance of these low wage sectors to London's economy they make up the following proportions of total employment:

- Accommodation and food service sector constitutes (4.2 per cent)
- Wholesale and retail; repair of motor vehicles and motorbikes (11.5 per cent)
- Administrative and support service sector (7.1 per cent)

This means that these sectors make up half of the total of low paid employment but constitute just under a quarter of total employment.

Long-term employment retention and low pay

Much of the policy debate around employment progression refers to a lack of opportunity for progression for certain individuals, particularly at the low wage end of the employment spectrum.

Using data from the APS September 2008 we are able to analyse the proportion of London residents that have been continually employed with the same employer for ten years or more and are currently earning less than £7.45 an hour. This analysis gives an indication as to which individuals have retained their employment but have experienced limited progression over time in earnings and have become stuck in low paid employment.

In London, the proportion of people who have been employed by the same employer for ten years or more and classed as low paid is currently 9.5 per cent. This equates to approximately 42,000 workers in London who have been employed for ten years or more but still earn less than the London Living Wage. This group of people have the following characteristics:

- Females are more likely to be in long-term employment and be low paid. 12 per cent of females and 7.3 per cent of males resident in London have been employed by the same employer for ten years or more and classed as low paid.
- Whilst 8 per cent of those London resident workers without a disability have been employed by the same employer for ten years or more and classed as low paid, this increases to 17.9 per cent for those with some form of disability.
- 7.1 per cent of those people in full time employment have been employed by the same employer for 10 years or more and are classed as low paid. For part-time workers this increases to nearly a quarter (21.4%).

- Those people in the lowest level occupations are more likely to have long-term labour market retention and be low paid. 30.3 per cent of those people in lower occupations (routine and semi-routine) have been employed by the same employer for 10 years or more and are currently low paid compared to only 5 per cent of people in higher occupations (lower and higher managerial and professional).
- Just over a third (34.3%) of Londoners working in the wholesale, retail and motor trade sector have been employed by the same employer for 10 years or more and are classed as low paid. A quarter (25%) of those working in the Hotels and restaurants sector for 10 years or more are classed as low paid.

Which sectors and occupations provide the most opportunity for progression?

Having analysed that low paid employment is more prominent in certain types of employment and these jobs are more likely to be filled by certain groups of people, it is important to analyse what opportunity there is for progression there is in certain sectors and occupations. If policy aims to progress individuals out of low pay which sectors and occupations offer a range of higher paid employment and which do not?

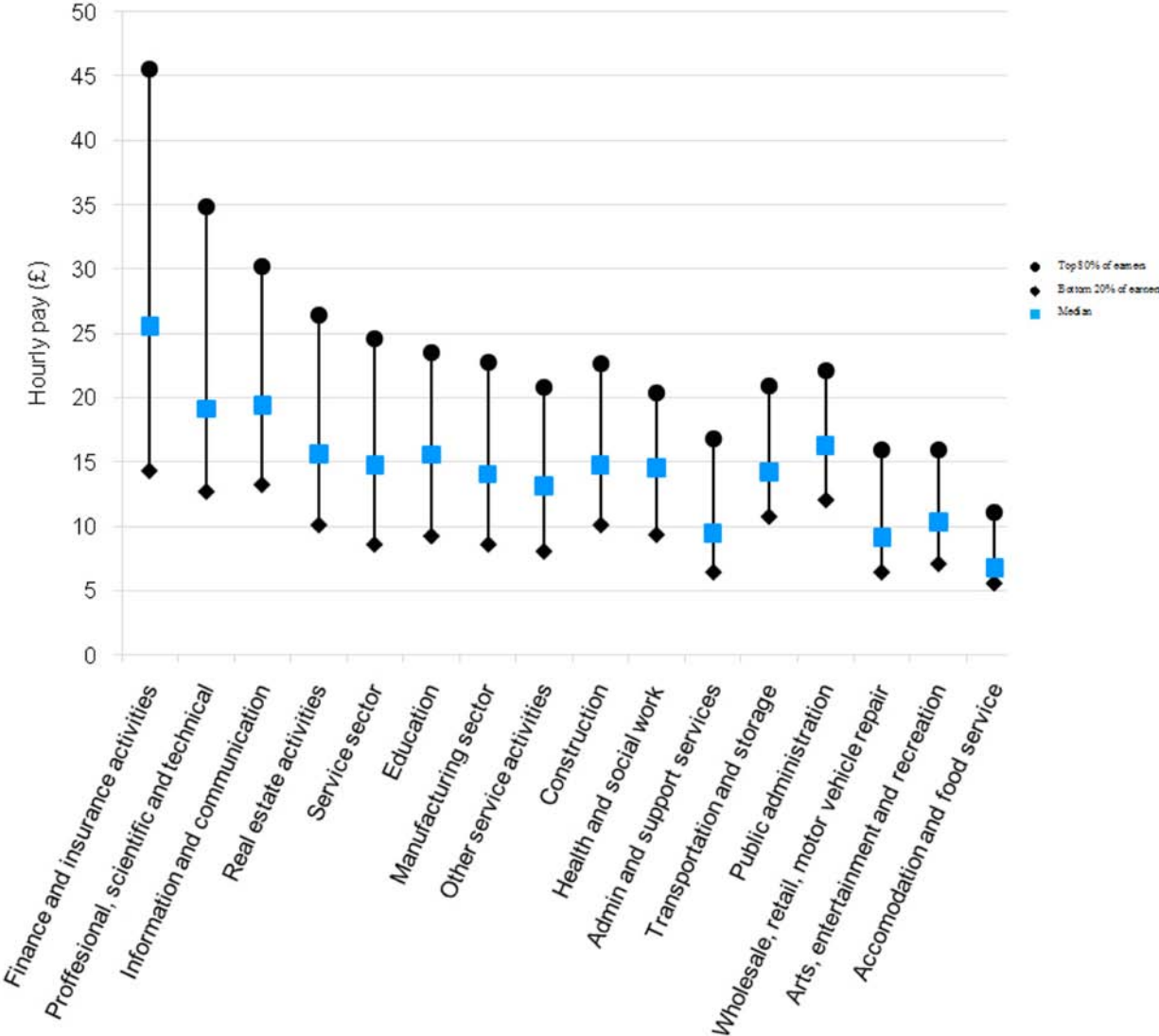
Further analysis of the distribution of earnings (measured by gross hourly pay) by sector and occupation in the London economy helps analyse the opportunity for progression that exists for individuals working in certain sectors and occupations.

Figure 14 displays the distribution of earnings within sectors of the London economy. The lowest paid sectors such as accommodation and food services, arts, entertainment and recreation and wholesale, retail and motor vehicles have a very narrow distribution of earnings and a much lower number of higher paid jobs. Within the accommodation and food service sector only 20 per cent or 29,600 jobs pay more than £11.50 an hour. Furthermore in this sector 60 per cent or 88,800 jobs pay between £5.63 and £11.05 an hour.

This means that those sectors that are predominantly low paid also offer limited opportunity for progression in terms of the number of higher paid job that exist for people to progress into. To further emphasise this point previous analysis has also shown that within the wholesale and retail sector 34 per cent of people have been employed for more than ten years with the same employer and are low paid.

Certain sectors such as the financial and insurance activities sectors and the professional scientific sectors have a higher level of median earnings also have a broad spectrum of jobs and opportunities for progression. However it may be the case that the lack of entry opportunities into these sectors may restrict the number of people from disadvantaged groups being able to progress into these sectors.

Figure 14: Distribution of gross hourly pay by sector for London.



