

Recovery and renewal
Tackling long-term unemployment: a report for
the Local Government Association

February 2021



Learning and Work Institute

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Forewords

The COVID pandemic has led to an unprecedented set of national measures to protect businesses and workers. Despite these efforts, unemployment continues to rise, and with four million people on furlough, no community will be untouched by the jobs crisis.

New projections in this research reveal that the number of long-term unemployed people across England could reach 1.2 million, with significant local variations - a stark reminder of the direct impact on our communities, and the need for targeted solutions.

The projections cited show that local factors matter including an areas' economic conditions going into the crisis and the reliance on sectors vulnerable to lockdown including retail and hospitality. The longer you are out of work, the harder it is to find, compete for, and secure a job. We must do everything we can to avoid the damaging impact long term unemployment can have on people's prospects, household incomes, health and wellbeing, and on our local communities and economies as we know them.

Dealing with rising unemployment and limiting the knock-on lasting effects on communities is a big issue for leaders of our towns and cities, particularly as our economy loses more jobs than it is creates. How quickly areas recover can be influenced by a combination of policy responses to rising unemployment, businesses' ability to stay afloat and recruit again, identifying and investing in sectors that have the potential to create quality, new jobs in the short and longer term, retraining people to find new jobs, including in new sectors, and having decent local careers advice and guidance to help make transitions. Bringing all these policy solutions together around place is critical, so no community is left behind.

As democratically elected leaders and place shapers, local government is the natural partner of central government and is ideally placed to achieve this, alongside our stakeholder partners. Our sector has shown extraordinary capability to lead our communities through the crisis and now we want to do more to rebuild the future they deserve. There is much to be gained by national and local government combining resources and expertise to deliver for people and businesses hard hit by the crisis.

Our offer to the Government is that with adequate resourcing and powers, and an opportunity to work in partnership at the earliest stage to shape new or re-design existing Plan for Jobs initiatives, we will help land well-intended but often disconnected national schemes so they become greater than the sum of their parts. The challenge ahead is one we cannot afford to get wrong for our people or places.

Councillor James Jamieson, Chairman of the Local Government Association

The coronavirus crisis has had a profound effect on the labour market. The number of people claiming unemployment-related benefits rose sharply in spring 2020, although the furlough scheme limited the damage, protecting millions of jobs. The impact has been unequal. Some groups, like young people and older workers, and areas of the country, like London, have been harder hit than others.

The rollout of vaccines now gives us hope of a return to growth and chance to shape what a 'new normal' should be. But the impact of the pandemic will be with us for years to come. Employment has taken 3-7 years to recover after the last three recessions.

Our projections suggest long-term unemployment could rise above one million if we don't get the policy response right. We must do all we can to avoid that: long-term unemployment is extremely damaging for people, employers and local communities.

Our back-to-work plan must be delivered in the context of large and ongoing shifts in the tectonic plates of our economy: an aging population is increasing the need for health and social care; longer working lives combined with advances in technology increase the need for upskilling and retraining; and our new trading relationship with the EU will lead to further changes too.

All of these will have different impacts across the country, and the rise in unemployment during the crisis has been unequal too.

This points to the need for a partnership approach between national and local government, and with employers, trades unions and other local partners. That's the way to generate economic growth and make sure everyone gets the chance to benefit from it. It's essential to make sure support is greater than the sum of its parts.

We have a big challenge ahead. But with the right tools and willingness to work together we can make the decade ahead one of recovery and renewal.

Stephen Evans, Chief Executive of Learning and Work Institute

Executive summary

We need a partnership approach to limit a damaging rise in long-term unemployment and harness the opportunities for growth and prosperity.

A strong but unequal labour market has been hit by the pandemic

The pandemic has had a profound impact on the labour market. Unemployment has risen sharply, with larger rises in areas that already had higher unemployment.

Young people and older workers have seen larger rises in unemployment, despite the furlough scheme limiting the economic damage that lockdowns have caused. London has seen some of the largest rises in unemployment as professionals able to work from home stopped coming into the city centre which, along with a drop in tourism and economic restrictions, hit hospitality and retail jobs.

The effects of the crisis have been layered on top of pre-existing inequalities, with employment high overall but varying significantly across the country.

The future holds big challenges and opportunities for us to grasp

Long-term trends create both challenges and opportunities. Longer working lives combined with technological change mean people will need to retrain, upskill, and change career multiple times. The transition to a new trading relationship with the EU will affect the structure, location and success of a number of industries.

The coronavirus crisis may have accelerated some existing structural shifts: there is likely to be an increased use of remote working on an ongoing basis and the trend toward online shopping and away from the high street appears to have accelerated.

These shifts bring challenges as jobs are lost and people need to find different employment, potentially in new sectors or requiring different skills. They also bring opportunities. For example, the transition to a net zero economy will create green jobs and gives us the chance to lead in new technologies and industries.

Policy needs to ensure that new opportunities are created in parts of the country where people need them (where unemployment is currently high) and to effectively link people, including those out of work, to these opportunities.

Long-term unemployment is likely to rise sharply and unevenly

Across the UK, the number of people out of work for 12 months or more could triple to over 1.3 million people, of whom up to 1.2 million would be in England. This would be the result of total unemployment rising to 2.5-3.5 million during 2021-22.

Within this, the number of young people who are long-term unemployed could treble to as high as 200,000. Even on upside scenarios, long-term youth unemployment could remain double its pre-crisis levels until at least 2026. Around 1.2 million people across the UK aged 25 and over could be long-term unemployed and past experience suggests over 50s could be hardest hit.

Our analysis shows that changes in unemployment are likely to vary across the country; growing by 86% in Tees Valley but 185% in West of England. This is a product both of starting points (some places had higher unemployment to start with) and the speed of recovery different areas saw after the last two recessions.

The impacts on local areas will be affected by: each having different numbers of long-term unemployment heading into the crisis; the unequal impacts of the crisis; and differential impacts of future trends. For example, areas relying on city centre economies may have higher levels of long-term unemployment if economic restrictions continue and lead to a long-term shift to more remote working. Similarly, the new trading relationship with the EU is likely to lead to structural economic changes in those places most reliant on trade with the EU.

Leading recovery: the role of local government

Our central goal should be for all long-term unemployed people to get the support they need to look for and find work.

