

# Towards full employment

How the UK can increase employment by  
widening opportunity

Stephen Evans

September 2022

**Learning and Work Institute**

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# Contents

Executive summary .....	4
Where we are now .....	6
The UK labour market through the pandemic.....	8
How high?.....	11
Where would the extra workers come from? .....	13
What is the prize for delivering this? .....	17
Delivering an 80% employment rate.....	19
1. Extending employment support to include more people who are out of work....	21
2. Supporting retention in work to reduce the number of people dropping out of work .....	22
3. Widening approaches to recruitment and job design so employers are attracting the very best talent .....	23
Conclusion .....	24

## Executive summary

**The UK should aim for the highest employment rate in the G7 within a decade, on a path to a world-leading 80% employment rate by 2035. This would help boost our economy by £23 billion, improve the public finances by £8 billion, and raise household incomes by £830 per year. It would require a step change in the scale and reach of employment support in particular to better help disabled people and older people who want to work.**

The UK's employment rate of 75% is relatively high by international and historic standards. Employment growth in recent decades disproportionately benefited groups with lower employment previously. Employment rate gaps for lone parents and women have almost halved since the late 1990s, with narrowing gaps for disabled people and low employment areas too. However, such inequalities remain significant, particularly for disabled people.

The pandemic has had a significant impact. The furlough scheme and other support helped limit falls in employment. But from summer 2021 employment rates have at best flatlined, with a growth in over 50s and people with long-term sickness leaving the labour market. This was not replicated in other countries, many of which have seen employment recover back to pre-pandemic levels: the UK has now seen the largest fall in employment in the G7 since the pandemic started.

One of the consequences is that employers are struggling to fill all their vacancies, despite hiring at record levels and despite employment being below pre-pandemic levels. This is adding to bottlenecks in the labour market and creating severe speed restrictions in how fast the UK economy can adjust and grow. A reduced workforce means reduced potential economic output. A likely recession may mean increases in unemployment in the short-term, but the need to respond to that should not prevent us from taking a longer-term perspective and having a plan for growth.

International experience shows there is scope to increase employment in the UK, doing so can help boost economic growth which has been sluggish for over a decade as well as widening opportunity. How high could employment rates go? To overtake the highest employment rate in the G7, currently Japan, an extra 1.2 million people would need to be in work. To match leading countries like the Netherlands would mean an extra 2.4 million people in work.

This report argues that the UK should aim for an 80% employment rate for 16-64 year olds by 2035, requiring an extra 1.7 million people in work (not accounting for population growth) and bringing the UK into line with leading countries. This could boost our economy by £23 billion per year, the public finances by £8 billion, and household incomes by £830 per year on average. The rise could be up to £2,000 (14%) for lower income households, given they have the lowest employment rates at present and hence are likely to benefit most from increases in employment.

As an interim step, the UK should aim for the highest employment rate in the G7 within a decade, requiring an additional one million people in work. Of course the quality of work, pay and progression opportunities all matter too, but the focus of this research is on employment rates.

Where would these additional workers come from? There are only 1.3 million unemployed people, and there are twice as many people who are economically inactive due to long-term sickness. So a higher ambition would require significant progress reducing employment gaps between groups often not in the labour market (economically inactive). For example, 900,000 disabled people are either unemployed or say they want to work, while closing employment rate gaps for lower employment areas would mean an extra 550,000 in work, and for ethnic minorities an additional 350,000 in work.

Achieving this would require a step change in employment support. Only around one in ten out-of-work disabled people and 50-64 year olds get help to find work each year, compared to one in three 18-24 year olds. If we doubled this proportion then an 80% employment rate would be achievable by 2035.

Many people in these groups are not claiming out-of-work benefits and yet most employment support is focused on people who are unemployed and claiming benefits. So we need locally-led employment plans with central Government, community groups, housing associations and local government working together. The additional cost would be a maximum of £1 billion per year, with opportunities to reduce this through better use of existing resources, for example the Government's 2020 Plan for Jobs is estimated to be around £2 billion underspent because unemployment did not rise as much as feared.

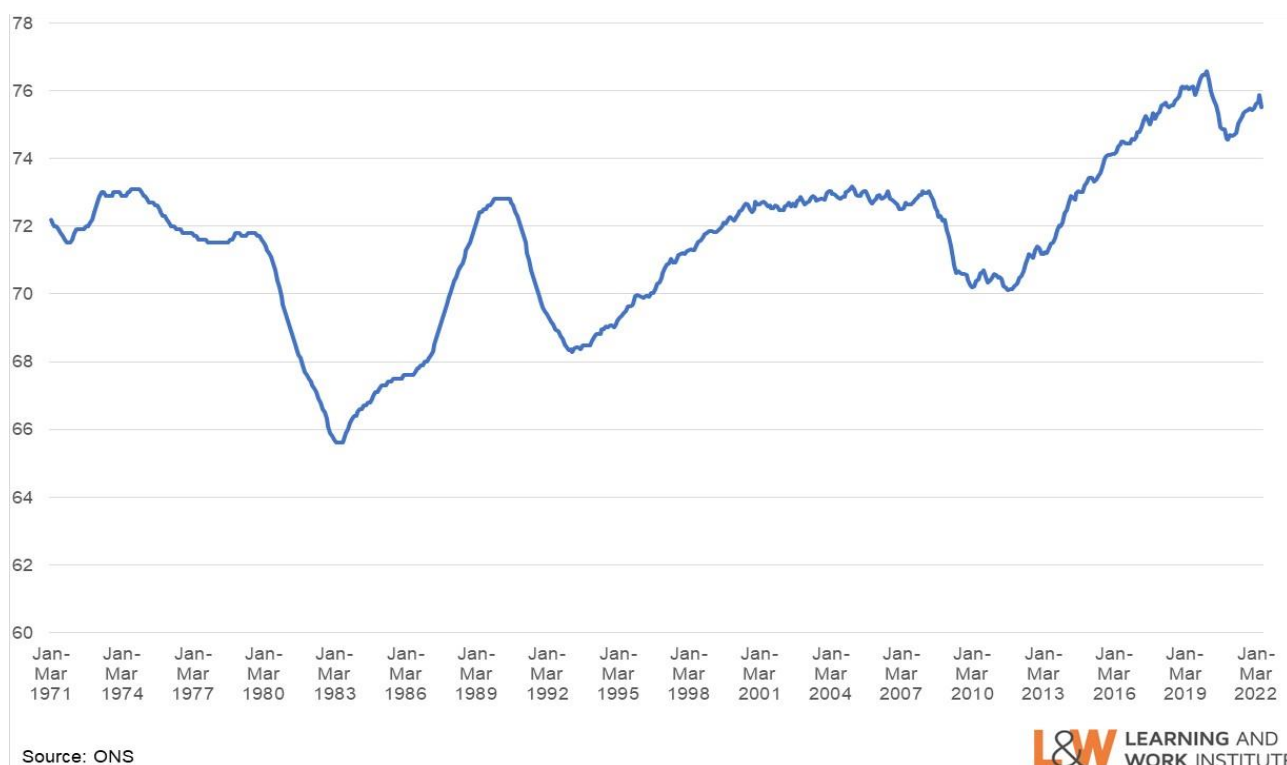
**Growth has been slow since 2008 and our employment rate has flatlined since the pandemic. We can change both of these things. Doing so requires ambition and a new approach to policy and delivery. The prize is well worth it.**

## Where we are now

The UK has a relatively high employment rate, the product of decades of improvement which narrowed employment gaps between groups and areas. However, it has seen the largest drop in the G7 since the start of the pandemic as a result of growth in the number of older people and those who are long-term sick leaving the labour market.

Around three quarters of people aged 16-64 are in work. The UK's employment rate was at its highest level since comparable records dating back to 1971 before the pandemic. This is the product of decades of labour market policy, as well as demographic and economic trends such as longer working lives and the rising State pension age.

