



Employment interventions and poverty: lessons for policy at national and local levels

Kathryn Ray & Paul Sissons

Tackling poverty through work: national, regional and local employment strategies for poverty reduction

Thursday 3rd July 2014, Sheffield

The research

To review the evidence on:

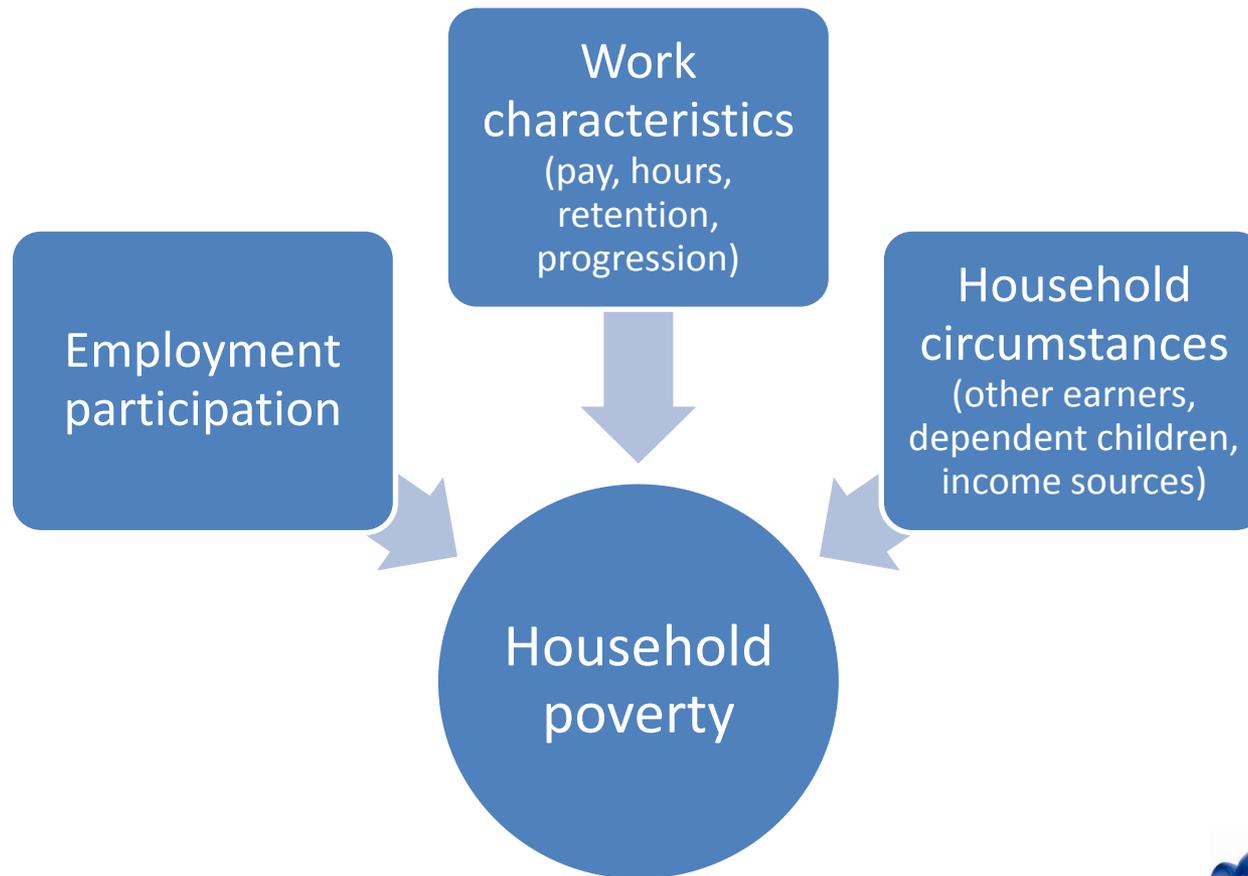
- i) the links between employment and poverty; and**
- ii) the effectiveness of employment interventions to tackle poverty**