The nature of labour market challenges and opportunities varies significantly across England. Local government could and should play a leading role in meeting these: **systems leadership** to ensure a coherent offer to employers and individuals; **job creation** joining up industrial strategies with employment and skills support; **leading the way** as employers and commissioners by offering opportunities; **employment support** delivery and commissioning experience; and **working with employers** to find the right ways to engage and support them.

In addition, we should look at greater devolution, including using the Local Government Association's Work Local framework, which argues for devolution of funding and programmes underpinned by outcome agreements showing how this will improve opportunities for people and employers. Opportunities to put this into practice include the Shared Prosperity Fund, National Skills Fund, Levelling Up Fund, and forthcoming spending review, to start putting this vision into practice.

We need to make the 2020s a decade of labour market recovery and renewal. It must include a focus on tackling the rise in long-term unemployment. This transformation requires a partnership between national and local government.

Past, present, and future

The coronavirus crisis has had an unequal impact, with areas with high unemployment pre-pandemic often hardest hit. Significant demographic and technological changes now lie ahead. We must ensure everyone, including those who are long-term unemployed, have access to work and skills.

1. The labour market was strong overall before the pandemic, but with some groups missing out and with local variation

Before the pandemic, the UK's employment rate was at a record high and rates of unemployment and economic inactivity were relatively low.

But this did not mean there were no problems to be tackled or opportunities to do better. Employment rates varied significantly by demographic group and geographic area, with disabled people, those with the fewest qualifications, and the most deprived areas of the country having the lowest employment rates.

Other countries had higher employment rates than the UK, suggesting scope to further increase employment by 'levelling up' opportunities where participation in work was lowest.

At the same time, policymaker's attention was also rightly focusing on the quality of work and low pay. Five million people are paid below the living wage, and three in four people low paid ten years ago were still low paid a decade on.

The pre-pandemic labour market was strong, but with structural flaws and inequalities in employment opportunities and quality of work. These flaws haven't gone away; we need support for those who lost their jobs during the pandemic and those who were already out of work beforehand, with the aim of narrowing employment gaps between groups and areas.

2. The pandemic has had a stark and unequal impact

The coronavirus crisis has had a profound effect on the labour market. In late March and April 2020, new claims for Universal Credit spiked to around seven times their pre-pandemic levels as the first lockdown led to a sharp fall in economic activity.

The Coronavirus Job Retention Scheme, with the Government covering 80% of the wages of people furloughed, supported around eight million jobs at its peak. This helped to limit the rise in unemployment, which was more limited than the 20% fall in

GDP might have suggested. Nonetheless, an extra 1.4 million people were claiming unemployment-related benefits by December 2020 compared to pre-lockdown.¹

The impact of the crisis was unevenly felt by different groups and areas. Learning and Work Institute analysis showed Greater Manchester had the highest proportion (18%) of people working in shutdown sectors during the first lockdown.² London saw the sharpest rises in the claimant count over 2020. Having a higher proportion of jobs that allowed people to work from home and hence not come into the city centre, combined with a decline in tourism and ongoing restrictions, led to sharply reduced activity in retail and hospitality, both labour-intensive sectors.

Young people were most likely to be furloughed and to lose their jobs, largely as they were most likely to work in sectors like retail and hospitality that were hardest hit. Older workers also faced an increased incidence of job loss and were historically already more likely to become long-term unemployed, with previous employment programmes being less effective for them. Meanwhile, Learning and Work Institute research showed lone parents and low paid workers often struggling to get by on reduced incomes.³

Vacancy levels in January 2021 were still around one third below those in January 2020 for the UK as a whole, with particular shortfalls in sectors such as hospitality (due to the restrictions on their activity in place), and variations across the country. Employment growth is likely to accelerate during 2021, particularly as vaccine rollout hopefully allows the easing of economic restrictions.

However, in the past three recessions, it has taken 3-7 years for employment to recover to pre-recession levels – it takes time for economic recovery to feed through into job growth and for people to be matched into these jobs.⁴ In addition, patterns of employment growth may vary across the country and people need support with their job search as well as to have the skills for the new jobs created.

Taken together, this suggests we need to focus on promoting employment growth across the country and ensuring sufficient support so that those out of work, particularly those needing the most help such as the long-term unemployed, are able to find, gain and sustain these new jobs.

There was a sharp rise in unemployment, mitigated by the furlough scheme but affecting some groups and areas of the country more than others. The

¹ Labour market statistics, ONS, 2020.

² Coronavirus and the labour market: impacts and challenges, L&W, 2020.

³ Tackling single parent poverty after coronavirus, L&W, 2020.

⁴ Emergency exit: how we get Britain back to work, L&W, 2020.

impacts of this are likely to persist for several years. We need a sharp focus on promoting employment growth and ensuring this is linked to support for people out of work to access these jobs. This will require joining up national and local economic growth strategies and employment support.

3. The transition to a new trading relationship with the EU is likely to have a significant and uncertain impact

A new trading relationship is now in place with the EU, following the end of the transition period in December 2020. The deal ensures there will be no tariffs on exports between the UK and EU, though there are non-tariff barriers and tariffs will be imposed if the UK and EU regulatory regimes diverge significantly and this impacts on competition.

Most economists argue the new trading relationship will mean the UK economy will grow less quickly than it would otherwise have, due to the increased frictions in trade and non-tariff barriers.⁵ New trade deals with other parts of the world could partly offset this. The UK Government will also have to weigh up its view of the benefits of any future divergence from the EU with the impact of tariffs that would result.

Different patterns of trade with the EU and the rest of the world are likely to have significant impacts over time on the structure of our economy and labour market. These impacts are likely to vary significantly across the country.⁶

The risks include that the extra frictions in trade of goods and services make at least some of our manufacturing industries, such as automotive, and services, particularly financial services, less viable. This would, all else equal, be likely to lead to significant job losses in areas, such as the North East and London, reliant on these industries. Trade deals with other parts of the world could partially mitigate this.

The flipside could be opportunities to lead in the development of new jobs and industries. Most obvious is the potential for the creation of green jobs as we and the world look to reduce our greenhouse gas emissions. Analysis for the Local Government Association estimates this could result in as many as 700,000 direct jobs employed in the low-carbon and renewable energy economy by 2030 in England, rising to over 1.18 million by 2050.⁷

However, we will need to ensure that people are aware of the new opportunities as they arise and have the skills the new jobs created demand. This is likely to require

⁵ Economic and fiscal outlook, OBR, 2020.

