

Policy report  
October 2014

in association with



## Pay progression

Understanding the barriers for the  
lowest paid



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# Pay progression: understanding the barriers for the lowest paid

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# Forewords

Over most of the last six years we have seen a significant fall in real wages, with evidence showing that the UK has a high proportion of workers on low pay compared with our international competitors.

However, to date there has been little evidence on what factors mean that some people become stuck in low-paid jobs for most or all of their working lives, whereas others escape it or cycle in and out of low pay. This research shines a light on these issues by using data with a richer set of personal and household characteristics.

The research has important implications for policy-makers and employers. It has particular insights for the HR profession.

Low-paid workers need opportunities to progress to a higher-paying job without leaving their employer and HR has a role to play in delivering it, especially in supporting and challenging managers in the creation of meaningful progression pathways for people wanting to work part-time.

Employers also need to make it very clear to their workforce that they should say if they wish to increase their (part-time) hours and earn more or go for a better-paid job. That means making it clear to line managers that they have to act in the interests of the firm and help people progress, rather than hoard experienced workers. Their training should ensure that, as part of regular one-to-ones with staff, they discuss options for increasing working hours, taking up training

or other roles that might be available to allow people to make the most of their skills and boost their pay.

Employers should also think about designing jobs which allow employees to build their skills and use them to add value for the employer as alternatives to the management track, for example, in enhanced customer service roles.

However, the research also has significant implications for policy-makers. There needs to be a concerted effort to increase the supply of higher-skilled jobs across the UK economy. This means a focus on boosting demand for investment in skills among employers and improving how skills are developed and used in the workplace.

There also needs to be better labour market information on where the better-paid jobs are and what training is required to secure them. This implies an enhanced role for Jobcentre Plus and the need for much better careers advice and guidance to help young people make the right choices about qualifications and career pathways which lead to higher-paying jobs and to support older workers who want to re-train and increase their earnings potential.

**Peter Cheese**  
Chief Executive  
CIPD

Over the past 20 years there has been a shift in the anatomy of the labour market. The forces of technology have changed how the workplace functions while globalisation has intensified the competitiveness of the business environment.

We have seen a change in demand for the types of roles we need to run and grow our businesses. Many of the jobs, which we relied on then, no longer exist.

This 'hourglass' phenomenon has been seen in the UK, the US and most other developed economies. And forecasts suggest this trend will only accelerate over the coming decade.

The squeeze on traditional 'middle-tier' jobs has meant that, all too often, fewer opportunities are available for people to progress from the bottom tier in the workplace to the middle – let alone the top. Many people have the aspiration to 'get on' but they find that the link between hard work and reaching the next rung of the ladder is elusive.

At the same time the UK lags behind many other Western economies in terms of productivity and improving this situation remains essential to stimulating our recovery. It remains a complex issue, but earnings mobility should be an important element of that journey.

John Lewis Partnership has sponsored this research to help us better understand the barriers to

progression for the lowest paid. Our aspiration is to provide useful new insights for ourselves, for other employers, and policy-makers too, so we can develop appropriate interventions.

Many of the people interviewed in the course of conducting this research had the desire to progress in the workplace but found there were no clear paths to show how this could be done. They saw limited opportunity to increase their contribution to their employers and, with this, their productive capacity and their earnings.

There are 4.3 million workers in the UK with skills and qualifications that exceed those needed for their job – that's 16% of employees. It is clear there is a renewed need for employers and government to tap into this pool of talent.

I hope that by describing the barriers to progression, we can go some way to informing the creation of a more dynamic labour market in the UK – one which is ready for the challenges ahead.

**Sir Charlie Mayfield**

Chairman  
John Lewis Partnership

# Executive summary

*‘The ability of the lowest paid to improve their financial position depends on their pay trajectory over time, not a snapshot view.’*

## Overview

Having a job is a necessary but not sufficient condition for having a good job. Politicians concerned about the cost of living talk about the need to raise the minimum wage, while ignoring the fact that even a large rise in the statutory minimum will not alter the socio-economic position in society of those who are paid it. Having a minimum floor is important to prevent exploitation, but the ability of the lowest paid to improve their financial position depends on their pay trajectory over time, not a snapshot view.

Moreover, since an individual's level of pay is linked to productivity, it is reasonable to presume that breaking down the barriers to pay progression on a large scale could have a positive economic effect in aggregate, in part providing a policy response to the ‘productivity paradox’.

This research paper seeks to shed new light onto the circumstances, attitudes and wider characteristics of households who have experienced low pay over a protracted period of time, and the barriers they face to career progression. Specifically, we want to explore possible reasons why some low-paid people ‘escape’ into better-paid jobs over time while others do not. Our aim is to contribute to a policy discussion on how best to ensure public policy supports lowest-paid households to raise their earning potential.

## Findings

We found that for those who started the period in low pay,

the likelihood of being ‘stuck’ is strongly correlated with being female and increases with age, with outcomes worse outside London. Amongst women, having children is not in itself associated with a higher chance of being stuck but being a lone parent or having young children does exhibit a correlation with being stuck, as does having a work-limiting health condition for both genders.

Job satisfaction exhibits a U-shaped relationship with being stuck: those who are most satisfied are more likely to be stuck, as are those who are least satisfied.

Working part-time, in a small workplace, or in a low-wage industry are strongly associated with being stuck in low pay once the person has had this status for more than one year. Having higher qualifications, working in the public sector or in a workplace with annual pay increments are negatively associated with being stuck.

Conversely, the likelihood of someone starting in low pay ‘escaping’ over time is greater for younger people. Being female of itself doesn’t decrease the likelihood that someone will ‘escape’ but being a lone parent, or having children under 5 does, as does having a disability or health condition that limits work. The act of making the transition from the private to the public sector is also significantly associated with escaping low pay.

For many people, the least difficult way to take home more money

is to work more hours, do more jobs or work in the grey economy alongside formal work. This is easier than seeking promotion, but is not available to younger women because of inflexible childcare.

Using cluster analysis we developed a typology of the typical characteristics of low-paid individuals, as shown in Table 1.

### Implications for employers

#### *Part-time working*

There is a strong correlation in the data between being 'stuck' on the

lowest levels of pay and working part-time, with evidence that those who want to work part-time fear that signaling their dissatisfaction with pay levels or their desire to progress might jeopardise their ability to work reduced hours. Indeed, they believe that it isn't possible to exercise more responsibility without putting in more hours.

There may therefore be benefits to employers in exploring the untapped potential of part-time workers. If a business could invest

in their staff and increase the responsibility of the job without increasing hours worked, either through job-sharing or simply by creating explicit progression paths for part-time workers, they might find an untapped reservoir of talent and experience within their existing teams.

#### *Promotion vs. changing jobs*

The data shows it is easier to raise your pay by changing jobs than by getting promoted within the same organisation. Employees find it difficult to signal to their immediate

**Table 1: A typology of low pay in Britain**

Group name	Prospects	Characteristics of group	Proportion of low paid
Entry-level strivers	A below-average chance of being stuck	Young, up to mid-20s Just as likely to be male as female Highest qualification likely to be GCSEs or A-levels Unlikely to have children (but a few do) Likely to be working full-time and across the whole economy, not limited to low-wage sectors More likely than average to want a better job	32%
Young mums	Chance of being stuck is slightly above average	20s to mid-30s Mostly female Highest-level qualification likely to be GCSEs Likely to have had dependent children for at least ten years Higher chance of being a lone parent Fairly likely to be working part-time Likely to be working in a low-wage industry	22%
Low-skill women working part-time in the public sector	Likely to escape	Aged 30s–40s Almost all female Will have either no qualifications or GCSEs Likely to have had dependent children for at least ten years Most work part-time for at least two years Most work in public sector	9%
Low-skilled women juggling health and families	Average chance of being stuck	Aged mid-30s to mid-40s Mostly female Will have either no qualifications or GCSEs Higher chance of poor health Likely to have dependent children Fairly likely to be working part-time Likely to be working in a low-wage industry	13%
Low-skilled older women not seeking advancement	High chance of being stuck	Mid-40s to mid-50s Mostly female Likely not to have any qualifications Higher chance of poor health Unlikely to have dependent children Quite likely to be working part-time May or may not be in a low-wage industry Most don't want a better job	24%

line managers that they want to progress, in a way that they think will be taken seriously.

Employers within the private sector should be aware that having nobody with whom those on the lowest rates of pay can discuss their opportunities in a meaningful way could be indicative of a decline in internal labour markets.

### *Progression routes*

Companies that value the experience of their staff need to offer progression routes at the bottom of the internal market for those who want to develop their careers. Organisations that want to be seen as good employers can demonstrate this by making clear to their lowest-paid staff the micro detail of what they need to do to raise their pay: a starting point might be to routinely ask employees if they want to progress.

In larger sectors, such as retail, care and catering, there is a role for employers, either individually or working across the sector, to professionalise routes into higher pay in small graduated steps from entry-level jobs, for example by undertaking modular skills packages that will raise performance levels with associated increases in salary.

Employers should also address issues around staff who feel they are 'carrying' less productive workers while not getting paid for it, particularly in smaller organisations, as, if left unaddressed, perceived unfairness affects motivation.

### *U-shaped job satisfaction curve*

The U-shaped levels of satisfaction reported by many, but not all, people who earn consistently low wages suggests that employers should place a premium on asking

employees what they actually want so that people who do want to progress are not presumed to be in the group that does not.

It would be valuable to research what drives reported satisfaction, and the extent to which it is dependent on self-limiting beliefs, for example that it is not possible to get higher wages without sacrificing other things that are important, such as travel time or part-time working, or that the individual is fearful of change or has a lack of knowledge of options.

There is also a question of whether public policy should seek to raise the incomes amongst those who self-report as being content.

### **Implications for government**

#### *Signalling*

There is a strong case for providing more information to individuals on what they can do to raise their levels of pay. This could be viewed as the logical extension of the introduction of Universal Credit, which includes a requirement on low-paid individuals to demonstrate that they are seeking to improve their hourly rate.

If, as our data suggests, moving jobs is associated for many people with pay progression, there is a role for government to provide the necessary information on where the better-paid jobs lie, and what, in granular detail, is required in terms of training in order to get them. Mechanisms to do this might include the Jobcentre infrastructure, but to be effective these mechanisms should be informed by government-held data obtained from national tax and benefit records on who is currently on low pay. Government should use this information to target low-paid individuals with information about the choices on offer.

### *Part-time pathways*

Within sectors, there is a role for government to support the professionalisation of entry-level jobs in low-pay sectors, through sector skills councils or other means. Just as a new apprentice or a newly qualified teacher knows what they need to do to reach the next stage, so someone with an entry-level job in retail, care or hospitality should understand what band they are on and what they need to do to move up to the next level, either in that company or elsewhere. As part of this, there should be a separate part-time career path with associated training modules and suggested pay rates.

### *Pre-school childcare*

Given the strong relationship between having pre-school children and being in the 'stuck' category (backed up by the opinions expressed in our focus groups), our analysis also supports a need for government to continue focusing on rolling out free pre-school childcare provision. At present all 3- and 4-year-olds, regardless of family background, are entitled to 15 hours' free childcare per week, with 2-year-olds from lower-income households also entitled to 15 free hours. Given the strong link with being stuck and both working part-time and having pre-school children, there seems to be a case from the evidence obtained in this research for the commitment to free nursery childcare for the lowest-income families to extend beyond 15 hours.

# Introduction

Over half the people living in poverty in Britain are from working households (Barnes and Lord 2013). Two-thirds of children living in poverty have a parent in work (Child Poverty Action Group 2014). There is no reason to think that this situation will change any time soon, given the global trend of labour market hollowing-out with fewer mid-ranking jobs, increasing the dangers of individuals and families getting 'stuck' in low-paid sectors. Yet while the focus of government welfare policy has for many years now been to get lower-skilled people into work, policy thinking around how to support low-paid people to raise their incomes in work is relatively undeveloped.

This project is concerned with uncovering the experiences of employees on the lowest rates of pay, with a particular focus on giving them a voice to express both their perceived barriers to pay progression and what they want from their working lives.

A key focus was the situation faced by those whose hourly pay rates lie between the National Minimum Wage (NMW) and Living Wage. We approximated this by defining 'low pay' not in relation to the average, but as up to 20% above the minimum wage. Our aim was to find out more about the household characteristics and attitudes of this cohort, and see what determines their ability over time to earn higher hourly pay rates.

We started by undertaking quantitative analysis of the ONS Understanding Society database, exploring our areas of concern over a ten-year horizon. Borrowing the Resolution Foundation's typology, we explored the characteristics of those who, starting from low pay at the beginning of any period, either:

- 1 stayed 'stuck' in low pay throughout
- 2 'escaped' low pay
- 3 'cycled' in and out of low pay over the period in question.

We explored the probabilities that people in each of these groups have certain characteristics, attitudes and experiences, and also undertook cluster analysis to describe a typical person in each group.

We then undertook qualitative analysis with four focus groups of people who had been earning at, or up to 20% above, the minimum wage in recent years. We segmented the groups by gender, age and location and explored the barriers that people said are preventing them from accessing higher levels of pay.

We conclude by drawing out issues for discussion, including areas of focus for policy-makers.

*'It is reasonable to presume that breaking down the barriers to pay progression on a large scale could have a positive economic effect.'*

# What we already know

*‘Previous analysis prompted the question of whether it is becoming harder to achieve increases in earnings for people who start off on the lowest wages.’*

A starting point for the current debate on pay progression comes from the Work Foundation in 2011 which, as part of their research programme *The Bottom Ten Million*, published a round-up of recent research on the experiences of people at the low-paid end of the labour market showing how job opportunities at the bottom end of the labour market were changing (Sissons 2011). Specifically they postulated the existence of an ‘hourglass’ effect coming from the hollowing-out of the labour market, where the number of jobs at the top end of the labour market (managerial professional) and the bottom end (personal, elementary) are rising while those in the middle (routine, administrative and secretarial) are declining.

Whereas the long-term trend across the whole economy is for individuals’ earnings to increase broadly with age, and for successive generations to have higher earnings (ONS 2014), this analysis by the Work Foundation prompted the question as to whether it is becoming harder to achieve increases in earnings for people who start off on the lowest wages. For example, using data from the British Household Panel Survey (BHPS), they suggested that around a third of those in the bottom 10% of earnings in 2001/02 were still there in 2008/09, with low-skilled workers, women and people working part-time particularly immobile.

The Resolution Foundation picked up this theme, publishing in 2013

## Official labour market sources

### Labour Force Survey (LFS):

This is the main source of earnings and employment data in the UK and is obtained through a large sample of household interviews. Datapoints are collected quarterly but as different people are sampled in each year it is not possible to undertake longitudinal analysis beyond a one-year timescale.

### Annual Survey of Hours and Earnings (ASHE), formerly

New Earnings Survey (NES): This series collects pay data and other characteristics via employers. The same people are surveyed each year, tracked via their National Insurance numbers. Hence it is possible to undertake longitudinal analysis but wider household characteristics around family size and attitudes are not recorded.