Employment participation promoted as route out of poverty. Currently challenged by:

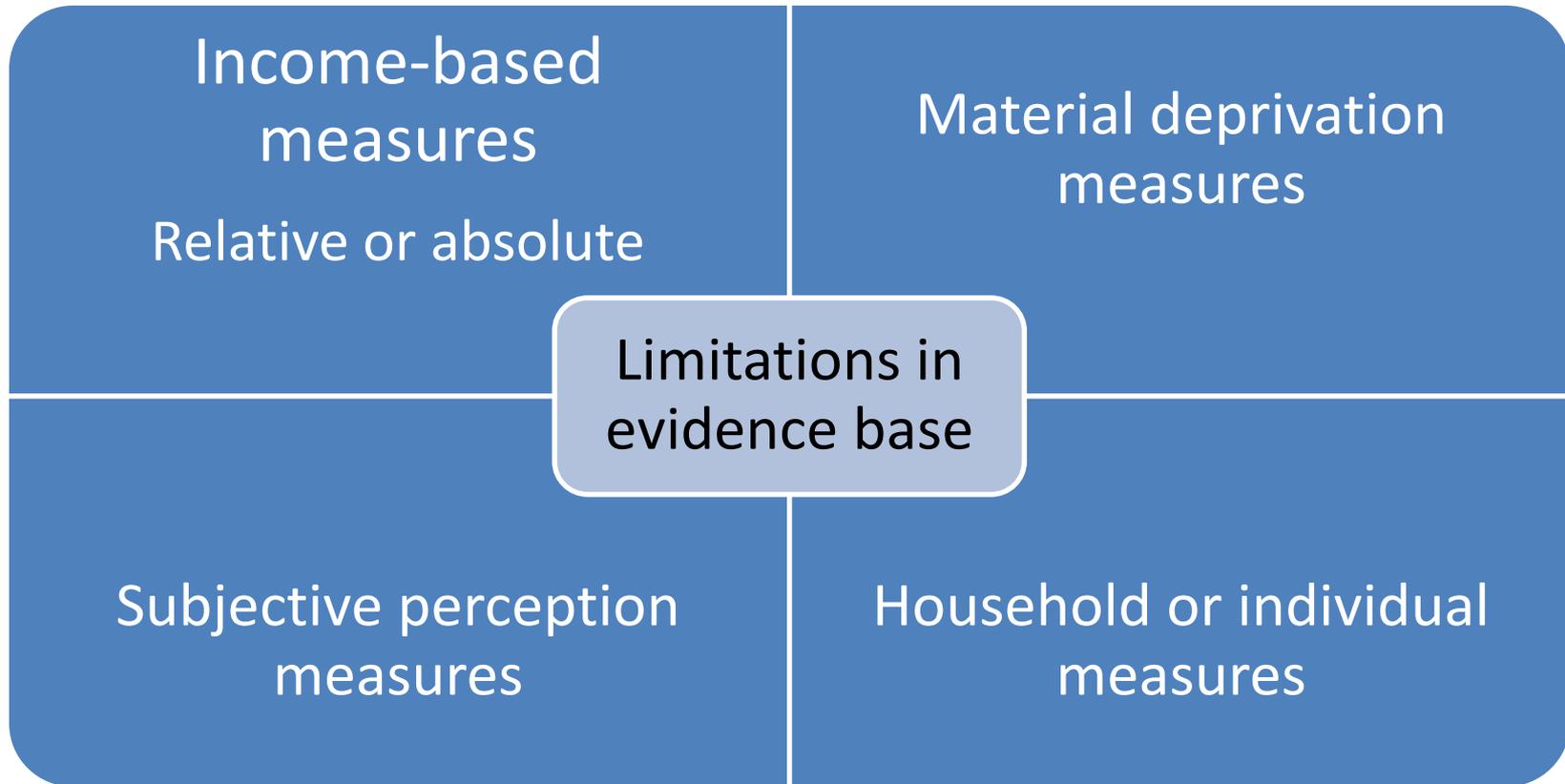
- Growth of in-work poverty
- Fall in real wages squeezing living standards
- Fiscal constraint limiting reliance on tax credits to raise incomes