⁶ NIESR briefing: industry and regional impacts of a no deal Brexit, NIESR, 2019.

⁷ Local green jobs: accelerating a sustainable economic recovery, LGA, 2020.

additional effort in supporting retraining, as well as more widespread provision of careers advice through life. We will also need to ensure that areas with the lowest employment rates today, and the biggest risks of structural change, benefit from job creation, as well as supporting people to relocate if they wish to do so.

The new trading relationship with the EU is likely to lead to structural economic change, with changes in jobs and sectors. As a country it is important we focus on how we can innovate and identify new opportunities for job growth and link those out of work to these new jobs, including retraining where necessary. The structural changes and new opportunities will vary across the country.

4. Pre-pandemic structural changes continue and may have been accelerated

Before the pandemic, the tectonic plates of the economy were moving. Technological change was altering how production can be organised and located around the world, facilitating the creation of new products, services, and jobs.

This was already having profound effects that may well have been put on fast forward by the pandemic. For example, the longstanding shift to online shopping and consequent impact on the high street has been accelerated during the current pandemic.⁸ Similarly, there has been a gradual shift over time toward more people working from home or remotely, but this was shocked upwards by the first lockdown.⁹

As vaccines are rolled out and restrictions eased and eventually removed, it is unlikely that everyone who previously worked largely or solely in an office will return to doing so. It is also unlikely that existing patterns of remote and home working will continue. Many businesses are looking at hybrid models of working, with some office time and some remote working.

This would have profound implications for local economies reliant on office workers, which will need to adapt. It could also create new opportunities for companies to provide services to support the increased numbers working at home at least some of the time. By breaking some of the links between location and opportunity, it has the potential to open up opportunities to more people in different parts of the country (rather than requiring them to move to where the opportunities are).

⁸ Retail sales index, ONS, 2020.

⁹ Coronavirus and homeworking in the UK, ONS, 2020.

These changes in the structure of our economy and jobs available are taking place at the same time as increased life expectancy means longer working lives. For many, 50 year careers will be the norm.

Taken together, this means that people will experience a lot of change during their working lives. It is increasingly likely they will need to update their skills as their existing job changes, they move to a different role in the same sector, or switch sectors entirely. This puts a premium on adaptability, and also on retraining and upskilling. Ultimately the policies and support we put in place will help to determine the impact of these large shifts in our economies and our lives.

Technological change and an ageing population are causing shifts in the structure of our economy, some accelerated by the pandemic. We need to equip people with the skills they need to adapt to these changes, and support for those who are long-term unemployed needs to reflect these ongoing shifts.

All requiring a joined-up approach to ensure no-one is left behind

Support for those who are out of work, particularly people who are long-term unemployed, needs to reflect the short and long-term trends in the economy.

These trends include the impact of the virus, structural shifts in the economy resulting from technological change or shifting patterns of trade, and longer working lives necessitating retraining and upskilling. Support also needs to be about more than job searching in isolation, for example linking to efforts to create jobs.

These patterns and trends vary significantly across the country and so it is important that support is tailored to individuals and grounded in the local economy and job opportunities.

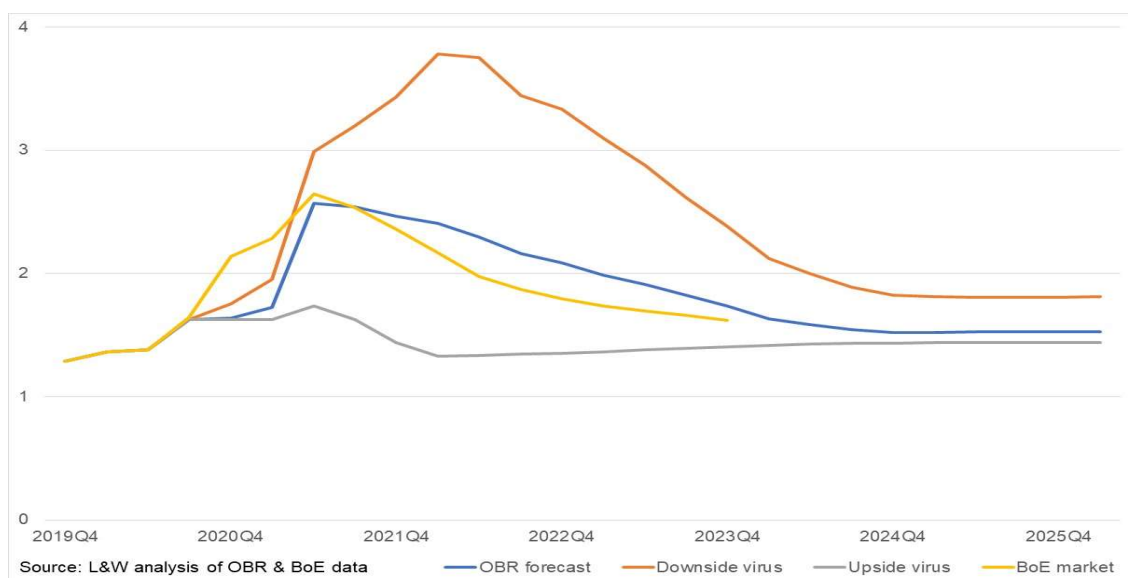
Scenarios for long-term unemployment

Over 1.3 million people could be long-term unemployed in the UK in 2022. It could be double pre-pandemic levels for at least five years even in an upside scenario, with young people and older workers among those hardest hit.

Developing projections for long-term unemployment begins with looking at overall unemployment. There are high levels of uncertainty about the path of the virus, speed of vaccine rollout, and the impact of the new trading relationship with the EU.

Figure 1 shows the scenarios produced by the Office for Budget Responsibility (OBR) and Bank of England. We have used the OBR's November 2020 central and virus upside forecasts as the basis for our projections for long-term unemployment.