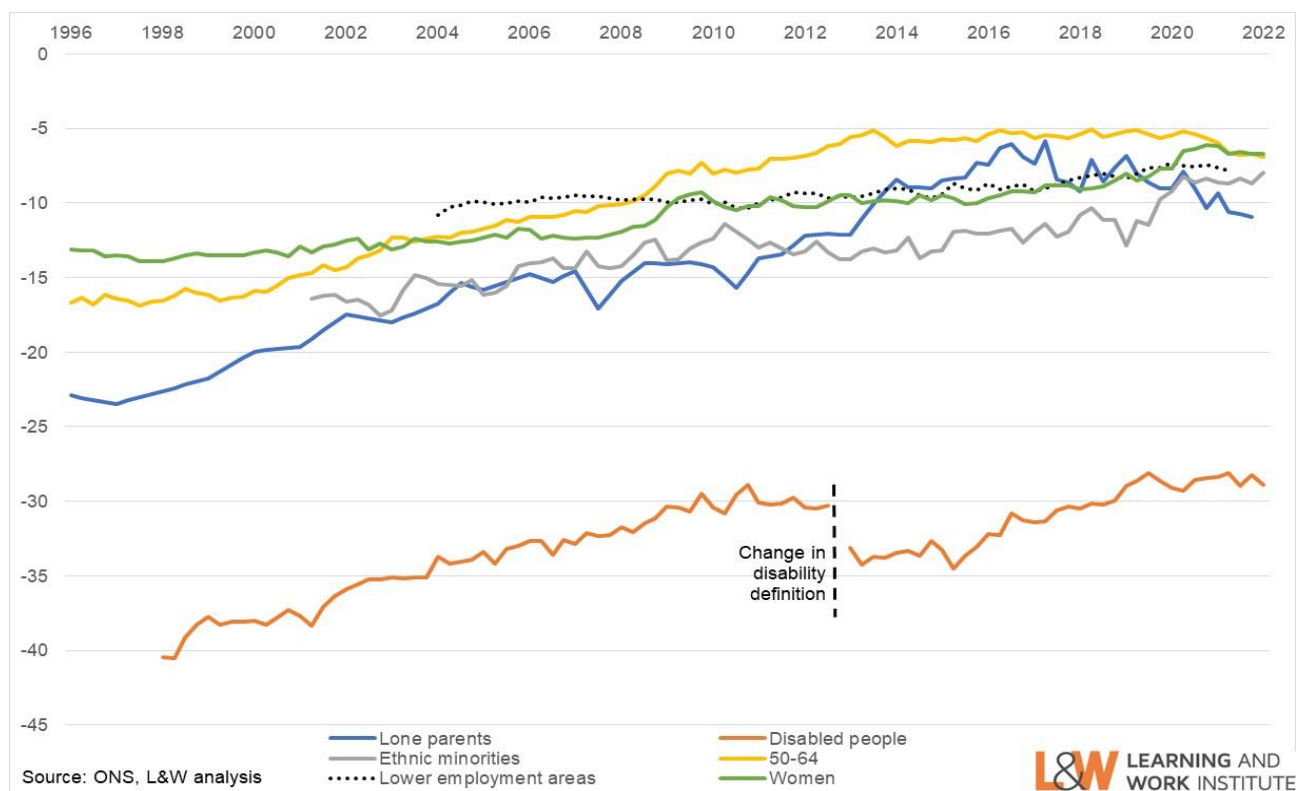
**Figure 1: UK employment rate, per cent of people aged 16-64**



The UK has achieved this rise in employment rates in a way that has reduced gaps between groups and areas – employment growth has been inequality reducing and opportunity widening.

Figure 2 shows the gap in employment rates between particular demographic groups and the rest of the population (e.g. disabled people compared to non-disabled people) over time.

**Figure 2: Employment rate gaps between groups and areas, percentage points**



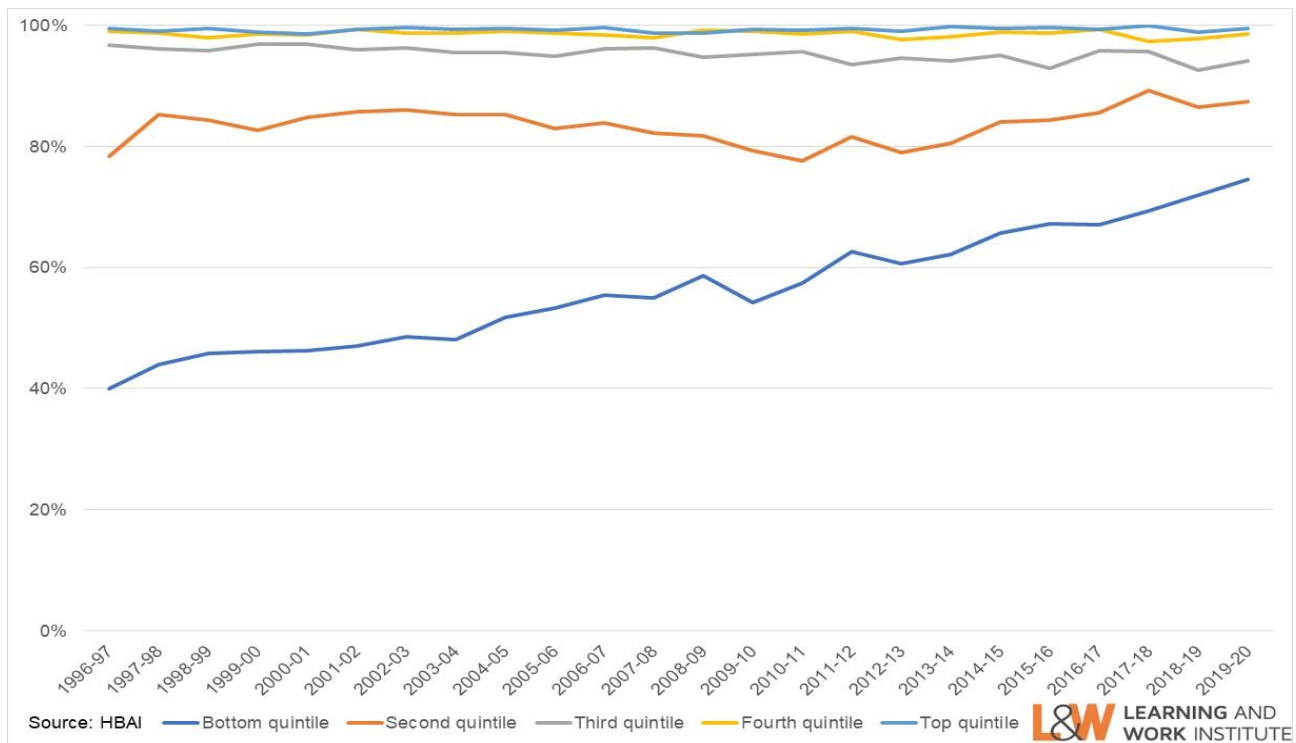
Lone parents, disabled people, ethnic minorities, older people, lower employment areas<sup>1</sup>, and women all saw employment rate gaps reduce from the mid 1990s on. For example, the disability employment rate gap had reduced by 10 percentage points (25%) by 2013 (when the definition changed making later comparisons difficult).

However, for a number of groups, including lone parents and older people, progress reducing gaps slowed from around 2015. This may relate to poor economic growth, economic and political uncertainty, or changes in employment policy leading to a slowdown in employment support for these groups. For older people specifically, previous rises are likely to be related to rises in the State pension age which have now worked their way through.

Employment growth also disproportionately benefited households in the bottom fifth of the income distribution. The proportion of households with at least one adult in work rose from 40% in 1996-97 to 74% in 2019-20. This significantly narrowed the gap with other income deciles.

<sup>1</sup> Defined as the bottom 25% of upper tier local authorities by employment rate.

**Figure 3: Proportion of households with at least one adult in work by income decile**



Of course, the amount of income people can gain from work, prevalence of low pay, quality of work, and opportunities for development and progression are all vital too. The focus of this report is on employment rates, but much Learning and Work Institute research focuses on these issues too.