Source: ASHE 2008

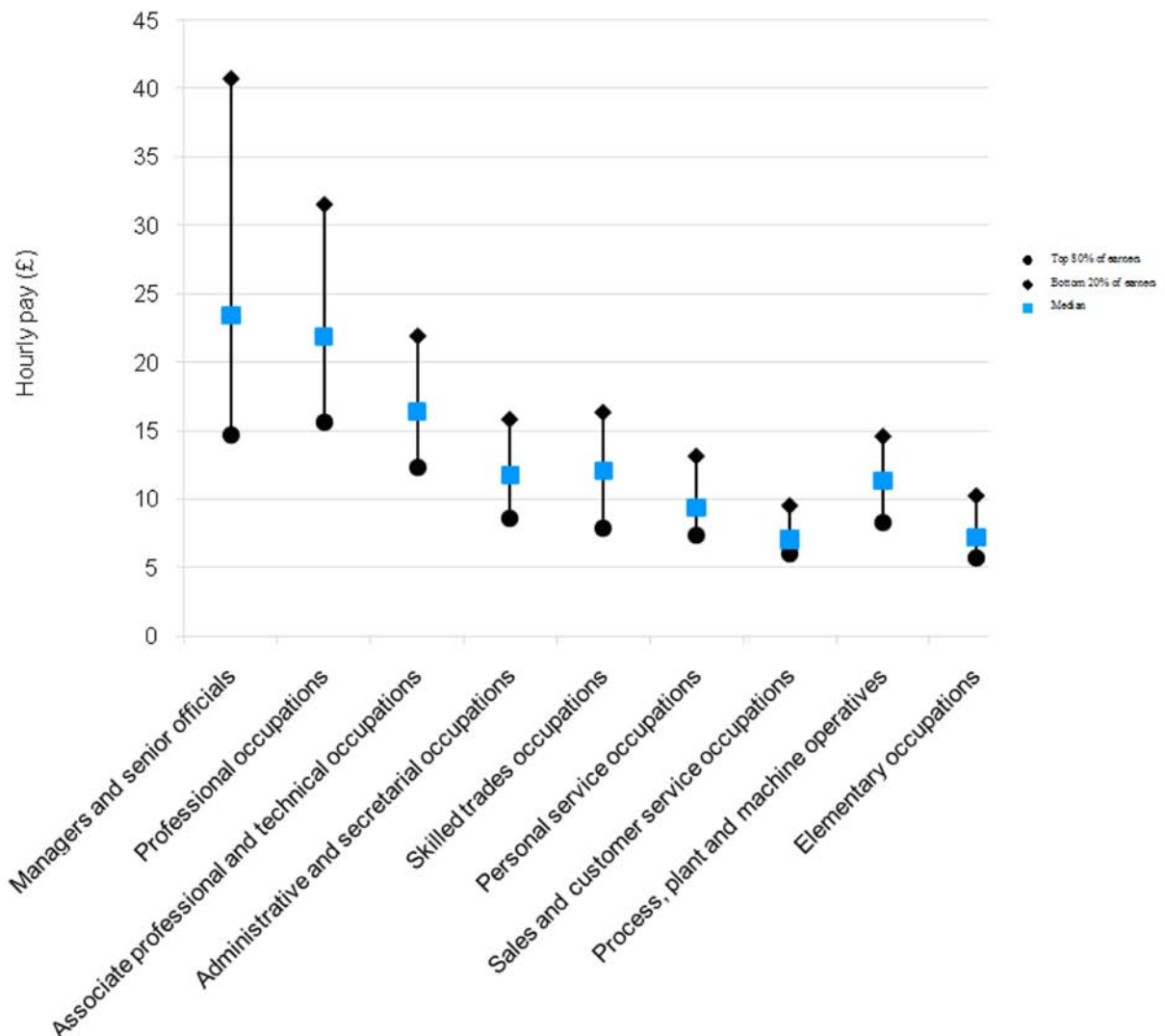
Figure 14 shows that sectors such as the education, health and social work, manufacturing and construction offer more opportunity for progression due to the range of employment and wages available, both from entry level up to higher paying opportunities.

In policy terms understanding those sectors that offer limited opportunity for progression and supporting individuals to move into and progress in sectors which are accessible and offer opportunity for progression is the key policy goal.

A similar analysis of distribution of gross hourly pay by occupation (figure 15) shows a number of interesting points:

- Median gross hourly pay increases as the level of occupation increases
- Higher level occupations have a much broader spectrum of higher wage jobs in sales and customer service occupations 60 per cent or 121,800 jobs are paid between £6.00 and £9.53 per hour, with 40,600 jobs offering a gross hourly pay of more than £9.53

Figure 15: Distribution of gross hourly pay by occupation for London



Source: ASHE 2008

This analysis of distribution of earnings by sector and occupation has shown that there are a limited number of higher paid jobs within lower paid sectors such as accommodation and food services; arts, entertainment and recreation; and wholesale, retail and motor vehicles. There is therefore a need to move individuals into sectors that offer a greater distribution of earnings and progress individuals along the occupation spectrum. The latter section looks in more detail at progression in job role.

Progression in earnings for London residents

The following section measures the progression in median average earnings for the lowest earners and contrasts this with the progression in earnings for the highest earners.

Table 7 displays the three year average percentage change in gross hourly pay for the 10th decile⁴⁹ of earners in London and analyses how the lowest earning residents of different London boroughs have seen levels of pay increase. The London average is a 2.5 per cent increase in gross hourly pay. Residents of Lambeth have experienced the lowest percentage change (1.2%) whereas residents of Islington and Kensington and Chelsea have experienced a three year average percentage increase of 5.2 per cent and 6.5 per cent respectively.

Table 7: Progression in median gross hourly pay for the bottom 10% and top 25% earners resident in London

	Median gross hourly pay for 10th decile (2008)	% change in bottom 10% of earners (2002-2008)	% change in top 25% of earners (2002-2008)	Median gross hourly pay for 75th decile (2008)	Average 3 year (2006-2008) annual percentage change in gross hourly pay for the bottom 10% of earners
Kensington and Chelsea	£8.39	42.9%	6.5%	£36.90	6.5%
Islington	£8.05	31.3%	17.3%	£24.49	5.2%
Southwark	£6.33	21.7%	26.7%	£20.26	4.2%
Camden	£6.99	18.3%	30.4%	£27.33	2.3%
Westminster	£7.38	17.7%	24.6%	£30.79	3.4%
Wandsworth	£7.46	17.5%	9.1%	£24.55	4.3%
Lambeth	£6.21	12.9%	12.8%	£19.12	1.2%
London	£6.60	17.4%	21.9%	£20.52	2.5%
United Kingdom	£6.00	25.5%	23.7%	£16.30	3.8%

Source: ONS, ASHE 2008 total workers median gross hourly pay

⁴⁹ Bottom ten per cent.

Table 7 shows the progression in resident gross hourly pay for the lowest earners (bottom 10%) compared to progression in median gross hourly pay for the top 25 per cent of earners at the national and regional level and across the central London Boroughs.

For residents of the London region median hourly pay for the lowest earners in 2008 was £6.60 this is a 17 per cent increase from 2002. However, this is a lower rate of progression when compared to increases in gross hourly pay for the highest earners in London. The level of pay that the top 25 per cent of earners resident in London earn has increased by 22 per cent between 2002 and 2008. This indicates that there is increased inequality in earnings as the higher earners resident in London are progressing at a higher rate than the lowest earners.

UK earners in the bottom 10 per cent have seen a 26 per cent increase in their gross hourly pay between 2002 and 2008; this was a higher level of progression than for London earners which stood at 17 per cent. Progression for the lower earners at the national level is higher than the change in gross hourly pay for the top 25 per cent of earners which was 24 per cent.