Figure 1: Projections for total UK unemployment, millions

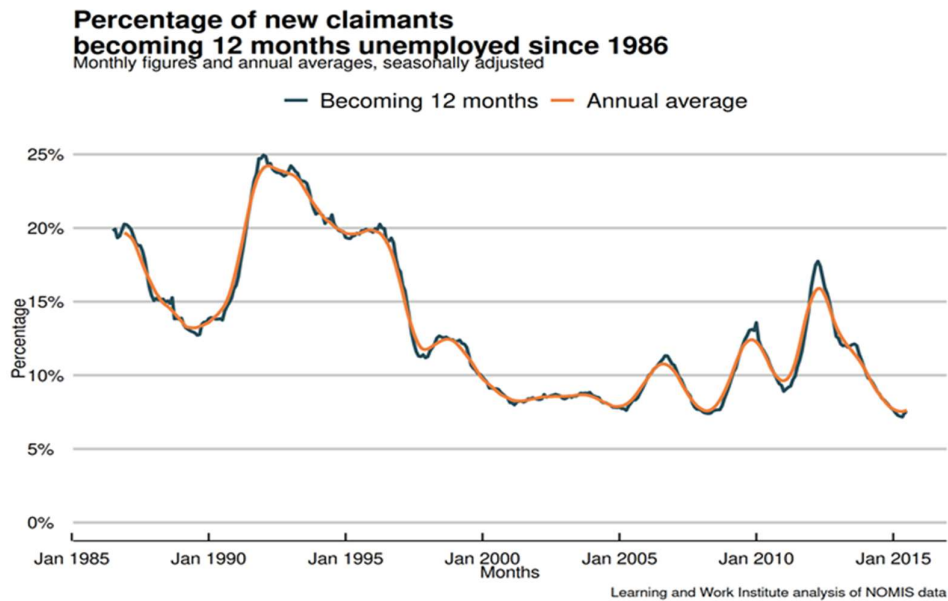


The rapid rollout of the vaccine suggests unemployment could perhaps be somewhere between the OBR's central forecast and their upside virus scenario.

In January 2020, there were 2.6 million people claiming unemployment-related benefits, higher than the survey measure of unemployment shown in Figure 1. This difference may reflect challenges surveying people during the pandemic as well as around 15% of claimants having some income from work. In practice, both measures give insights and it is claimants who are eligible for employment support. Annex A shows the methodology we have used to project potential levels of long-term unemployment.

The changing likelihood of long-term unemployment

The chart below shows how the percentage of unemployed people becoming long-term unemployed has changed over time. It shows the effects of the economic cycle and changes to labour market policy and administration. The chart ends at 2015 as Universal Credit changed the source data substantially. It shows a success story of active labour market policy, although some groups have had less effective support.



What changes the number of people becoming long-term unemployed?

There are two main factors that affect the number of people out of work who become long-term unemployed:

1. The level of suitable vacancies in local economies
2. The extent of requirements and support for people to search for work

On the former the government can have influence, but on the latter the government has a great deal of control. The extent of 'activation' of unemployed benefit claimants has a significant influence on how quickly people find work. This is why additional support for the short-term unemployed is always important in a recession. Increasing the support for people to retrain will be particularly important in this recession.

However, the combination of a lack of vacancies and an increase in requirements on jobseekers can lead to an increase in those becoming economically inactive, as happened in the 1980s. There needs to be an appropriate balance of support and requirements which are commensurate with the causes and impact of the recession, as well as mental and physical well-being.

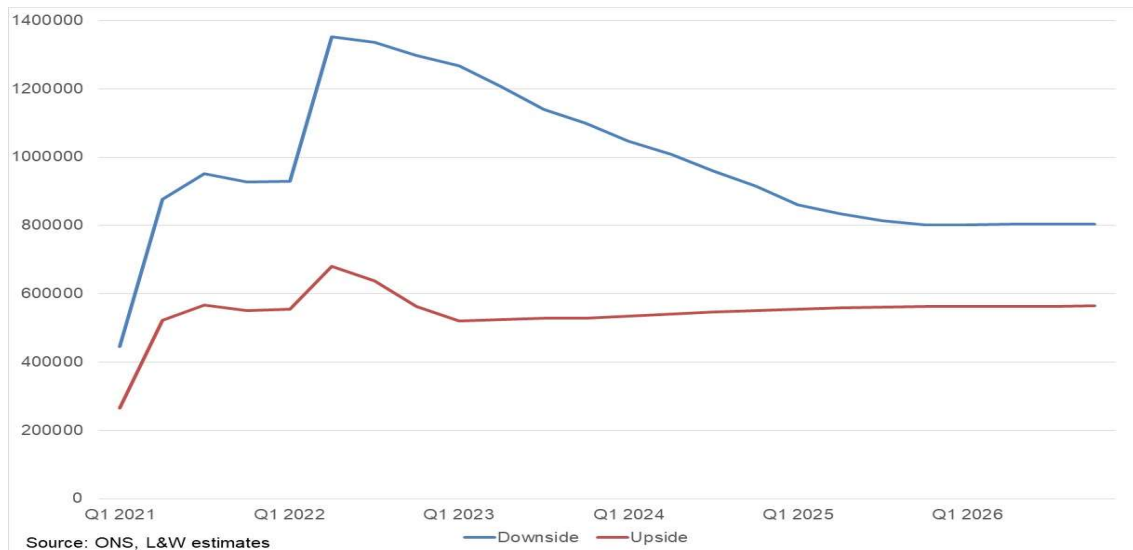
Projections for long-term unemployment

We then translate those projections for total unemployment into what this might mean for long-term unemployment. Long-term unemployment (defined here as those out of work for 12 months or more) is damaging to people's prospects, households' incomes, health and wellbeing, and local communities and economies. We should do all we can to prevent a rise in long-term unemployment and ensure those out of work for longer periods are supported to find work as quickly as possible.

The extent to which rises in unemployment lead to a rise in long-term unemployment depends on factors including: whether economic support is in place until restrictions are significantly eased; the speed of economic recovery; the extent to which this recovery is balanced across the country; which new jobs are created (and whether they match the skills of those out of work); and provision of employment support. Each can be affected by policy choices and delivery on the ground.

Together these determine how quickly employment grows, how well employment growth matches the location and skills of those out of work, and whether people who are out of work are supported to look for and find these jobs. In turn, this will determine whether the labour market recovers quickly or whether there are significant scarring effects on people's employment prospects. Details of the methodology we have used to create projections is in Annex A.