### Understanding Society,

formerly British Household Panel Survey (BHPS): This is a large, comprehensive national survey based on interviews with individuals covering a wide subject matter including details of pay and employment, but also wider household characteristics and attitudes. Broadly speaking, the same individuals are revisited in successive waves, allowing longitudinal analysis to be undertaken.

, a report that used the longitudinal Annual Survey of Hours and Earnings (ASHE) database to create a typology of low-pay experiences. Drawing on previous work for those on low-to-middle incomes, their research categorised the experiences of low-paid workers over the ten years from 2002 to 2012 into three distinct groups: the ‘escapers’ – who progressed out of low pay not to return; the ‘cyclers’ – who moved in and out of low pay during the period; and the ‘stuck’ – who remained in low pay throughout the period (Hurrell 2013).

For the purposes of their research, low pay was defined as less than two-thirds of the contemporary median hourly wage, the standard international definition, meaning that around one in five workers are considered low paid in Britain. The Resolution Foundation then explored the attributes of the three cohorts, concluding that:

- Almost three-quarters of those on a low wage in 2002 were still on a low wage in 2012 – around 1.3 million people – half of which earned more at some point within the decade but then fell back. This is a slight improvement on previous decades.
- Key factors associated with progression out of low pay are: being male; leaving the low pay sectors such as manufacturing, retail, hospitality, care and personal services; working in the public sector; and working full-time in continuous employment. Women, those working part-time and for smaller employers are less likely to progress.
- Switching jobs could be advantageous if it involves moving from a low-pay sector to a higher-paid or public sector but disadvantageous if it is within sector, or if it signifies periods of being out of work.

A similar analysis by the Centre for Economic and Social Inclusion but using the LFS annual dataset explored the opportunities for promotion in a given year. They found that 17% of the non-student population remained on low wages across the year, where their definition of low wage is the Living Wage, with increases in pay being strongly associated with receiving in-work training and/or changing jobs (Wilson et al 2013). The importance of training also emerges from longitudinal analysis using the BHPS dataset, for example new research published by the University of Birmingham for the DWP in 2010 demonstrated a positive relationship between wage growth and receiving training, including in the bottom quartile of the wage distribution.

However, a wide-ranging review published by the UK Commission on Employment and Skills in 2011 concludes that for people with the lowest earning potential, whether currently working or not, *‘skills are not a “magic bullet”’; however they have a key role to play alongside other interventions (e.g. information, advice and guidance, health services) to support the transition to and progression in work.* The same report goes on to identify the key characteristics of successful skills interventions, which include work-based training rather than classroom-based training, an emphasis on raising aspiration and motivation, through the provision of knowledge and advice as well as specific skills and an emphasis on voluntary rather than mandatory participation. This report also highlights how government policy has to date focused on routes into work, rather than sustaining employment and achieving progression (Devins et al 2011).

This conclusion is supported by recent primary research from the Chartered Institute of Personnel and Development (CIPD). In its October 2013 *Employee Outlook*, for example, it asked questions around opportunities for training and progression of low-paid employees which it supplemented with similar questions of employers to inform a report on how government can support people receiving in-work benefits to progress to higher pay. The CIPD demonstrated that low-paid employees are ‘not overly optimistic’ about their chances of earning more money with their existing employer. Only 4% of low-paid respondents said that developing new skills or studying for a qualification with their current employer would provide a good opportunity to earn more money in the next year. A slightly higher proportion – 10% – said that studying for a new skill or qualification outside work would be the best way to increase pay. In contrast 41% said getting a higher-paid job with another employer would be the best chance of earning more money, and 30% said taking on a second job with another employer would give the best prospects. This contrasted with the views of employers, who were generally more optimistic about the ability of their lowest-paid staff to increase their pay through promotion to new roles or acquiring new skills (CIPD 2014).

In recent months, research and debate have begun to shift towards potential solutions, broken down roughly between focus on the practices of large employers and suggestions for policy change from government.

Turning first to the role for employers, a recent literature review of existing research conducted by the Joseph Rowntree

Foundation, supplemented by new case studies in the low-paid sectors, explores the ability of internal labour markets within firms to improve promotion from the lowest-paid jobs. Their conclusions suggest that a business case can often, but not always, be made for greater progression routes for people at entry-level jobs, particularly to reduce the costs of high staff turnover (Devins et al 2014). A similar conclusion was reached by the Work Foundation (Anderton and Bevan 2014) and also survey-based research by the UK Commission for Employment and Skills (UKCES 2012). The Joseph Rowntree Foundation report also notes that training and development opportunities are less widespread amongst lower grades and argue for greater understanding of the factors that drive firm behaviour as well as a review by government of the applicability of Investors in People and high-performance workplace practice schemes to the lowest levels of work (Devins et al 2014).

A separate review, also by the Joseph Rowntree Foundation, also differentiated between those low-pay employers where there was 'compelling evidence' that they could gain from a more proactive approach to human resource management and development, and those that may not. In particular it highlighted the case of *'organisations that are able to survive by competing in low-quality and low-cost markets, have no difficulty in hiring people into low-paid jobs requiring little in the way of formal skill, and in which "hard" job-related skills can be acquired relatively quickly and cheaply'*, implying that there may be no business case for organisations of this type to invest in the progression of their employees (Philpott 2014).

If the role for employers is not universal, there is a greater argument for policy intervention. The principle of intervention by government for people who are currently in work was established as part of the conditionality regime surrounding the introduction of the Universal Credit benefit system: those earning less than the equivalent of full-time earnings on the minimum wage can now face requirements to demonstrate their efforts to try to raise their total hours or their pay rate, depending on their personal circumstances (DWP 2014).

At the same time, the Department for Work and Pensions is conducting ten in-work conditionality pilots to explore ways in which incentives can be increased for people to raise their incomes after they have started work, for example by providing advice for six months after a new job starts (North London pilot), and support people to pick up more hours (East London pilot) (DWP 2013).

This is a theme supported by the think-tank Policy Exchange, which, in response to a government consultation paper, suggested that the Jobcentre network should support people to move from low-paid work to higher-paid work, including the establishment of conditionality regimes for tax credits (Garaud and Oakley 2013). There may be other roles for government beyond extending benefit conditionality to people in work. The Social Market Foundation, for example, has argued for a 'skills for progress' scheme. Revenue-neutral, based on future savings, it would fund employers to provide specific training for low-paid workers, with the potential to claw back the funding if an employee's earnings

do not increase (Keohane and Hupkau 2014).

In a similar vein, a study by Working Links proposed funding targeted training interventions, the success of which would be measured by wage increases for workers, as well as new employer compacts around Living Wage and progression and a greater focus on the part of state agencies towards in-work progression (Evans 2012). The CESI study referred to above also suggested, beyond changes to the work programme, the ability to unlock adult skills funding for those on lowest wages (Wilson et al 2013). There have also been policy recommendations designed to professionalise career routes in specific low-pay sectors: the Institute for Public Policy Research think-tank, for example, has proposed a number of recommendations designed to create progression paths in the early-years care sector, including raising qualification requirements and creating new tiers of expert professionals between entry-level and managerial positions (Cooke and Lawton 2008).

In summary, recent research has begun to unpick the experiences of different types of people on low pay across skill sectors. There is an understanding that while there are certain characteristics associated with being on low pay – notably low skill levels – it is also the case that in the right circumstances it is possible for individuals to move up and out of the lowest-paid strata of the workforce. Responsibility for progression is shared: in some industries there is a business case to be made for action by employers. Alongside this, there is increasing recognition of the role for government, either through the benefit system or through structural interventions in certain

sectors working in partnership with employers, either to structure career paths more effectively, to provide better knowledge and advice, or to make the necessary training more widely available.

What is less well understood is whether there are patterns in the wider household circumstances of low-paid individuals that make it harder or easier for them to 'escape' low pay over a period of time and, linked to this, what the

barriers and attitudes are in the eyes of the individuals concerned, either conscious or unconscious, that affect their behaviour.

In particular, we see a use in adapting the typology of people who are 'stuck', 'cyclers' and 'escapers' to incorporate wider household characteristics and attitudes, as well as exploring with low-paid individuals in the 'stuck' category what the barriers they face are to earning more.

*'While there are certain characteristics associated with being on low pay it is also the case that in the right circumstances it is possible for individuals to move up and out.'*

# Research questions and methodology

*'...we explored in particular the wider household characteristics around caring responsibilities for both children and other family members, health circumstances and the attitudes and motivations of individuals.'*

This leads us to consider the following research questions:

- What are the wider household characteristics of individuals in the 'stuck', 'cyclers' and 'escapers' categories?
- What are the attitudes and motivations of individuals in each of these categories?
- Are there any explanatory variables that determine the probability of whether a person on low wages in any one year will escape from low wages in future years?
- What are the perceived barriers amongst individuals in the 'stuck' category that prevent pay progression?
- Where does responsibility lie to overcome these barriers?
- Is there a greater role for public policy to increase the number of people who 'escape' from low pay?

To address these questions, we undertook two discrete pieces of original research.

First, we undertook a new analysis of the Understanding Society longitudinal database to explore the characteristics of people who either escape, cycle or are stuck in low pay over time. In addition to validating earlier research around industrial sector, gender, age and size of workplace, we explored in particular the wider household characteristics around caring responsibilities for both children and other family members, health circumstances and the attitudes and motivations of individuals. The results are presented both as descriptive connections and also as a regression model which

enables us to demonstrate how the probabilities of being stuck, or escaping, vary with different household characteristics.

Once the headline results from the data analysis were identified, we then explored the conclusions in more detail through focus group discussions amongst low-paid workers, drawing out in particular perceived attitudes, desires and barriers to advancement amongst those who had been low paid and exploring ways in which these could be overcome. We held four focus groups, two each with workers from Greater London and around the Sheffield area, separated by gender and age and balanced to ensure people from different sectors and size of workplace were well represented in each.

The results from both discrete pieces of research were then brought together and used to draw out high-level discussion points of interest to employers and government and to draw out future research.

# Understanding the lowest paid: data analysis

The objective of this part of the study is to explain who amongst the low paid is most likely to remain stuck in low pay, and who is most likely to escape low pay.

In their study of the Annual Survey of Hours and Earnings, *Starting Out or Getting Stuck?*, published in November 2013, the Resolution Foundation categorised as 'stuck' those who were in low pay at the start of a ten-year period and never escaped low pay over the following ten years, either because of worklessness or continuing low pay. 'Escapers' are those that were in low pay at the start of the period and consistently above low pay for the last three years of the ten-year period. The group in the middle – those who escaped low pay at least once during the period, but weren't consistently out of low pay by the end – are termed 'cyclers'.

For this study, we have used exactly the same definition of stuck, cyclers and escapers. However, our low-pay threshold is slightly different. Because this study is particularly

concerned with those earning at or around the minimum wage, reflecting pay policies in lower-wage industries, we define low pay as earning not more than 20% above the minimum wage. This threshold is also roughly around the level of the Living Wage outside of London.<sup>1</sup>

So the aim of this study is to identify the characteristics of those in low pay who, over ten years, are either stuck or escapers, but to see whether the richer set of information held about each individual in the British Household Panel Study (BHPS) and Understanding Society datasets could provide a broader explanation of those who remain stuck on low pay and those who escape.

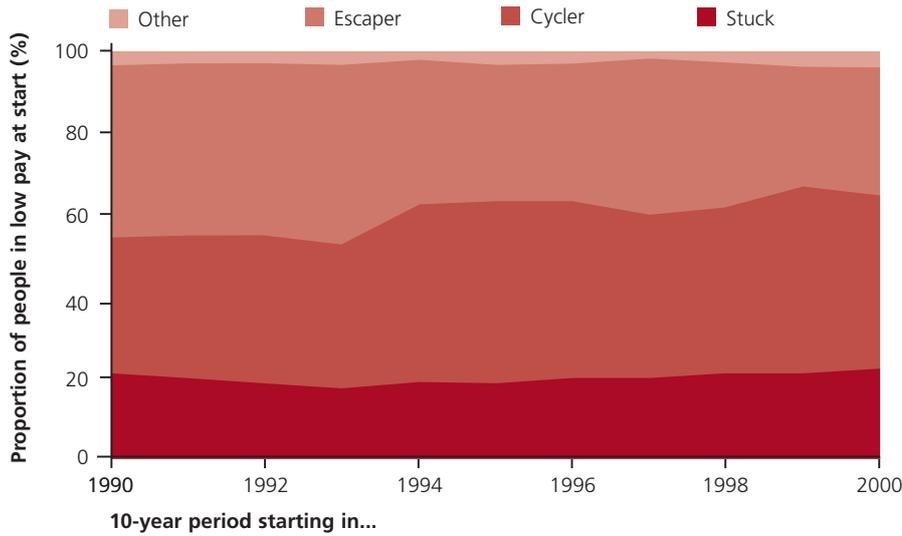
We present the results separately as descriptive relationships, a regression model and a cluster analysis showing the 'typical' characteristics of the main groups that exist within the broad cohort of the lowest-paid people in Britain. The technical methodology is included as Appendix 1.

*'We define low pay as earning not more than 20% above the minimum wage.'*

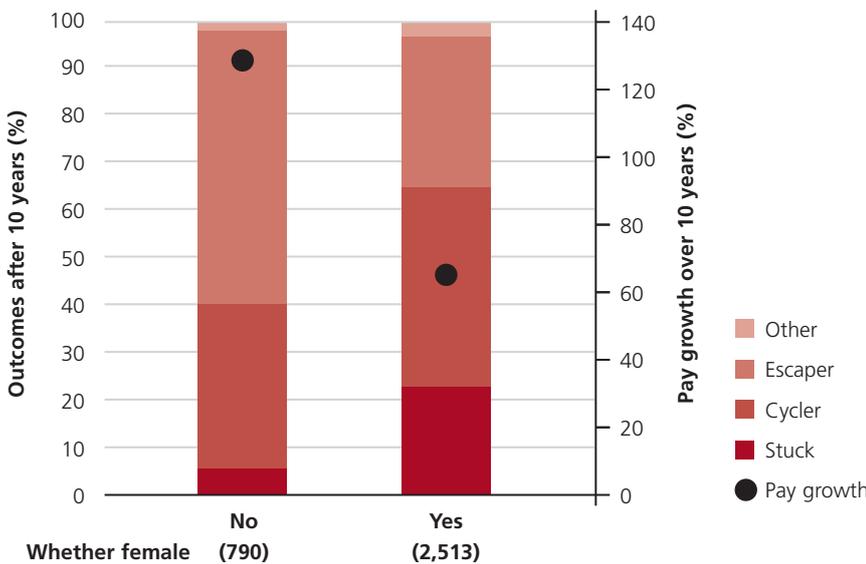
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<sup>1</sup> From November 2011, 2012 and 2013 respectively, the national Living Wage was 18%, 20% and 21% above the National Minimum Wage.