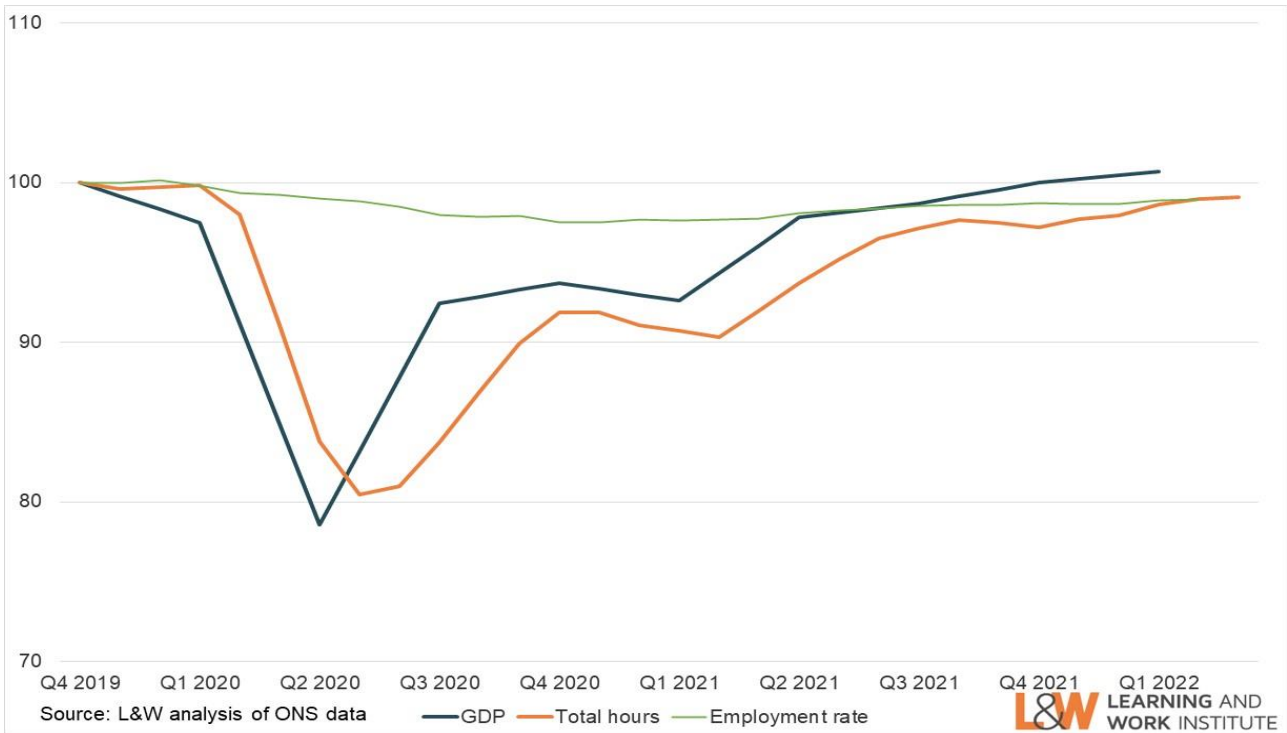
### The UK labour market through the pandemic

The pandemic, of course, has had a profound and significant effect on the labour market. Employment held up relatively well in the UK through the first part of the pandemic, with the rapidly-introduced furlough scheme meaning the impact of lockdowns were seen more in hours worked. We calculate that unemployment would have been 2.5 million higher if it had followed the path of economic output.<sup>2</sup>

<sup>2</sup> One year on: the labour market impacts of coronavirus and priorities for the years ahead, Evans and Clayton, L&W, 2021.

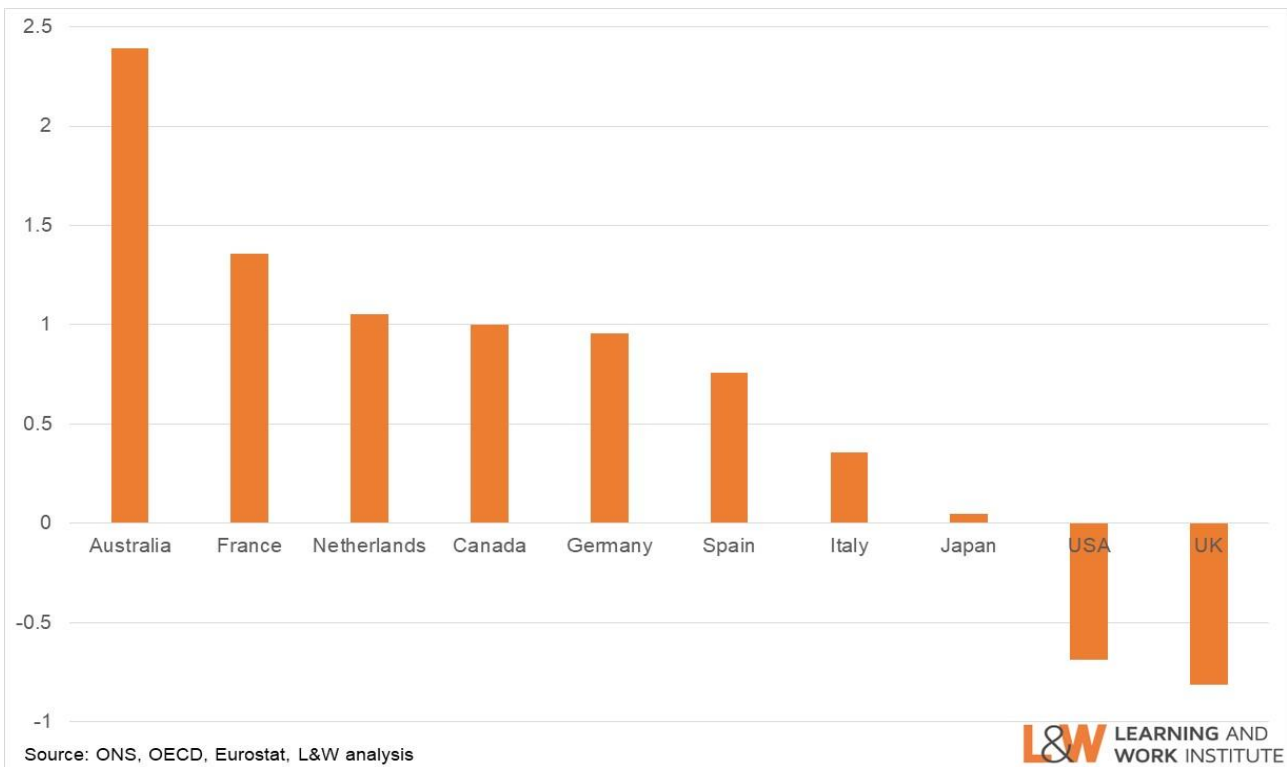


**Figure 4: UK employment, hours worked and GDP, Q4 2019 = 100**



However, since then the UK's employment rate has flatlined or drifted down, whereas many other countries have seen recoveries. The result is that the UK now has the largest employment rate fall in the G7 from the start of the pandemic to today.

