



## Work and Pensions Committee

### Oral evidence: In-work progression in Universal Credit, HC 549-ii

29 February 2016

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Members present: Rt Hon Frank Field (Chair), Heidi Allen, Mhairi Black, Neil Coyle, John Glen, Richard Graham, Jeremy Quin, Craig Williams

Questions 51 - 84

#### Examination of Witnesses

*Witnesses:* **Faye Goldman**, Campaign Manager (Work Inclusion), Business in the Community, **David Massey**, Senior Manager, UK Commission for Employment and Skills, and **David Coutts**, Head of Human Resources (Corporate, Policy and Planning), FirstGroup plc, gave evidence.

**Q51 Chair:** David, might we begin with you and invite you to identify yourself, for the sake of the record; who you are, and your organisation? We will then go to Faye and David and then we will begin.

**David Massey:** Good afternoon, everyone. My name is David Massey. I am the senior manager of the UK Commission for Employment and Skills.

**Faye Goldman:** I am Faye Goldman. I am a campaign manager at the charity Business in the Community.

**David Coutts:** I am David Coutts, head of HR for FirstGroup, a leading land-based transport company in the UK with several thousand employees.

**Chair:** Great, thank you very much.

**Q52 Neil Coyle:** Apologies, I have to leave early, so without too much preamble, is there any evidence yet that universal credit is beginning to have an effect on employers' willingness to offer a greater range of part-time hours jobs?

**David Coutts:** One of the reasons I got involved with the Department for Work and Pensions and also on behalf of FirstGroup was to look purely at that issue around flexibility. One of things is that within flexibility and part-time working the key thing is to try to encourage managers. What I do is try to encourage managers to look at flexibility

and part-time working because at the moment, in terms of the transport industry, it is a fairly male-dominated, traditional industry. We have been starting to look at that.

The key bit for me from discussions with the Department for Work and Pensions was they gave me a list of the areas that they had piloted universal credit within. One that stood out as an example there was Cheetham Hill in Manchester. There are two reasons for that: first, there is a bus depot there, so that is handy for me; and secondly, it is one of the most diverse communities in the UK. What we have been trying to do in terms of the thinking—it is early days for us—is that we have two areas there: you have the flexibility piece and you have the diversity piece. How can we link up in terms of universal credits there and working that through into our managers starting to look at part-time opportunities and more flexible working within the workplace? We have had some initial discussions with our HR people from FirstGroup in Manchester. We have been in discussion with Jobcentre Plus and we are starting to try to develop that relationship. I think there is a piece there that says that we can start working and start to get people and use it as a lever for managers to start thinking about flexible working and more part-time working.

**Q53 Neil Coyle:** But it is early, so do you have a sense of numbers yet at all?

**David Coutts:** At the moment, no. The next step for us is to go back and review where we have got to. They have only done a basic recruitment fair so far and I need to go back and see where they have got to in terms of that.

**Q54 Neil Coyle:** Do you think the engagement of employers has been effective enough at this stage?

**David Coutts:** One of the key issues for it is engagement with employers and also the individual's own universal credit. People have to understand what you are trying to achieve. You do not want somebody just being sent for the sake of it; you want the right person coming to you in terms of the personal specification for that role and starting to work that through. The engagement I suppose at the level at the moment is really good. I think we have to think about it in terms of the future and how you engage with employers and also the claimants so that people are clear, because there were pieces around doing personal coaching, so people need to be aware of what they can achieve.

**Q55 Craig Williams:** I am interested by that, but I wonder whether we could go into whether universal credit is encouraging employees to take up more hours. Do you think it is driving people?

**David Coutts:** To be honest, I do not get a sense of it being a driver for it. I suppose anecdotally I do have regular briefings to the HR community in both bus and rail within FirstGroup, and I do not get the sense that it is coming forward as an issue, and it is a high-profile issue. The difficulty there is the ability to measure it because in the day to day of the workplace, people are going to be coming forward with proposals to increase their hours, but it is linking that back. To be honest, I do not know how you do that. It is a difficult challenge to measure it.

**Faye Goldman:** Would it be possible to add something very briefly on that? I have been speaking to a number of different employers about this issue and I think one of the challenges is that the 16-hour contract is very embedded in the way in which people work.

I spoke to one large employer who estimated that about 20% of their workforce was on a 16-hour contract. The time to change that and the ability to offer more hours to every single one of those people will be really challenging for them, but it is definitely something that they are still positive about. They want that flexibility to be able to up hours, but it is just not going to be the solution for everybody.