Table 7 also shows the variations by central London borough in progression of gross hourly pay. Significant differences exist between London boroughs with areas such as Kensington and Chelsea seeing the median gross hourly pay for the bottom 10 per cent of residents increase by 43 per cent. In contrast the median level of pay that the bottom 10 per cent of residents in Lambeth earn is only 13 per cent higher than it was in 2002.

Movements out of low pay

Previous research has identified that despite experiencing low employment progression most low paid workers manage to retain their employment. The following indicator evidences this through measuring the movement out of low pay for individuals resident in London between 2006 and 2008.

Using data from the ONS ASHE Panel dataset 1997-2008⁵⁰ we took a sample of employees in 2006 and divided them into three groups depending on whether their hourly earnings were 'high paid', 'medium paid' or 'low paid'. We then tracked these individuals through to 2008 to establish which pay bracket they fell into.

Table 8 examines the pay status of individuals in 2008 of individuals who were identified as low, medium or high paid in 2006. This shows that:

- More than half of the low paid workers have experienced no significant improvement in their income between 2006 and 2008
- 8.9 per cent (763) of residents in London progressed into a higher pay bracket between 2006 and 2008

⁵⁰ This work contains statistical data from ONS which is Crown copyright and reproduced with the permission of the controller of HMSO and Queen's Printer for Scotland. The use of the ONS statistical data in this work 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

Table 8: Change in gross hourly pay status for London residents between 2006 and 2008

Pay in 2006	Pay in 2008			
	Low pay	Medium pay	High Pay	Total
Low Pay	52.8%	42.8%	4.4%	100%
Medium pay	2.9%	84.9%	12.1%	100%
High pay	0.4%	7.5%	92.1%	100%

Source: Authors estimates using the ASHE Panel Survey, ONS 2008

Of those 53 per cent of people who remained in low pay:

- The majority were female (62%)
- Forty four 44 per cent were aged 35-49
- The vast majority (91%) had been in the same job for one year or more
- Seventy nine per cent of this group were employed in lower level occupations (SOC 7-9)

Further analysis of the characteristics of those people that had progressed to a higher pay bracket shows that:

- Fifty three per cent of this group were female
- Eighty four per cent had been in the same job for one year or more
- The majority 57 per cent were in higher level occupations (SOC 1-3). Only 18 per cent of those people that had progressed were in lower level occupations (SOC 7-9)

Using the ASHE panel dataset we are able to analyse the proportionate increase in earnings that individuals received over the two-year period. This helps understand the differences in progression. Table 9 displays the percentage change in gross hourly pay by occupation. The key points are:

- Thirty two per cent of residents of London had received a 6-15 per cent increase in hourly pay
- Forty per cent of those people in lower level occupations had less than a 5 percent increase or a decrease in hourly pay
- Nineteen per cent of those people in the highest level occupations had a 30 per cent plus increase in hourly pay

Table 9: Percentage increase in earnings between 2006 and 2008 by occupational group

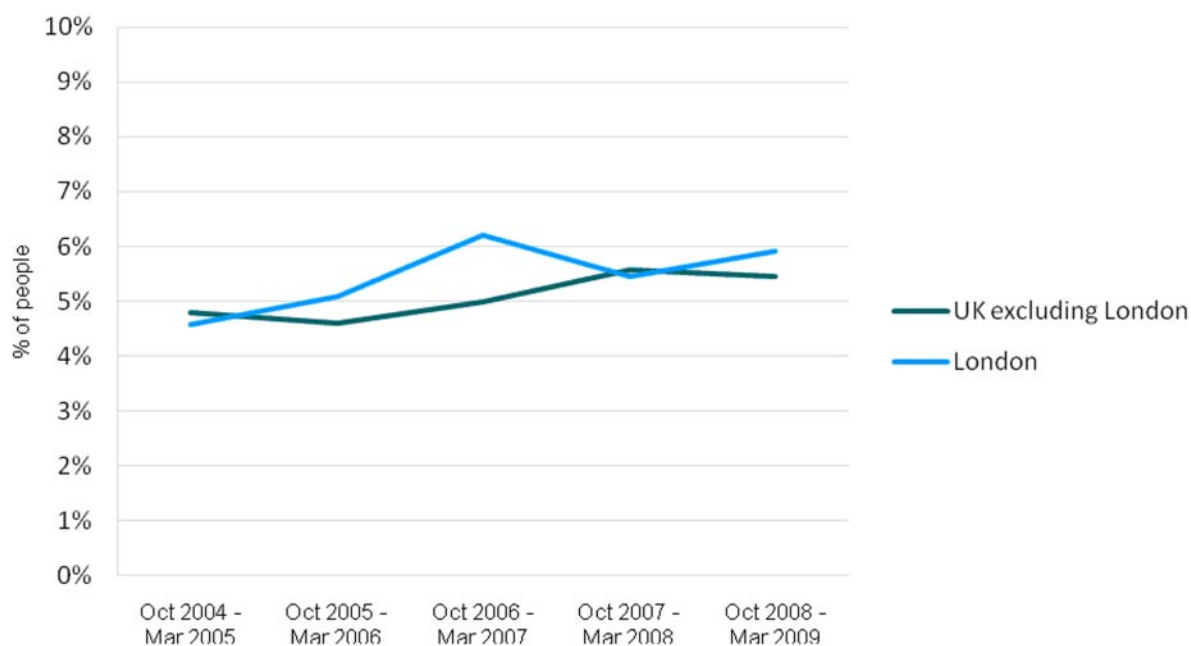
	All (%)	Higher (SOC 1-3) (%)	Middle (SOC 4-6) (%)	Lower (SOC 7-9) (%)
Decreased or stayed the same	19.6	18.8	17.8	23.6
1% to 5% increase	13.7	11.7	15.5	15.9
6% to 15% increase	31.5	30.8	33.5	30.5
16% to 29% increase	18.1	19.7	18	14.6
30% + increase	17.2	19	15.2	15.5

Source: Authors estimates using the ASHE Panel Survey, ONS 2008

Progression in job role

As previously identified progression in employment is defined as the movement into 'better jobs'. This has two dimensions to it those jobs that offer a progression in earnings, which is the main criteria, and that employment that offer progression in job role. The following indicator measures what proportion of people of working age have increased their managerial responsibility over a three month period.

Figure 16: Changes in those with higher managerial responsibility than their previous job since 2004 in London and the UK



Source: Two quarter longitudinal Labour Force Survey, Oct-Dec 08 - Jan-Mar 09

Figure 16 shows that 5.9 per cent of people in London had an increase in their managerial status, compared to 5.4 per cent in the rest of the UK. Within London this has fluctuated since 2004 (4.5%), but the overall trend is increasing. In the UK this positive trend is more pronounced since 2004 (4.8%).

In terms of gender, there is no discernable difference in increase in managerial status between males (52.6%) and females (47.4%), bearing in mind that 53.4 per cent of males are in overall employment compared to 46.6 per cent of females.