Review draws together and takes stock of existing international evidence to identify most appropriate policy levers for an anti-poverty strategy

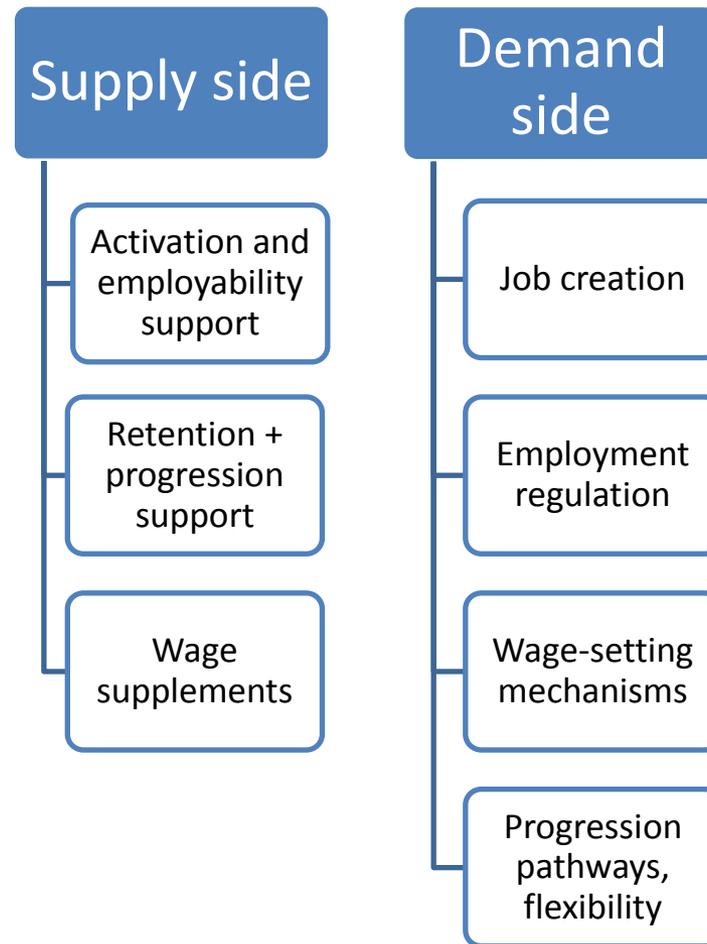
The relationship between employment and poverty is not straightforward



Identifying the impact of interventions on poverty is complicated by different definitions and ways of measuring



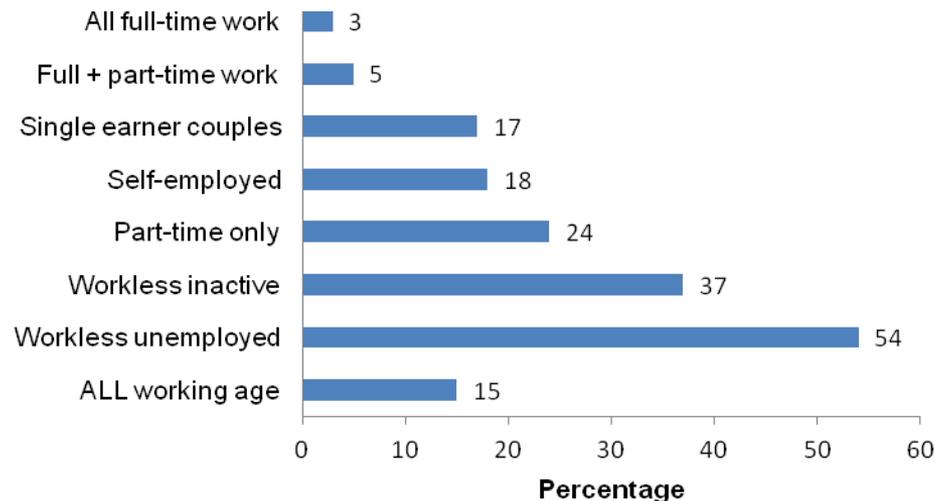
Range of employment –interventions within review scope