**Chair:** Richard, do you want to come in on that?

**Q56 Richard Graham:** Thanks, Chairman, yes. I think that is really interesting. Faye, can you confirm that is not just the supermarkets you are referring to? This is quite wide across different sectors and employers, is it, this figure of up to 20%?

**Faye Goldman:** The 20% relates to a retailer, but we have seen that there is an approach that has been taken where 16 hours was the normal contract because there was a reason behind that. Obviously, now they can move towards greater flexibility in what contracts are offered, but a lot of roles are structured around those 16 hours, so it is quite a significant change for employers to undertake. It is definitely something we do see in other sectors beyond retail.

**Q57 Richard Graham:** Yes. How is that going to work? Is that going to be driven by employers and HR managers—people like David hopefully—looking at where they have people on 16 hours and saying, “We don’t need to have people on 16 hours. We can sit down and have a good discussion with them about how many hours they would like to work and how important that role is”? Or is it being driven by employees who are saying, “Now I am on universal credit, what I am being told in the Jobcentre Plus”—or wherever it is—“is that the 16-hour thing is not the cliff edge, so can I please work more?” Where is it coming from?

**Faye Goldman:** At the moment, it appears to be a mixture, in that because of the rollout of universal credit and the fact that certain employers, particularly large national employers, will have people on both universal credit and the old benefit structure, they do not know at this stage—because they do not know what benefits people are on—what will incentivise certain people to take certain contracts and other people not to. It is likely to be more driven at this stage, we believe, although this is anecdotal rather than based on full research, that it will be a case of employees becoming more aware of this and knowing that they can take more hours and that it will not cause an impact for their benefits.

**Q58 Richard Graham:** If I can have one last question, Chairman, on that, do you think employees know enough about this to be able to raise it, or is there more that the Government could do to encourage them to raise it?

**Faye Goldman:** It is hard for me to say for definite. We do run programmes at Business in the Community that directly support people into work and we know that among people who face barriers to work there is often a lot of misinformation that may come from a lot of different sources about what will happen to benefits when they move into work or when they change hours. There is clearly always a case for greater information sharing and I am not sure how much that is having an impact at this stage, though.

**Craig Williams:** Frank, do you mind if I just go back?

**Chair:** Please, Craig, sorry.

**Q59 Craig Williams:** Given the rollout, do you think there is a critical mass that we are waiting for until we see the big employers really take benefit of the flexibility of this?

**Faye Goldman:** Potentially. One facilities management company that I have spoken to has said that they have definitely witnessed different cases in different employees. They will make the same offer to all employees because they have to do that, they have to offer a balanced offering to their whole workforce, and some people will see the case to take it up and some people will not. I think as you see the balance tipping towards more people being on universal credit, the likelihood is that it will change at that point, but I think the numbers are low at this stage as far as I understand. From what I understand of the rollout, the more complex cases are going to come later as well, so it will be interesting to see how that plays out.

**Q60 John Glen:** Could you set out for us—perhaps David Massey and Faye—some of the logic and the advantages for businesses of facilitating this progression for the lowest paid? There are clearly some arguments around retention and so on, but have you done any work on this and what is the logic that you see?

**David Massey:** Sure. At UKCES we have done a bit of work on this over the past few years. We have set up a number of projects right now that are partly funded with DWP to help employers to progress their staff in the workplace. We have done some case study research of employers before that and most of the benefits are exactly as you say; they are around retention of staff. But they are also around broader things such as motivation and the cultural aspects as well and the reputation of the business as a whole. We know that lots of employers that tend to have lots of low-paid workers also tend to have issues with low productivity and high staff turnover, as you say. If you can flip those around and create those pathways, then you tend to get rid of those problems.

**Q61 John Glen:** But just on that, we are hearing today the British Retail Consortium talk about the challenge. Leave aside the national living wage and the burdens from Government, if you like, or responsibilities from Government, there are some structural changes in the economy in terms of the retail sector particularly. One of my colleagues said before that we will all be working for Amazon, which does ring true in terms of the changes. How realistic is it to have that progression in some industries for a more productive workforce with pay progression, given that the future of work in some sectors is difficult to portray?