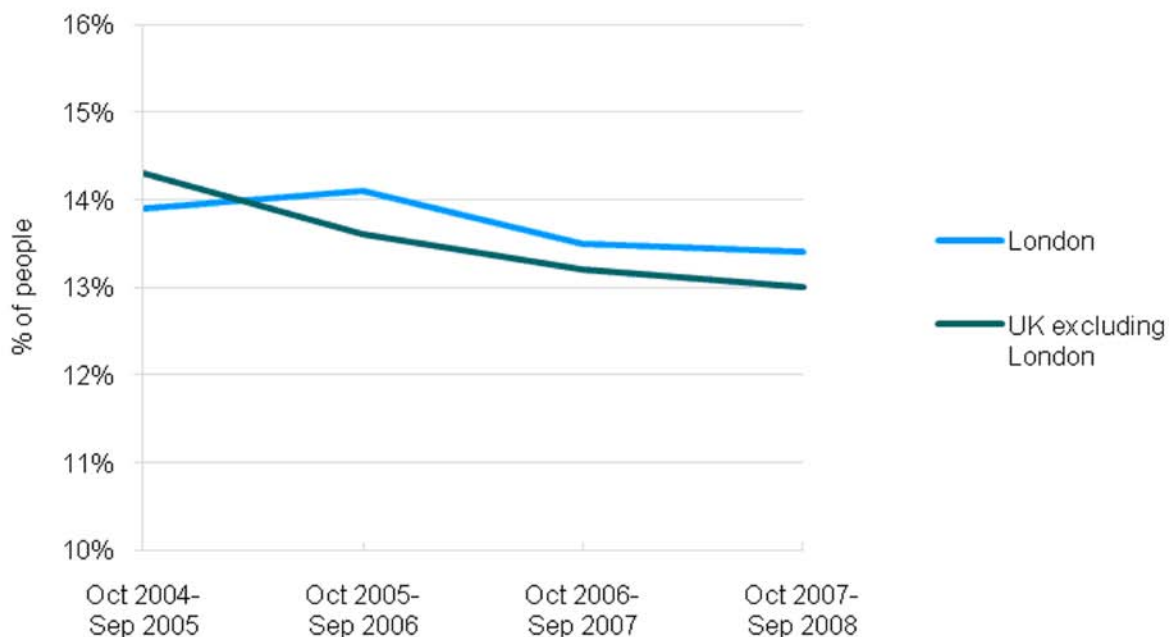
Those Londoners that did have an increase in their managerial status were predominantly in lower managerial (49.1%) and higher managerial (28.4%) positions. In contrast, only 0.9 per cent of those in routine occupations experienced an increase in managerial status.

Accessing work-based training

The following indicator measures the number of working age people who have undertaken job-related training in the previous four weeks. Job-related training is a key indicator of progression as those people receiving job-related training are more likely to experience a wage increase than those who receive no training. It is therefore important to understand if individuals with certain characteristics or certain types of employment allow better access to work-based training and as a result a higher probability of progression.

Figure 17 shows that 13.4 per cent or 674,400 workers in London undertook work based training in the previous four weeks. This is marginally higher than for the rest of the UK at 13 per cent or 4,244,300. For London, this has slightly declined since 2004 (13.9%). For the rest of the UK, this has shown a greater declining trend (14.3%).

Figure 17: Changes in those undertaking work based training, in the last 4 weeks, since 2004 in London and the UK



Source: Annual Population Survey, October 2004 to September 2008

A geographical analysis shows that Camden (19.9%), Westminster (19.7%) and Islington (16.6%) have the highest proportion of residents undertaking work based training in the previous month. These boroughs were well above the London average of 13.4 per cent. Conversely, Kensington and Chelsea (11.4%), Lambeth (12%) and Southwark (12%) were all below the London average.

It is the case that those people receiving work-based training in the previous four weeks have certain characteristics, the key points are:

- Older workers are less likely to have undertaken work-based training than younger workers, with only 12.5 per cent of those receiving training being aged over 50 years of age. Three fifths (60.9%) of London resident workers who undertook work based training within the last four weeks were aged between 25 and 49. A further quarter (26.6%) were in the 16-24 age group.
- London female resident workers (57.1%) had undertaken more work based training in the last 4 weeks than males (42.9%).
- Those in the lowest level occupations receive less training than those people in higher level occupations. In London, people in higher and lower managerial and professional occupations made up forty-five per cent of those receiving work-based training in the previous four weeks. Those people employed in routine occupations, semi routine and lower supervisory and technical occupations only made up 12.9 per cent of those engaging in work-based training.
- The health and social work sector in London had the highest proportion (18.7%) of workers undertaking work based training. Followed by Real estate, renting & business activities (17.6%) and Education (14.4%). Workers in these sectors were significantly more likely to train than others. Hotels and restaurants (3.1%), Construction (4%), transport, storage & communications (4.4%) all had low proportions of workers undertaking work based training.
- London resident workers in full-time positions made up over three quarters (77%) of those undertaking training in the last four weeks.
- People who hold higher level qualifications are more likely to undertake further work-based training than those people who hold no qualifications. Of those Londoners that engaged in work based training in the previous four weeks, a significant majority (37.5%) already had a degree or equivalent. In contrast, only 4.1 per cent received work based training in the previous four weeks but held no previous qualifications.

Section overview

The preceding analysis has indicated that there is a significant group of London's resident population who are in low paid employment. There is also evidence of a lack of progression in earnings for the low paid with one in ten people being employed for ten years or more and being low paid. Furthermore over half of London residents low paid in 2006 had seen no significant improvement in their earning two years later.

The following section reviews retention and progression policy to make practical recommendations on targeted interventions to meet the challenges that London faces, that have been outlined in this chapter.

4. Review of employment retention and progression programmes

The previous section of the report examined patterns of employment retention and progression in London. The next section of this report will explore the extent to which past regional, national and international programmes have been successful in improving employment retention and progression.

This chapter will cover:

- Overview of past programmes and policies
- Analysis of programmes and policies
- Recommendations

Overview of past programmes

Aims of programmes

Our research has identified a number of programmes that focus on employment retention and progression. The majority of the programmes have some retention element to them, combining this with interventions to also support individuals into work and progress in their employment. A proportion of the programmes that were identified did focus entirely on supporting an individual to progress in employment, although findings suggest that these programmes also have a positive effect on the retention of individuals.

Focus of programmes

The research identified two overall approaches which were used to enable the retention and progression of individuals in work. The first of these saw interventions focused on directly supporting the individual and the second focuses on strategies to improve retention and progression for individuals by working directly with the employer to mutual benefit.

The majority of programmes that have been identified are from the US with other identified programmes coming from other countries including: Scotland, Canada and England/UK. These programmes offer the greatest opportunity for transferability and learning to any proposed intervention.

Mechanisms

The programmes we researched employed a variety of mechanisms to support the retention and progression of individuals; most combine a number of mechanisms within any one programme. These are:

- Case management
- Financial incentives
- Training
- Counselling
- Career development plans
- Initial needs assessments
- Career ladders
- Childcare subsidies

Analysis of programmes and policies

This section provides an analysis of previous programme evaluations and research to draw out key learning for employment retention and progression programmes. The analysis focuses on interventions which directly support the individual and interventions that work directly with the employer, before providing key lessons for programme design, using five case studies to illustrate this further (please see Annex C).

The best practice policy case studies are:

Table 10: Case studies

Programme	Location	Target Group
Employment Retention and Advancement (ERA) Scheme	6 pilot areas across the UK (including London) ⁵¹	Unemployed and part-time employed lone parents, and the long-term unemployed on New Deal 25+
Extended Care Career Ladder Initiative (ECCLI) Round 2	Massachusetts (US)	Low-skilled workers in the health care sector
Jobs-Plus Community Revitalization Initiative for Public Housing Families (Jobs-Plus)	California (US)	Any working aged individuals who lived in public housing and were not disabled.
Post-Assistance Self-Sufficiency (PASS) Programme	Riverside County, California (US)	Individuals who had left TANF and were in employment.
Self-Sufficiency Project (SSP)	British Columbia and New Brunswick (Canada)	Lone parents who had been unemployed for at least a year

⁵¹ Wales, North West England, the East Midlands, North East England, Scotland and London.