Figure 2: Projections for long-term unemployment, UK

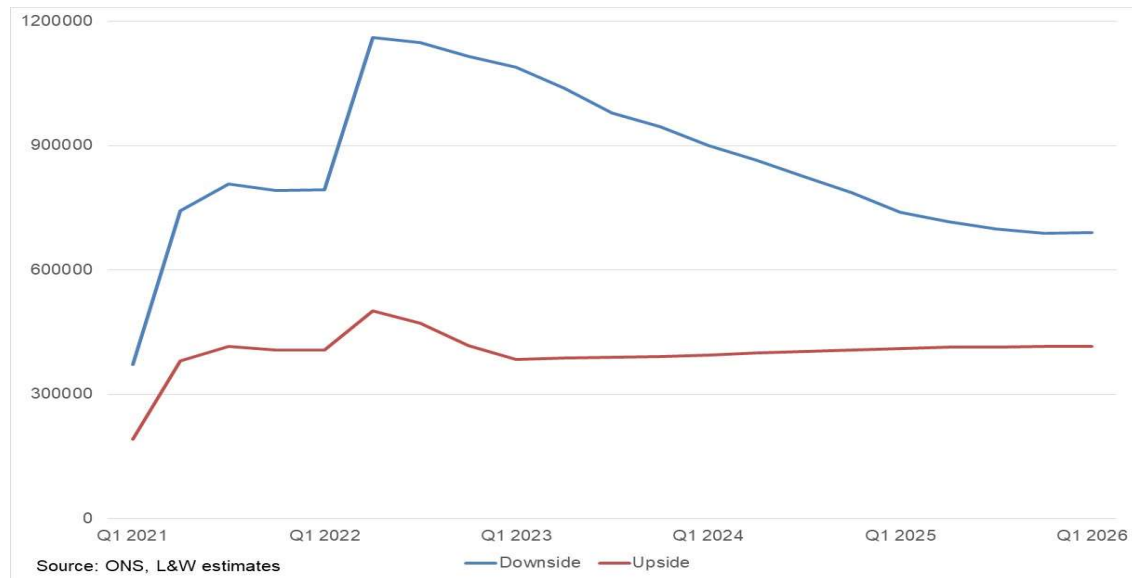


Our projections suggest long-term unemployment could exceed 1.3 million during 2022 on a downside scenario, where the proportion of unemployed people finding

jobs is relatively slow (in line with the experience following the 90s recession). On an upside scenario of more rapid recovery, over 500,000 people would be long-term unemployed through to 2026, double pre-pandemic levels.

Long-term unemployment in England is projected to follow the same path as in the UK, as Figure 3 shows. **Almost 1.2 million people aged 18+ could be long-term unemployed in England in 2022, and even an upside scenario involves long-term unemployment double pre-crisis levels for at least five years.**

Figure 3: Projections for long-term unemployment, England



Long-term unemployment by age

Long-term unemployment among 18-24 year olds could triple to over 200,000 in 2022, and exceed pre-crisis levels until 2026. Even on an upside scenario, around 70,000 young people would be long-term unemployed, a one third rise on pre-crisis levels.

For those aged 25+, long-term unemployment could rise to 1.2 million across the UK in 2022, treble its pre-crisis level. Long-term unemployment for this age group would be around double its pre-crisis levels even on an upside scenario until at least 2026.

Figure 4: Long-term unemployment projections for 18-24 year olds, UK

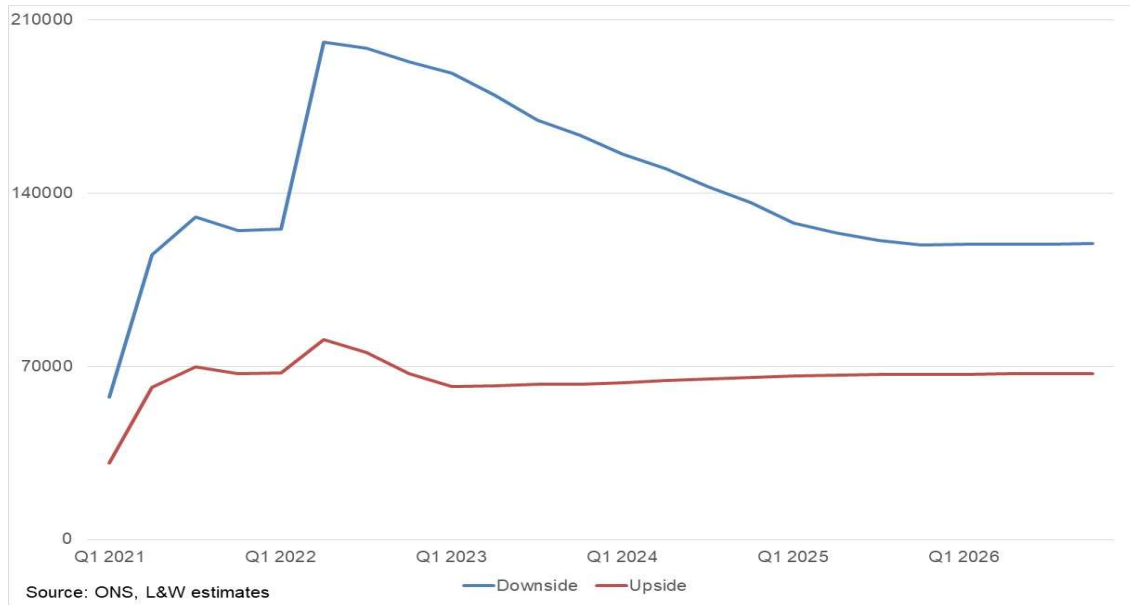
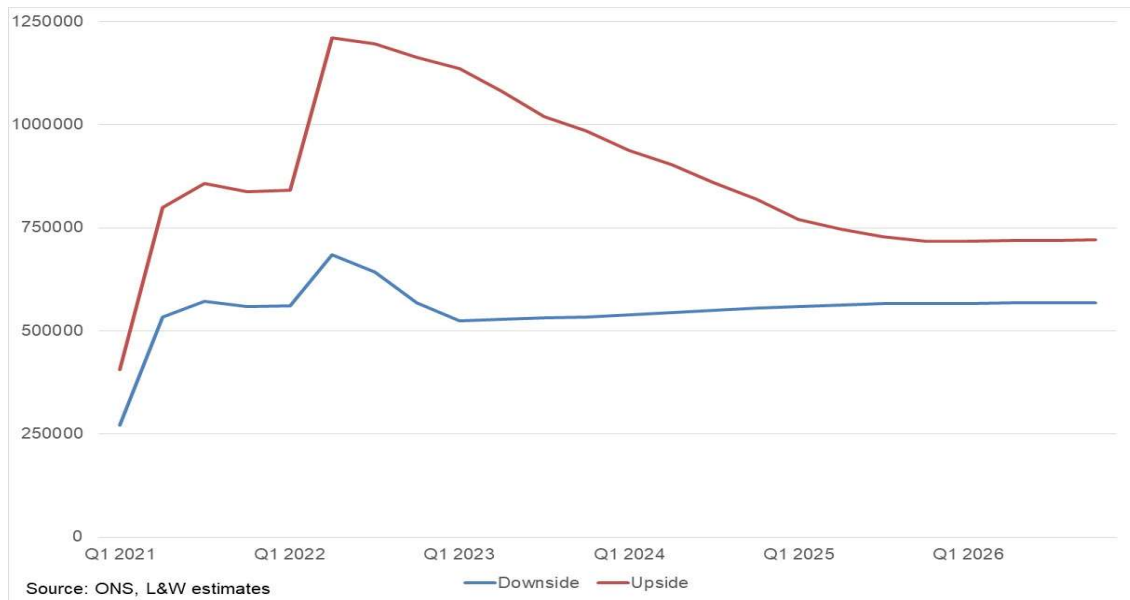