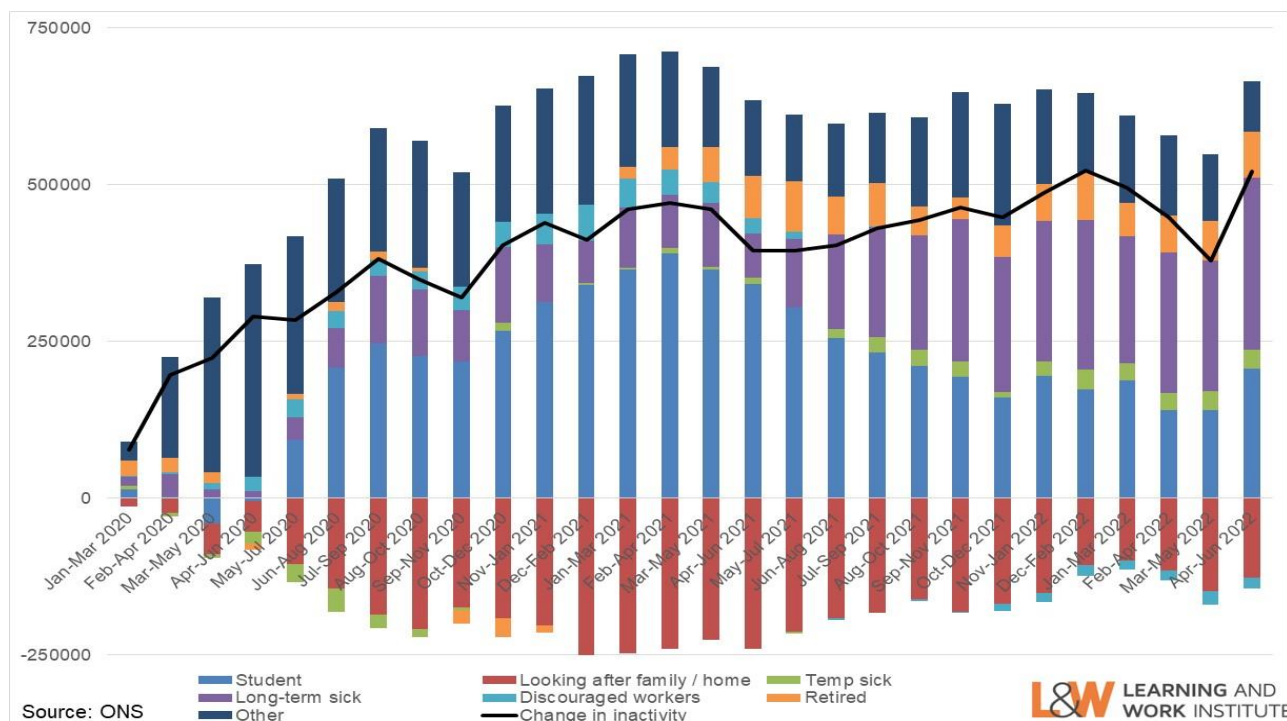
**Figure 5: Employment rates changes since 2019 Q4, percentage points**



This is despite vacancies and the number of people starting new jobs being at record levels. In April-June 2022, 1.9 million people either moved into work or changed jobs, up 11% on pre-pandemic levels and among the highest on records dating back to 2001. However, a significant driver has been rising numbers of job-to-job moves, rather than higher rates of people moving from unemployment and economic inactivity into work.

The reason the UK has both lower employment and record hiring is rising numbers of people economically inactive – that is, no longer in work or looking for work. The main drivers have been increases among people who are over 50 and/or due to long-term sickness, both up 10% since the start of the pandemic, with particular rises in reported mental health conditions. Long Covid and NHS waiting lists will have contributed too.

**Figure 6: Reasons given for economic inactivity, change compared to December-February 2020**



Almost nine in ten economically inactive people are still economically inactive three months later: 6% of economically inactive people were in work three months later in April-June 2022, the same as in 2019 (though of course more people were economically inactive so total flows into work were higher).<sup>3</sup>

Previous Learning and Work Institute research has shown that the UK is an international outlier in economic activity trends, and that the policy focus on support for unemployed people on benefits rather than those out-of-work but not on benefits contributes to this.<sup>4</sup>

<sup>3</sup> Labour Force Survey, ONS, 2022.

<sup>4</sup> The participation gap: the UK's labour market through the pandemic in international context, Evans, L&W, 2022.

## How high?

The UK should aim for the highest employment rate in the G7 within a decade, as a staging post to getting an extra 1.7 million people in work to deliver an 80% employment rate for 16-64 year olds by 2035. There are only 1.3 million unemployed people so the only way to achieve this is by a focus on increasing employment for disabled people, people over 50, those who are economically inactive, and low employment areas. The performance of other countries show this is possible.

The previous chapter showed that the UK has a relatively high employment rate. This raises the question of how much higher its employment rate can go? This will be the product of its economy, demography and policy. But the experience of other countries can help to benchmark what is achievable.

The UK's employment rate compares well internationally, significantly higher than in Italy, Spain, France or the USA. However, it is only the third highest in the G7 – behind Japan and Germany – and over five percentage points lower than in the Netherlands.

**Figure 7: Employment rates in selected countries, per cent of 16-64 year olds**

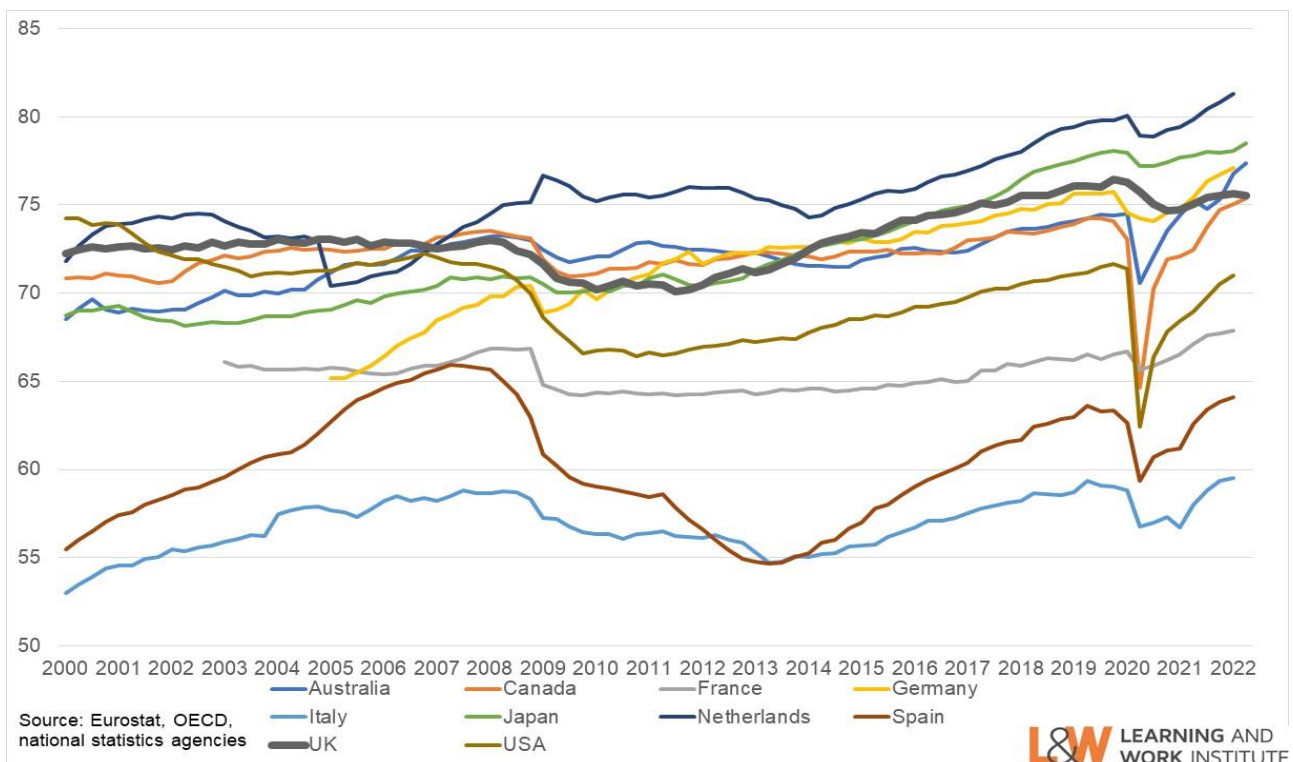
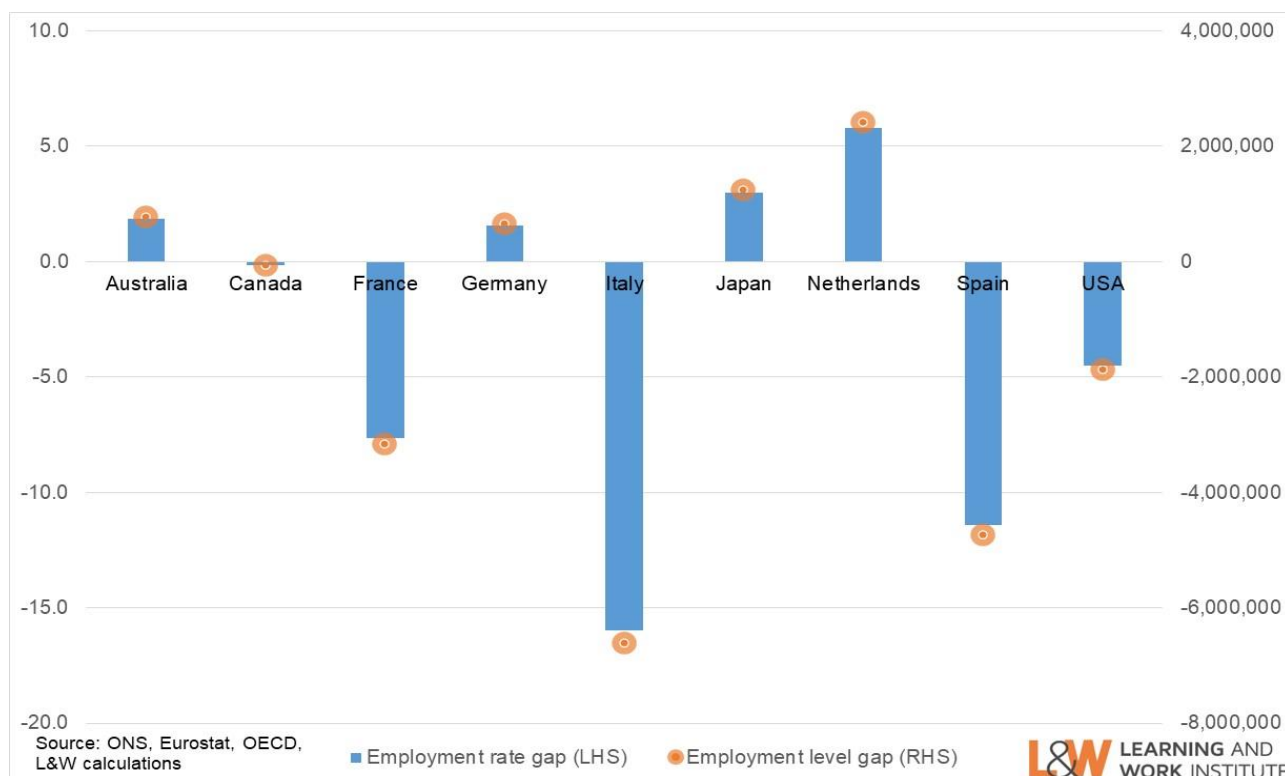