**David Massey:** Sure, it is an interesting question. It is hard to say, but there is some really good evidence from the United States. There is an MIT academic, Zeynep Ton, who has done an awful lot of work with the retail sector in the United States. She has looked at the operational practices of four retailers—four very, very large retailers—and found that you can completely change how those businesses work and enable much higher pay and much higher productivity and that brings benefits to both the individual and the business as a whole. There is scope to do it. The thing about all these different practices is that they are very easy to talk about but they are really difficult to put into practice for each individual employer. That is why we think it is very important for the projects that UKCES and DWP have funded at the moment.

**Q62 John Glen:** Sorry, just to go a bit further on that, in terms of what the Government can do to encourage this progression and greater productivity, what are the practical steps that Government can take to facilitate this?

**David Massey:** For a start, doing things like we are doing with DWP at the moment perhaps. This is focused on particular sectors in retail and hospitality, but low-paid jobs are found in a variety of industries so we could replicate that there. Essentially, it is about taking the risk away from employers. When we first started talking to employers and employer representative groups like the BRC about this work, there is a huge appetite to do it. All the employers know that there is a big challenge out there and they do want to do something—and this is before the national living wage was even spoken about—but they just do not know how. What Government can do is it can provide a little bit of grant funding. These projects are very small. The total budget for these projects that we have funded with DWP is £1.5 million over about a year and a half. To take away the risk, to bring employers together, to get them to collaborate, to get them to share on those practices, if we can do that and generate very specific sector-based, employer sector-specific case studies and business cases, that tends to work. Government advice tends to be at the macro level—“If we do this to the UK economy, we will all be better off.”—but that does not convince the small retailer with 50 employees. It needs to be evidence specifically aimed at that specific type of employer.

**Faye Goldman:** We have done some work over the past year, which was published in November, where we did look at the case for employers to take wider action beyond just paying a greater rate to their lower paid workers, looking at what were those wider interventions that they might want to make and what would be the case for them to do those. Employers did identify lots of different benefits from enabling their workers to progress, not just productivity but also employee engagement, as David mentioned. Brand is a key thing. Public perception of these issues is changing. Retention is a really key thing. If you can retain those workers and progress them, then the reduced costs of recruitment and training are important to employers.

The challenge is that those benefits are not universal and we can see that a lot of employers can manage to function very well without offering these benefits. There is a really clear social case to this that I think needs to be made alongside the business case as well to show that this is not just about the bottom line. It is the wider case about how you employ and the vision of what you want your workforce to look like and how you want workers to experience working for you.

In terms of what the Government can do or what others can do, I think there really is that challenge. We have a very woolly sense that there is a business case for this and there is a social case for doing more, but how you identify the business case and the benefit back to businesses of certain specific interventions just is not there at the moment. I think there needs to be further research into what actions employers can take, collaboration and sharing best practice across different sectors, and then identification of it, saying, “If you take this step, this is the likely benefit back to your business”, rather than always talking about this problem at the big-picture level.

**Q63 Jeremy Quin:** Faye was just raising the difference between the social and the business case. I actually had a question to David, but I am interested in both of your views on

it. When it comes to giving people variety in their jobs and giving them an opportunity to try different things, expand their horizons, expand their skill base, that is great for the employee. It is expensive and can in the short term reduce productivity for the employer. Is that a bridge that can be crossed? Is it possible to give proper alternative views and expand people's horizons and stretch their talent base?

**David Massey:** I think so. Going back to the evidence from the United States, Zeynep Ton, this MIT academic, thinks if you have the balance between empowerment and standardisation you can really get those benefits. There are certain things that are easy to standardise and can be standardised well and it works, but her view is that any kind of standardisation of customer interaction just does not work. You do need to empower your staff so that they are trained and they know how to deal with any situation because you cannot plan for it. You can get the mixture right if you train your staff well and allow them that freedom.

**David Coutts:** It is not that expensive a view because you start looking at the design of the actual job and asking, for example if it is a bus driver, whether we just want them to drive that vehicle from A to B? Or do we start saying that the key parts of the role are about customer service, they are about safety and making sure— So you start saying that that employee is now looking to be engaged with the customers that are coming onto the bus, so starting to make it a more interesting role for them.

**Q64 Jeremy Quin:** Is that something that employers recognise? Do they look at their roles productively and say, “This is a way we can stretch this out”?

**David Coutts:** Yes. If you go on to our careers website, you will see that it is similar, that the key focus is customer service. What we want is for that driver to be engaging with the customer and then getting the repeat business from them and working it through there, trying to make it a more interesting role for the individual and a profitable one for the company.