Findings – Relationship between employment and poverty

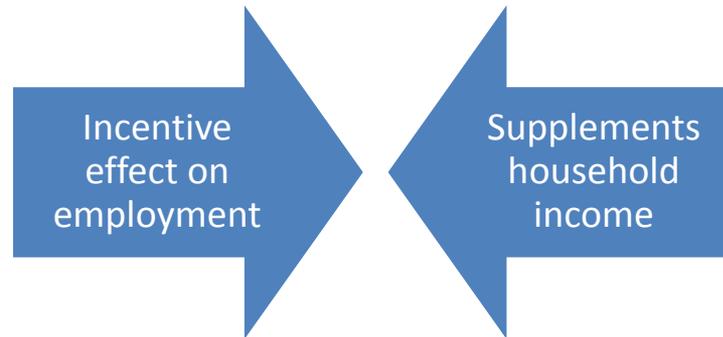
- Workless households have by far the highest poverty risk, however the share of poor households where someone works has increased
- Households with low work intensity (number of earners, hours) and with low wage earners also have a comparatively high poverty risk

Poverty rates by family economic status



Source: HBAI 2011-12 Table 7

Supply-side interventions – Wage supplements



- Direct positive impact on poverty by topping up family income
- Introduction and extension of tax credits major element in reduction of child poverty, 1997-2010
- Positive employment impact but more so for lone parents than couples; second earner disincentives

Supply-side interventions – Activation

- Activation reduces welfare use and increases employment, but the impact on poverty is less clear-cut
 - Welfare reform in US increase employment but poverty outcomes limited by low earnings and reduced welfare take-up
 - Lone Parent Obligations in the UK increased employment, but poverty impacts uncertain
 - International evidence on sanctions suggests can increase employment but possibly at expense of work stability and earnings

Supply-side interventions – Active labour market programmes

- Extensive evidence base but impacts measured are usually short-term employment gains; limited focus on poverty
 - Programmes based on job search services and sanctions and wage subsidies better outcomes than public sector job creation
 - A ‘work first’ message is important but so is personalisation of services according to need
 - Training programmes have better outcomes if small-scale, well-targeted and delivered in conjunction with employers
 - Those furthest from the labour market require more intensive support

Supply-side interventions – Post-employment programmes

- Some positive impacts but evidence on which programme elements work best is lacking
- Some strategies may be effective in increasing earnings over longer-term:
 - Financial incentives to encourage work retention
 - Placing individuals in better quality jobs
 - Facilitating job mobility
 - Upskilling initiatives (if closely linked to progression pathways)
- ... However earnings impacts are modest

