



# WORKING FOR THE FUTURE

## EXECUTIVE SUMMARY

for the Commission on the  
Future of Employment Support

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## The Commission on the Future of Employment Support

This Commission has been established to develop evidence-led proposals for reform of our system of employment support and services, so that it can better meet the needs of individuals, employers and our economy now and in the future.

We are defining employment support as those public or publicly-funded services that:

- Help people who want to move into work, stay in work or progress in work to do so – regardless of what (if any) benefits they are on, and where and how those services are delivered; and
- Help employers to find, recruit and retain the right people for their jobs.

The Commission will be considering how support is organised at a UK level, within UK nations and locally; the role and function of Jobcentre Plus and of wider contracted or commissioned support; and how employment is supported in wider public services like education, skills and health. The Commission intends to run for eighteen months – gathering views from the UK and internationally through a Call for Evidence over the next three months, followed by hearings and events during 2023. More details on the Call for Evidence are set out in the final chapter of this report.

The work of the Commission is being overseen by ten commissioners bringing a range of perspectives, expertise and experience in employment support, public services, business and civil society. The Institute for Employment Studies is providing the secretariat for the Commission, with funding and support from abrdn Financial Fairness Trust.

### Commissioners

**Ashwin Kumar** – Professor of Social Policy; Manchester Metropolitan University

**Carmen Watson** – Chairperson, Pertemps Network Group

**Fran Beasley** – former Chief Executive, London Borough of Hillingdon

**Karen Brookes** – Director of People and Infrastructure, Sir Robert McAlpine

**Kate Bell** – Head of Rights, International, Social and Economics; Trades Union Congress

**Kayley Hignell** – Head of Policy (Families, Welfare and Work); Citizens Advice

**Liz Sayce** – Visiting Fellow, London School of Economics and Political Science

**Michael Sheen** – actor and activist

**Mubin Haq** – Chief Executive; abrdn Financial Fairness Trust

**Neil Carberry** – Chief Executive; Recruitment and Employment Confederation

## **Institute for Employment Studies**

The Institute for Employment Studies is an independent, apolitical, international centre of research and consultancy in public employment policy and organisational human resource management. IES is a not-for-profit organisation with around 50 multidisciplinary staff and international associates. Our values infuse our work: we strive for excellence, to be collaborative, and to bring curiosity to what we do. We work with integrity and treat people respectfully and with compassion.

## **abrdn Financial Fairness Trust**

The Trust works to tackle financial problems and improve living standards for people on low-to-middle incomes in the UK. It is an independent charitable trust funding research, policy work and related campaigning activities.

## Executive Summary

The Commission on the Future of Employment Support has been set up to develop evidence-led proposals to reform how we help people to find decent, secure and rewarding work; help employers to fill their jobs; and make work better. We are defining employment support as those public or publicly-funded services that:

- Help people who want to move into work, stay in work or progress in work to do so; and
- Help employers to find, recruit and retain and retain the right people for their jobs.

The Commission has been established with funding from abrdn Financial Fairness Trust. This paper sets out the background and context for the Commission and seeks views and evidence in order to develop proposals for future reform.

## Full employment – but a range of challenges

The UK entered the pandemic with employment at its highest ever and unemployment close to its lowest in fifty years. However, this success disguised a range of challenges.

- **First, many still faced significant disadvantages in the labour market.** Disabled people were two and half times more likely to be out of work than non-disabled people; those with low qualifications were twice as likely not to work; and people from ethnic minority groups, lone parents and older people all faced significant ‘gaps’ in employment. A combination of economic recovery and demographic change had helped narrow many of these gaps, but progress had often been slow.
- **Disadvantaged areas were at risk of falling further behind.** Areas with lower employment and vacancies saw virtually no employment growth over the last five years, and had fewer jobs in growth industries and more in industries at risk of decline. Many of these places – predominantly ex-industrial and coastal areas – are also disadvantaged across a range of other indicators.
- **Employer training was in decline** – with falls in the number of people accessing training at work, and workplace training often limited to induction, health and safety. Low investment in people and capital was also contributing to weak productivity growth, and a widening gap compared with other major economies.
- **One in six workers were in low pay.** And while rates of low pay had been in decline in the late 2010s, as many as a quarter of those in low pay had been stuck there for up to a decade while a further half had cycled in and out of low pay.
- **These challenges were contributing to record levels of poverty among working households,** with nine million people in relative income poverty. This was highest for households where one adult was not in work, but had been rising for families where all adults worked – driven in particular by families with children, and likely reflecting the effects of large cuts to social security for working families.