Figure 5: Long-term unemployment projections for those aged 25+, UK



Local variations in long-term unemployment

The impacts of the crisis have been uneven across the country and the future challenges and opportunities detailed in Chapter 1 will also vary. This means that levels and the path of long-term unemployment will vary across geographies too.

To illustrate, we have developed long-term unemployment projections for a number of local areas selected to give a selection of areas across the country, urban and more rural, and which together cover a significant proportion of the population. These apply the OBR's projected path for UK unemployment to each of these areas, and then assume the proportions becoming long-term unemployed match those seen in each area after the 2009 recession (upside) and early 90s recession (downside). Further details are in Annex A.

Table 1: Downside projections for long-term unemployment, annual average

Area	2021	2022	2023	2024	2025	2026
Cambridge & Peterborough CA	9,788	13,660	13,085	10,906	9,186	8,919
Greater Manchester CA	54,859	71,302	67,118	55,939	47,117	45,747
Liverpool City Region CA	35,427	44,576	41,605	34,676	29,207	28,358
North of Tyne CA	14,075	18,677	17,673	14,729	12,406	12,046
Sheffield City Region CA	25,374	32,866	30,910	25,761	21,699	21,068
Tees Valley CA	14,024	17,500	16,297	13,583	11,441	11,108
West Midlands CA	81,826	101,644	94,543	78,797	66,370	64,440
West of England CA	13,343	18,911	18,180	15,152	12,762	12,391
West Yorkshire CA	32,093	41,831	39,442	32,873	27,689	26,884
Leicestershire, Northamptonshire & Rutland ¹⁰	24,226	32,232	30,520	25,436	21,425	20,802
Blackpool	2,894	3,658	3,419	2,849	2,400	2,330
Essex	25,574	33,937	32,114	26,765	22,544	21,889
Southampton	5,033	6,595	6,221	5,185	4,367	4,240
West Wales & the Valleys	28,354	35,995	33,675	28,067	23,640	22,953
England	639,025	1,054,913	1,012,841	844,145	711,021	690,343

¹⁰ Included as a NUTS2 area which increases the robustness of the data and projections.

Table 2: Upside projections for long-term unemployment, annual average

Area	2021	2022	2023	2024	2025	2026
Cambridge & Peterborough CA	4,972	5,780	4,986	5,152	5,311	5,348
Greater Manchester CA	28,051	31,348	26,723	27,610	28,462	28,659
Liverpool City Region CA	16,039	17,612	14,931	15,427	15,903	16,013
North of Tyne CA	4,726	5,342	4,570	4,722	4,868	4,901
Sheffield City Region CA	12,591	14,044	11,965	12,362	12,744	12,832
Tees Valley CA	7,662	8,376	7,090	7,326	7,552	7,604
West Midlands CA	43,403	47,333	40,038	41,368	42,645	42,940
West of England CA	4,656	5,461	4,723	4,880	5,030	5,065
West Yorkshire CA	16,133	18,027	15,384	15,895	16,386	16,499
Leicestershire, Northamptonshire & Rutland	12,625	14,291	12,231	12,637	13,027	13,117
Blackpool	1,401	1,542	1,308	1,352	1,394	1,403
Essex	11,091	12,537	10,725	11,081	11,423	11,502
Southampton	1,837	2,062	1,760	1,819	1,875	1,888
West Wales & the Valleys	14,501	15,999	13,584	14,035	14,468	14,568
England	324,752	444,401	374,693	387,140	399,088	401,846

How might scenarios vary by local area?

The extent to which the upside or downside scenario proves to be closest to reality will depend on macroeconomic conditions and national policy and delivery. But local circumstances and response will also have a significant impact.

For example, areas reliant on city centre hospitality and retail employment (whether tied to the night-time economy, office workers or tourists) may be closer to the downside scenario the longer the virus requires working from home where possible and if the pandemic has led to an acceleration in remote working.

The new trading relationship with the EU introduces frictions into trade. This is likely to have a disproportionate impact on areas most reliant on trade in goods and services with the EU. The Government will aim to promote long-term growth and new opportunities, including through new trade deals with other parts of the world, but this will take time and adjustment – both to ensure the right conditions for new jobs to be created and to support people to find these new jobs.

