

## **Evidence from Learning and Work Institute to the House of Commons Work and Pensions Inquiry into the DWP's Plan for Jobs and Employment Support**

### **About the Learning and Work Institute**

The Learning and Work Institute (L&W) is an independent policy, research and development organisation focusing on lifelong learning, skills and employment. We want everyone to have the opportunity to realise their ambitions and potential in learning, work and throughout life. We believe that a better skilled workforce in better paid jobs is good for business, good for the economy and good for society.

L&W helps to design, deliver and evaluate employment support services to improve its impact and shape policy. L&W's consultation response has drawn on this evidence, as well as our monthly labour market statistics analysis<sup>1</sup> and its wider research.

### **1.Context**

#### **1.1 How has the pandemic affected the employment of disabled people, young people and other social groups that have tended to have lower labour market participation?**

There were 4.8 million disabled people in employment in the UK in quarter 1 2022. After eight years of improving labour market participation, employment fell among disabled people during 2020. The disability employment rate gap widened slightly from 28.1 percentage points to 29 percentage points between quarter 4 2019 and quarter 4 2020<sup>2</sup>. Disabled people were more likely to be temporarily away from paid work than their non-disabled counterparts – a large proportion presumed to have been furloughed. Some disabled people will have been furloughed because they are clinically vulnerable to the virus, but some disabled workers may have been more vulnerable to redundancy when furlough ended.

The employment rate among disabled people picked up in late 2021 and now stands at 53.7%<sup>3</sup> similar to pre-pandemic levels in 2019. Nevertheless, there is still a gap of 28.2 percentage points in the employment rate of disabled and non-disabled people.

While the pandemic has not increased unemployment among disabled people, there has been an increase in the numbers of people of working age who have left the labour market and are economically inactive due to sickness and disability. In the period April 2019-March 2020 there were 2,123,000 people who were economically inactive due to long-term sickness and 163,000 people who were economically inactive due to temporary sickness. From April 2021-March 2022 these figures rose to 2,247,000 and 196,000 respectively.

The proportions of young people aged 16-24s not in employment, education or training has fallen slightly from 11.5% of the age group in the period April-June 2020, to 10.4% in April-June 2022, now amounting to 711,000 young people. While this is a welcome trend, L&W believes that a figure of 711,000 people is too high. There are also sizable economic and fiscal impacts of young people not being in employment, education and training to young people themselves, the exchequer in the form of lower tax revenue and

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<sup>1</sup> <https://learningandwork.org.uk/what-we-do/employment-and-social-security/labour-market-analysis/>

<sup>2</sup> Atay,, A., Vaid, L. and Clayton, N. (2021) *Disability and employment from pandemic to recovery*, Leicester: Learning and Work Institute <https://learningandwork.org.uk/wp-content/uploads/2021/05/Disability-employment-from-pandemic-to-recovery.pdf>

<sup>3</sup> ONS Economic Activity of People with Disabilities April-June 2022.

<https://www.ons.gov.uk/employmentandlabourmarket/peopleinwork/employmentandemployeetypes/datasets/labourmarketstatusofdisabledpeoplea08>

higher social security and the economy in terms of decreased national output. L&W is calling on the Government to offer all young people aged 16-24 a guarantee of employment, education or training<sup>4</sup>.

## **1.2 The number of vacancies is at a record high. What is stopping employers from filling these vacancies?**

The number of job vacancies in April-June 2022 was 1,294,000. Employers are hiring people at record levels, with 1.9 million people starting work or changing jobs in quarter 2 2022, but there are now fewer potential workers to recruit<sup>5</sup>. Three factors largely explain why vacancies are high:

First, significant numbers of people have left the labour market since the beginning of the pandemic which means a small pool of workers from which employers can recruit. The largest rise in economic inactivity has been among those aged 50 to 64 years with 527,000 over 50s leaving the labour market since March 2020. As noted above, the numbers of economically inactive people who are disabled or with health conditions increased since the beginning of the pandemic. There are signs that some of this may be reversing and the cost-of-living crisis may continue this trend<sup>6</sup>.