**Q65 Richard Graham:** One of the things in the inquiry that was highlighted was that, “Typically, there would only be limited discussion of career planning with low-income employees and where it occurred this would be dependent on the line manager relationship.” I thought this was quite interesting. David Coutts, given the size of FirstGroup, can you give us a sense of how many of your employees would currently be on 16 hours and the extent to which your department is thinking about those who are single employees, probably already on universal credit; those who are married and those with complex cases probably not? At what stage are you encouraging your line managers to have those discussions with people both about career progression, for all the reasons that Faye and others have mentioned, but also in terms of motivation for individual employees to believe that there is a greater future ahead of them than just 16 hours in work and then collecting the benefits?

**David Coutts:** Unfortunately, I do not have the detail of the 16-hour figures, but in terms of our approach to individuals and their appraisals, at the senior management level there is an appraisal approach there, a performance development approach. When it comes down lower into the organisation, we just call them job chats. There is just a simple conversation with an individual that takes them through what their development needs are. It is a one-pager.

**Q66 Richard Graham:** Have you built into that job chat a specific discussion about whether they are currently on 16 hours and now moving on to or already on universal credit and, therefore, there is an option and an exciting opportunity to do more?

**David Coutts:** No, we have not.

**Q67 Richard Graham:** Is that something, do you think, that the group should look at?

**David Coutts:** Again, we could pick it up through the work that we are doing in Manchester, see if it is something that we can highlight. There is that piece where the manager needs to engage with the employee and understand it, so yes.

**Q68 Richard Graham:** Faye, if that is the case, given that David's company is a big one and they have a serious HR department and so on, how even more true is that going to be for companies that are small and medium sized?

**Faye Goldman:** I have to say I have had the least engagement with small and medium-sized employers, but I would say that there is a real challenge for any employer where they have people on potentially unsocial hours or the types of contracts where maybe they are doing evening shifts and a morning shift for them and they are working another eight hours for another employer. For example, one company I have spoken to employs thousands of cleaners, but one supervisor looks after 150 cleaners, so the availability of line management support in that setting is tricky, especially if people are, like I said, working evenings and weekends and maybe only coming into contact with their supervisor every 12 weeks.

**Q69 Richard Graham:** That is a classic case of where individuals could do more work. It would be incredibly helpful for the employer as well as themselves.

**Faye Goldman:** Yes. I think there are two issues around the point that you are making. One is that line managers may not be equipped with the information about benefits or even feel that it is their role to talk to someone about the benefits that they are on because that can get into quite a personal conversation with that individual. The second thing would be about having that time and the focus on the lowest paid workers to give them the support to progress in hours or in pay. Typically, what you will see is that employers can have some very, very good progression planning, but the progression planning is least available for those at the bottom rungs. Something that can help and support employers to think about how you start your progression pathways right from the very bottom of your business will be really beneficial, I think.

**Q70 Heidi Allen:** Pretty much everything we are hearing about the aspiration of universal credit is getting people on to more hours and better paid hours. When you talk to employers and you look at the market, how do you think there might be potentially a conflict between that aspiration and other things the Government are doing, for example the minimum wage going up or the apprenticeship levy? Do you have a view on whether that is going to be a problem and, if so, how might employers and employees come beyond that?

**Faye Goldman:** Can I just clarify whether that is in terms of the conflict of the DWP in-work side or just generally?

**Heidi Allen:** Well, I guess it is our overall desire to get people into work. On the one hand, we are hoping that universal credit will lift people's hours and lift their wages, and we have already talked about some of the challenges to business as to how they might do that. On the other hand, the Government are also telling them what they need to do by way of apprenticeships and saying, "By the way, can you put the minimum wage up, please?" So whether there is any conflict in that aspirational desire to get people on more money and more hours?

**David Massey:** I might as well lead off. It is really complicated and I think that lots of employers out there, certainly in the conversations I have had, are still figuring it out and they will still be figuring it out for the next few years. Certainly, there is definitely the potential for it to work quite well. As we know, everyone knows apprenticeships are a good thing. If you do an apprenticeship in work, that is likely to lead to better pay later on. Several years down the line your pay increases. If a large employer, especially in the retail space, has a big levy bill and they need to do something about progression with staff turnover, apprenticeships may well be the solution to that. It might fit together quite neatly. Then during the period of training, apprentices can be on a lower wage than the national living wage, so that makes a business case for employers in the short term, but ideally it leads to better wages overall later on. If those things work together as well as I have just described, then that can potentially work quite well, but there are lots of other things at play as well.