Interventions directly supporting the individual

This section will look at ‘what works’ in relation to interventions and mechanisms that directly support the individual to retain and progress in employment.

Into work and re-employment services

An individual’s retention and progression rates are affected by the job they are initially placed in. Although this report does not examine ‘into work’ support, it is important to highlight that pre-employment programmes can positively affect employment retention and progression rates if the individual is matched with the job which meets their needs and personal circumstances. If individuals are placed, or voluntarily start, in a job which is unsuitable for them, (e.g. the wrong hours or the wrong location) then they are less likely to remain or progress in that organisation.

A number of retention and progression programmes which have been identified in our research often include an ‘into work’ or job matching element to help them find employment which is suitable for their needs. Findings from past research show that higher retention rates, and wage increases, can be achieved when these services are linked; providing a seamless service from unemployment to employment for each individual.⁵²

One example of a programme identified in our research that contained an into work element was the Jobs-Plus Demonstration. Individuals were assisted to initially find employment and were then supported to retain this employment. This had a successful impact on participant’s employment rates and financial progression (as explored in the Jobs-Plus Case Study). Another programme which provided both pre and post-employment support was the ERA Texas programme also which targeted a population applying for, or receiving, cash assistance, most of whom were not working when they entered the program.

Whilst initial job match is important other programmes have used re-employment methods to overcome the problem of individuals being in the wrong type of employment for them. These services can be used to assist individuals to move into new employment that offers progression opportunities and meets individual’s needs. Alongside using re-employment methods in this way they are also used for those individuals who become unemployed whilst the programme is in operation in order to rapidly re-attach them to the labour market.

The programmes that anticipate this and incorporate job matching and brokerage are generally more successful, as shown in the PASS case study. PASS was primarily a case management approach along with other holistic services. It targeted those who had recently moved into employment. Those individuals who lost their job whilst part of the programme were assisted to move back into employment as quickly as possible.

⁵² Johnson, Job Retention and Advancement in Employment, p. 43.

Another positive example of the use of re-employment methods is the Chicago ERA project. This programme targeted employed individuals who were receiving TANF⁵³ with a view to help them advance in the labour market. The project often used job-matching as the programme's most common service to help participants move fairly quickly to a new job that paid somewhat more than their current job.

Chicago ERA had no uniform service strategy. The approach was highly individualized and depended on the suitability of the participants' employment, their career goals, and job preferences, alongside the availability of higher-paying jobs. More commonly, staff helped connect participants with higher-paying jobs in companies that had established relationships with the programme provider. Education and training also played a role, but the main focus remained on work-based strategies.

Case management

Case management is where a programme participant is allocated to a member of staff on the programme who will support the individual throughout the programme. The case manager will be the individual's main point of contact for the programme and will take on a number of different roles depending on the programme, these can include: conducting initial assessments, providing career coaching, providing re-employment services, allocating discretionary funding and referring individuals to training and support services.

The majority of programmes identified have case managers allocated to their clients; however, the role and ability of the case manager is key to the experience the individual receives, and can often influence the outcome of the initiative. Case managers need to be able to build a rapport with the individual on the programme alongside having detailed labour market knowledge.

Although case management is important we have found that case management alone does not have a large effect on employment retention and progression rates.⁵⁴ One example of this is with the GAPS employment retention initiative. GAPS targeted current or former TANF recipients and adopted a case management approach. Although a high percentage of individuals were employed constantly in the period measured, participants indicated that this support alone did not help them to maintain their employment. Individuals felt they needed further support such as finding and/or paying for childcare, or financial help towards transport costs.⁵⁵ It is therefore often the case that case management used alongside other measures are more successful.

The PASS programme primarily adopted a case management approach; however it did also feature a number of other mechanisms such as emergency financial support and a re-employment service. This approach had positive impacts on individuals' employment rates and financial progression. PASS increased the percentage of individuals who were employed for at least 4 consecutive quarters with nearly 60 per cent of the PASS group meeting this criteria compared to almost 57 per cent of the control group. Also over Years 1-2, PASS participants earned an average of \$1,790 more than those who received no support.

⁵³ TANF is a benefit which is available to families with dependent children who are unemployed or earning less than a certain amount. Families can claim this benefit for a maximum of 60 months over their lifetime. Whilst claiming this benefit individuals must try to find full time employment or undertake specific activities which will eventually lead to employment.

⁵⁴ Kellard et al, *Staying in Work*, p. 50.

⁵⁵ Robert Wood and Dianne Paulsell, *Promoting Employment Retention Among TANF Recipients: Lessons from the GAPS Initiative*, (Mathematica Policy Research, Inc. 2000), p. X.

Within any approach individuals should initially have an orientation session with a case manager who would fully explain the specifics of the programme to them. A number of programmes make use of initial assessments which are undertaken by case managers; using them to not only assess any immediate needs that an individual may have (such as housing or childcare) but also to assess wider family needs and to develop a career plan for the individual.

Financial support

Financial support is seen to be a successful aspect of a number of retention and progression programmes and can take a number of different forms such as earning supplements or emergency financial support⁵⁶. Moving into work for some individuals can bring additional costs such as: childcare and transport. This can affect long-term employment retention as individuals may not be able to pay for these things, and subsequently have to move back onto benefits because they cannot sustain employment.

The Canadian Self-Sufficiency Project (SSP) provided a temporary earnings supplement (which was calculated on an individual basis⁵⁷) to lone parents who had been on 'income assistance' for at least one year and had moved into full-time work (see case study). This financial incentive appeared to have a positive effect on the amount of time someone was employed and on the individual's earnings when compared to a control group. However there were greater impacts when this support was combined with further services (SSP Plus), such as: employment plans and job coaching which were undertaken by a case manager. The effect on the individuals was greater with more entering work (40% compared to 37% of SSP) and increased wages (by about \$99 per month)⁵⁸.

There are a number of key learning points from past programmes in relation to programmes which include financial support:

- When programmes are designed they need to be financially viable from the funder's perspective. The SSP, for example was successful; providing the individuals with sufficient additional funds to cover costs that would otherwise have prevented them from entering the labour market. However, the value of the financial supplement was deemed unsustainable and therefore the programme did not make it past its demonstration stage.
- The process for claiming financial incentives needs to be straightforward and un-bureaucratic. Learning from the Texas ERA program⁵⁹ shows that the criteria for qualifying for an incentive, whilst needing to be robust, must be straightforward to allow the highest proportion of the target audience to qualify. In Texas qualifying for the financial incentive involved a series of steps, including working longer than four months, working enough hours, submitting the necessary documentation, and attending a monthly employment-related activity.
- Individuals need to fully understand their eligibility for the programme. The nature and accessibility of information about the programme needs to be carefully considered, with, where possible, staff available to provide advice and guidance to those considering their eligibility.

⁵⁶ Johnson, Job Retention and Advancement in Employment, p. 42.

⁵⁷ Supplement payment = (earnings benchmark – participant's earnings) ÷ 2. The earnings benchmark differed for each province – They started as: New Brunswick – \$30,000 and British Columbia – \$37,000 – however they were adjusted with inflation

⁵⁸ Charles Michalopoulos, Doug Tattre, Cynthia Miller, Philip K. Robins, Pamela Morris, David Gyarmati, Cindy Redcross, Kelly Foley and Reuben Ford, Making Work Pay Final Report on the Self-Sufficiency Project for Long-Term Welfare Recipients (SRDC, 2002), p. ES3-ES4.