Figure 8 shows the UK's percentage point employment rate differences with other countries and how many more or less people would be in work if the UK had their employment rates.

If the UK matched Italy's or Spain's employment rates, there would be 6.6 million or 4.7 million fewer people in work. However, to match Japan's employment rate (78%) and have the highest employment in the G7 would require an additional 1.2 million people in work. Matching the Netherlands' employment rate (80.8%) would require an additional 2.4 million people in work.

**Figure 8: The UK's employment rate gaps (percentage points) with other countries and how many more or fewer people would be in work as a result**



This suggests that, notwithstanding economic and demographic differences, a higher employment rate is possible. For example, an 80% employment rate for 16-64 year olds would leave the UK as the highest employment rate in the G7 and almost equal with the highly-performing Netherlands. This would require an extra 1.7 million people in work. A helpful interim step would be for the UK to aim to have the highest employment rate in the G7 within a decade.

Unemployment is forecast to rise as recession likely hits the UK later during late 2022 and 2023. Policy will need to address this. However, this should not prevent a focus on a longer-term ambition, and one which can contribute to improving the UK's sluggish rate of economic growth. Instead, policy needs to deal with immediate challenges and chart a course to a better and more prosperous future.

## Where would the extra workers come from?

An 80% employment rate would not be achievable solely from reductions in unemployment. There are only 1.3 million people who are unemployed.

The bulk of the increases would therefore need to come from those who are economically inactive – reducing worklessness. This would mean more than reversing the rises in economic inactivity seen since the start of the pandemic. Returning to the UK’s pre-pandemic economic activity rate would mean an extra 503,000 people in the workforce.

To put this into context, Table 1 shows how many people are in each Universal Credit conditionality group (an additional 1.2 million people are working and have no requirements to undertake additional activity, potentially their claim is being kept open in case their earnings dip down again meaning they are entitled to payment).

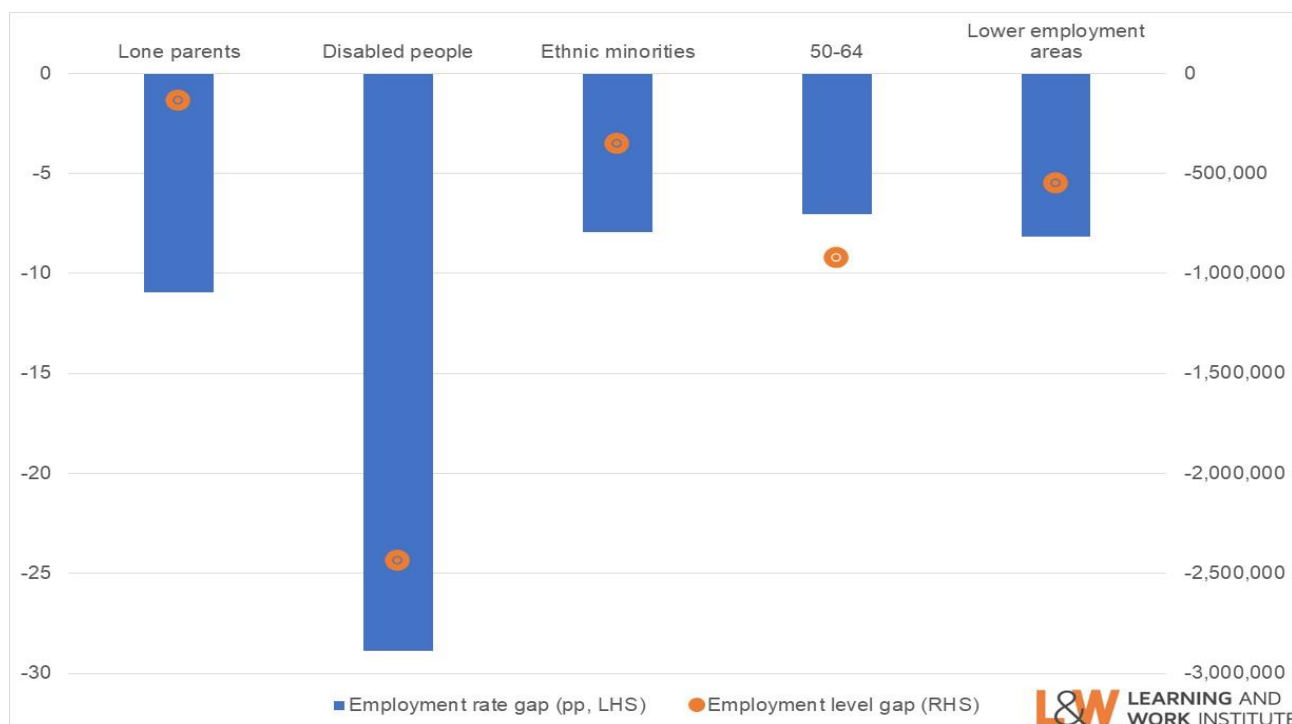
**Table 1: Universal Credit recipients by conditionality group**

Group	Description	Number of people
No work-related requirements	No need to look for or prepare for work. Mostly people who are too ill to work, and also lone parents and lead carers whose youngest child is aged under 1 and other groups with particular caring responsibilities	1,694,359
Work-focused interview group	Must meet regularly with their work coach Mostly lone parents and lead carers whose youngest child is aged 1	110,839
Work preparation requirement	Must take reasonable steps to prepare for work People who have a limited capability for work due to ill health or disability, plus lone parents and primary carers whose youngest child is 2	302,478
All work related requirements	Everyone else not in the above categories Must actively seek work, similar to requirements under the previous Jobseeker’s Allowance.	1,415,970
Working - requirements	People who are in work but not earning sufficient to exit conditionality	972,825

In practice, then, significant increases in the employment rate could only be achieved by making substantial further progress in reducing employment rate gaps between groups

and areas. As Figure 9 shows, closing the: disability employment rate gap would mean an extra 2.4 million people in work; ethnic minority employment rate gap would mean an extra 350,000 people in work; and between the lowest employment 20% of local authorities and the rest of the country would mean an extra 550,000 people in work. Note that these categories are not mutually exclusive, for example a lone parent may be disabled, so the totals cannot be summed.