**Faye Goldman:** From the perspective of businesses that we have spoken to, they very much see the apprenticeship levy and the national living wage as pushing the responsibility on to them to pay more and to deliver apprenticeships. There is a clear sense and I think upfront they probably felt that was a cost, but many, as David said, are seeing the benefits that can come from drawing those two things together and providing quality apprenticeships that lead to career progression.

The challenge comes from those people who do not sit in the bracket of being able to access apprenticeships or necessarily wanting to and what is available to help them progress. What we are seeing is such a concentration on apprenticeships and consideration from employers about how they make that work for them that it is almost like there is a need to draw every single piece of training into something that can be linked back to the apprenticeship levy. If that is not possible, we do not know quite what is going to happen with the rest of the training that is currently delivered and potentially might be suitable for people who do not want to take part in an apprenticeship. For one business, they have calculated that the apprenticeship levy is going to be equivalent to their current entire learning and development budget, so how they continue to manage that and what impact that has on progression is going to be really interesting to see, I think.

**David Coutts:** In terms of the national minimum wage, our First TransPennine are a living wage employer. Great Western is already a living wage employer, although they have not signed up. In terms of UK Bus, probably only about 1% or 2% would be impacted in it. It has a financial impact on FirstGroup in terms of the size, but it is not that big.

I have not done an analysis of the apprenticeship levy but, in terms of taking it forward, we have hundreds of apprentices each year, so we are really keen on getting that apprenticeship piece done. We even did one—again it is in the Manchester piece—which was looking at linking up with Bolton College. It is basically a couple of unemployed individuals who are going through the apprenticeship scheme at the moment. They are doing the customer service piece first and then, while they are going through that, they are learning to drive. They do their first year within the business, finding out more about the actual business and how the business operates and going into different parts of the business, and then at the end of that they will be ready to move into the driver roles. I think that is the kind of progression you start needing to look at and asking how we take people up through the organisation. Within FirstGroup, a driver can move to become a director. There are people who have worked their way up through the entire system.

**Q71 Heidi Allen:** Has that always been your philosophy, or is that something that is relatively new that has been developed as a consequence of some of these policies?

**David Coutts:** I suppose it has always been there. It is making sure that you do have the different routes for people coming into the business. If somebody is coming in as a driver, they still have the opportunity to work their way up through and there is not any restriction. We have a graduate programme as well, so they come in from there as well. It is making sure that the progression is there and people can move their way up through the organisation.

**Q72 Heidi Allen:** Can I just go back to the other David again? I have to say, David Coutts, you sound like the dream employer who is doing everything right. I was really surprised—good surprised—to hear neither of you say that, with employers having to find more hours for people as they come off the current 16-hour restriction, there is no conflict with an increase in the national minimum wage. Do you think the economy is so great that employers can absorb that?

**David Massey:** A lot of them are still figuring it out. There are all these changes all happening at once and for some employers it probably will not work, but hopefully for most it will. It is really hard to say. With all these changes happening at once at different stages, it is almost impossible to predict, I'm afraid. Certainly, there are risks; I am not saying there are no risks.

**Faye Goldman:** I would say my response around the 16 hours was almost projecting more that I think everyone is positive that that restriction feels like it has been lifted and there is greater flexibility there. That does not mean that there are automatically hours for all those people. I think what we will see playing out is that in sectors where they have high volumes of people on low pay they are considering genuinely how to manage that and what they can do. I think there is a need for everyone to focus on beyond just the point at which the national living wage will come in in April because there are going to be incremental rises at a higher rate than businesses were expecting for a number of years. We are still waiting to hear exactly how that will happen. I think the challenge is the issue around training access for anybody who is not being put through an apprenticeship and, therefore, what that really means for progression. That is the question that I do not think people have answered yet.

**Q73 Heidi Allen:** Because not every employee will be suitable for an apprenticeship?

**Faye Goldman:** No.

**Heidi Allen:** Okay, thank you.

**Q74 Mhairi Black:** This is probably a question for yourself, David. What concerns do you have about any future in-work service and its effects on employees all over your business?

**David Coutts:** I suppose it is back at some of the things that we have been talking about. It is the engagement piece and making sure that we have engaged with the employer, we have engaged with the person that is on universal credit, and there is an actual understanding of how it works and an awareness there. So far with my work with the DWP in Manchester, they have been fabulously enthusiastic and you think what we need to do is make sure that they understand what we need as an employer—what all employers need—and what the individual needs. Again, it is that issue of saying it should not just be about sending a load of people up and seeing if you like them for a job; it should be that it has been designed so that they are matching the specification for the role. It is a huge piece still around that. You have the engagement and people's understanding. I do not think there is an awareness out there about universal credit.