Figure 6: Upside and downside scenarios for long-term unemployment, 2021

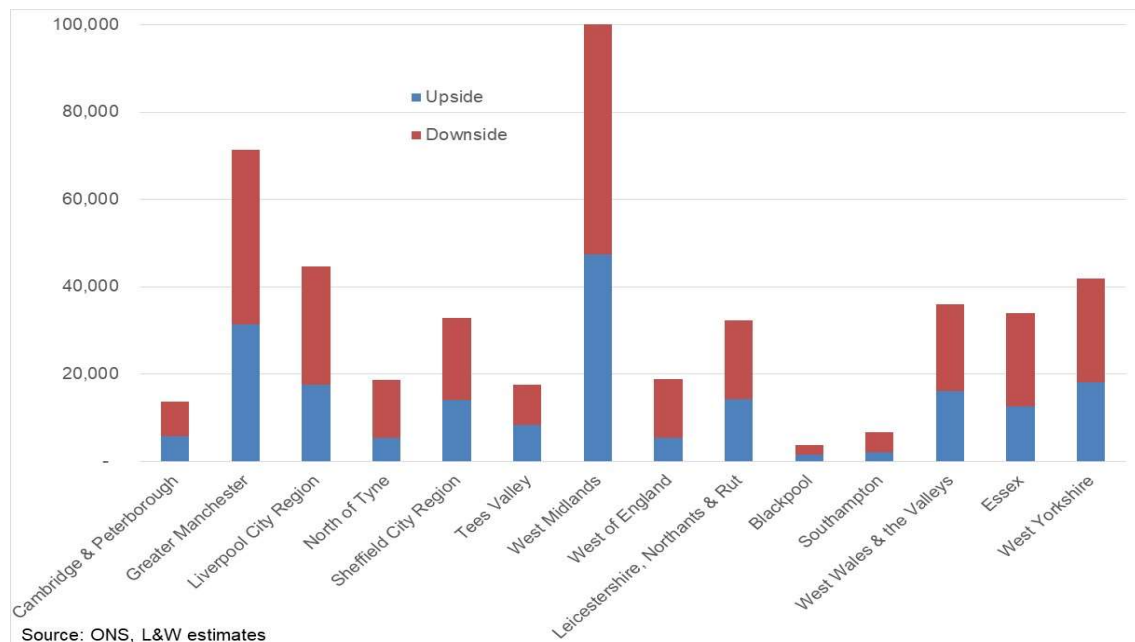


Table 3: Possible growth in total unemployment by 2021 Q2 compared to March 2020

	Increase
England	169%
Cambridge & Peterborough CA	170%
Greater Manchester CA	120%
Liverpool City Region CA	115%
North of Tyne CA	103%
Sheffield City Region CA	116%
Tees Valley CA	86%
West Midlands CA	92%
West of England CA	185%
West Yorkshire CA	129%
Leicestershire, Northamptonshire & Rutland	171%
Blackpool	94%
Essex	165%
Southampton	149%
West Wales & the Valleys	130%

Table 3 shows potential percentage growth in the numbers of people unemployed in the second quarter of 2021 compared to before the crisis (March 2020). Growth could vary from 86% in Tees Valley to 185% in West of England. This is a product

both of starting points (some places had higher unemployment to start with) and the extent of recovery in long-term unemployment seen after the last two recessions.

The nature of local labour markets and the extent to which those who are long-term unemployed are able to access them is determined in part by policy and delivery – there are large structural trends at play, but the impact of these can be affected by policy action and support from local and national government (this is explored further in the next chapter).

All of this means that the path of long-term unemployment may vary both within and between areas of the country. Taken together, this demonstrates the importance of understanding local economies and patterns of employment, and effectively joining up policy and delivery of infrastructure, local growth, placemaking and employment support.

The key to the response is ensuring every long-term unemployed person has support and a plan to look for work. That support and plan needs to appropriately reflect local opportunities and labour markets.

Rising to the challenge

Local government can play a central role in labour market recovery and renewal, including supporting those who are long-term unemployed into work.

We need to make the 2020s a decade of labour market recovery and renewal which benefits all parts of the country.

This means tackling the likely rise in long-term unemployment, including by ensuring everyone out of work has a plan and support to find work including re-training and up-skilling. It also means maintaining a pre-pandemic focus on cutting existing inequalities in employment and improving the quality of work and productivity.

We must do so in a context of the ongoing effects of the pandemic, potentially accelerated structural economic change, and underlying shifts in technology and demographics. These will bring huge opportunities, including to harness the potential for green growth and to promote good work.

Making the most of these opportunities and making sure everyone can benefit from them requires an integrated and joined up approach to economic growth and labour market strategy. Local government can contribute to making this happen, benefiting local economies and people.

Figure 7: Role of local government in labour market recovery and renewal



1. Systems leadership and coordination

Employment and skills support is complex, with a range of policymakers, commissioners and delivery organisations. It is also only one part of the answer: it must sit alongside and work with local growth strategies and other policy areas. The risk is of significant complexity that is off-putting to employers and people, duplication and some people missing out on support altogether.

Avoiding these risks requires leadership and coordination. National government must play a leading role in this and in setting a clear framework, and some policies are best put in place nationally. However, many policies can be at least as effectively designed, commissioned, and delivered locally, and ultimately all delivery is local.

This means there should be a leading role for local government in ensuring a joined up and coordinated approach to employment, skills and labour market support. This can be a formal role (for example, requiring providers to pay regard to a local strategy) or more informal (for example, bringing providers together to agree coordination). It can be based on both their direct experience and responsibility for commissioning and delivering services, and also their wider role in the local community including relationships with employers.

2. Job creation: local industrial strategies

Creating high quality jobs with opportunities for progression is essential and depends on improving short and long-term economic growth prospects.

The industrial strategy sets out the UK Government's approach to future economic growth, and areas in England have developed local industrial strategies showing their approaches and priorities within this.¹¹ The basic building blocks include skills, investment, infrastructure, innovation, and enterprise.

How these come together will vary according to each local economy. For example, Greater Manchester has developed a specialism within media while there are clusters of high value-added manufacturing in parts of the South West. This suggests that local areas are well placed, within a national framework, to identify priorities and opportunities and join up the building blocks needed to make the most of these.

In addition, we need to make sure local people, including those who are long-term unemployed, can access these jobs. Again, this requires local leadership to join up job creation with employment support. That can be a formal join up (such as

¹¹ Industrial strategy: building a Britain fit for the future, UK Government, 2017.

requiring apprenticeships or guaranteed interviews for those out of work in commissioning) or coordination (such as making sure local employment support initiatives are linked to programmes that will create jobs).

3. Exemplars: leading the way as employers and commissioners

Local authorities are large employers, often the largest in their local area, and large-scale commissioners or providers of services from social work and social care to refuse collection and highways maintenance. So they are well placed to lead the way in their employment practices. That could include taking actions such as:

- Paying the living wage
- Offering apprenticeships and supporting employers to increase take-up
- Engaging with employment support programmes to take on previously unemployed people
- Embedding good work standards (such as those in the charters developed by several authorities like Birmingham and Greater Manchester)
- Ensuring support for development and progression at work and meet skills needs including in social work
- Embedding the above into expectations of companies contracted by the local authority and of commissioned services.

4. Employment support: commissioning and delivering help

Many local authorities either run or commission employment support. Often this is focused on those out of work for longer periods of time or those most marginalised or furthest from the labour market. This includes delivery of programmes commissioned by central government, initiatives funded by local authorities themselves, and support through funding streams such as European Social Fund.