**Figure 9: Employment rate and level gaps by group and area**



This shows it is numerically possible for the UK to achieve an 80% employment rate and be the highest in the G7. But is it practically possible? For example, many disabled people are too ill to work for some or all the time and many people have caring responsibilities which may not be compatible with many employment opportunities on offer today.

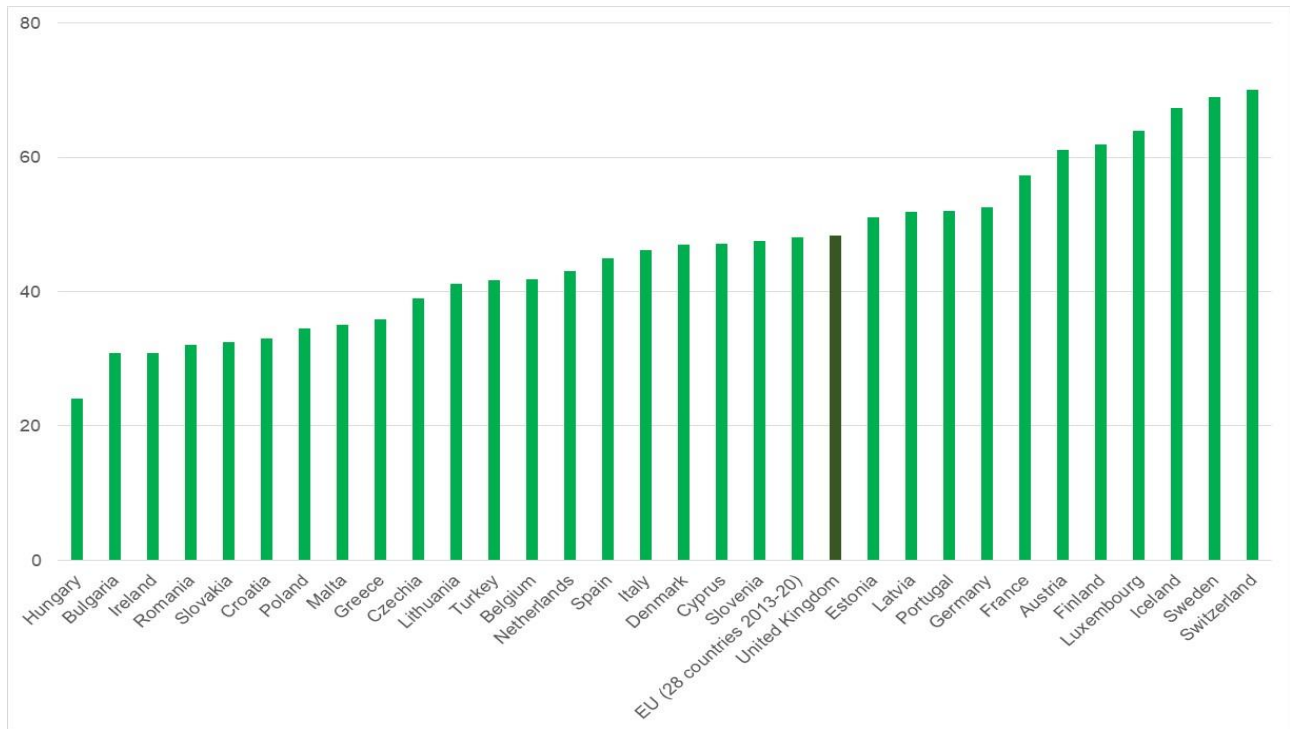
Comparable data on employment rates for disabled people across countries is relatively limited, not least as definitions of disability vary. Data from 2011 shows that the UK was relatively mid-ranking compared to EU nations. Its employment rate for disabled people of 48% compared well to 31% in Ireland and 40% in the Netherland, but less well to Germany (53%) or Sweden (69%).

Similarly, Figure 11 shows employment rate gaps between disabled and non-disabled people in 2011. These vary substantially, with the UK in the bottom third. Of course, these gaps are the product of both overall employment rates and employment rates for disabled people (you could reduce the gap through falls in overall employment rates if the employment rate for disabled people remained unchanged). However, the best performing countries (a mix of high employment and low employment nations) had gaps of around 15-20 percentage points, compared to the UK's 31pp at the time.

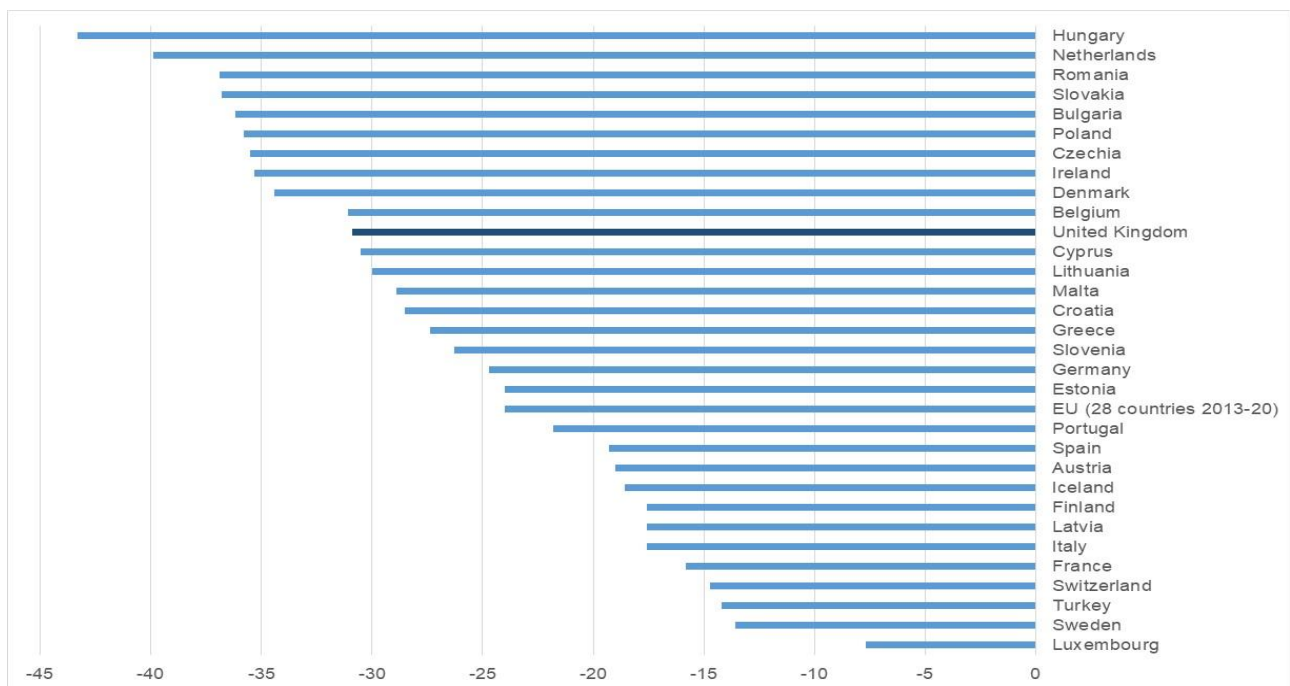


This data was from the aftermath of the global financial crisis, so it is likely that employment rates for disabled people have risen in many countries as they have in the UK (to 53% in 2022). It is not clear how employment rate gaps with non-disabled people may have changed.