⁵⁹ This programme targeted TANF recipients to find them employment and to assist them to retain and progress in it.

- Specific software may need to be developed to allow for the timely allocation and processing of claims.
- Multi agency and partnership working will be essential to enable claims to be processed if a NI or Tax contribution needs to be taken from the supplement.

While financial supplements have proven to be a successful mechanism for moving individuals from benefits into work, an earnings supplement may not be effective for retaining the already long-term employed and progressing individuals once they are in employment. In these cases discretionary financial support may be more useful to enable individuals to gain the additional skills needed to progress in employment, or to prevent short term emergencies (such as transport issues) affecting an individual's ability to stay in work.

The UK ERA Scheme used an emergency discretion fund and a training fund to help individuals to retain and progress in employment. ERA was a holistic approach which targeted the long-term unemployed and lone parents. The approach included individuals being allocated an advancement support advisor alongside an earnings supplement, a training budget and an emergency discretion fund. A £1000 training allowance could be used by individuals if the training helped them meet their career advancement goals. The emergency discretion fund was used for a variety of reasons which could have affected the retention of an individual such as: fixing broken transport or to seek emergency childcare.

Summary

Interventions focused on the individual are seen to be more effective when a range of tools and incentives are used to help somebody stay and progress in work. Individuals often need a range of services to overcome the barriers and problems they may face in retaining employment, (as evidenced in the PASS programme) such as case management, finance and core-employment services. They may face a number of barriers (both financial and non-financial), although these will differ between individuals. Due to these differing needs, programmes need to be both flexible and personalised: in how individuals are engaged, what services are offered to them and how individuals are supported once on the programme, and thereafter.

There is the potential for there to be tensions between individual or employer focused programmes. As something which is in the best interest of the individual may not be attractive to an employer. For example, our research suggests that some individuals will only advance in the labour market by progressing into another job. The individual may be encouraged to leave their current employment and be placed into a role with better progression opportunities, employers are unlikely to support a programme which involves their staff being re-employed elsewhere.

There may also be differences between the pace at which individuals and employers perceive progression should take place. For instance an individual may wish to progress to a more senior role within their current employment within a twelve month period; however, this may not align with their employer's business needs. Conversely an employer may have an urgent need for higher skilled staff but lacking suitable individuals within their organisation who could be promoted into this position.

Interventions working directly with the employer

This section will look at ‘what works’ in relation to interventions and mechanisms that work directly with an employer to encourage their employees to retain and progress in employment

Career ladders

Career ladders are designed with a collective of employers who work in the same sector who wish to provide a clear progression pathway for their staff, and who recognise the value in the development of transferable skills. The career ladder framework would usually outline the various roles at each level within an organisation, the skills levels needed to carry out these positions and the necessary training and qualifications needed to meet acquire these skills. Career ladders can also provide the opportunity to consider whether new positions should be created that enable an individual’s progression from one position to another. These positions are often awarded with incremental pay rises within an organisation.

Past examples have shown that career ladders can be Government funded, and are employer-led. A number of partners are often involved in designing and implementing career ladders such as: employers, training providers and trade union representatives.

Career ladders can have a positive effect on retention rates in organisations as well as providing individuals with a specific career path they can follow. One example which was identified was the Extended Care Career Ladder Initiative (ECCLI) in Massachusetts. This was created to, amongst other things, improve the retention of Certified Nursing Assistants (CNAs) and to support and develop their workers.

Twenty eight agencies were engaged in the initiative through seven consortia, which developed Career Ladder models to retain and advance CNAs, and other workers, in the organisation. Overall the programme was seen to be successful with retention rates increasing with 21 out of 28 career ladder organisations having fewer vacancies over the first six months of the programme. Individuals were also receiving higher wages, however in follow-up interviews with workers many felt these pay rises were not significant.⁶⁰

To trial a career ladder or sector training approach the initial buy in is needed from a group of employers. Employers may only be interested in taking part in career ladders if they are experiencing problems with their workforce such as high turnover or a lack of specific skills; if they are experiencing no problems they may have little or no motivation to be involved in a process which could be time-consuming and require substantial investment.

In addition to this there may be other factors affecting an employer’s suitability for implementing a career ladder approach, for example:

- Micro businesses – due to the small number of employees in a micro business, career progression may not be available due to limited supervisory/managerial jobs or highly skilled positions. As a result career progression may only be possible when individuals leave the organisation.

⁶⁰ Randall Wilson, Susan Eaton, and Amara Kamanu, Extended Care Career Ladder Initiative (ECCLI) Round 2: Evaluation Report, (John F. Kennedy School of Government, Harvard University, 2002).

- Sectors with high proportions of low-skilled, low-waged employees such as ‘Accommodation and Food Services’ and ‘Wholesale, Retail and Motor Vehicle Repair’. These sectors may struggle to implement a career ladder approach due to the low proportions of career progression opportunities available. For instance, if all low-skilled, low-waged employees were encouraged to progress in an organisation, there would not be enough positions for them to fill. These individuals may have to gain employment elsewhere to progress.

Therefore the career ladder approach is not suitable to all employers due to the business models that operate in certain (predominantly low paid) sectors. Unless parallel interventions can be introduced that seek to change the business models and encourage the use of more higher skilled and higher paid employment in certain sectors the opportunity for the use of career ladders will be limited.

Variations on the career ladder model have been utilised to progress some individuals in lower paid professions. For example in New York⁶¹ one approach involved employers identifying a finite number of individuals who showed potential for progression and providing them with the necessary training to ensure they could be promoted when business need occurred.

⁶¹ Lisa Grossmann, ‘Designing Local Skills Strategies for Immigrants: New York City Career Pathways Case Study’ in OECD Designing local skill strategies, (to be published autumn 2009).

However it is the case that career ladders are most appropriate in sectors where the employment structure means that there is a high number of low-skilled workers but also have a high number of medium/high-skilled workers and the gap between these levels of occupation is currently too great for a low skilled worker to progress into higher skilled and paid employment.

Career ladders and sector-based training programmes have been trialled in a number of areas and whilst some have had some successful impacts there have been a number of key lessons learnt:

- Career ladders will take a significant amount of time to develop as they will need to be designed by a number of partners including employers and training providers.
- Employer involvement in career ladders can take two forms: one being the contribution they make to the initial design of the ladder: identifying the progression pathways within the sector, and the skills needed to progress, and designing the training programmes which will enable these skills to be achieved. The second form of involvement sees the employer buying in to the concept of career ladders within their own organisation; understanding the costs to their business in terms of time off to train, salary increases etc, but realising that this investment in their staff will deliver greater returns to their bottom line.
- Evidence suggests that employers may be interested in the short-term goals of training such as providing someone with ESOL training to ensure they can communicate effectively at work. Some employers may not be able to imagine their low-skilled workers as being their high-skilled workers in the future and implementing a career ladder introduces the concept of staff progression to the employer.
- For a career ladder to be successful research needs to be undertaken to understand:
 - (i) The actual skill levels required for each of the job roles as specified on the ladder.
 - (ii) The current skill levels of existing staff that will be progressing through the implementation of the career ladder.
 - (iii) The training that is needed to progress people from one skill level to the next.
- Past approaches have overestimated the skills level of their current low-skilled workers. Career ladder approaches have designed training for a specific skill level only to find that many workers needed training to initially get to that level.⁶²
- Not all low-skilled workers are interested in career development – as found in the health care sector. Housekeepers and those employed in food services did not necessarily aspire to become nursing assistants due to it being a highly demanding job and them having to take an initial pay cut to start on this career path.
- Providing a career pathway for a sector on behalf of a number of different employers can be difficult due to employer's different needs.
- If developing a career ladder approach for professional occupations a broader view should be taken. Taking teachers as an example; it is now common for a teaching assistant to work alongside a teacher on a daily basis, undertaking some of the duties that a teacher would normally do. The traditional career path to become a teacher can be broadened through a career ladder by recognising the skills and experience that a teaching assistant gains through their job and setting out the necessary training and development pathway they would need to undertake to become a qualified teacher.⁶³

⁶² This is evidenced in the ECCLI case study

⁶³ The Panel on Fair Access to the Professions, *Unleashing Aspiration: Summary and recommendations of the full report*, (London, 2009)

- For some sectors, more para-professional positions (such as teaching assistants) could be developed within a career ladder approach to let people with lower skills progress into higher skilled, professional positions. Such as for Journalists, Lawyers or Accountants.