## The jobs recovery since the pandemic has been weak

The UK avoided an unemployment crisis in the aftermath of the Covid-19 pandemic. However we are instead now facing three linked crises that we had not prepared for and are struggling to meet: of higher worklessness, labour and skills shortages, and falling living standards.

- Even though unemployment has fallen to its lowest since 1973, **there are still 600 thousand more people out of work than before the pandemic began**. This is explained by higher 'economic inactivity' (people not looking and/ or not available to work), driven by more older people leaving work and more people out of work with long-term health conditions. Many want to work and would come back for the right job with the right support. More concerning still, new analysis for this Commission has found that this growth in economic inactivity is being driven by those out of work the longest, with **200 thousand more people economically inactive for over five years**.
- **The shrinking labour force is contributing to acute labour and skills shortages** – with more than a million unfilled vacancies and fewer unemployed people than there are jobs available. This is holding back growth and may be adding to pay pressures in the private sector (where nominal pay growth is above 6% a year) as well as recruitment and retention problems in public services (where pay growth is barely 2%).
- **Nonetheless, inflation overall is so high that pay cannot keep up** – with pay in 'real' terms down by 3.3% since the turn of the year, the steepest fall in at least twenty years. And for those out of work, the hit to living standards has been greater still.

Employer polling conducted for this Commission bears out these challenges, with around **a third of employers citing rising costs of living, skills shortages, labour shortages and retention as among their top workforce challenges**. This emphasises too that the current tight labour market is not simply a story of unfilled vacancies and labour shortages – high turnover and skills shortages are at least as if not more important. **It is also noteworthy that of these four issues, our current employment services only really provide help with one: filling vacancies.**

## This weak recovery is almost unique among advanced economies

The aftermath of the pandemic has seen strong growth in labour demand across almost all developed economies. However **the UK is almost unique in seeing employment fall over the last two and a half years** – with every major economy faring better than the UK, and employment up by on average more than two percentage points across the European Union.

Furthermore, employment rates are rising across most of the developed world even as they stagnate in the UK. **So it is plausible that by early next year, the UK will be the only developed economy in the world whose employment rate is lower than it was before the pandemic began.**

## Poverty and inequality are not inevitable

Compared with other countries, **the UK is in the top half of the table on employment and pay, but performs poorly on employment 'gaps' for disadvantaged groups, on pay gaps and low pay, and on income inequality and poverty**. In part this reflects low levels of social security benefits – among the lowest rates of 'income replacement' of any developed economy – but also structural factors including childcare, housing, employment protection, representation at work and access to employment and skills support.



Indeed many northern and western European countries have managed to combine relatively high employment with high pay and low(er) inequalities. The UK can and must do better, and would not have to be the best in the world in order to see material economic and social improvements: **if our employment gaps for disabled people and older people improved from being mid table to just being at the bottom of the top quarter of developed economies then that would mean nearly a million more people in work than now and an employment rate of just over 80%** – with nearly 600 thousand more disabled people and 350 thousand more older people in work.

## A smaller labour force will be a permanent feature in a changing world

While recent falls in labour force participation have been driven by the pandemic, they are likely to signal a permanently smaller labour force: first as the ‘Baby Boomer’ generation continues to retire over the next decade; and secondly because of lower migration. For more than three decades, the story of the UK labour market had been of higher labour demand being met with higher supply. The pandemic put that growth in labour supply into sharp reverse and it has not recovered since.