Second, there is also a risk of a mismatch between those who are out of work (whether unemployed or economically inactive) and the jobs available. This takes the form of a skills mismatch, where people who are out of work do not have the required skills to fill vacancies. There is also evidence of a mismatch between available jobs and the type of work that older people or those with disabilities want to or are able to do. Some jobs, for example, in construction, are physically demanding so it may not be possible to fill vacancies with older workers<sup>7</sup>. Among older workers there is a preference for flexible and/or part-time work, with a survey of over-50s for the Department for Business, Energy and Industrial Strategy (BEIS) finding 78% per cent of respondents said they would like more flexible hours, and 73% saying they wanted more part-time positions offered<sup>8</sup>. The pandemic may have exacerbated the risk of mismatch, with structural change (such as remote working and online shopping) potentially accelerating and changing labour demand.

Third, changes to immigration policy in January 2021 make it more difficult for UK employers to recruit low-wage workers from abroad<sup>9</sup>. Hospitality, social care, and transport and storage are sectors which have been particularly reliant on workers from the EU and are now experiencing increased vacancies. In April 2022 there were 7.9 vacancies per 100 employee jobs in hospitality, 5.1 in social care and 3.5 in transport and storage<sup>10</sup>. Within the Skilled Worker visa there are salary threshold concessions for care workers, and a seasonal worker visa for those employed in horticulture. And overall net migration does not appear to have fallen – this is a change in patterns and types of migration. But employers will need to adjust, through some combination of investing in productivity improvements, investing in skills and retraining, and considering how best to recruit within the current immigration system.

## **1.3 How could the DWP better target its employment support programmes towards sectors that have large numbers of vacancies?**

In many urban areas there is a wide array of employment support programmes, and sometimes poor coordination between Jobcentre Plus, local skills and training providers and local employment support

<sup>4</sup> Learning and Work Institute and Princes Trust (2021) *Facing the future Employment prospects for young people after Coronavirus*, Leicester: Learning and Work Institute.

<sup>5</sup> Learning and Work Institute (2022) *Labour Market Analysis, August 2022*, Leicester: Learning and Work Institute. <https://learningandwork.org.uk/what-we-do/employment-and-social-security/labour-market-analysis/august-2022/>

<sup>6</sup> ONS Economic Activity of People with Disabilities April-June 2022.

<sup>7</sup> Chartered Institute for Building (2015) *Exploring the Impact of an Ageing Population on the Workforce and Built Environment*, London: CIOB.

<sup>8</sup> BEIS (2018) *Ageing Society Grand Challenge: Saga Poll*, London: BEIS.

<https://www.gov.uk/government/publications/views-on-the-ageing-society-survey-of-older-people>

<sup>9</sup> Since January 2021 to qualify for a skilled worker (Tier 2) visa requires a job offer at the required skill level (Regulated Qualifications Framework level 3 or above), an English language qualification at B1 level or above, and to meet the required salary thresholds.

<sup>10</sup> Cited in Sumption, M. and Walsh, P. (2022) *How is the end of free movement affecting the low wage labour force in the UK*, Oxford: Oxford University Migration Observatory.

provision. DWP-funded employment support includes Restart, JETS (Job Entry Targeted Support), Work and Health Programme, remaining European Social Fund projects, and Intensive Personalised Employment Support. Many of these programmes have strict criteria for referral into these programmes, for example, participation in JETS requires person having been on Jobseeker's Allowance or UC Intensive Worksearch for 13 weeks. DWP also funds a number of sector-focused initiatives which include the Sector-Based Work Academy Programme (SWAP) that enables employers to offer a work experience placement and a guaranteed interview for a real job. The Access to Work programme provides grants for equipment and in-work support from a coach to enable disabled people to start and stay in work. The Scottish and Welsh Governments are also running employment support programmes, as are some combined authorities, councils and civil society organisations including those funded by the National Lottery Community Fund's Building Better Opportunities programme<sup>11</sup>.

Some employment support initiatives are explicitly required to forge links with local employers – for example, JETS – but others are not. At a local level an employer may have good links with one employment support provider, but not others who are providing employment support in the area. The government is trying to address the disjointed and uncoordinated nature of employment support through pathfinder programmes in Barking and Dagenham, Blackpool and Walsall. It is hoped that these pilots will identify ways to develop more consistent relationships between employers and employment support providers.