**Figure 10: Employment for disabled people, per cent, 2011**



**Figure 11: Employment rate gaps for disabled people, percentage points, 2011**



Given the UK's relative performance in 2011 and the relatively limited progress since, along with the overall disability employment rates and gaps in the best performing countries, it seems plausible that it would be possible to increase the employment rate of disabled people in the UK by perhaps 10 percentage points, narrowing their employment rate gap by the same amount. This would equate to 840,000 additional disabled people in work than today. For comparison, around 560,000 people who are long-term sick and economically inactive say they want a job and there are 350,000 unemployed disabled people.

That would be a more ambitious target than the current Government target for one million more disabled people in work. The Government target doesn't take account of the growing number of disabled people in the population, meaning the number in work would increase even if the employment rate remained the same. A target based on the employment rate of disabled people or the gap in employment rates with non-disabled people would be more stretching and a better measure of the relative opportunities for disabled people.



## What is the prize for delivering this?

**An 80% employment rate could boost the economy by £23 billion, increase household incomes by £830 per year and raise an extra £8 billion each year in tax once achieved. Delivering this will require change from employers in how they recruit and design jobs and widening employment support which currently engages only one in ten out-of-work disabled people and 50-64 year olds each year.**

The previous chapters showed that an 80% employment rate is achievable given international experience and the size of employment gaps remaining between groups and areas in the UK. This would give the UK a world-leading employment rate, the highest in the G7.

But that is not a reason in and of itself to aim for this goal. Employment is the main source of income for most people and being in work reduces the likelihood of being in relative poverty (though the rise in in-work poverty means a greater focus on fair work and pay is needed). Good quality work is also associated with improved health and wellbeing and a range of other benefits.

So increasing employment by focusing on groups and areas with the lowest employment rates currently would help to increase incomes, reduce poverty and widen opportunity.

It can also contribute to economic growth. The potential output of our economy is the product of population size, employment rates and productivity. Increasing the employment rate therefore increases economic growth while the employment rate is rising and increases the size of the economy permanently. It does so in part by helping employers meet their needs and therefore meet consumers' needs and boost success in global markets, taking advantage of new opportunities.

The Office for Budget Responsibility (OBR) estimates that the equilibrium rate of unemployment is 4.1%.<sup>5</sup> This is above the latest rate of 3.8% in April-June 2022, indicating that (all else equal) it expects the unemployment rate to rise a little over time once the economy is at the OBR's assumption of its current potential output. The OBR has revised down its assumption of the potential participation rate from 63.8% of those aged 16+ previously to 63.4% now. This is on the basis that the pandemic has led to reduced participation that, all else equal, will not be fully reversed. The participation rate in April-June 2022 was 63.3%, so the UK is just below the OBR's estimate of our potential level.

Of course the OBR's estimates are subject to revision and can change as people's behaviour changes or as a shift in policy makes a difference. However, their assumptions suggest the UK's potential employment rate will not rise over the OBR's forecast horizon

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<sup>5</sup> [Potential output and the output gap](#), OBR, 2022. The potential unemployment, employment and economic inactivity rates are estimates of the levels these measures can reach without triggering higher inflation.

and that employment rate growth will not make any contribution to increases in the UK's potential economic output.

So if the UK can increase its employment rate to the 80% this report proposes as an ambition, this would increase economic growth while this was being achieved and permanent increase the size of the economy. An 80% employment rate would imply an additional 1.7 million people in work compared to today and without accounting for population growth. It will take time to deliver the increases in employment and so for the purposes of this analysis, we assume this is complete by 2035.

We estimate the economy would be £23 billion larger by 2035, providing a £1.8 billion additional boost each year until then and adding 0.3 percentage points to growth each year to 2035.<sup>6</sup> This would be equivalent to boosting the income of each household by £830 per year.

In practice the gains would likely be concentrated in lower income households as this is where employment is currently lowest. If we assume one half of the employment growth comes among people in the bottom quintile of the income distribution (likely a cautious assumption), this would increase their incomes by £2,000 or 14%.<sup>7</sup>

Tax revenues would also increase by an annual £8 billion by 2035, equivalent to the cost of the Government's planned 1p income tax cut and the recent rise in National Insurance threshold, or to 3.5p off corporation tax, or could be invested in public services.

**Table 2: Fiscal and economic benefits of an 80% employment rate by 2035**

	<b>Total</b>	<b>Per year growth contribution (cumulative)</b>
<b>Current OBR estimated employment gap to trend (pp)</b>	0.1	0.0
<b>Increase in employment rate needed (pp)</b>	4.1	0.3
<b>Increase in employment level</b>	1,683,681	134,695
<b>Increase in GDP (£m)</b>	23,104	1,848
<b>Increase in tax revenue (£m)</b>	8,086	647

The UK is currently in a low growth environment with growth in potential output estimated at something like 1-1.5% per year. So adding an additional 0.3 percentage points each

<sup>6</sup> In practice this would not be delivered in an equal amount each year and so would likely start lower and ramp up over time.

<sup>7</sup> Average household income: financial year ending 2021, ONS, 2022.

year to that growth rate would be a substantial shift and make a big difference. In a low growth environment, most things become a zero sum game. To keep the public finances unchanged, any tax cut requires a spending cut and vice versa. Similarly, low growth provides a speed limit on how fast living standards can rise. Boosting growth is therefore essential for both living standards and effectively funding public services, and increasing employment by expanding the labour supply can contribute.

### **Delivering an 80% employment rate**

Achieving this higher ambition for employment in the UK would require a macroeconomic environment supportive for economic growth. As stated in previous chapters, the quality of work, levels of pay, and opportunities for progression also matter hugely, but are beyond the scope of this report which focuses instead on labour market policy and practice.

At present, much employment support and policy focuses on people who are unemployed and claiming benefits. Unemployment rose by less than feared earlier in the pandemic, partly as a result of the success of measures like the furlough scheme. As a result, our analysis has shown that the Government's 2020 Plan for Jobs may be underspent by around £2 billion, including around £700 million for Kickstart (its wage support scheme for young people at risk of long-term unemployment) and £400-1,100 million for Restart (its contracted out programme to help people who are long-term unemployed).<sup>8</sup>

Because most employment support is focused on those who are unemployed, wider workless groups like lone parents, disabled people and older people who have left the jobs market often miss out. This will need to change if the UK is to achieve an 80% employment rate.

**We estimate that only around one in ten out-of-work disabled people and people aged 50-64 are engaged in employment support each year. This compares to one in three 18-24 year olds not in full-time education.**

There are four million working-age disabled people and 3.8 million 50-64 year olds who are out of work (there will be some overlap between these groups). Of these, around nine in ten are economically inactive, the groups employment support is least focused on. Indeed an ONS study showed only 23% of 50-59 year olds who had left the labour market during the pandemic were claiming state benefits (and this included benefits like Carer's Allowance) falling to 6% of over 60s.<sup>9</sup>

Estimates for the number of people in each demographic group likely to be engaged in the main employment programmes each year are shown in Table 3 using the methodology in Box 1. Out-of-work young people are more likely to be in employment support as a higher proportion of them are unemployed rather than economically inactive.

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<sup>8</sup> The participation gap: the UK's labour market through the pandemic in international context, L&W, 2022.

<sup>9</sup> Reasons for workers aged over 50 years leaving employment since the start of the coronavirus pandemic, ONS, 2022.