At the same time, we are also facing significant changes in what we do and how we work, which will bring challenges as well as opportunities – driven by technology and automation; the transition to net zero; and a future with greater barriers to overseas trade and higher borrowing costs. **So if we want to grow the economy and reduce inequalities we need to do far more and far better at helping people who are out of work to get back into work, and helping employers to adapt, to grow and to make work more productive and rewarding.**

## Effective employment support is a key part of the solution

High quality employment support can help meet these challenges, and is a key supply side policy for supporting economic growth, raising productivity and reducing inequalities.

Employment support and services – in the UK and overseas – typically cover five key roles under three broad areas as follows:

### Five key functions of employment support and services

For people	For employers	With partners
<ul style="list-style-type: none"> <li>• <b>Job preparation, matching and brokerage support</b> for the unemployed</li> <li>• <b>Specialist support for those further from work</b>, including those who may be economically inactive (often delivered by grant-funded or contracted partners)</li> <li>• <b>Administration of social security benefits</b> for those of working age</li> </ul>	<ul style="list-style-type: none"> <li>• <b>Employer-facing support and services</b> to fill vacancies, broker people into jobs and (in some cases) provide support and advice for those in work</li> </ul>	<ul style="list-style-type: none"> <li>• <b>Co-ordination and collaboration</b> – within places, with wider public services and with industry or employer bodies</li> </ul>

**Pre-pandemic spending on employment support was around £1.5-2.0 billion a year**, split fairly evenly between these three broad categories; but funding had been in decline through the 2010s before increasing in the aftermath of the pandemic. These three themes are taken in turn below.

## Support for those out of work

Most employment support is focused on those who are claiming benefits and are required to look for work ('claimant unemployed') via:

- **Jobcentre Plus**, which primarily supports people who are short-term unemployed – this is a significant undertaking, with around two million people becoming claimant unemployed every year; and
- **Contracted-out services**, most notably the Restart Scheme for the longer-term unemployed, which supported nearly a quarter of a million jobseekers in its first year.

**Most of those out of work, however, are not unemployed (many are not even on benefits) and support for these people is far less consistent.** This support is often delivered through a mix of nationally-commissioned programmes and employment support commissioned through other public services (particularly local government, colleges and training providers and health services) but:

- **Nationally-commissioned support is limited** – for example, specialist support for disabled people and those with health conditions reaching fewer than 50 thousand people a year; while
- **Support from other services has been affected by general reductions in funding** through the 2010s, combined with the winding down of European Social Fund investment and delays in its replacement.

So funding and provision overall for those further from work is in decline even as worklessness rises.

Furthermore, while the UK approach has had some success in contributing to low unemployment, it has had significant issues too:

- **The UK has amongst the strictest conditionality regimes in the developed world, and among the most punitive sanctions rules.** This can undermine relationships between work coaches and jobseekers, as well as contributing to poverty and destitution, poorer wellbeing and less secure employment;
- **The focus on rapid job entry rather than finding the right job can lead to poor quality job matches, job insecurity and higher turnover in work** – which combined with relatively weak alignment with skills and careers support may be contributing to pay inequalities and weaker productivity; and
- **The narrow focus on those on benefits and required to look for work means that many of those who would most benefit from support can miss out** – which is a particularly acute challenge now, with worklessness rising. This also means that there is virtually no support for those in work who would like to change jobs because they want higher pay, to develop and use higher skills or to work different hours.

## Use of Jobcentre Plus has fallen precipitously

These trends have led to significant falls in use of Jobcentre Plus, even among the unemployed. New analysis of the Labour Force Survey has found that **use of Jobcentre**

**Plus by the unemployed has fallen by two thirds in the last two decades** – from around three fifths in 2011 to just under one fifth in 2022. Even among the long-term unemployed, Jobcentre Plus usage has halved in the last two decades.

### **People are positive about their treatment by Jobcentre Plus, but negative about the support to find work**

This Commission has also commissioned polling of 4,500 people, asking about use and experiences of Jobcentre Plus. Those who had used Jobcentre Plus:

- **Were more likely to agree than disagree that they were treated well and could access support easily;** but
- Views of the help to find work were less positive – **with just one third satisfied that it helped them to find a job or agreeing that it met their needs.**

Older people were generally the least positive about their support, with fewer than a quarter agreeing that it matched their motivations or interests.