In addition, local authorities often have a clear line of sight on the range of employment support delivered in their area, including more locally-based provision such as from housing associations and charities.

This means local government can play a key role in understanding the local employment support ecosystem. This could include:

- identifying gaps in support (either for geographical areas or groups of people)
- considering where joining up support from different sources could deliver better results
- thinking about how employment and skills support can practically align so that those who are out of work have the skills local employers need

- looking at opportunities for employment growth (such as new developments or investments) and how these could link together with employability support. This can often be most effectively done locally so local people who are out of work can access the new jobs created.

5. Employers: supporting and growing best practice

Local government has a range of relationships with local employers. This creates opportunities to encourage and support employers to adopt best practice. That could include: taking on apprentices; providing work experience; taking on unemployed people; paying the Living Wage; and ensuring work is high quality, secure and offers scope for development.

There are several ways local government can play this role, including:

1. **Information and awareness.** Local government can help employers to understand the ways in which they can support employment and skills opportunities, and where to go to learn more and get involved.
2. **Setting and meeting standards.** Part of raising awareness is being clear about expectations. For example, some local authorities have developed good employment charters, identifying some key aspects of good work.
3. **Navigating the system.** Many employers may need advice and guidance on which areas of employment and skills is most appropriate for them to focus on, what 'good' looks like, and where to get help. This is particularly the case given the complexity of the system and numbers of ways in which employers could get involved. Local government is well placed to do this, given that the nature of both support and priorities will vary across the country.
4. **Support.** Local government has an important role in providing and signposting employers to support to expand employment opportunities and good work. In addition, to supporting employers to share best practice.

6. Taking this forward: greater devolution

Over recent years there has been a move toward greater recognition of the role of local government in employment and skills in England. This includes devolution of the Adult Education Budget in some parts of England, co-commissioning of the Work and Health Programme in Greater Manchester and London, and many areas taking a leadership and coordination role for employment and skills support as well as developing local industrial strategies aimed at improving growth.

However, the employment and skills systems remain relatively centralised compared to many comparator countries. The Local Government Association set out its Work

Local proposals in 2017.¹² These argue for a more ambitious approach to devolution of employment and skills support in England. This would be based on outcome agreements: national and local government agreeing which budgets and responsibilities would be devolved and the outcomes (such as numbers of people moved into sustained employment) that local government will achieve from these. The aim would be for greater devolution over time.

There are several opportunities to progress with this vision and develop pilots in the years ahead. These include the expected White Papers on devolution in England and on further education. In addition, the Shared Prosperity Fund (which will replace European Social Funds and with further details expected in spring 2021) offers an opportunity for local leadership and for joining up with other investment such as the Levelling Up Fund.

Restart, DWP's centrally commissioned programme for people who are long-term unemployed, is due to begin in summer 2021. The LGA has put forward suggestions to the Government about the added value local government can bring the national offer. As the programme moves into live running, local government can play an important role in overseeing delivery of the programme at a local level and ensuring it is effectively aligned with other programmes and initiatives. There will also be a significant number of people who are not in work at the end of their time on Restart: they will need a new and different offer and local government could play a leading role in this. This is why a central – local partnership approach to recovery is needed.

Lastly, there is likely to be a multi-year spending review, potentially in autumn 2021. This offers a further opportunity for national and local government to work together on a vision for employment and skills.

By working together, we can grasp the opportunity to make the 2020s a decade of recovery and renewal, delivering employment opportunity for all.

¹² Work Local: developing a modern, local public employment service, L&W and LGA, 2017.

Annex A: Methodology for projections

Estimating the number of people who may become long-term unemployed is complex.

Levels of long-term unemployment will depend on both the overall health of the economy and employment policy. In turn, these will be determined by factors including the path of the virus, restrictions needed to protect public health, trade deal with the EU, consumer confidence, and the nature and delivery of labour market policy.

We have developed indicative projections for an upside and downside scenario and applied these to the UK and a range of other geographies as follows:

1. The projections are based on the Office for Budget Responsibility's central and virus upside scenarios.¹³ These provide the base for our downside and upside scenarios.
2. We assume that unemployment in each geographic area follows the shape and path of these OBR projections. We use the claimant count as a measure of unemployment, as discussed above no measure of unemployment is perfect but this gives us a picture of the potential path of unemployment. In addition, we use take-up of the furlough scheme as a proxy for the steepness of the potential rise in unemployment in quarter two of 2021.
3. We then convert these estimates of total unemployment into estimates of long-term unemployment. To do that we assume:
 - a. Upside: The proportion of people unemployed today who will be long-term unemployed in one year's time follows the path seen after the 2009 recession (when recovery was relatively quick)
 - b. Downside: The proportion of people unemployed today who will be long-term unemployed in one year's time follows the path seen after the early 1990s recession (when recovery was relatively slow).

The proportions of unemployed people that this implies will be long-term unemployed a year later is shown in Table A1. They are calculated as the number of people long-term unemployed one year after peak unemployment divided by the peak number of people unemployed after the relevant recession.

¹³ Economic and fiscal outlook, OBR, 2020.

The local areas we have chosen are predominantly in England, but include other areas to add context for the UK as a whole. They cover a broad range of geographies, spatial level, type of authority and starting level of unemployment.

Table A1: Proportions of unemployed people who could be long-term unemployed at peak

Geography	Downside	Upside
Cambridge & Peterborough CA	35%	18%
Greater Manchester CA	37%	19%
Liverpool City Region CA	46%	21%
North of Tyne CA	39%	13%
Sheffield City Region CA	41%	20%
Tees Valley CA	40%	22%
West Midlands CA	46%	24%
West of England CA	39%	14%
West Yorkshire CA	30%	15%
Leicestershire, Northamptonshire & Rutland	36%	19%
Blackpool	27%	13%
Essex	35%	15%
Southampton	41%	15%
West Wales and the Valleys	36%	18%
England	36%	21%

Our estimates are necessarily just that – they are intended to provide projections that give a sense of potential scale and timing. They can also be influenced by policy – indeed we hope that they are.¹⁴ Levels of uncertainty, and the ability of policy to limit rises in long-term unemployment, increases over time – to an extent some of the large increases projected for 2021 are already ‘baked in’ to the figures.

¹⁴ Emergency exit: how we get Britain back to work, L&W, 2020.