**Table 3: Number of people out of work and participating in employment support**

	50-64	Disabled people	18-24
<b>People out of work</b>			
Unemployed	261,398	397,081	325,986
Economically inactive	3,562,683	3,598,480	550,190 not in FTE
<b>Total</b>	<b>3,824,081</b>	<b>3,995,561</b>	<b>876,176</b>
<b>Participation in key support</b>			
Restart	87,313	81,643	17,040
Work and Health Programme	17,160	56,645	6,685
ESF / UKSPF	6,891	8,162	3,380
Jobcentre Plus	179,730	246,190	279,000
<b>Total</b>	<b>291,095</b>	<b>392,640</b>	<b>306,105</b>

**Box 1: Estimating participation in employment programmes**

**Restart.** Data on age is taken from Parliamentary Question [UIN231](#). Data for disability is based on applying the proportion of people [in the Work Programme](#) with a disability (claiming either ESA or JSA) to data on total starts on Restart in its first nine months.

**Work and Health Programme.** Data on participation by age and disability is based on an annual average for each in the [latest performance data](#).

**ESF / UKSPF.** Using [DWP statistics](#) on the demographics of ESF participants from September 2016 to May 2020. This showed 67,230 starts over this period, of which 24,120 were aged 50 or above and 19,430 had a self-declared disability (different to the Equality Act definition of disability). We assume 20% of the 22,230 ‘unknown’ disability status group has a disability, in line with population averages. These data were then annualised. This data is likely to be an underestimate as the DWP was only one of the ESF co-financers, although it was the one most focused on employment support.

**Jobcentre Plus (JCP).** For age, we assume all who have been unemployed for less than 12 months are getting active support from JCP (this may be a generous assumption given not all will be claiming benefits). We also assume that 62% of unemployed disabled people have been out of work for less than 12 months, in line with the whole population average, and hence getting support from JCP. Longer-term unemployed people are included in take-up rates for the other programmes above.

Around 35% (sometimes fewer or perhaps higher for people who are short-term unemployed) of employment programme participants from these groups are into work by the end of the programme. This suggests current provision is contributing at most 1-2 percentage points to the employment rates of 50-64 year olds and disabled people.<sup>10</sup> This is already 'baked in' to current performance. So increasing employment rates further will require additional action. This report argues there are three areas action should focus on.

## 1. Extending employment support to include more people who are out of work

We need more than one in ten disabled people and 50-64 year olds (two of the largest groups in the wider workless) to be engaged in employment support each year. For example, an extra 900,000 disabled people in work by 2035 (as previous chapters suggested) is equivalent to an average 75,000 increase per year. In a highly performing employment programme, up to 50% of participants may get a job. So an additional 150,000 employment support participants would be required, with more on top of this to account for deadweight (some participants would have found work even without support).

That is equivalent to a roughly 50% increase in the number of out-of-work disabled people taking part in employment support, though this would still be below the proportion of 18-24 year olds in employment support.

Previous chapters have shown this is feasible even given that many out-of-work disabled people are too ill to work. However, this cannot be achieved only by expanding the role of Jobcentre Plus, particularly as many in these groups are not on out-of-work benefits (the main focus of JCP), and it should not be about forcing people to look for work. The focus should be on encouraging and supporting people to find work, which requires multiple routes to engagement including through organisations like Housing Associations, local authorities and community groups, that people are already in contact with.

### **Making reasonable assumptions about the cost per participant on such programmes, this could cost up to an additional £500-1,000 million per year.<sup>11</sup>**

Part of this could be funded by the potential £2 billion underspend on the Plan for Jobs, as well as scaling up investment in employment support as the current Work and Health Programme contracts end in 2024, through the forthcoming UK Shared Prosperity Fund, and as part of plans for greater devolution deals within England.

In addition, it may be possible to use existing capacity more effectively, for example refocusing some of the additional 13,500 Work Coaches employed by Jobcentre Plus to

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<sup>10</sup> Depending in part on how many participants would have found work without the programme.

<sup>11</sup> Assuming a cost of £1,500-3,000 per person. The [Work Programme](#), which included long-term unemployed and disabled people had a cost per participant of £1,450 (cost per employment outcome = £4,600). The Work and Health Programme is [expected](#) to have a cost per participant of £1,818. Intensive Personalised Employment Support is [expected](#) to have a £4,000 cost per participant.

focus on this group or better aligning health and work services. It is also possible that people outside the labour market may return, as a result of general societal trends and potentially the pressure on household finances from increases in the cost of living. So this estimate represents an upper limit to the potential additional cost.

**We need coherent plans to increase the number of disabled people and 50-64 year olds in employment support by 50%. These should be locally-led and form a key plank of devolution deals. Taken together, the UK Shared Prosperity Fund and successors to the Work and Health Programme and Restart should include targets to increase engagement of disabled people, over 50s and other economically inactive groups by 50% compared to today.**

## **2. Supporting retention in work to reduce the number of people dropping out of work**

As well as people who start a job with health problems, disabilities or caring responsibilities, many people develop these while in work. Employers have a legal responsibility, under the 1995 Disability Discrimination Act and 2010 Equality Act, not to discriminate against disabled people and to make reasonable adjustments to work. Everyone who has worked for their employer for at least 26 weeks also has the right to request flexible working. Legislative changes such as these have undoubtedly made a difference in terms of both recruitment and retention.

However, employers may not always know how best to support people or structure work to fit with caring responsibilities or disabilities, and people do not always know their rights or how to enforce them. Awareness can also be low about the support available, such as Access to Work which can help with the costs of making reasonable adjustments. This may be particularly true for small and medium-sized enterprises, who often cannot afford a HR function.

There have been a range of efforts to try and change this, including a DWP-commissioned Health and Work Service which was intended to provide greater occupational health support. Greater Manchester Combined Authority also commissioned a Working Well (early help) programme to support people with health problems or disabilities who were at risk of falling out of work. Standards such as Disability Confident also provide a framework for action by employers.

**We need to better help employers understand how they can support employees and help people know what their rights are and how to enforce them. In addition, we need to further build the evidence base on what support works best for employers and expand existing schemes where successful.**



### 3. Widening approaches to recruitment and job design so employers are attracting the very best talent

Many employers are struggling to find enough people to fill all their roles and the right skills for their businesses to succeed. Many of those who have left the labour market during the pandemic say they are interested in working in future, but want a job that fits their skills and is available on a flexible basis.

To widen their talent pools, many employers are thinking about where and how they're recruiting to reach potential workers who may not respond to traditional recruitment channels, particularly if they are not actively looking for work, as well as about the design of jobs too.

We need to support more employers to do this, particularly where they may not know how. Chambers of Commerce, business organisations, and business support services all have a role to play. Local and national governments across the UK can also lead the way in their own practice and provide resources and support for employers.

**Employers need to revisit both job design and approaches to recruitment so they can access the best talent. National and local governments can help them with this as well as leading the way in their own employment practices.**

## Conclusion

**Employment is important for economic growth and prosperity, for businesses to succeed, and for incomes and opportunity for individuals. The UK has a relatively high employment rate, but in the G7 Germany and Japan are ahead of us and our relative performance has worsened through the pandemic.**

This means there is scope to go further. In fact, an 80% employment rate would mean matching world-leading countries like the Netherlands and having the highest rate in the G7. This would bring substantial benefits, including boosts to the economy, growth, businesses and individual's income and opportunities.

It is achievable too. There are significant numbers of people who are not in the labour market but say they would like to work, and also large gaps in employment rates between groups and areas. The UK's success in narrowing these gaps over recent decades shows this is doable.

However, it requires a shift in our approach to labour market policy. Policy is largely focused on people who are unemployed and on benefits. But they represent only a minority of those who are out-of-work: there are twice as many people economically inactive due to long-term sickness as there are unemployed people.

Many in these groups, including disabled people, lone parents and older people, say they want to work. But as they are not on benefits, it will take more community-based employment support to engage them. Employers will also need to think about their recruitment strategies and job design if they are to avoid ongoing labour shortages.

**This is a moment to think creatively about how we widen employment opportunities. The risk of not doing so are bottlenecks in our labour market and speed restrictions in our economy. The prize from doing better is clear.**