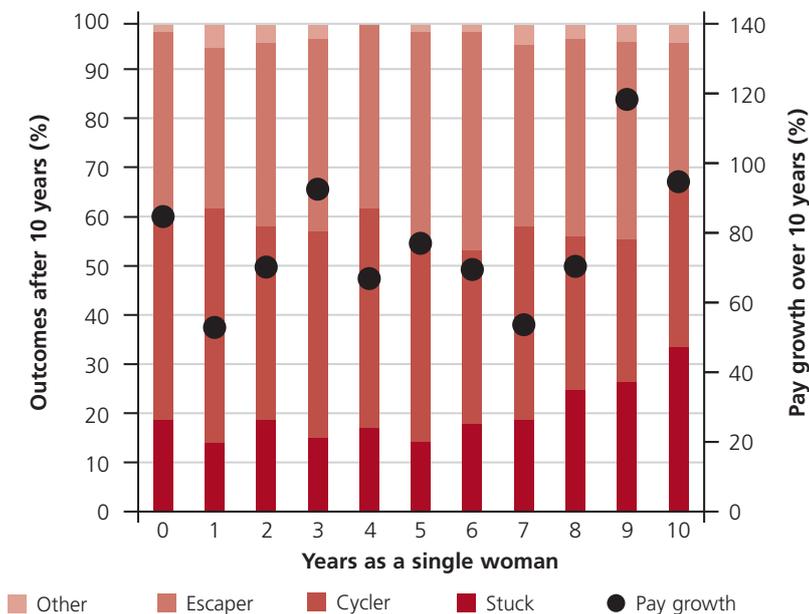
**Figure 1: Outcomes after ten years for people in low pay (<1.2 times NMW) (%)**



**Figure 2: Outcomes after ten years, by gender (%)**



**Figure 3: Outcomes after ten years by years as a female single earner (%)**



**Descriptive results**

Throughout the 1990s, around 15% of all employees, or around 4 million people, were low paid according to our definition, with more than 70% of them women. Since then the proportion in low pay has risen steadily, standing at nearly 25% of all employees, or around 7 million people, in 2011, with 64% of them women.

Taking an average over the period in question, 19% of these are 'stuck', 37% are 'escapers' and the remainder – around 40% – have cycled in and out of low-paid work.<sup>2</sup> There is some suggestion that the proportion who are 'escapers' has fallen slightly over the period in question and the proportion of 'cyclers' has risen slightly (Figure 1).

For the results that follow we consider as a baseline all those who start in low pay, and then consider the relationship between their likelihood to be categorised into these three broad groups and other socio-economic and attitudinal characteristics.

*Ethnicity*

Looking first at ethnicity, non-whites in general who start in low pay in the year in question are less likely to be stuck and more likely to be escapers or cyclers. However, this is either not a clear result or the effect is slow: non-whites do worse than whites after five years but better after ten.

<sup>2</sup> Numbers do not add to 100 because of the inability to categorise around 3% of the sample.

### Born outside the UK

Similarly, people born outside the UK are less likely to be stuck on a ten-year timeframe, although it takes a while: on a five-year timeframe most people born outside the UK are likely to be cycling in and out of low pay.

### Academic qualifications

There is a clear relationship between pay and academic qualifications: the higher a person's academic qualifications, the less likely they are to be a cyclist or stuck, and the higher is their likely pay growth.

### Gender

Gender is also a determinant: women are more likely to be cyclers than men and even more likely to be stuck (Figure 2), particularly if they are they are a single earner for a long period of time (Figure 3). Women with children generally have lower pay growth, with some suggestion from these descriptive results that the effect is stronger when the children are under 5 (Figures 4, 5, 6 and 7).

Figure 4: Average years with children (men and women)

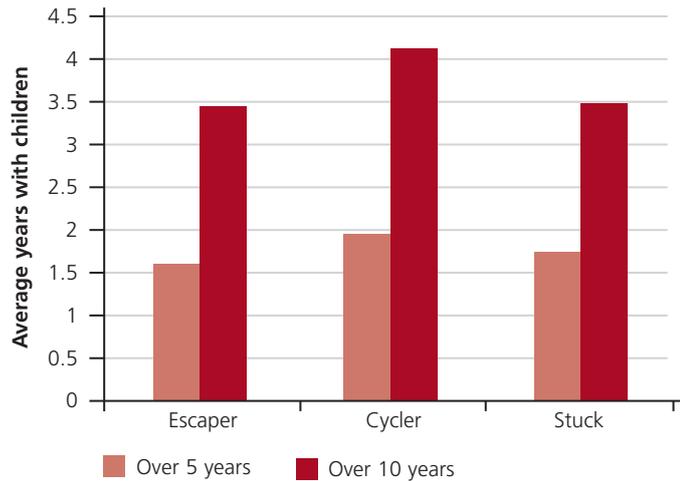


Figure 5: Average years with children (women only)

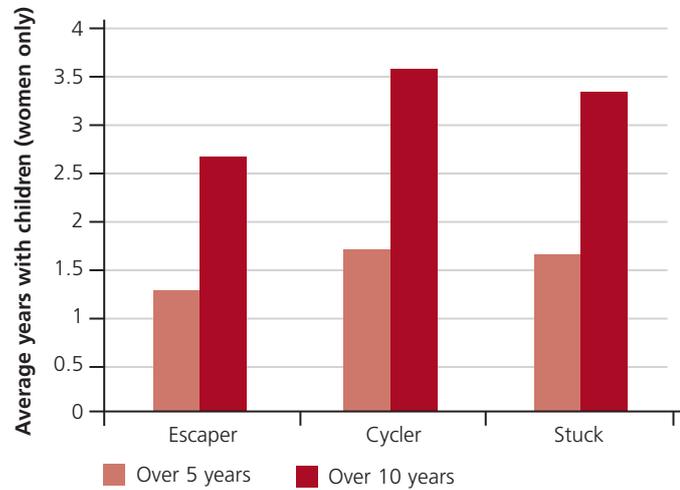


Figure 6: Average years with child aged 0 to 4 (women only)

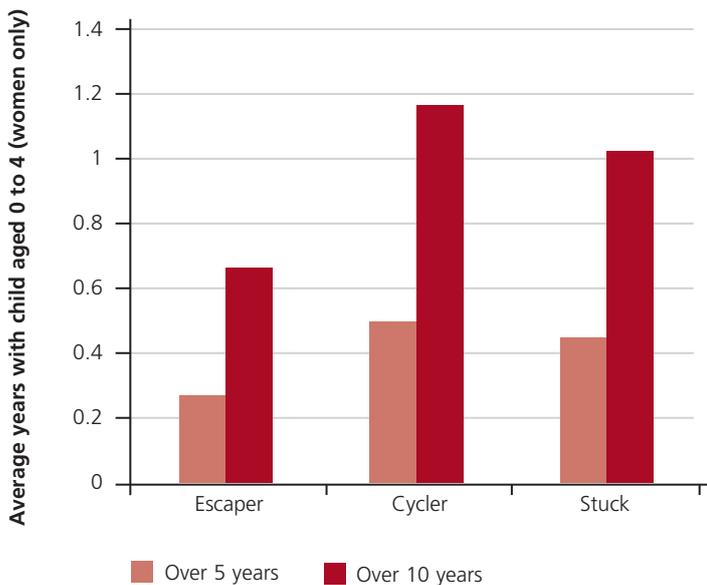
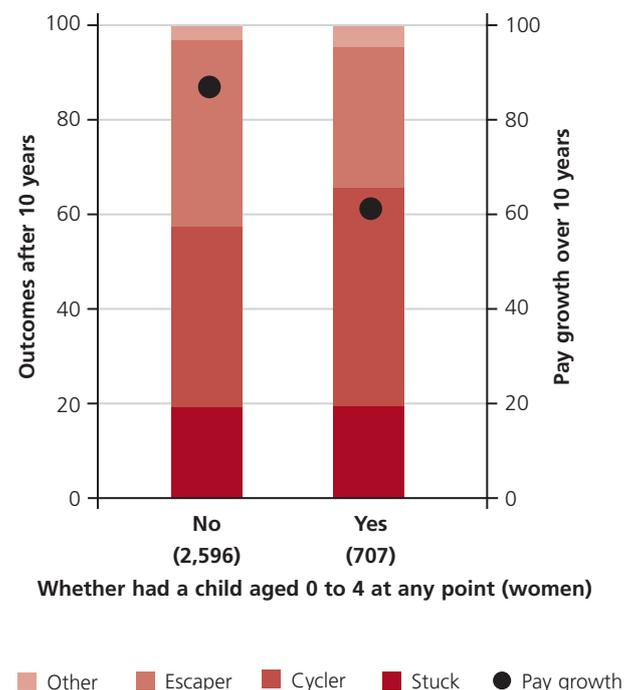
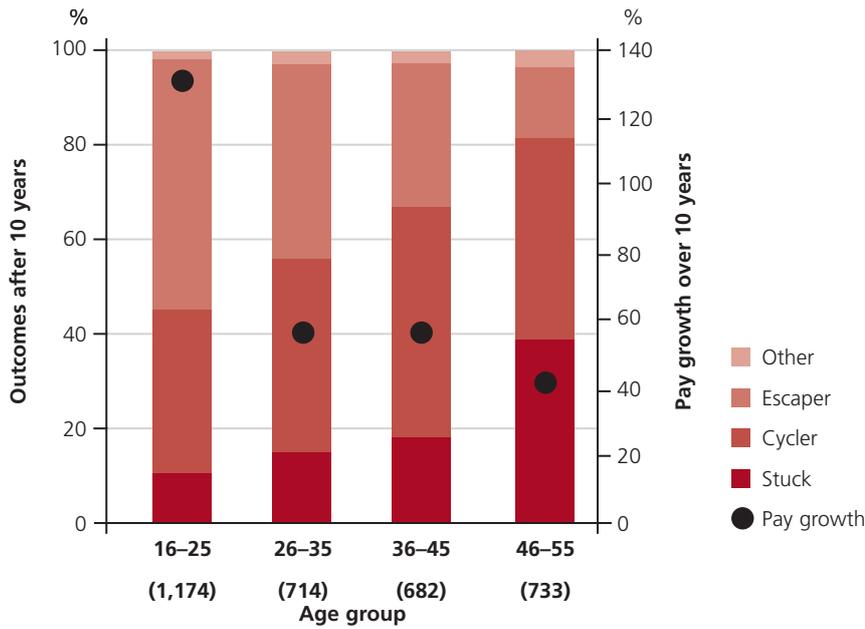


Figure 7: Outcomes after ten years, by whether had a child aged 0 to 4 at any point (women only) (%)



**Figure 8: Outcomes after ten years, by age group (%)**



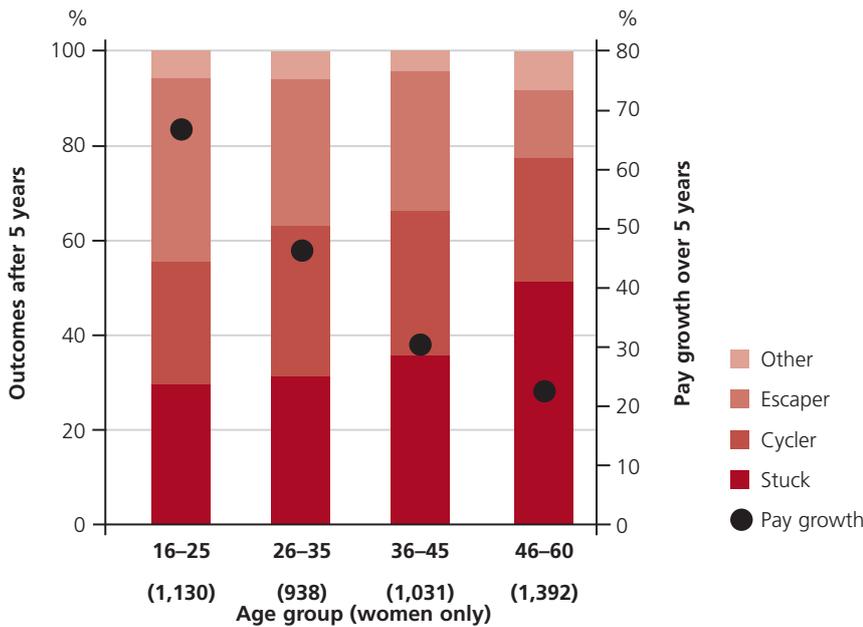
**Age**

There is also a fairly strong relationship between age and the likelihood of being stuck; that is, lower pay progression and chances of being stuck increase with age. This appears to apply regardless of gender (Figures 8 and 9).

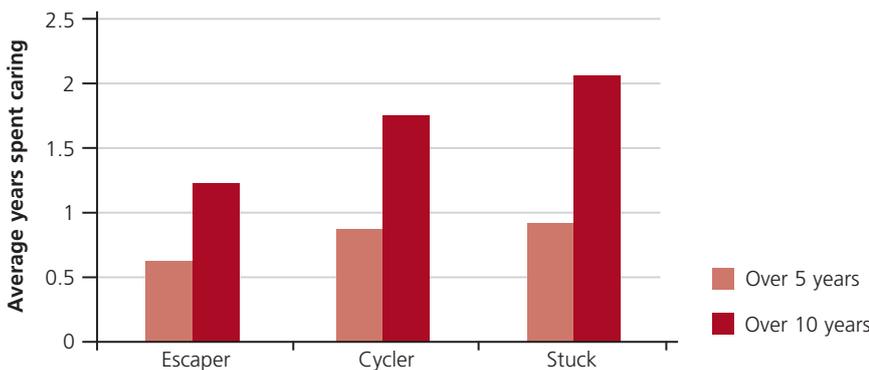
**Caring responsibilities**

Having caring responsibilities is also strongly associated with a reduced chance of being an escaper, a higher chance of being a cycler and an even higher chance of being stuck. This effect is stronger when people spend more hours caring (Figure 10).

**Figure 9: Outcomes after five years, by age group (women only) (%)**



**Figure 10: Average years spent caring**



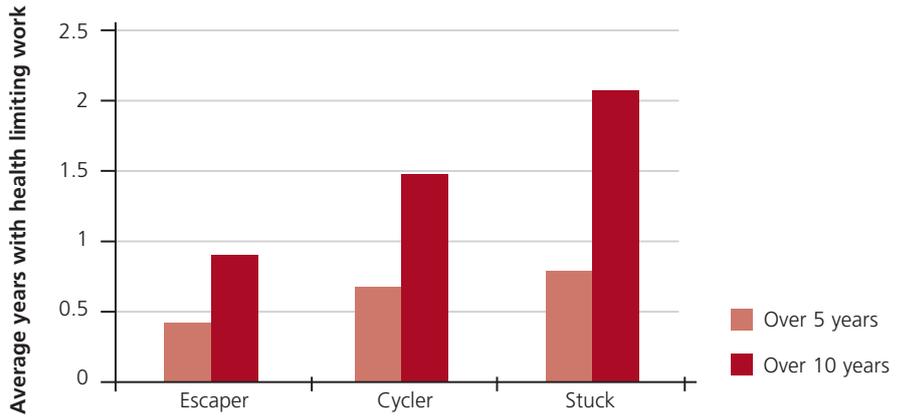
**Health**

Similarly, having a health condition that limits work is very strongly associated with lower pay progression (Figure 11). Being in receipt of Disability Living Allowance (DLA) at any point over the period is also strongly associated with a lower chance of being an escaper (Figure 12).