**Q75 Mhairi Black:** Are there any concerns around whether what the DWP is proposing could be focusing on quick fixes as such? It could be encouraging claimants to move to jobs that will push them just above the income threshold but possibly to the detriment of—no?

**David Coutts:** In our discussions, it is really early days and there has not been any suggestion of that. The focus has been about what we are looking for as an employer and can they assist.

**Q76 Mhairi Black:** Are there any other things that you would like to add?

**Faye Goldman:** Yes. I can definitely add that I think one of the challenges around the in-work service is just that awareness is really, really low at the moment. When I knew I was coming along here, I was delivering a session at a conference where about 35 employers had chosen to come to a session around improving low-paid work. Out of a room of 35 interested businesses, only two of them were aware that there was this plan. I think there is a challenge around awareness that needs to be solved in order to make sure that the service, whatever it becomes, does work well with what employers already provide because, as you have heard, there is a huge focus from employers on progression. What you would not want to see is a DWP service that is either conflicting or duplicating what employers are already doing.

Then another issue that has been raised to me by one HR director was the challenge of aligning essentially the motivations of the Department for Work and Pensions, the claimants and the employer all into one service that is going to serve them very well and where sanctions, if applied, are done in the right way. I think there does need to be greater investigation of why everyone is in it, what their involvement is, what they know—

because again employers are unlikely to know whether someone is receiving certain support or is on certain benefits—and how that can all be brought together in a way that does incentivise people to progress, not put them in the position where they feel pressured to take certain steps that are not beneficial for them in the long run. Something holistic and long term is what is needed.

**Mhairi Black:** Do you have anything to add?

**David Massey:** No, I don't think I have anything to add.

**Q77 Mhairi Black:** Have you had the opportunity to raise these concerns—anything that you have mentioned—with DWP?

**Faye Goldman:** We do have good relationships with DWP, so we would talk on a regular basis with people in that team. What we are very conscious of is that we would like to see, and would potentially like to be involved in, greater employer engagement and awareness about some of this to talk through the practicalities and how it is going to work. I know it is very early days for the in-work service as they are continuing to plan that and there are things like the implementation of the national living wage and the apprenticeship levy that in business's minds are coming first, so I guess it is about understanding a bit more how the plans for the service are going to progress and at what point there can be greater employer involvement in designing that.

**Chair:** Jeremy, can you follow that up, please?

**Q78 Jeremy Quin:** Yes. I think, Faye, you got quite a long way along the lines of answering my last question, which is if you had to design a scheme—we know what DWP is doing—how would it change from what DWP is doing? You have touched on a lot of it, but are there any other points you would like to raise?

**Faye Goldman:** Yes, sure. This is based on my understanding of the service as it is being proposed, although I know that there is little research available on exactly how the scheme is going to be working.

From our perspective, we have seen from some of the research we have done with employees who come into work and face potentially significant barriers to employment—they have potentially experienced homelessness or have a criminal conviction or other barriers of that kind, such as long-term unemployment—the real benefits of coaching in terms of both enabling them to access work and to sustain work, and there is statistically significant evidence that having a coach focused on that can keep you in work. From our perspective, that kind of role is something that an employer and a line manager can play to a certain extent but not completely. Work that we have done suggests that there is a real challenge around that. What are the employer boundaries? How much can they ask and how much can they support around some of those wider practical barriers that might be preventing people from taking more hours or progressing? Childcare and other caring responsibilities are key. Something that could take a really holistic approach to looking at the long-term progression for an individual and supporting them to do that in the right way is key.

The other thing that I would look to explore beyond what the pilots are doing right now is looking at a national structure, because most big employers set their learning and development strategies and the way in which they plan progression at a national level. If there were differences in every region around the country in exactly how that is being delivered or the contacts that they need to have, then that could present a challenge. That would be the other suggestion I would make.

**Chair:** Do any others want to add to that?

**David Massey:** No, but I just want to follow up on Faye's point about the fact that it is a real challenge to get all these services aligned and everyone's incentives aligned to get someone into work. It just reminded me of one of the case studies we did with an employer where they were just setting up a new progression pathway internally for their staff. What it involved was that if you performed well in one role for a short while and then you could move horizontally in another role and do well in that one, then you would get progressed. But that other role might be at a different site. For people who did not have the transport sorted, they could not get across. Lots of their staff did not want to take up this opportunity, even though it was a potentially good one, because the transport links were not there. That is something that a local authority perhaps could sort out, but it just goes to show the complexity that can arise if you are trying to sort out progression for low-paid staff.