A career ladder approach ensures employees are offered a long-term progression pathway in the sector and/or organisation they are currently working in. These pathways can be developed to only focus on those who are currently in employment or can be expanded to include those who are unemployed or are still of school age. In London there are a number of sectors which could benefit from using a career ladder approach these include: education, manufacturing and construction.⁶⁴

Key lessons for programme design

This section focuses on the implementation and design considerations for any intervention.

Skills and knowledge of staff

Programmes are more likely to be successful if they have the right staff delivering the services. Programmes which aim to retain individuals in employment and progress them often need access to a wide range of specialist support and need a number of skills and knowledge. No one advisor can provide all the support an individual may need as individuals may face multiple barriers to employment and may need many different services such as: counselling, mental health support, drug/alcohol services, job-search, careers coaching, soft-skill training, debt management or housing support.

From our research it is apparent that there are three main ways in which to ensure participants receive a comprehensive service:

- Sub-contract programmes to specialist organisations
- Recruit staff with relevant skills
- Ensure effective and timely referrals to partner organisations

Sub-contracting

Recruiting organisations and professionals that have previous experience of working with those in employment is beneficial as they are used to providing these services and often have the specific local knowledge to implement these successfully. PASS (ERA (US) model from California) recruited a number of community-based organisations to deliver the programme as well as delivering it in one DPSS (Department of Public Social Services) office. The evaluation concluded that the community-based organisations were more successful than DPSS due to their increased knowledge of the area and job opportunities.

If programmes contain re-employment elements there are advantages to sub-contracting programme services to local organisations that have strong links with local employers.

⁶⁴ These are a suggested list of sectors based on our data analysis; however further research should be undertaken to identify specific sectors and industries that would benefit from this approach

Recruiting staff with specific skills and training

A number of the evaluations have found that staff recruitment and training are vital aspects of any successful programme which is implemented. Findings from Moving Up (South Carolina's ERA (US) programme model) outline the importance of hiring the right staff and ensuring they are fully trained to provide the correct services and demonstrate empathy with the client's situation. As with SSP (Canada), Moving Up recruited staff that had previous experience of delivering services and working with their targeted client group. Staff then received specific training before the programme began and continuous support and training throughout programme delivery to ensure they had the skills necessary.

Some programmes such as ERA (UK) found that a lack of training, or training that took place at the wrong time had a negative effect on staff being able to fully carry out the advancement features of the programme. The project staff did not receive post-employment training early enough to be able to implement this with participants who were trying to advance before the second year of the programme. This was something which was changed in the lifetime of the project enabling advisors to successfully carry out their role and to fully understand how advancement could differ for individuals.

Past programme evaluations have not stated what specific training case managers have received.

Referrals to partner organisations

Although staff can be trained in a number of functions to support individuals, (i.e. career coaching, referrals, needs analysis etc), it would be impossible for them to be able to deliver a multitude of specialist services on their own. Therefore programmes need to link to other local or national support which is available in the area to help individuals deal with all of the needs they have and address any barriers that would otherwise prevent them from retaining and progressing in work (such as mental health, housing or illness). Effective multi-agency working increases the range of support services that is available to the individual, without one organisation being responsible for delivering all services.⁶⁵

A number of programmes referred individuals to other services such as in Moving Up (South Carolina ERA (US) model). Moving Up was an initiative aimed at anyone who had left TANF in the last three years. It implemented a case management approach alongside offering financial incentives. Due to the complex needs of the individuals targeted the programme required individuals to be referred to specific support which they could not provide themselves or to other services such as: training, benefits, job-search classes and substance abuse treatment.

⁶⁵ Pamela Meadows, Local Initiatives to Help Workless People Find and Keep Paid Work, p. 1.

Mandatory versus voluntary participation

In designing programmes a decision must be made as to whether participation should be mandatory or voluntary. Mandatory policies were usually trialled with those who were receiving some type of benefit (such as TANF). The programme would then be available instead of the benefit, or to complement TANF services. Programmes would be designed to sanction individuals if they did not follow programme guidelines. Often these sanctions were related to the temporary removal of the related benefit.

It is worth recognising that a programme can only be made mandatory if the target group are currently receiving a type of benefit or Government support. If an individual is not in receipt of any benefits, naturally it would not be possible to put any sanctions in place. Also, making programme participation mandatory does not appear to make programmes more successful.

Evaluation material has found that those who could impose sanctions often chose not to; opting instead to give them a number of chances to participate, as with Minnesota's Tier 2 programme. This programme targeted the long-term unemployed through a case management approach, however also incorporated other mechanisms such as childcare or transport service. Other programmes had difficulties sanctioning participants due to a lack of clear guidelines as to when someone was classed as participating or not.

In the Chicago ERA (US) programme, a number of participants who were receiving small amounts of in work benefit through the TANF programme, decided to forego this as they did not want to participate in the programme. The programme therefore had a negative impact on a small number of participants.

As has been identified in a number of the evaluations analysed, not all individuals want to move into full-time work or progress in employment. There are individuals who are happy with their current employment, and the flexibilities available to them.

Tackling the stigma of Government support

Having successfully moved into employment some individuals do not want the stigma of being known to still be in receipt of Government support from agencies such as Jobcentre Plus.

A number of interventions have worked around this issue by sub-contracting programme delivery to private or community based agencies and thereby increasing the take-up of services by participants. Some individuals, for instance, have not wanted their employer to know they were receiving support services. For some this has prevented them from joining programmes altogether. For others individuals have joined but have not wanted staff to contact their employer for any issues which may arise which affects their employment.

The Mentoring and Post-Employment Support Pilot targeted those who had moved off of New Deal for Young People and planned to provide customers with thirteen weeks of post-employment support through a case management approach. During the programme many providers discontinued with post-employment support as they found it difficult to engage with their customers once in employment out of the customer's 'fear of being "singled out" at work'.⁶⁶

⁶⁶ ECOTEC Mentoring and Post-Employment Support (ECOTEC Research and Consulting Limited, 2004), p iii.

The WASC (Work Advancement and Support Center) demonstration (US) attempted to address the stigma associated with in-work support and individuals claiming benefits they were entitled to (such as Medicaid) alongside delivering an advancement service as the demonstration's main service. WASC targeted low-wage workers and offered a range of advancement services alongside attempting to increase the proportions of eligible participants claiming benefits they were entitled to. They successfully encouraged a number of individuals to accept Government benefits whilst they were considering advancing their employment or undertaking training.

Client engagement

There are challenges in targeting specific client groups for which contact information is not readily available. Where individuals are already in receipt of benefits and have a case manager appointed, this is less of an issue because there is greater opportunity for direct promotion of the benefits of the programme to the individual. However when people are in receipt of benefits without a case manager or are not in receipt of benefits at all, a more strategic approach to client engagement is needed.