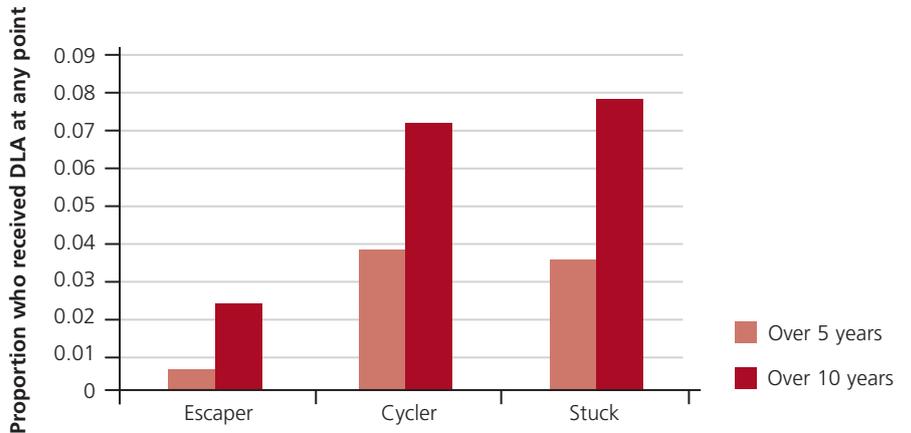
**Working part-time**

Working part-time for more than a year within a five- or ten-year period is also strongly associated with a higher chance of being stuck and a lower chance of escaping (Figure 13). Living outside London increases the chance of being stuck, reduces the chance of escaping low pay and reduces pay growth. What is striking is that average pay growth (relative to the minimum wage) for low-paid people in London is three or four times that seen in other parts of the country (Figure 14).

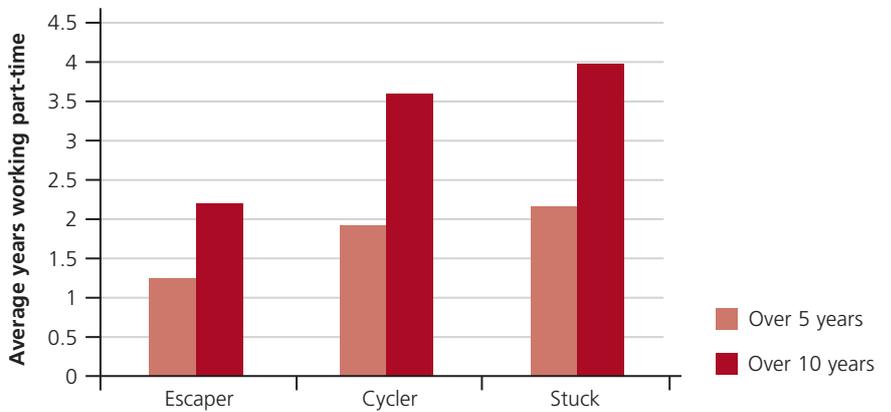
**Figure 11: Average years with health limiting work**



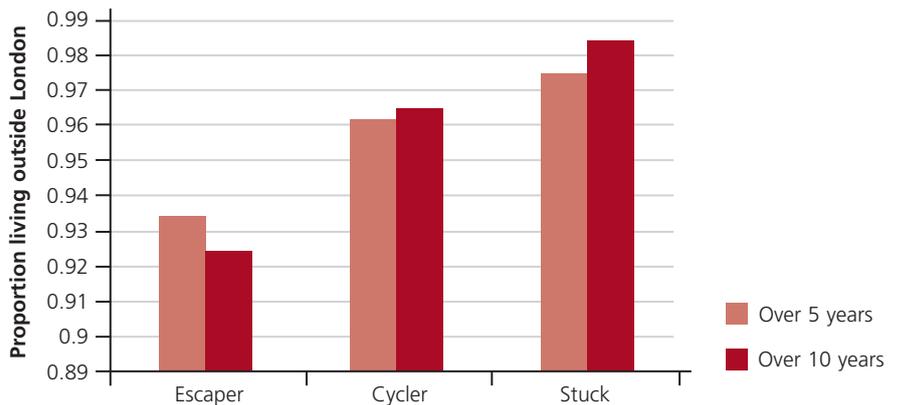
**Figure 12: Proportion who received DLA at any point**



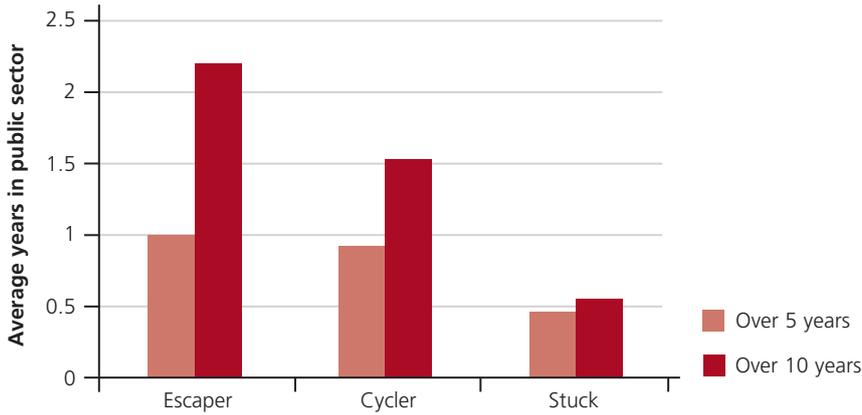
**Figure 13: Average years working part-time**



**Figure 14: Proportion living outside London**



**Figure 15: Average years in public sector**



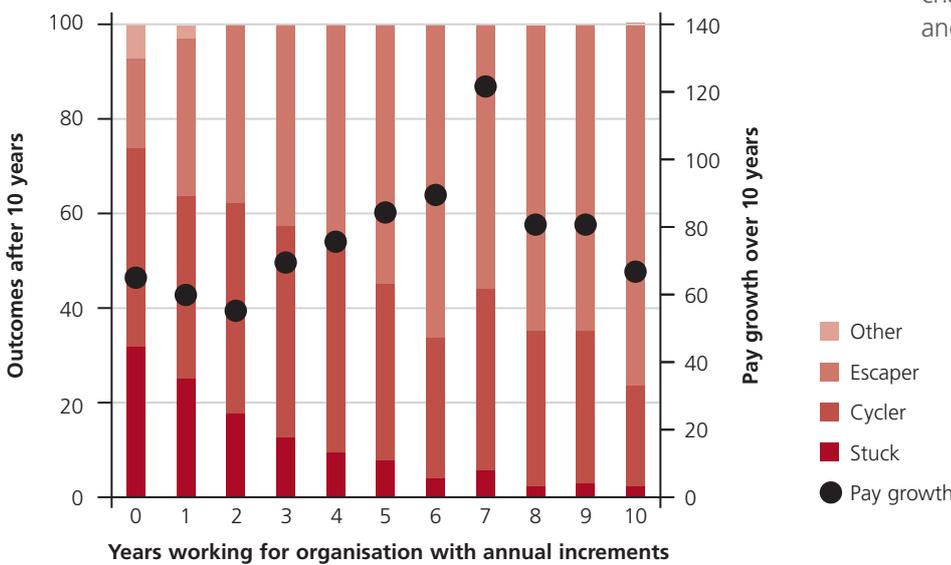
**Public sector**

Working in the public sector is strongly associated with a higher chance of being an escaper and a lower chance of being stuck (Figure 15). We also checked whether the discrete event of entering the public sector or leaving the public sector is relevant and found that it is: people on low pay who entered the public sector were more likely to leave low pay; people on low pay inside the public sector were less likely to leave low pay if they left the public sector.

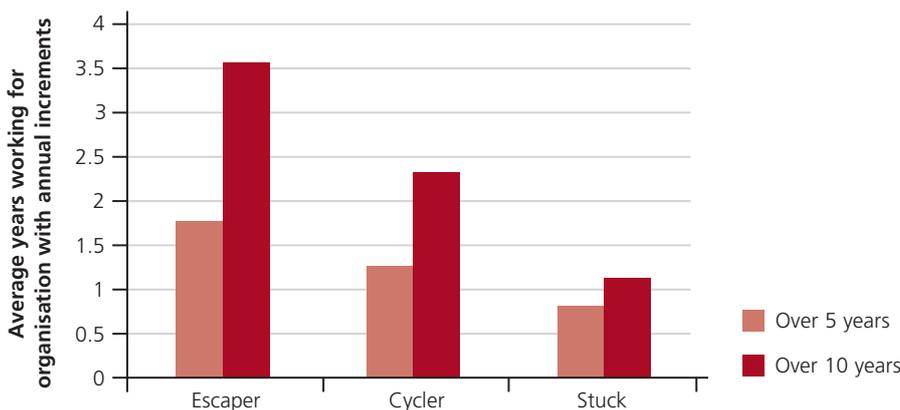
**Annual increments**

Unsurprisingly, working for an organisation which provides annual increments to pay is strongly associated with a higher chance of being an escaper and a lower chance of being stuck (Figures 16 and 17).

**Figure 16: Outcomes after ten years, by years working for organisation with annual increments (%)**



**Figure 17: Average years working for organisation with annual increments**



**Trade union recognition**

Similarly, working for an organisation that has a union in the workplace is also strongly associated with higher pay growth and less chance of being stuck (Figure 18).

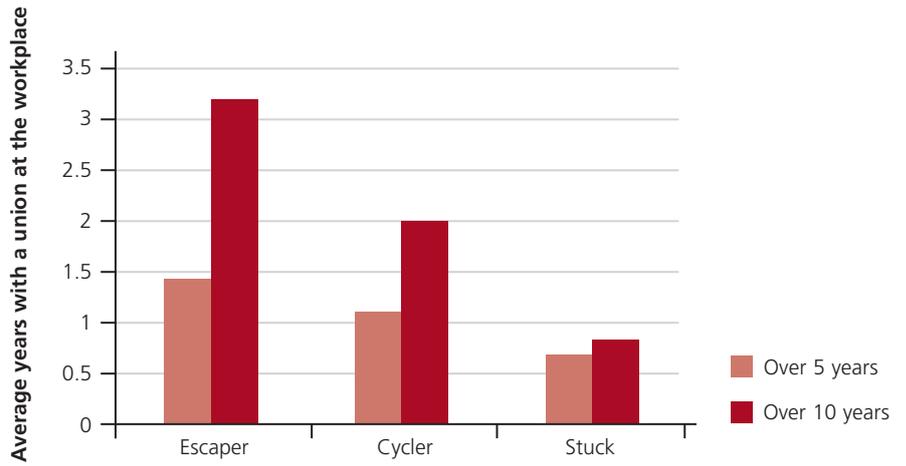
**Workplace size**

We then looked at the size of the workplace and found that working for a small number of years in a small workplace is associated with higher pay growth, perhaps because of the opportunity to gain relevant skills and experience, but doing so for a larger number of years is associated with lower pay growth. Making a change from working consistently in a larger workplace to working consistently in a small workplace is associated with lower pay growth and a significantly increased chance of being stuck. Making a switch the other way around from a small workplace to a large one is associated with a higher chance of escaping low pay (Figure 19).

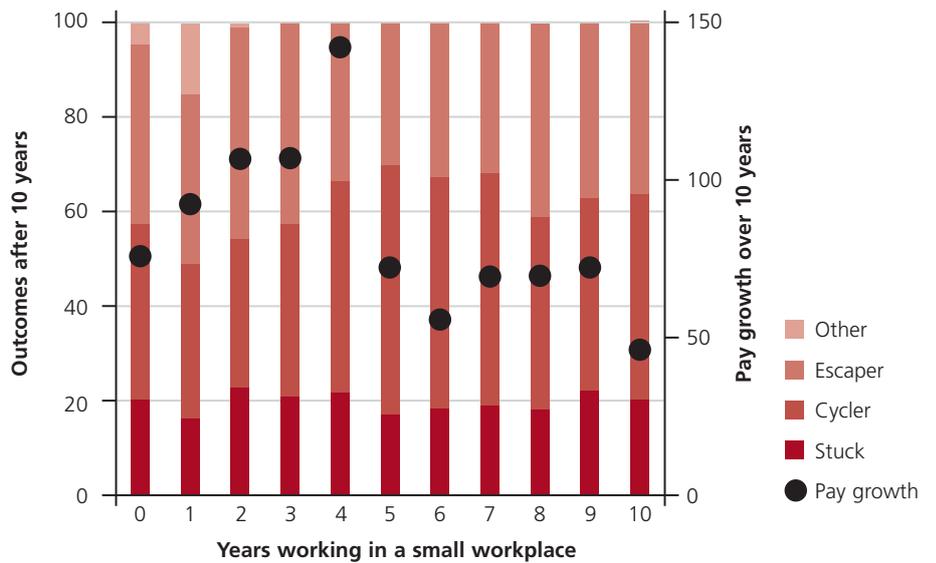
**Temporary work**

The importance of moving, either to gain experience or in search of better conditions, is also shown by the relationship between pay and years in temporary jobs. The longer a person has worked in a temporary job, the less likely they are to be stuck and the more likely they are to be an escaper (Figure 20). There is no explanation in the data as to why this is so: possibilities are that people use temporary work as a stop-gap to remain in employment and/or increase experience en route to a job with higher pay, or conversely that higher pay rates are needed in order to compensate for the lack of security in temporary jobs.