**Chair:** David, anything?

**David Coutts:** No.

**Q79 Richard Graham:** I have just one last thought that I would love you all to muse on. There is so much change going on in the employment world at the moment, quite a lot of it in terms of benefits and how they are delivered. There is a case that universal credit could help transform working opportunities for a large number of people who have been held back so far, through no particular fault of their own. Are we likely to be able to realise that full potential as universal credit is rolled out across the country, and for all types of different people claiming, or is this going to be a sort of rainbow that we will still be chasing for years and years to come?

**Heidi Allen:** You need to ask them if they know the lottery numbers as well.

**David Massey:** Yes, right. Yes, thanks for the tough question. It is very hard to say. I suspect that we will be moving incrementally towards that, figuring it out probably for several years, especially as these changes come in. From my conversations with employers, they tend to focus on what is most immediate, and the most immediate thing is the national living wage coming in in April. The most immediate thing after that is the levy coming in the following April, when the national living wage will go up again. It is going to take a long time for employers to figure out how these things work because they are in the culture and they are used to having these things such as jobs designed around the 16-hour rule or the 30-hour rule or the 25-hour rule. It is going to take a long time, but certain things like the levy are certainly going to jolt some action at the very least. I am not sure how that is going to happen. Hopefully, it is going to be a very positive result, but employers will still be figuring it out. I imagine they will still be figuring out how they are

going to respond to the levy just before 1 April next year in some cases. It is going to be a case of watch this space, I'm afraid.

**Faye Goldman:** I think that universal credit is very interesting in that it makes sense on paper. Everything will be in the practice of it and how different people react to the incentives that are there for them to take certain steps. I think, as David was saying, that we need to be realistic about how long change takes in businesses where this is a very key part of how they run their business, but they are not necessarily hugely informed about every different change that is happening. One of the keys to potentially looking at this as a really clear set of changes that all fit together is for the Government to communicate them in that way and to start to explain how, as we have been talking about today, the apprenticeship levy and the national living wage and universal credit are all part of this master plan. If we can start to understand that and that can be explained to employers and they can be engaged with that big picture of what is going to happen next and where we want to get to in the future, then potentially.

**Richard Graham:** Thank you. That leaves David.

**David Coutts:** Chase the rainbow and catch it, hopefully. I think it is the scale of it and it is actually chasing the rainbow. You are thinking the work we are doing is just going to impact on a few people and then, okay, we can widen it out across UK Bus and that becomes a bigger thing. There is the scale of it and I just wonder how much we are impacting on a huge number of individuals' lives, or is it just a couple of people who I can put through an apprentice programme kind of thing? There is a lot of work to do there. It is back into the same issues around the awareness piece and employers understanding it and trying to move it forward.

**Richard Graham:** That is very helpful. My take on all of that, for what it is worth, is that where we as MPs can help is by talking with our Jobcentre Plus while the numbers of people who are on universal credit are relatively small and encourage the job mentors, the coaches and the people they are dealing with to highlight the opportunity for individuals to take up with their employers. I think that is probably the opportunity for us.

**Q80 Chair:** But also, putting your question another way, Richard, one of the big changes—obviously the wage levels and the levy. The other is that employees are going to have a responsibility to try to increase their hours, so they would be encouraged by their job coaches but the job coaches will also have sanctions. It is not as though, in a sense, this is a discussion just with employers. The employers are going to have quite a push, aren't they, from employees to increase their hours and increase their pay? You were talking about line managers being responsible for 150 cleaners. There is going to be a very real challenge, isn't there, about how companies take the messages in from employees that they are wanting to improve their own conditions now there is no benefit cap, so to speak? Maybe all of you might comment on that.

**Faye Goldman:** I think the sanctions piece is something that when we have mentioned it to employers when we are trying to get an understanding of what they think about this, it feels to them quite counter to the responsibility that they have been given around the apprenticeship levy and the national living wage. It is almost a bit of a check on their employees that typically would not have happened. I think there are two issues. One will be the pressure that those employees feel under in terms of increasing hours or pay, and

the opportunities may not always be there. I think we have to be realistic about that. If any sanctions were to put pressure on an individual to the point where they are less productive or even where a sanction means that they cannot afford to travel to work, then that is always going to cause a real tension for the employer. From my perspective and our organisation's perspective, we would never want to see any sanctions that would disincentivise employment completely.