Programmes such as PASS utilised a number of different methods to engage with participants including letters, phone calls and home visits. This was seen to work well as the methods could be tailored to individual clients, and multiple methods could be used with each client to improve the programmes chances of engaging the individual.

The WASC demonstration targeted low wage workers for which there was no, or little, contact information available. A number of alternative methods were used to try and recruit individuals including: letters; phone calls; presentations at employer's sites or local events; flyers in pay packets or in public places; magazine and transport adverts; and referrals from other partner organisations. While the extent to which each of these methods was successful in engaging clients is yet to be fully evaluated, initial feedback from clients confirmed that a number of these methods attracted individuals to the programme.⁶⁷

To ensure that once individuals were engaged they fully understood the services which were available to them some programmes had their staff conduct an orientation session with each participant. The SSP had an initial orientation session with each programme participant to ensure they understood what they were entitled to whilst on the programme to prevent this from happening and to outline the processes involved in claiming the financial earnings supplement which was on offer.

Demand led

To ensure programmes are demand led and respond to variations in the labour market, they need to be locally focused to ensure they respond to local circumstances.⁶⁸ Holistic programmes should be developed which are flexible and tailored to meet individual's different needs. Services should be focused on retention or advancement, depending upon the stage at which the participant engages with the programme. Also career ladder approaches may need to be tailored to meet the needs of individual organisations.

Recommendations

These recommendations are intended for a range of public policy makers and private organisations. The challenges which have been presented throughout this report cut across the work of many agencies and therefore should not be the responsibility of one organisation alone. A multi-agency approach is essential to ensure there is buy-in from the public and private sector and to ensure all services can be successfully delivered.

The research identified two types of intervention which could be used to enable the retention and progression of individuals in work. A series of best practice policy case studies provide more detail and further evidence on the practical recommendations outlined in this section. (Annex C). To ensure all priority groups are targeted effectively we would recommend that both interventions should be implemented by funding agencies. These are:

- Interventions directly supporting the individual
- Interventions working directly with the employer

⁶⁷ The evaluation for the WASC demonstration is ongoing at the time of producing this report

⁶⁸ Pamela Meadows, Local Initiatives to Help Workless People Find and Keep Paid Work, p. 1.

Interventions directly supporting the individual

We would recommend a holistic programme to support individuals to retaining and progressing in employment. The programme should be holistic and contain three main mechanisms:

- Case management
- Re-employment services
- Financial support

Figure 19 outlines how the programme could work in practice. The following list outlines the key features of the programme design:

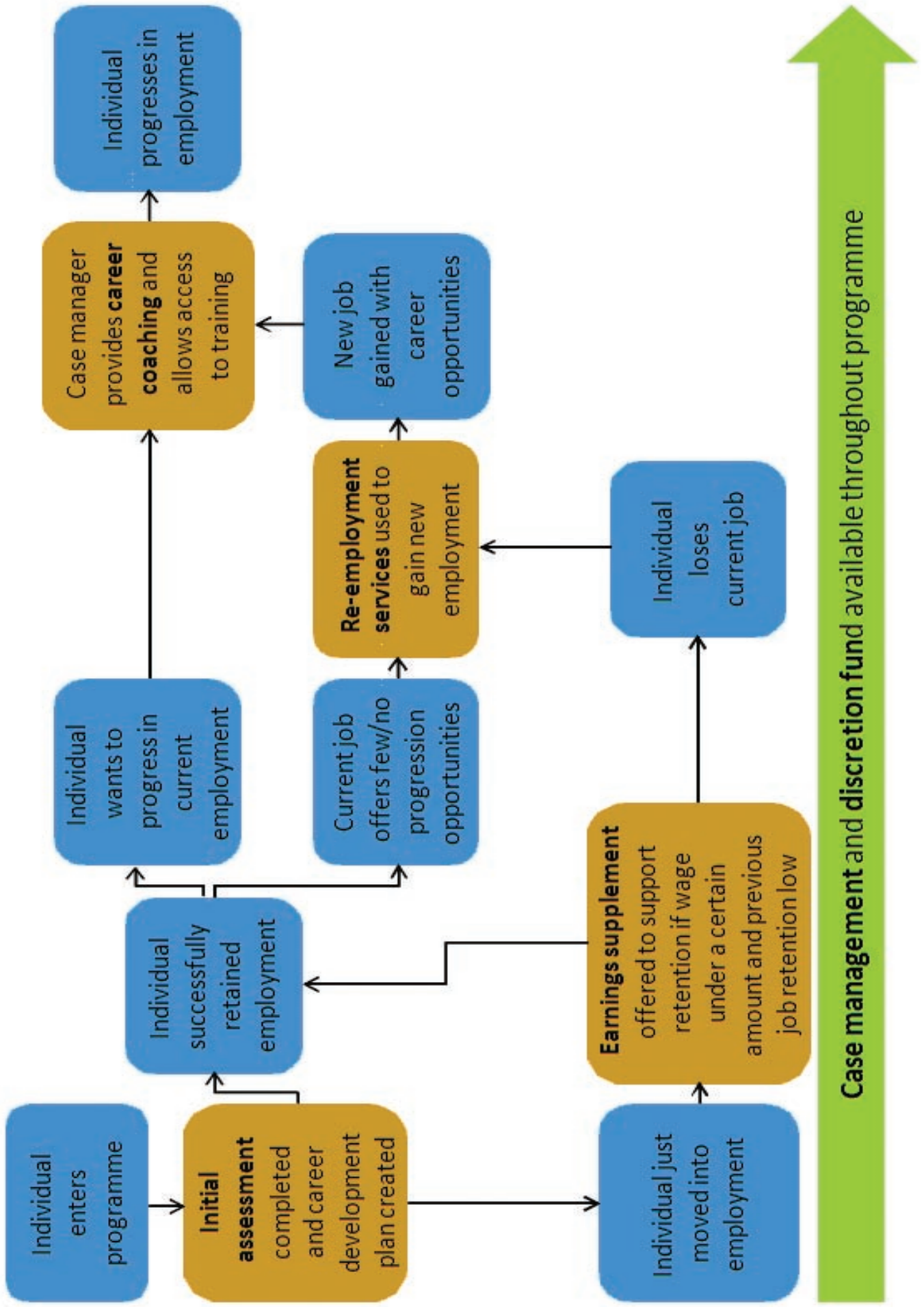
- Case managers should provide a number of services to the client such as: referrals, needs assessments and allocation of financial support
- Re-employment services should be available to those who lose their job whilst on the programme or for those who want to change job
- There should be two type of financial support available:
 - (i) An earnings supplement for those who have recently moved from unemployment into employment.
 - (ii) A discretion fund which could be used to provide emergency financial support or to pay for training.
- Individuals should be able to access the programme at various stages throughout their career
- Programme delivery should be sub-contracted to local community-based organisations
- Success is more likely if participation is voluntary
- Case managers should be fully trained and ideally have past experience
- The programme should be tailored to individual needs
- Partnership and multi-agency working is essential.
- Marketing of re-employment programmes must remain sensitive to the views of employers

Interventions working directly with the employer

We would recommend a career ladder approach when designing interventions to work directly with the employer. The following list outlines the key features of the programme design:

- A partnership approach between employers, providers and key stakeholders (i.e. SSCs)
- Ideally owned by an employer led organisation (NSA, SSC or a large employer.)
- Within the approach employers should customise 'career ladders' to meet their organisational needs
- Ensure sector has progression opportunities available
- Skills needs conducted of existing workforce
- Skills development and training should underpin and align with progression routes
- Participation should be voluntary for employers and employees

Figure 18 Programme implementation



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