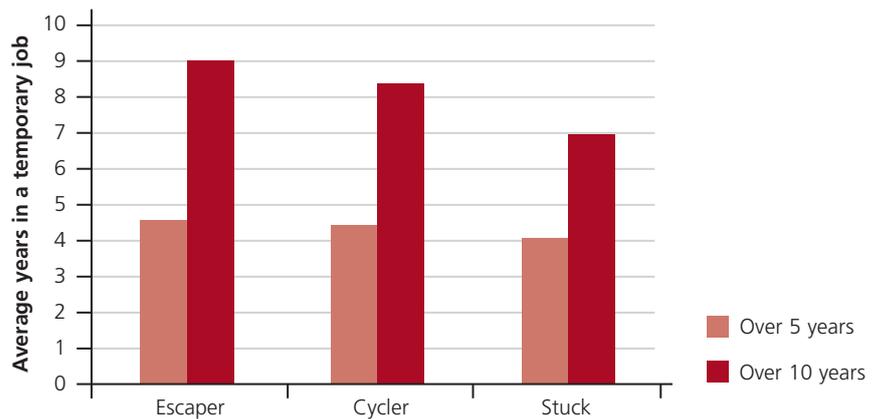
**Figure 18: Average years with a union at the workplace**



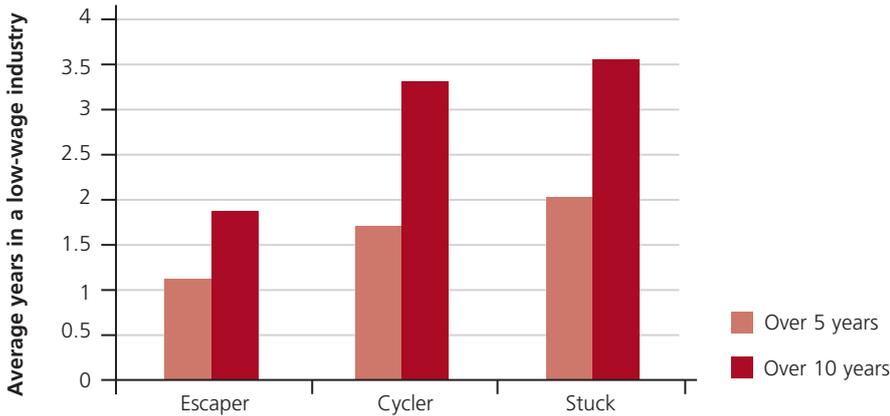
**Figure 19: Outcomes after ten years, by years working in a small workplace (%)**



**Figure 20: Average years in a temporary job**



**Figure 21: Average years in a low-wage industry**



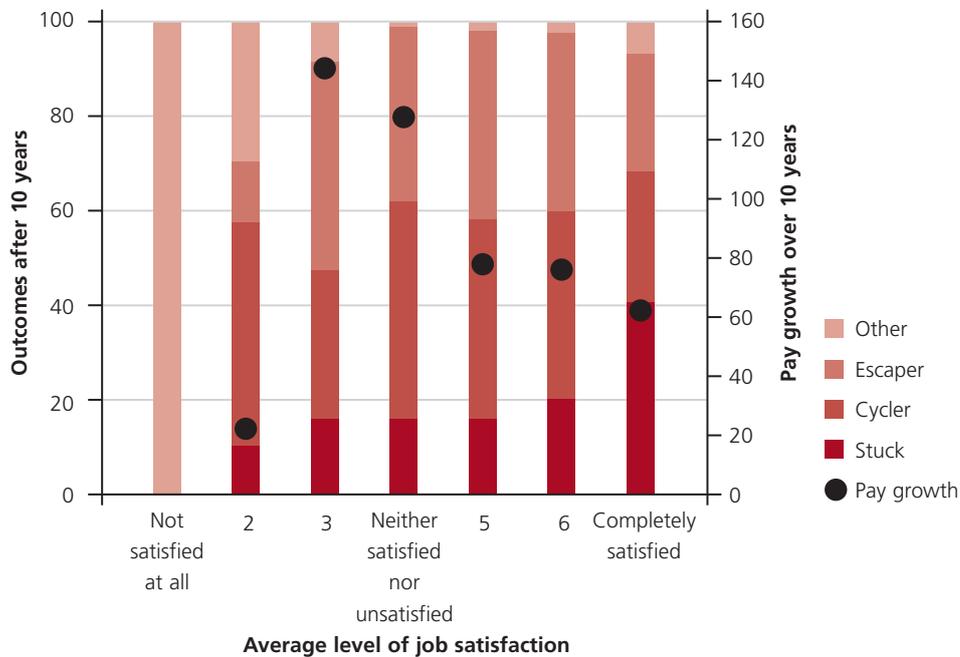
**Low-wage sector**

Working in a low-wage industry is unsurprisingly associated with lower rates of pay progression and higher rates of being stuck. Entering a low-wage industry is associated with a lower chance of escaping low pay, while leaving is associated with a higher chance (Figure 21).

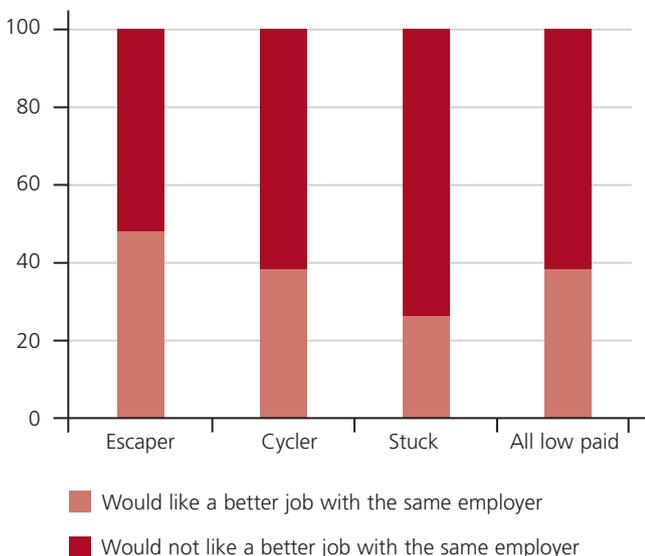
**Job satisfaction**

Turning to attitudinal questions, we found that when looking at overall job satisfaction, the chances of being stuck increase with satisfaction, suggesting that the reason some people are stuck on low pay is that they do not want to change the situation. Indeed, there is a strong association between wanting a new job from the same employer at the beginning of the period and escaping – those who aren't seeking a new job are unsurprisingly more likely to be stuck (Figure 22). Interestingly, there is a similar but weaker result regarding people who are seeking a new job from a different employer (Figure 23), suggesting that people would rather increase their pay without having to move employers and changing employer is a second-best option. Having said that, there are still some people who are stuck and very dissatisfied, indicating they feel trapped and would like to progress.

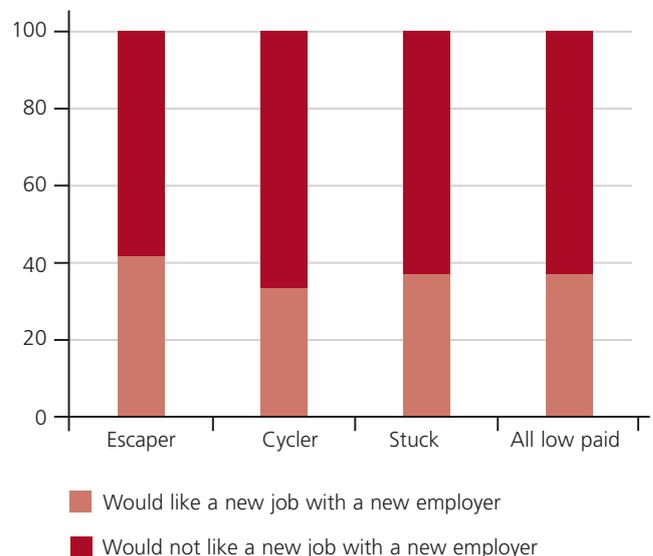
**Figure 22: Outcomes after ten years, by average level of job satisfaction (%)**



**Figure 23: Proportion of each outcome group who wanted a better job with the same employer at the start of the ten-year period (%)**



**Figure 24: Proportion of each outcome group who wanted a new job with a new employer at the start of the ten-year period (%)**

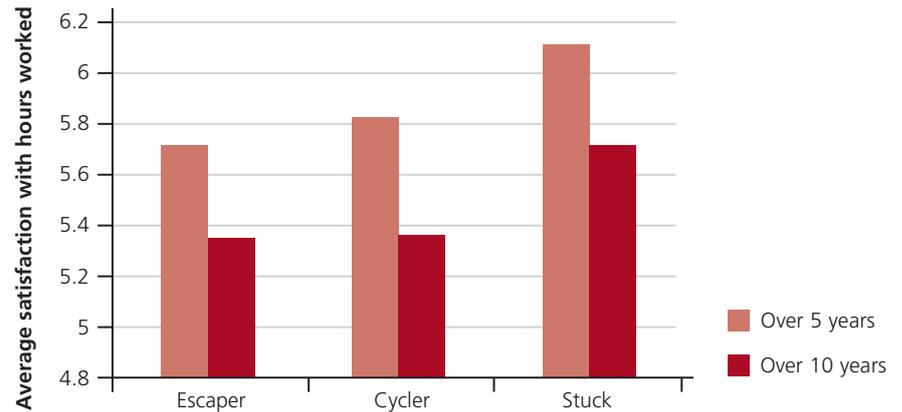


The chance of escaping is highest at the middle levels of job satisfaction and lower for people who are either very dissatisfied or very satisfied. In general, people with low levels of job satisfaction are most likely to be cyclers. At middle levels of satisfaction, cycling has reduced and escaping has increased. By high levels of satisfaction, escaping has reduced and being stuck has increased in likelihood (Figure 24).

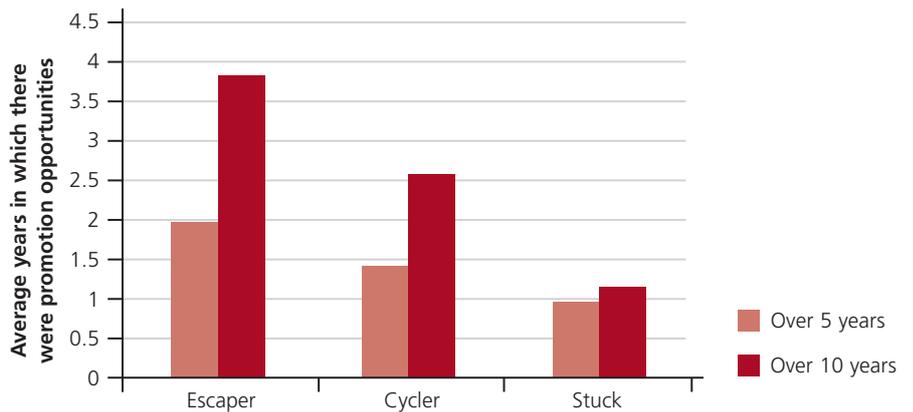
Looking into more detail at specific aspects of job satisfaction reinforces this U-shaped result. Specifically, those who are 'stuck' on low pay report the highest level of satisfaction with the number of hours worked, indicating a trade-off between hourly pay and other aspects of their working lives (Figure 25). Knowledge of opportunities within the workplace is also a factor: respondents believing there are promotion opportunities at work are far more likely to be associated with higher pay progression, although there are questions about causality here – people may identify that there are opportunities because they have already benefitted from them (Figure 26).

Generally, around three-quarters of those on low pay want to work, regardless of whether they escape low pay, and have very little desire to set up their own business (Figures 27 and 28).

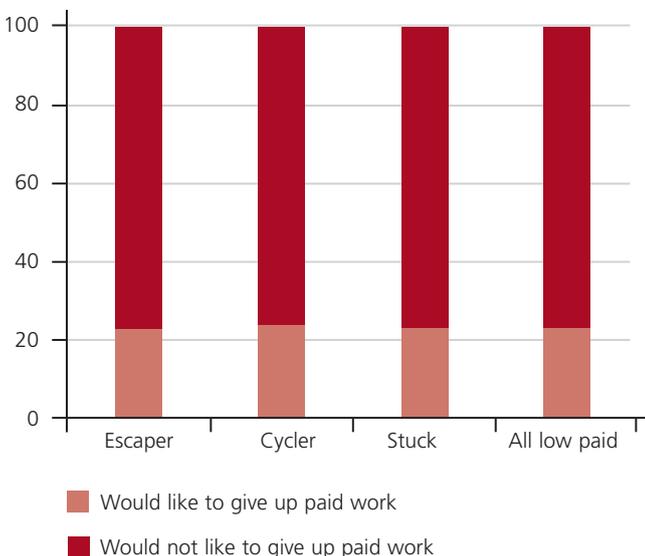
**Figure 25: Average satisfaction with hours worked (%)**



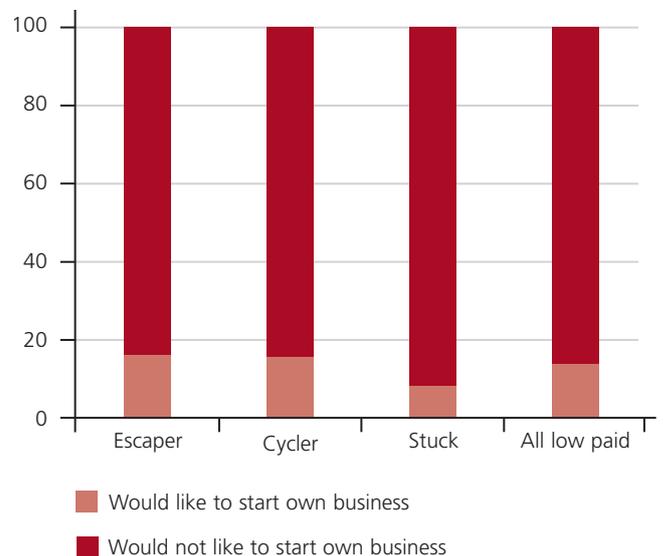
**Figure 26: Average years in which there were promotion opportunities (%)**



**Figure 27: Proportion of each outcome group who wanted to give up paid work at the start of the ten-year period (%)**



**Figure 28: Proportion of each outcome group who wanted to start their own business at the start of the ten-year period (%)**



## Regression analysis

As described above, the second stage of the data analysis is to build a model to explore which of the main characteristics above are significant when considering what determines the likelihood of either being stuck in, or escaping from, low

pay. The full outputs are shown in the technical appendix and the main results are shown here.

Table 2 shows how much the average probability of being stuck increases when comparing two typical people who differ only by the

characteristics listed in the table. For example, the probability of being stuck in low pay increases by 10% if a person starting in low pay is 45 as compared with 35, and the probability of being stuck in low pay decreases by 28% if a person starting in low pay has A-levels compared

**Table 2: Probability of being stuck in low pay**

Hypothetical person 1	Hypothetical person 2	% point change in probability
Age 35	Age 45	+10
Man	Woman	+47
Lives in London	Lives in the north-east of England	+83
Lives in London	Lives in the north-west of England or Yorkshire and Humber regions	+29
Lives in London	Lives in the Midlands	+44
Lives in London	Lives in the south-east or south-west of England	(+21) <sup>3</sup>
Lives in London	Lives in Wales, Scotland or Northern Ireland	+51
Has no qualifications	Has CSEs (or other qualifications)	-14
Has no qualifications	Has O-level/GCSE	-23
Has no qualifications	Has A-level	-28
Has no qualifications	Has a degree	-31
Neither satisfied nor dissatisfied with their job	Very satisfied <sup>4</sup>	+16
Neither satisfied nor dissatisfied with their job	Very dissatisfied	+16
No health conditions or disabilities that limit work	Each level of health condition from 1 to 4	+10
Female	Female: Each year of having kids	-4
Female has kids	Female: Each year of being a lone parent	+9
Female has kids	Female: One year of having kids aged 0 to 4	+0.5
Female has kids	Female: Two years of having kids aged 0 to 4	+2
Female has kids	Female: Three years of having kids aged 0 to 4	+5
No promotion opportunities	Each year of promotion opportunities	-5
Not part-time	Part-time for at least 2 out of 10 years	+16
Not public sector	Each year in the public sector	-9
No annual increments	Each year of annual increments	-10
Not a small workplace	Small workplace for at least 2 out of 10 years	+50
Not a low-wage industry	Low-wage industry for at least 2 out of 10 years	+33
Working in a temporary job	Exit temporary job <sup>5</sup>	+72

<sup>3</sup> Brackets indicate that the result was only significant at the 90% level.