The other side of it will just be the awareness among employers that there are these sanctions taking place. I do not know whether employees will be comfortable to mention that to their employer and what an employer would do if someone came to them and said, "I am going to be sanctioned if my hours are not going to increase" but that employer had another candidate who had been performing better and who they felt was suitable for progression or promotion. It is a really tricky balance and I am not sure that we have seen real investigation of the impact of some of that.

**Q81 Chair:** Won't it require employers at some level of the hierarchy to be in contact with the job coaches to say, "There are limits to this strategy and you need to bear that in mind when we feed messages back to you about the appropriateness of sanctions or not"?

**Faye Goldman:** It may well do. What I am not sure about is to what extent job coaches are able to share that information with employers. I do not know about the confidentiality around benefits because currently that is not something that employers would find out.

**Q82 Heidi Allen:** Can I just add on to that, Frank? You raise a very, very important question, because I must admit that had not occurred to me. Are work coaches even going to go that far, or is it just, "Come on, Fred, you need to get more hours—your problem"?

**Chair:** Yes. It is something we might reflect on in our report, isn't it? Have the two Davids got any comments at all?

**David Coutts:** In terms of that piece, it is that separation between the employer and, I suppose, the benefit system. We want employees to be engaged and productive. If there is anything that is impacting on them that is saying I am not, then it is an uncomfortable balance between those, I have to say.

**Chair:** It is, but this initial stage, as Richard was saying, is crucial, isn't it, in that the Jobcentre Pluses have the "simple" cases? Now, whether their lives are simple, in that they can easily take on extra hours, who knows, but the chances are when the more complicated family units come on that will have caring responsibilities, probably much more than single people, it means the sooner the challenge is accepted and Jobcentre Plus is learning from it, the more important it is, isn't it? Heidi, our last question, please.

**Q83 Heidi Allen:** Faye, going back to what you were chatting about earlier, this idea that some companies are using all their training budgets on just dealing with the apprenticeship challenge and that apprenticeships are not going to be suitable for all employees, what other routes might there be for low-paid workers to get good vocational training?

**Faye Goldman:** I guess a question would be what do you define as good. I think there is a simple challenge about access to vocational training for people on particularly low-paid or insecure contracts, in that you see from research that the lowest take-up comes from those groups, often due to the fact that that training, for it to be genuinely accessible, needs to take place during working hours when they are paid and at their typical place of work. Because if they are potentially juggling multiple contracts or they have a lot of other responsibilities to deal with, taking a day out to travel somewhere else to take part in a college course can just be a step too far.

The challenge that brings to employers is the double cost to them. If they are paying for that person to be on training and paying them for what work they would have been doing and then paying for someone to cover that role, it can create a disincentive to provide that training. Employers do really see that there is a case for offering this, but I do not think that we have solved some of those really practical problems for them. We know in the past with certain budgets or grants that enabled numeracy and literacy skills that we saw a big uptake from workers, and as soon as those grants fell away there has not been felt to be a case for employers to duplicate that investment. I think there is a case for looking into either how you can apply the apprenticeship levy differently or how you can apply some of that as a wider training budget or, if not that, what is the flex or support that could be there for greater vocational training for people outside of apprenticeships?

**Q84 Heidi Allen:** Could I ask David Coutts? My company, which my husband runs now, is a small business and we would have all those exact problems that you have described. Who on earth is going to cover their shift if they are not here, because you are such a tight little ship? In a big organisation like yours, David, you sound like you have more of a structure in place. Do you see it as sufficient of an issue for you, too?

**David Coutts:** It still is because one of the things even with us, because we are a huge organisation, especially again focusing on the bus side, you would have a similar manager with 150 people reporting in. For the driving side of it, then you have the CPC, so they are getting their regular training every year. We have linked up with the trade unions and we have trade union learner representatives and trade union learner centres. They did a power of work around numeracy and literacy in there. It is always an issue. I suppose it is about whether you take somebody out and give them a day's training, or is it on the job, or is it a shorter version, and starting to look at how you do it rather than just say we will take somebody out and they are there for a day.

**Chair:** Great. Thank you very much. I am sorry there was such an attrition rate. The Whips decided to put most of our Committee members on to what are called Delegated Legislation Committees. Apologies for that, but it was really helpful and I think our questions show that we are at the beginning of this discussion, as are you. Thanks for your help. It is really important.