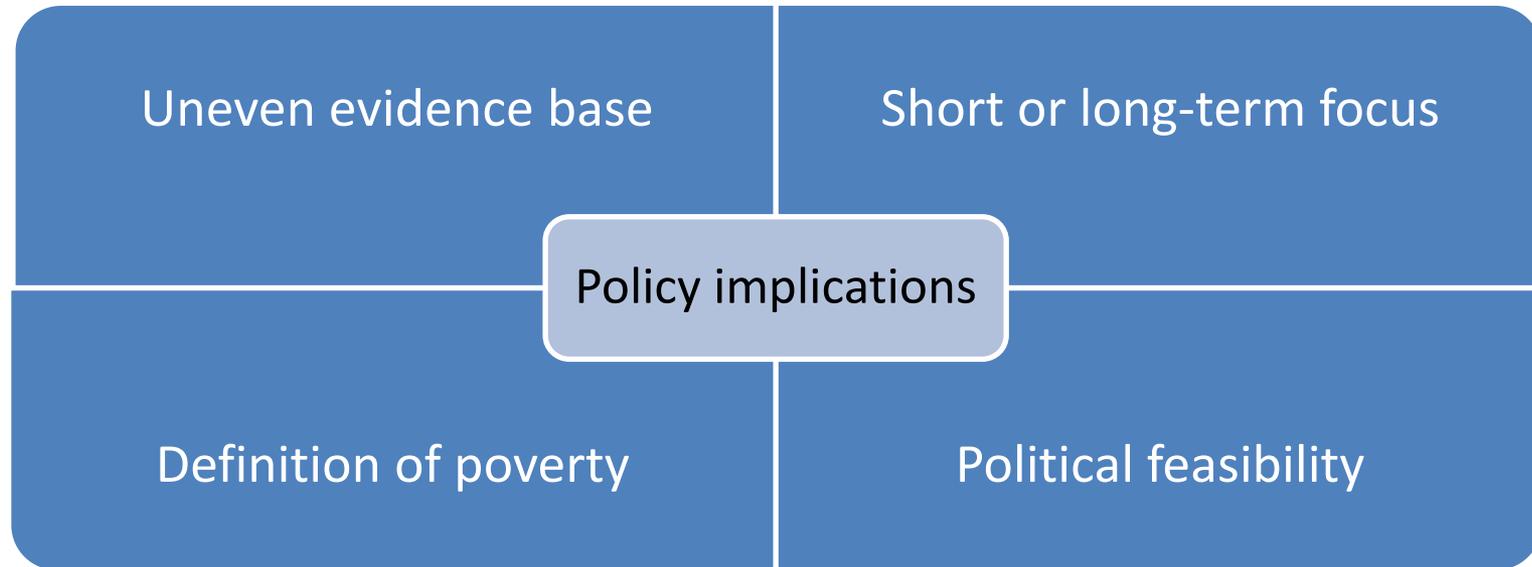
Demand-side interventions – Job creation

- National employment growth can have limited impact on (relative income) poverty as the gains often go to non-poor households
- Evidence on effectiveness of targeted schemes is mixed
- Wage subsidies can have positive effects especially if combined with other initiatives

Demand-side interventions – Minimum wages

- National minimum wages can have a positive but limited impact on poverty because they are not well-targeted on poor households
 - Introduction of the NMW in the UK reduced poverty slightly (estimated at 1.2 percentage points)
 - A rise in NMW would have:
 - no impact on relative income poverty, due to distributional effects
 - a small impact on absolute poverty, due to the withdrawal of means-tested benefits as wages rise
- Raising the NMW to the level of the Living Wage would likely have a negative impact on labour demand ..
- .. But a higher NMW also has the potential to spur greater investment in skills and higher productivity

Implications for policy – challenges



Implications for policy – national policy levers

- Wage supplements are necessary to reduce poverty in the medium to short-term
 - Increase financial support through tax credits/Universal Credit
 - Introduce a second earner disregard
- The impact of conditionality and sanctions needs better monitoring to ensure alignment of welfare reform and child poverty goals
- Government should incentivise welfare-to-work providers to promote better longer-term earnings outcomes
- In the longer-term, government should develop a comprehensive strategy to reduce the share of low wage jobs in the economy

Implications for policy – local policy levers

- Devolution of some powers and budgets to local level
 - City Deals – skills, transport
 - LEPs taking strategic direction of ESF budgets
- May create new opportunities
 - Experimentation and testing of innovative sector-based workforce development initiatives, e.g. careers ladders
 - Integrating skills with wider economic development, innovation policies
- Use of public procurement to influence labour market opportunities
- .. But there are limits to what can be done at the local level

Questions? Comments?

- Read the report at: <http://www.theworkfoundation.com/>
- Contact us at:
 - Kathryn Ray, The Work Foundation, kray@theworkfoundation.com
 - Paul Sissons, SuRGE, University of Coventry, paul.sissons@coventry.ac.uk