<sup>4</sup> Job satisfaction is measured in the BHPS on a scale ranging from 1 to 7, coded as Extremely Dissatisfied to Extremely Satisfied. We have assumed that scores of 2 and 6 mean Very Dissatisfied/Satisfied, and scores of 3 and 5 mean Dissatisfied/Satisfied.

<sup>5</sup> Worked in a temporary job for the first three years of the period and did not for the last three.

with having no qualifications, all other characteristics being the same.

The chance of being stuck is therefore significantly higher for women and increases strongly with age. As expected, outcomes are significantly worse outside of London, while having higher levels of qualifications is strongly associated with one's ability to escape. Job satisfaction exhibits a U-shaped relationship with being stuck: those who are most satisfied are more likely to be stuck, as are those who are least satisfied.

In itself, having children as a woman is not associated with a higher chance of being stuck but being a lone parent, or having young children, is.

Amongst labour market indicators, while many of the findings match those of the Resolution Foundation, it is notable that a number of the indicators – working part-time, in a small workplace, or in a low-wage industry – are associated only with being stuck in low pay once the person has had this status for more than one year. Those who 'dip in' to

these statuses for only one year seem not to have a significantly higher chance of being stuck whereas those for whom it is a longer-term state are more likely to remain stuck. Interestingly, working in a temporary job is highly correlated with not being stuck.

Separately we explored whether household earnings are a significant factor in being stuck and found that they are not. Variables for each individual's share of household earnings, and the square of the share of household earnings, were tested

**Table 3: Probability of escaping low pay**

Hypothetical person 1	Hypothetical person 2	% point change in probability
Age 35	Age 45	-24
Lives in London	Lives in the north-east of England	(-52)
Lives in London	Lives in the north-west of England or Yorkshire and Humber regions	-41
Lives in London	Lives in the Midlands	(-34)
Lives in London	Lives in the south-east or south-west of England	-37
Lives in London	Lives in Wales, Scotland or Northern Ireland	-56
Has no qualifications	Has CSEs (or other qualifications)	+17
Has no qualifications	Has O-level/GCSE	+40
Has no qualifications	Has A-level	+59
Has no qualifications	Has a degree	+71
White	Asian	-35
No health conditions or disabilities that limit work	Each level of health condition from 1 to 4	-21
Not a carer	Each year of being a carer for a disabled person	-4
Female has kids	Female: Each year of being a lone parent	-5
Female has kids	Female: Each year of having kids aged 0 to 4	-7
No promotion opportunities	Each year of promotion opportunities	+4
Not public sector	Each year in the public sector	+7
No annual increments	Each year of annual increments	+6
Not a small workplace	Each year of working in a small workplace	(+3)
Not a low-wage industry	Low-wage industry for at least 2 out of 10 years	-37
Worked in a temporary job for 5 out of 10 years	Each additional year of working in a temporary job	+8
Not public sector	Began working in the public sector	+64

and found not to be significant. That is to say, there is nothing to suggest that people are satisfied with low wages because they have a partner who is earning more.

We then asked the different but related question of how much the average probability of escaping low pay increases when comparing two typical people who differ only by the characteristics listed, as shown in Table 3.

Age remains highly correlated with the chance of escaping low pay.

But being female in itself is not significant: what is significant is being a woman with a child under 5, or a female lone parent. In the case of escaping low pay, neither job satisfaction nor share of household earnings is significant. Having caring responsibilities and having a disability or health condition that limits work are both negative factors.

In the case of labour market indicators, all effects are as expected: promotion opportunities, working in the public sector and annual increments are all significant and

positive. In addition to the number of years of working in the public sector, making a transition from the private to the public sector is also significantly associated with people escaping low pay.

### Cluster analysis

Finally, we adapted the regression model to aggregate people who are most likely to have the same characteristics within the broad category of low-paid people. This allowed us to separate out several distinct groups, as shown in Table 4.

**Table 4: A typology of low pay in Britain**

Group name	Prospects	Characteristics of group	Proportion of low paid
Entry-level strivers	A below-average chance of being stuck	Young, up to mid-20s Just as likely to be male as female Highest qualification likely to be GCSEs or A-levels Unlikely to have children (but a few do) Likely to be working full-time and across the whole economy, not limited to low-wage sectors More likely than average to want a better job	32%
Young mums	Chance of being stuck is slightly above average	Aged 20s to mid-30s Mostly female Highest-level qualification likely to be GCSEs Likely to have had dependent children for at least 10 years Higher chance of being a lone parent Fairly likely to be working part-time Likely to be working in a low-wage industry	22%
Low-skill women working part-time in the public sector	Likely to escape	Aged 30s–40s Almost all female Will either have no qualifications or GCSEs Likely to have had dependent children for at least 10 years Most have worked part-time for at least two years Most work in the public sector	9%
Low-skilled women juggling health and families	Average chance of being stuck	Aged mid-30s to mid-40s Mostly female Will either have no qualifications or GCSEs Higher chance of poor health Likely to have dependent children Fairly likely to be working part-time Likely to be working in a low-wage industry	13%
Low-skilled older women not seeking advancement	High chance of being stuck	Mid-40s to mid-50s Mostly female Likely not to have any qualifications Higher chance of poor health Unlikely to have dependent children Quite likely to be working part-time May or may not be working in a low-wage industry Most don't want a better job	24%

# Understanding the lowest paid: focus groups

For the qualitative section of the research, we completed four focus groups in Croydon and Sheffield in late August and early September 2014. All respondents were employees who work at least 16 hours a week and earn less than 20% above the minimum wage, equating to an hourly wage of no more than £7.57 before tax.

All indicated at the screening stage that they are dissatisfied with their total pay and promotion prospects. We made sure this is the case to ensure a broad discussion of the barriers to pay progression, in line with the research questions.

Beyond this, the groups were split by gender and age band (25–39 years and 40–55 years). There were also quotas set so that each group included people working both in:

- traditional low-paid sectors (retail, accommodation and food services, health and social work) and elsewhere
- small companies (30 employees or fewer across all sites) and larger organisations.

The discussion mainly focused on the nature of the barriers to pay progression through both in-the-round discussions and individual exercises. In addition, respondents' ideas were sought on how to overcome or mitigate the barriers identified. The detailed discussion guide is included at Appendix 2.

## General views on pay and progression

While low pay is an area of dissatisfaction for all respondents, unsurprisingly given that it was included as part of the screening

question, not all are dissatisfied with their jobs as a whole. Some are happy in their working lives, notwithstanding their low pay, for reasons such as the flexibility of their job, content of the work or quality of peer relationships. This cohort tended to express a resigned acceptance of their pay situation rather than active disgruntlement:

*'I don't dislike my job. It's very flexible here; you can sort of chop and change your hours. The only thing that lets it down is the pay really.'* (Older women group, Croydon)

*'I love my job, I like the people I work with and it's a good company. I just think the pay's rubbish.'* (Younger women group, Sheffield)

However low pay, together with a lack of opportunity to improve it, is a source of significant frustration to others and a contributing factor to low job satisfaction overall in cases where there are no positive features to offset it:

*'For me, I've worked at the company for quite a long time and I get on really well with the people I work with. But everything else kind of outweighs this in terms of management, lack of progression and the pay.'* (Younger men group, Croydon)

*'The amount of hours I have to do to make a decent wage is just ridiculous and when it gets to winter time obviously the nights are drawing in so my hours will be dropped drastically.'* (Older men group, Sheffield)

*'I love my job, I like the people I work with and it's a good company. I just think the pay's rubbish.'*

*'I feel like I'm trapped here. I wish there was like somewhere I could progress to that's less boring, but they don't offer anything, you know, any options to change roles or training or anything.'* (Younger women group, Sheffield)

There are two main categories of perceived problems that are associated with having low pay. One is the constraint this places on household finances, particularly for those with children at home, single earners or those whose partner's income is unstable.

The second is the strong sense of unfairness in how much people are being paid relative to their job responsibilities or to other people who are perceived to be earning more with little justification. It is therefore often felt that pay levels are not related to effort or loyalty, but to the vagaries of the individual's relationship with line management. Some are also comparing their financial position against friends and family in other lines of work, or even to those on out-of-work benefits, and finding it lacking:

*'You just feel, when you look at your pay at the end of the month, that it doesn't reflect the work that you do. ... Like if you're not happy with your pay then you look at people who are on a higher pay, like your managers, and you think I actually do more work than you, and things like that have a negative impact.'* (Younger men group, Croydon)

*'We found a cleaner who was on more than we were. ... A hell of a lot more – she's on £4.50 more than me an hour!'* (Younger women group, Sheffield)

*'We do very much similar to qualified people but get a pittance compared to what they get.'* (Younger women group, Sheffield)

*'I look at the other side of the family. Neither of them is working and they seem better off than me. I think "am I seriously doing something wrong here?" It really, honestly frustrates me.'* (Older men group, Sheffield)

The least difficult way for some people to take home more money is to work more hours, do more jobs or work in the grey economy alongside formal work. However, these options are not available to all and younger women are particularly excluded from these opportunities because of inflexible childcare.

Other ways of increasing pay are perceived to be more difficult across the board. These include both the possibility of promotion with an existing employer or getting a better-paid job elsewhere. In addition, annual pay rises and cost-of-living reviews are reported to be rare, and productivity-related pay increases non-existent.

In fact, a number reported that their rate of pay has declined over time, for example through agreeing to a lower hourly rate to retain their job, or in the reduction of premiums for working weekends and public holidays:

*'Years ago I was doing the same work for 15 or 16 quid an hour, but obviously the building trade has gone down the pan and now I'm on 7 and it grinds a bit to say the least.'* (Older men group, Sheffield)

*'The pay's not as much as it used to be. It's gone down – not the hourly rate but we used to get things like time and a half on a Sunday, double pay on a bank holiday.'* (Younger men group, Croydon)

### **Perceived barriers to pay progression**

A number of barriers to pay progression are perceived. Some of

these are external factors related to employers or the broader economic climate. Others are more individual, including a lack of confidence on the part of the employee or their perception that the costs of pay progression outweigh the benefits. Each of these is discussed in turn below.

#### **Economic climate**

It is perceived to be less affordable in the current climate for employers to provide pay rises. In addition, it is seen to be an 'employer's market' where employees are treated as expendable and organisations do not feel any imperative to pay more:

*'I think they've got you as well because of the way the economy has been. They're like "well get another job then". That's what they've said at our place. "If you don't like it, there's the door."'* (Younger women group, Sheffield)

Conversely, given the economic climate, people reported that they are more wary of the job security risks of moving to a new employer, as well as the risk of losing wider valuable benefits such as part-time working:

*'In a job you get stuck, you are scared to try anything else because you don't want to be out of work. ... You don't know how long it's going to take to get another job. Years ago you could walk out and get another job tomorrow.'* (Younger men group, Croydon)

*'You're frightened that if you do move then that job might not be as secure as the one you're doing now. Sometimes you think you're just better off staying where you are; at least you've got a job. Like I said, better the devil you know. Yeah, what happens if you don't fit in and they don't like you?'* (Older women group, Croydon)

*'Currently there is a lack of better-paid jobs and basically a lot of people going for better-paid roles. So in the job I'm doing there's not that many senior positions to go for. Obviously a lot of staff will go for what comes up.'* (Younger men group, Croydon)

It is also felt that the competition for available jobs has increased and that the job-seeking process has become more onerous as a result:

*'I've been through an interview recently and you had to do different tests and the whole process was ridiculous. And everyone was waiting to be interviewed in this room and they all looked like nice people, intelligent. I just thought, this is what you're up against nowadays. There's just not the jobs out there anymore, and I think your confidence goes even before the interview.'* (Younger women group, Sheffield)

*'I think years ago when you went for a job you were normally interviewed by one person and they normally offered you the job there and then. But it's not like that now; it feels like an interrogation. ... You feel sick before you even go, don't you? ... So if you're the sort of person who can sell yourself, then fine, but if you're not then once you're in a job it's easier to stay there.'* (Older women group, Croydon)

### **Employer-related factors**

There is perceived to be some unfairness in how decisions on promotion are taken by managers across all types of organisations. Related to this, working much harder to get noticed for promotion is felt to carry a risk of exploitation in that the employer may just take the gain and not reward the effort:

*'Your face doesn't always fit in the company. Some people are*

*liked more than others. It's not always down to your ability, is it?'* (Younger women group, Sheffield)

*'You've got to be in a clique as well with managers and stuff, you know what I mean? I weren't at the time but I went for [the promotion] as it was more money, but I didn't get it. It does knock you back a bit and you think, what was the point? It demoralises you.'* (Older men group, Sheffield)

*'I was recommended [for the promotion] but I later found out I didn't get the job because the person who did it is a good friend of someone in the department. It's quite frustrating. Sometimes it's who you know, isn't it?'* (Younger men group, Croydon)

*'If we wanted to get a managerial role, what the manager will do is make you go into another branch and you've got to run it but you'll be on the same pay you're on at the time. It's almost like you've got to prove yourself for a month but there's no guarantee at the end. ... I wouldn't even say it's a trial, it's not really anything official. I think they kind of use it to make their lives and workload a bit easier.'* (Younger men group, Croydon)

*'It's like what the guys were saying earlier. I do have to put myself forward for extra responsibilities and show that I'm willing to graft. Also I don't want to be taken advantage of. So I'm trying to find that line at the moment.'* (Younger men group, Croydon)

It is felt that certain groups of employees are more likely to be overlooked for better-paid jobs – these include part-time workers and older workers:

*'You're not treated the same at all once you become part-time,*

***'Working much harder to get noticed for promotion is felt to carry a risk of exploitation.'***

*everything changes. You get left out of things. You get your nose snubbed if you've got kids as well. At our place it's like "oh they're leaving again".*' (Younger women group, Sheffield)

*'I definitely believe that age was a factor [in not being successful in job searches]. Someone told me that the recruitment companies when they screen applications they are looking for key words and your age is one of them.'* (Older men group, Sheffield)

In addition, there are some barriers perceived to be specific to different types of employers. For example, affordability and lack of promotion opportunities are felt to be particular issues for smaller companies, while anonymity is more of a factor for larger organisations. Employers in the retail, accommodation and food services sectors are singled out for treating staff like numbers and having poor promotion prospects. Those in Sheffield also spoke of there being fewer higher-pay job opportunities locally compared with bigger cities:

*'You probably need to work for a bigger company if you want a bigger salary. I just think that there's a lack of money with a small company. Bigger companies have got more resources.'* (Older women group, Croydon)

*'You're a shop assistant, you're in a bracket and you're put down as "developing" all the time. You're never put down as "good". You'll never move up no matter how much you bust your gut. ... [It's because] they've got to stick within budgets.'* (Younger men group, Croydon)

### **Confidence, skill and information issues**

Lack of confidence is reported to be a significant barrier preventing

people from seeking pay progression. There are a range of contributing factors including a lack of knowledge about how to do a more senior job, inexperience with basic office skills including IT (a particular issue for some workers aged 40+) and little consideration of the possibility of adult training. In addition, there is an underlying fear of being in a new situation, particularly amongst older workers:

*'You can get comfortable and I think that change can be quite daunting to somebody like me, who's not academically clever, who's always been a mum at home. You know, to first go to work for me was a big thing because I hadn't lived in an adults' world, I'd lived in this kids' world and you get stuck in that.'* (Older women group, Croydon)

*'You don't know the different levels and you don't know where you can find the information. Nobody's going to come and say "look at this, it tells you how you can get more money, how you can get a better job". You need to find it yourself or make a point of asking and asking and asking.'* (Younger men group, Croydon)

*'I think it's also what you're used to and how you've been brought up. Because my mum was a cleaner, my dad is an HGV driver and we've not been in the world of people working in offices and stuff. I wasn't very good at school, my attention span's terrible. ... We were not interested in that computer, sitting behind a desk kind of thing. ... Like if you're a builder or something you're not going to go "oh yeah, alright, I'll sit on a computer and do a course", are you?'* (Older women group, Croydon)

### **Costs outweigh benefits**

Some also feel that the costs of promotion or getting a better-

paid job elsewhere are too high. The specific costs mentioned both relate to financial loss (for example from extra childcare, transport, benefits erosion) and other detriment (for example greater pressure and stress, less time available with family):

*'I'd have to have like breakfast clubs, after-school clubs and the 3-year-old only gets three hours a day paid nursery so I'd have to top that up. So with that and petrol and parking, it just wouldn't be worth it.'* (Younger women group, Sheffield)

*'There's a guy I used to work with. We both became supervisors and it's just 50p extra (per hour). The amount of work we had to do, nights, running the store, we had keys to the safe, the office, everything. ... It ruins your stress.'* (Younger men group, Croydon)

*'I think in the restaurant business, if you want to progress you've got to be able to drop your life. Well within a big company anyway. ... While you're training they might send you to Leeds one day, or they might send you down to London the next day. You can't really have a life while you're doing it, you can't have children or anything.'* (Younger women group, Sheffield)

*'They did ask me to be a supervisor at one point. I would like to do it, but I'm more of a hands-on person, if that makes sense, and I enjoy that. So becoming a supervisor frightens me. ... It sometimes happens, doesn't it, the more you go up the less you enjoy it and I worry about it being more pressured.'* (Older women group, Croydon)

*'I could go all over the country with my work but I really don't want to. I'm a family man so when*

*I go away for a week I'm on the phone every day to my baby and that, I miss him so. I just can't do it. I've tried it.'* (Older men group, Sheffield)

### **Ideas of how to overcome or mitigate the barriers**

The barriers to pay progression were felt to be numerous, complex and inter-related. Therefore, it is acknowledged to be a difficult problem to solve.

The balance of responsibility for pay progression is perceived to lie with the individual overall, but it was also felt that there are things that employers and government may be able to do to help.

A number of ideas of ways to overcome or mitigate barriers were put forward by group respondents. These have not, at this stage, been scrutinised for feasibility but are simply summarised below for information.

#### *For employers...*

- mentoring schemes to build skills and confidence:

*'I picked up on what Peter said earlier on about taking someone under their wing, having like a mentor. For instance, someone lacking confidence like myself that needs a bit of bringing on, and saying "come on kid, we'll take you over here and show you how to do this." That brings people on and makes them become a better person.'* (Older men group, Sheffield)

- active encouragement of training and development of existing staff:

*'Where possible, they should promote from within. Encourage training and development of staff so that they feel better in themselves, do a better job and see*

*opportunities. Hopefully a lot of people would start to improve their performance that way.'* (Older men group, Sheffield)

- clearer progression path including more defined job-level hierarchies, together with information on how to progress and transparency around how to gain competencies to qualify for promotion:

*'We put progress books, basically which you have signed off in certain sections to show that you've passed on back of house, front of house which is shop floor, you've got till trained, things like that.'* (Younger men group, Croydon)

- a focus on junior-level progression, for example through 'rising star' programmes
- more productivity-based incentives
- job-sharing or other flexible working options for better-paid jobs.

#### *For government...*

- increase minimum pay and tax-free threshold and minimise benefit loss for low-paid workers
- more subsidised childcare for low-paid workers (for example longer hours, beyond nursery age):

*'More help for childcare. I mean if you're not on benefits then once your children pass nursery age you don't get any help.'* (Older women group, Croydon)

- free training schemes to build skills and confidence (for example addressing gaps in school education, computer skills, interview skills and so on):

*'There needs to be more free training, especially for older people and working mums. Some people can't pay, you know. If you're working and you're not on benefits*

***'The balance of responsibility for pay progression is perceived to lie with the individual overall, but it was also felt that there are things that employers and government may be able to do to help.'***

*they consider that you can pay for everything, which isn't the case.'* (Older women group, Croydon)

- a campaign to raise awareness of the possibility of career progression (for example with specific information on sectors/jobs with most opportunity and practical steps to take):

*'Just more written information on how to get skills to better yourself. Maybe a government scheme like that Change for Life one on healthy eating. ... That's the only way you're going to get certain people thinking, isn't it? ... Targeting people who really don't know how to better themselves because they've not had that level of education or, you know, the mindset that they want to get up there.'* (Younger women group, Sheffield)

### Summary

Drawing this together, we conclude that there is a significant cohort of men and women who are dissatisfied with pay but satisfied with their overall working lives in terms of convenience and flexibility. This is relevant for people at all life stages, but for different reasons. Attitudes to pay vary on a spectrum from resigned acceptance to significant frustration. There are two main problems with having low pay: constraints on household finances but also perceived unfairness that

other people are being paid more with little justification, particularly where pay levels are not perceived as being related to effort or loyalty. In the latter case this affects the individual's relationship with line management. The least difficult way (for some) to take home more money is to work more hours, do more jobs or work in the grey economy alongside formal work. This is easier than seeking promotion, but is not available to younger women because of inflexible childcare.

Perceived barriers to pay progression include:

- **Economic climate:** lack of affordability to employers of pay rises; employers' market (employees are expendable); job security risks of moving to a new employer; also risk of losing wider valuable benefits, for example part-time working.
- **Employer-related factors:** perceived nepotism ('my face doesn't fit'); perceived unfairness of opportunities between staff; being treated like a number, not a person (larger employers); being overlooked because of age or part-time working; also risk of exploitation: if I work much harder to try and get noticed and promoted, they may just take the gain and not pay for it; lack of perceived link between effort and reward.

- **Confidence:** lack of knowledge about how to do a more senior job, linked to inexperience with basic office skills including IT, particularly amongst older workers (over 40); lack of consideration of the option of adult training; fear of the new, particularly for long-term employees.
- **Costs outweigh benefits (of promotion or better job elsewhere):** financial costs (for example childcare, transport, benefits loss); greater pressure/expectations – 'you lose your life'.

We also asked the groups what could be done to address these issues. In the main it is accepted that responsibility lay with the individual but there are also things that employers and government may be able to do to help. For employers, these include mentoring schemes to build skills and confidence, greater focus on junior-level progression with clear paths and information on how to progress and job-sharing or other flexible working options for better-paid jobs. As well as raising the minimum wage and tax-free thresholds, government has a role to play to provide free training schemes to fill gaps in basic training, provide more subsidised childcare and provide more information on what people need to do to 'better themselves'.

# Implications for government and employers

## Implications for employers

For employers, there may be benefits to exploring the untapped potential of part-time workers. There is evidence that people who want to work part-time fear that they cannot signal dissatisfaction with pay levels, or their desire to progress, in case it jeopardises their ability to work reduced hours; indeed, there is a belief that it is not possible to exercise more responsibility without putting in more hours. Hence there is a strong correlation in the data between being 'stuck' on the lowest levels of pay and working part-time. If, however, it is possible for a given business to invest in their staff and increase the responsibility of the job without increasing the hours worked, either through job-sharing or simply by creating explicit progression paths for part-time workers, they may find an untapped reservoir of talent and experience from within their existing teams.

Employers, particularly in the private sector, should be aware that the data shows it is easier to raise pay by moving jobs than by getting promoted within the same organisation. The insights gained from the focus groups suggest that employees find it difficult to signal to their immediate line managers that they want to progress in a way that they think will be taken seriously. This could be indicative of a decline in internal labour markets within the private sector – there is nobody with whom people on the lowest rates of pay can discuss their opportunities in a meaningful way. There is also an issue for employers around perceived unfairness: staff who feel they are 'carrying' less

productive workers while not getting paid for it – particularly in smaller organisations – will lose motivation if the issue is not addressed.

Research by the Equality and Human Rights Commission (Grimshaw et al 2014) and the Joseph Rowntree Foundation (Devins et al 2014) suggests that companies should understand the crucial role of immediate line managers in this regard, as well as other people who can act as progression champions, such as trade union representatives, HR professionals and the potential for informal mentoring through colleagues (UKCES 2011).

Companies that value the experience of their staff should therefore be vigilant to ensure that they are offering progression routes at the bottom of the market within their own organisations, and that they understand which staff want to progress. Feedback obtained through our focus group sessions suggests that it is important to be very clear to the lowest-paid staff about the micro detail of what they need to do to raise their pay; a starting point might be to routinely ask employees if they want to progress. This will involve ensuring line managers, as part of regular one-to-ones or development reviews, discuss opportunities for increasing working hours, training or other roles that might be available where people's skills may be utilised more effectively.

In larger sectors, such as in retail, care and catering, there is a role for employers, either individually or working across the sector, to

*'Companies that value the experience of their staff should ensure they are offering progression routes and that they understand which staff want to progress.'*

*‘Government should use tax and benefit data to target low-paid individuals with information as to the choices that are on offer.’*

professionalise routes into higher pay in small graduated steps from entry-level jobs. In firms where lower-level jobs are essentially commoditised, this may require an element of job redesign to create (or recreate) functioning internal labour markets where individuals can receive modules of training that will raise performance and so justify an increase in pay.

**Implications for government**

For government, there is a strong case for providing more information to individuals as to what they can do to raise levels of pay. This could be viewed as the logical extension of the introduction of Universal Credit, which includes a requirement on low-paid individuals to demonstrate they are seeking to improve their hourly rate. If, as our data suggests, for many people moving jobs is associated with pay progression, there is then a role for government to provide the necessary information as to where the better-paid jobs lie and what, in granular detail, is required in terms of training in order to get them. Mechanisms to do this might include the Jobcentre infrastructure, but to be effective it should be informed by government-held data on who is currently on low pay, obtained from national tax and benefit records. Government should use this information to target low-paid individuals with information as to the choices that are on offer. This should be supplemented by much better careers information advice and guidance, both to help young people make the right choices about qualifications, both academic and vocational, which will lead to rewarding work, and to support older people who want help to retrain and increase their earnings potential.

Within sectors, there is a role for government to support the professionalisation of entry-level

jobs in the low-pay sectors through sector skills councils or other means. Just as a new apprentice, or newly qualified teacher, knows what they need to do to reach the next stage, so someone with an entry-level job in retail, care or hospitality should understand what band they are on and what they need to do to graduate to the next stage, either in that company or elsewhere. As part of this, there should be a separate part-time career path with associated training modules and suggested pay rates.

Given the strong relationship in the data between having pre-school children and being in the ‘stuck’ category, supported by the opinions expressed in the focus groups which demonstrate that women with family commitments do not feel they have the flexibility to take on additional hours, our analysis also supports a need for government to continue focusing on rolling out free pre-school childcare provision. At present all 3- and 4-year-olds, regardless of family background, are entitled to 15 hours’ free childcare per week, with 2-year olds from lower-income households also entitled to 15 free hours. Given the strong link with being stuck and both working part-time and having pre-school children, there seems to be a case from the evidence obtained in this research for the commitment to free nursery childcare for the lowest-income families to extend beyond 15 hours. At present childcare tax credits are available for lone parents and couples where both partners work 16 hours or more a week, yet focus group participants cited the upfront cost of childcare as the main barrier; it may be that simply ensuring the nursery care itself is free is a more effective way to remove barriers to work progression amongst the pre-school cohort than through the tax credit system.

There is also a key question that arises from our work which is not only of relevance to government but also to researchers interested in exploring the characteristics of this cohort in greater detail, namely the high levels of satisfaction reported by many, but not all, people who earn consistently low wages. The first implication of this is to place a premium on employers asking their employees what they actually want so that people who do want to progress are not presumed to be in the group that does not. The second is to explore what drives reported satisfaction and the extent to which it is dependent on self-limiting beliefs, for example that it is not possible to get higher wages without sacrificing other things that are important, such as travel time or part-time working, or that the individual is fearful of change or has a lack of knowledge of options. For those who are genuinely satisfied with their position, there then arises a further question: should public policy nevertheless seek to raise the incomes amongst those who self-report as being content?

Finally, there is a broader challenge for policy-makers over how to address the high proportion of low-paid and low-skilled jobs in the UK. Over a fifth (22%) of jobs in the UK require no more than compulsory-level education, the second highest proportion in the OECD, compared with countries such as Germany, Sweden and Japan, which have 5% or less job openings in this category. The UK also has a high level of over-qualification. About 30% of UK workers think they are over-qualified for their jobs, which again is the second highest proportion in the OECD. This suggests that the skills challenge for the UK is as much about how to create more high-skilled jobs as it is to raise qualification and skill levels (CIPD 2014a).

This is the view of the UK Commission for Employment and Skills, which concluded that the skills problem in the UK:

*'lies largely on the demand side. The relatively low levels of skills in the UK; the limited extent of skills shortages; and the potentially low demand for skills relative to their supply taken together, imply a demand side weakness. The UK has too few high performance workplaces, too few employees producing high quality goods and services, too few businesses in high value added sectors'* (UKCES 2009).

This analysis raises the question for government over how it can encourage and support businesses to build competitive advantage and productivity through enhanced leadership and management capability, effective work organisation, job design and investment in learning and development.

***'People who do want to progress should not be presumed to be in the group that does not.'***

# Appendix 1: Detailed methodology of the data analysis

In order to combine the BHPS and the Understanding Society data into a single longitudinal panel, it was necessary to dispense with the very first wave of Understanding Society as BHPS respondents were only brought into the Understanding Society study from the second wave. So, for our study, Wave 18 is the final wave of the BHPS, Wave 19 is the second wave of Understanding Society, and Wave 20 is the third and most recent wave of Understanding Society.

Because we are interested in what happens to pay over ten-year periods, this study considers people who were in low pay in the first ten waves of the BHPS (1999 to 2000) and what happens to them over the following ten years. Therefore the only people in Understanding Society who are of interest are those who were previously members of the BHPS sample.

Note that the final eighteenth wave of the BHPS was launched in September 2008, with most respondents interviewed before the end of that year.<sup>6</sup> In Wave 2 of Understanding Society, former BHPS respondents were interviewed throughout 2010.<sup>7</sup> So the time difference between Waves 18 and 19 of our longitudinal dataset is greater than a year (although mostly less than two years), which will have some effect on ten-year periods commencing after Wave 9 of the BHPS.