### **Support for employers**

**Employment services' support for employers in Britain is relatively limited** – with Jobcentre Plus offering a free recruitment support service via Employer Advisers, a vacancy advertising service and a national telephone support line.

Employers are also supported through contracted-out services, but **the complexity of this picture for employers – with providers covering different areas, as well as providers of different programmes covering the same area – can make it hard for employers to know where to go or how to access help.** Providers are now working to address this, through cross-programme partnerships to support employers.

### **Employers do not feel that Jobcentre Plus can meet their needs – but those that have used it are far more positive**

Polling of over 500 employers for this Commission has found that **few employers use Jobcentre Plus – just one in six in the last two years** – and that overall **employers have net negative views on Jobcentre Plus's ability to find the right candidates or provide a high quality service**, with fewer than a third agreeing with these statements.

However, **views of Jobcentre Plus were far more positive among those who had used the service in the last few years.** At least two thirds of these employers either agreed or strongly agreed that Jobcentre Plus met their needs, and fewer than one in six disagreed or strongly disagreed. **These very positive scores suggest that there are strengths in the Jobcentre Plus offer that could be built upon with higher take-up.**

### **Partnership working**

**DWP and Jobcentre Plus have shown during the pandemic that they can play an important role in local partnerships to support employment and participation** – including through the rollout of Youth Hubs, the delivery of the Kickstart scheme and the implementation of Sector-Based Work Academies. However, **partnership work is often relatively light touch and can be inconsistent – especially when compared with approaches overseas**, where there is stronger local governance across economic development, employment and skills.

**Previous reviews have highlighted a poor record on alignment and co-ordination of employment support with skills and careers services**, which is in turn likely



contributing to issues around how effectively services can meet labour demand and respond to changing needs. **A complicated landscape of programmes, funding rules, boundaries, reporting lines and eligibility criteria is difficult to navigate, confusing for citizens and employers, and leads to risks around fragmentation, duplication and gaps in provision.**

**This picture is somewhat different in the devolved nations (and to some extent in combined authorities in England), where there is often more scope to commission services and align support.** In Scotland for example, the No-One Left Behind approach has put in place Local Employability Partnerships in every local authority; while in Northern Ireland new local Labour Market Partnerships will co-ordinate across services and oversee commissioning of local employment support. Each of these approaches could be a blueprint for partnership working and devolution in England too.

## We can learn from overseas approaches

Finally, **the approaches taken in other countries can provide a range of lessons for how the UK could improve in the design and delivery of its employment services.** Most notably, many countries make much more effective use of partnership working, often alongside a higher degree of devolution and decentralisation of service delivery to more local levels of government.

However, there are a range of further areas where we want in this commission to learn from approaches taken overseas: for example on career management and navigation, employer engagement, raising labour force participation, using technology, and working effectively with wider social partners like trade unions and employer bodies.

## The Call for Evidence – we want to hear from you

We believe that there is an opportunity over the next eighteen months to take a fresh look at our approach to how we support people, communities and employers to deliver full employment in decent, secure and rewarding work. However, we need your help and input. So we are inviting everyone with an interest in this to share with us your views and evidence through a Call for Evidence that will be open until **Monday 30th January 2023**. In particular we want to hear from you on how employment support:

- Can work better for individuals, and particularly for those more disadvantaged in the labour market;
- Can meet the needs of employers, both to fill their jobs and support good work;
- Is organised and governed, including the role of the UK, devolved and local government and how services join up and work together locally; and
- Can meet the needs of our future economy and society – supporting growth, economic change, an ageing population and the transition to net zero.

More details are set out in the final section of this paper and online at <https://bit.ly/commission-employment>. We would welcome responses at any time before the closing date on **Monday 30th January 2023**. We would also welcome any supporting data, research evidence, practical examples or experiences, via the Call for Evidence or by email to [commission@employment-studies.co.uk](mailto:commission@employment-studies.co.uk).

If you are visually impaired and would prefer to contribute to this Call for Evidence in a telephone consultation with one of the research team, please contact [commission@employment-studies.co.uk](mailto:commission@employment-studies.co.uk).