We started by converting the second and third waves of the Understanding Society study into a format consistent with the 18 waves of the British Household Panel Study. We then calculated an hourly wage for each member of the sample in each year that they were in employment.<sup>8</sup> We estimated a value for the minimum wage in each year prior to 1999 based on the place in the BHPS earnings distribution occupied by the minimum wage in 1999 when it was first introduced, and used each respondent's date of interview to establish the minimum wage in force (or estimated to be in force) at the point at which they reported their earnings. This enabled us to calculate how far each person was above (or below) the minimum wage in each wave and so to define anyone earning less than 20% above the minimum wage as being in low pay for the purposes of this study.

For each person in low pay in each wave, we classified as 'escapers' those who were not in low pay in any of 8, 9 and 10 waves later,<sup>9</sup> we classified as 'stuck' those who did not earn at least 20% more than the minimum wage at any point over the following ten years and classified as 'cyclers' those who earned at least 20% more than the minimum wage at least once over the following ten years but were not 'escapers'. Each person's pay growth over the ten-year period was obtained as the

amount by which their 'proportion above the minimum wage' had changed. For example, a person who was earning at exactly the (estimated) minimum wage in Wave 3 but who was earning at 10% above the minimum wage in Wave 13 would be considered to have had pay growth of 10%. A person who was earning 10% below the minimum wage at the start of the period but 10% above by the end would be considered to have had pay growth of 22% ( $= 1.1/0.9 - 1$ ). A person who was earning 10% above the minimum wage and 30% above by ten years later would be considered to have had pay growth of 18% ( $1.3/1.1 - 1$ ).

Having obtained our main groups we then created dummy variables to indicate the presence of various explanatory states (for example in receipt of disability living allowance, working in a low-wage industry, working in the public sector), and created appropriate derived explanatory variables, including dummies for each year in which a person was, for example, working in the public sector, in bad health, caring for a disabled person.

We then created derived longitudinal explanatory variables that summarised each respondent's experiences over ten years, for example:

- a. Sum: the sum of dummy variables over the ten-year period

<sup>6</sup> In the *indresp* table, 13,654 of 14,419 respondents (95%) had a date of interview in 2008.

<sup>7</sup> In the *b\_indresp* table, 5,731 out of 11,780 respondents (49%) with *pid* > 0 had a date of interview up to June 2010 and 11,014 (93%) had a date of interview in 2010.

<sup>8</sup> A direct question on hourly wage was only introduced into the BHPS from Wave 9 in 1999, at the time of the introduction of the minimum wage, and was only asked of those who said they were hourly paid, as opposed to salaried. For those people who were hourly paid from 1999, the answer to the hourly wage question was used for this study. For others, hourly wage was derived from usual gross monthly pay and usual weekly hours worked. Note that, for a very small number of cases, the value for hourly wage in the dataset was inconceivably large and was therefore ignored.

<sup>9</sup> Clearly, this calculation could only be performed for Waves 1 to 10 of the BHPS as there are only 20 waves of our combined BHPS/Understanding Society dataset. So our study concerns the ten-year outcomes for people who were in low pay from 1990 to 2000.

- b. Max: the maximum of dummy variables over the ten-year period (that is, whether the status occurred at least once over the period)
- c. Entry: whether a given status did not occur in the first three years but occurred in every one of the last three years in the period
- d. Exit: whether a given status did occur in each of the first three years but did not occur once in the last three
- e. Greater than or equal to two: a dummy variable for whether a person spent at least two years with a given status (these variables were tested in the model because initial descriptive charts suggested that some of the labour market variables might follow this pattern).

This enabled descriptive charts to be generated that showed the mean value for each of these variables amongst those who were stuck and those who were escapers, and the distribution of stuck, cyclers and escapers amongst each category of each of these variables. In some instances the whole process was then repeated to generate results over five years as well as ten.

We then estimated a random effects panel data model using the Stata command `xtlogit` and converted the logistic regression coefficients into an estimate of the increase in probability for an average person in the base

treatment group for each variable. A random effects model was chosen because we were explicitly interested in the relationship of time-invariant explanatory variables such as ethnicity, sex, and so on, to the outcome variable, and hence a fixed effects model is not suitable.

For example, we calculated the mean probability  $p$  of being stuck in low pay for people not working in the public sector (25.49%). The estimated coefficient  $\beta$  for the *sum0to9publicsector* variable was 0.55534 (highly significant). This was converted into an estimated change in probability of being stuck using the formula:

$$\text{Change in probability} = p \cdot (1 - p) \cdot (\exp(\beta) - 1) / (1 + p \cdot (\exp(\beta) - 1)) = -0.090787.$$

So the 'change in probability' statistic reported in the results table represents the increase in probability when comparing an average person in a base treatment group with a person in a comparison group who is identical except for the characteristic in question.

Finally we conducted a cluster analysis to explore whether there were distinct groupings that were more likely to share the same characteristics.

The full results of the random effects panel data logistic regression are given on the following page:

The data (and tabulations) used in this (publication) were made available through the ESRC Data Archive. The data were originally collected by the ESRC Research Centre on Micro-social Change and latterly the Institute for Social and Economics Research at the University of Essex. Neither the original collectors of the data nor the Archive bear any responsibility for the analyses or interpretations presented here.

University of Essex. Institute for Social and Economic Research and National Centre for Social Research, Understanding Society: Wave 1-3, 2009-2012 [computer file]. 4th Edition. Colchester, Essex: UK Data Archive [distributor], December 2012. SN: 6614, <http://dx.doi.org/10.5255/UKDA-SN-6614-5>.

British Household Panel Survey [computer file] principal investigator, ESRC Research Centre on Micro-social Change.-Colchester: The Data Archive [distributor], 199\_ .-Data files and associated documentation

**Table 5: Random effects panel data logistic regression**

<b>stuck_10</b>	<b>Coef.</b>	<b>Std. Err.</b>	<b>z</b>	<b>P&gt;z</b>
Age	0.061856	0.026147	2.37	0.018
Female	2.341237	0.829587	2.82	0.005
Northeast	4.90597	1.691136	2.9	0.004
Nwestyorkshumber	2.247544	1.095354	2.05	0.04
Midlands	2.867501	1.096102	2.62	0.009
Sesw	1.854777	1.045658	1.77	0.076
Walesscotlandni	3.133363	1.272775	2.46	0.014
Higual	-0.75124	0.237121	-3.17	0.002
jobsatsq_10	0.183182	0.079602	2.3	0.021
healthsummary_10	0.654148	0.256055	2.55	0.011
sum0to9floneparent	0.52638	0.135045	3.9	0
sum0to9fhaskids	-0.26265	0.084901	-3.09	0.002
sum0to9fhaskids0to4sq	0.028807	0.014397	2	0.045
sum0to9promotionopps	-0.26017	0.107979	-2.41	0.016
sum0to9parttimege2	1.000725	0.461243	2.17	0.03
sum0to9publicsector	-0.55534	0.147516	-3.76	0
sum0to9increments	-0.50497	0.14681	-3.44	0.001
sum0to9smallworkplacege2	2.203332	0.509679	4.32	0
sum0to9lowwageindustryge2	1.633508	0.485002	3.37	0.001
exit10temporaryjob	3.956659	1.287809	3.07	0.002
_cons	-13.3259	1.868	-7.13	0
/lnsig2u	3.392076	0.168767		
sigma_u	5.452304	0.460084		
Rho	0.90036	0.01514		

<b>stuck_10</b>	<b>Coef.</b>	<b>Std. Err.</b>	<b>z</b>	<b>P&gt;z</b>
Age	-0.12964	0.022512	-5.76	0
Northeast	-2.35028	1.426444	-1.65	0.099
nwestyorkshumber	-1.75933	0.786111	-2.24	0.025
Midlands	-1.40973	0.797938	-1.77	0.077
Sesw	-1.56277	0.77525	-2.02	0.044
Walesscotlandni	-2.64584	0.953441	-2.78	0.006
Higual	0.90716	0.191249	4.74	0
Asian	-4.67492	1.81569	-2.57	0.01
healthsummary_10	-0.96985	0.23514	-4.12	0
sum0to9carer	-0.19199	0.092058	-2.09	0.037
sum0to9floneparent	-0.25021	0.114813	-2.18	0.029
sum0to9fhaskids0to4	-0.39163	0.102033	-3.84	0
sum0to9promotionopps	0.242483	0.086107	2.82	0.005
sum0to9publicsector	0.339459	0.080963	4.19	0
sum0to9increments	0.368471	0.097081	3.8	0
sum0to9smallworkplace	0.120712	0.067642	1.78	0.074
sum0to9lowwageindustryge2	-2.05752	0.411369	-5	0
sum0to9temporaryjob	0.51242	0.123146	4.16	0
entry10publicsector	3.469535	1.497978	2.32	0.021
_cons	-1.23316	1.388672	-0.89	0.375
/lnsig2u	3.286241	0.175945		
sigma_u	5.171281	0.454932		
Rho	0.890455	0.017163		

# Appendix 2: Discussion guide for focus groups

The aims of this qualitative research are to explore:

- barriers to progression, both within the organisation and in their wider lives
- ideas for overcoming these barriers
- how low-paid workers would like to interact with the labour market if these barriers were removed.

## Table 6: Focus group discussion guide

<p>Introduction and warm-up (10 minutes)</p>	<ul style="list-style-type: none"> <li>• Explanation of research:               <ul style="list-style-type: none"> <li>o not a test, just interested in your opinions</li> <li>o topic is working lives</li> <li>o recording but all responses confidential/anonymised.</li> </ul> </li> <li>• Respondent introductions (name, age, family status, occupation and organisation work for).</li> <li>• Show of hands – anyone working more than one job currently.</li> <li>• Show of hands – how satisfied in current (main) job overall (scale of 1–10) and brief exploration of factors that make people satisfied or not satisfied at work.</li> </ul>
<p>Work history and where pay progression fits in (20 minutes)</p>	<ul style="list-style-type: none"> <li>• Timeline exercise: participants to fill out individually their own work history over past five years, including:               <ul style="list-style-type: none"> <li>o approximate start and finish dates of each job (could be with same or different organisation)</li> <li>o reasons why started and left each job</li> <li>o any periods out of the workforce and reasons why.</li> </ul> </li> <li>• Discuss work histories in the round:               <ul style="list-style-type: none"> <li>o How many jobs in past five years – with same or different employers?</li> <li>o Main reasons for changing jobs (look out for spontaneous mentions of progressing at work/getting a better job)?</li> </ul> </li> <li>• In the last two years, how many have tried to get a better job with same employer or a different employer?               <ul style="list-style-type: none"> <li>o What did 'better' mean – what specifically looking to improve? (look out for mentions of better pay vs. other factors)</li> <li>o What was experience of trying to get a better job like? How easy or difficult?</li> <li>o What were the main issues experienced?</li> </ul> </li> </ul>

**Table 6: Focus group discussion guide (continued)**

Satisfaction with pay for progression, and perceived barriers (30 minutes)	<ul style="list-style-type: none"><li>• Hearts and minds exercise: participants to fill out individually what they would be thinking, feeling and saying if someone starting work in their organisation asked them about the opportunities for getting more pay at work. Discuss responses fully, probing particularly on emotional reactions.</li><li>• Show of hands: overall satisfaction out of 10 with opportunities to progress and get a better-paid job. Probe fully.</li><li>• What are the main ways of getting more pay at work?<ul style="list-style-type: none"><li>o Unprompted first and then prompt on: getting an increase in hourly rate, working more hours/shifts or working more than one job.</li><li>o What are the pros and cons of these approaches? Probe: which is easiest/most difficult to achieve? Which would be best for you overall and why?</li></ul></li><li>• Moderator to explain that rest of the session to be focused on getting better-paid jobs, in other words an increase in hourly rate. What are some of the ways people can increase their hourly rate? Unprompted first and then prompt on getting pay rise in current job vs. via promotion. Which is more likely in their experience?</li><li>• What are the main reasons preventing people increasing their hourly rate? Unprompted first.</li><li>• Barriers exercise – participants to indicate individually:<ul style="list-style-type: none"><li>o which are reasons preventing them getting a better-paid job now</li><li>o which have been reasons in the past</li><li>o which has been the biggest past or present barrier to them overall.</li></ul></li><li>• Discuss responses fully in the round, including how and why specifically these are/were barriers.</li></ul>
Prompted barriers and overcoming these (25 minutes)	<ul style="list-style-type: none"><li>• Paired exercise: each pair to be assigned one or two potential barriers and tasked with thinking of ideas on how to overcome these:<ul style="list-style-type: none"><li>o In doing so, prompt them to think about what could be done by the individual, employer and government.</li></ul></li><li>• Each pair to report their ideas to moderator, write up on flipchart and others to be encouraged to add to these ideas.</li><li>• Moderator then to probe specifically...<ul style="list-style-type: none"><li>o Happy in current job: how much is genuine happiness vs. lack of confidence to make a change? How can lack of confidence be overcome?</li><li>o Other priorities: what support could help free up time and energy to focus on work/progression?</li><li>o Dependent children (or older people): how is this a barrier to getting a better-paid job – what additional expectations/responsibilities with better-paid job make childcare more difficult? What would help most – cheaper childcare, childcare attached to workplace, more flexible working arrangements, and so on?</li><li>o Health problems: how can this prevent people getting better-paid jobs? What are the specific barriers that need to be overcome?</li><li>o Risk of losing benefits: what would make it worthwhile – for example how much of a pay increase, other benefits?</li><li>o Lack of better-paid jobs: is this a particular issue where they work – why? Prompt for company size, sector. What are the barriers to changing employers? Would better/more targeted careers advice help and what would be of most benefit – for example identifying areas with most opportunities, helping with CVs/interview preparation, and so on?</li><li>o Part-time work: why is this specifically a barrier? What is it about part-time jobs that make them less well paid? How can this be overcome and who is responsible?</li></ul></li></ul>

**Table 6: Focus group discussion guide (continued)**

- o Insufficient academic qualifications: how interested would you be to retrain/get more qualifications now? Why/why not? How could this be made more of an option?
  - o Lack of training: who should help – employer, government? How help – info/signposting courses vs. additional training provision or financial help to attend?
  - o Lack of info: who should provide – employer, government? What info most useful, for example wage rates in different sectors, industries with higher vacancies, and so on? Should government be more proactive (as can identify low-paid people through tax returns)? Should government do more to help people stuck in low-paid jobs as well as those out of work? Why and how?
  - o Lack of confidence or motivation: what if anything can be done about this? Could mentoring or counselling help? Who most likely to listen to – someone at work or outside of work?
  - Group to select their top three preferred ideas overall and explain why.
  - Imagine a perfect world, where these ideas have been put in place and barriers to getting a better-paid job have been overcome. What would your next steps be?
  - Summing-up around the group (choose specific question depending on previous discussion flow):
    - o 'If you had one message to government on improving people's opportunities for getting better-paid jobs, what would it be?' OR
    - o 'What's the one thing that would make it more possible for you to get a better-paid job?'
- Thanks, final admin and close.
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