The DWP could better target its employment support by:

- Improving links between employment support providers and local employers
- Improving the labour market knowledge and local employer engagement for work coaches including Jobcentre Plus coaches.
- Undertaking public information campaigns about jobs in sectors with high vacancies.
- Building on the findings of the Barking and Dagenham, Blackpool and Walsall pathfinder pilots to coordinate and align employment and skills provision better at a local level.
- Expanding successful schemes such as SWAP.
- Working with the Department for Education and local government to better align skills and apprenticeship support.
- Altering its commissioning of services to introduce an Essential Skills Guarantee so that anyone on an employment programme will gain level 2 qualifications in English, maths and digital, including completing these in work if they find a job
- Focussing on getting people on apprenticeships to a greater extent in its employment support programmes and in Jobcentre Plus, reporting on this publicly and regularly.

#### **1.4 What is driving decreased employment and increases in economic inactivity? What is the impact of increased economic inactivity and what role should the DWP have in addressing this?**

Employment rose by 160,000 in April-June 2022 compared to the previous quarter but it remains 281,000 lower than before the pandemic. The fall in employment since the beginning of is largely **not** being driven by growing unemployment but increasing levels of economic inactivity, particularly among the over 50s and people with long-term health conditions and disabilities.

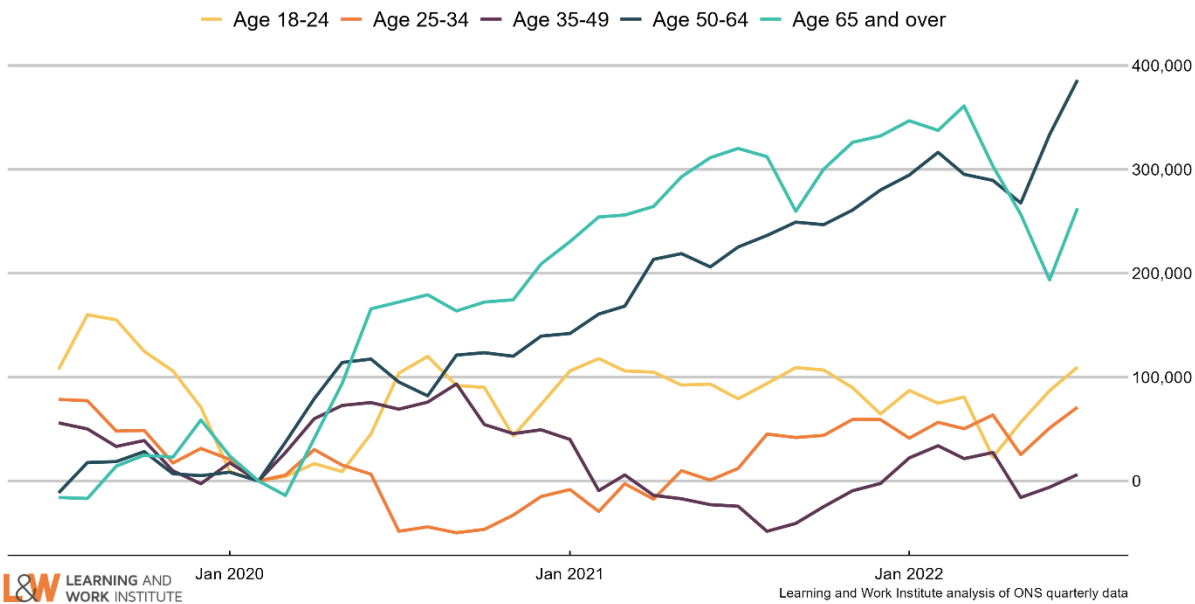
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<sup>11</sup> This had supported nearly 145,000 people who are furthest from the labour market by mid-2022, although all funding through this £600 million programme will end by March 2023.

<https://buildingbetteropportunities.org.uk/sites/default/files/2022-08/BBO-Evaluation-report-2022.pdf>

## Economic inactivity levels by age-group

Change from December 2019 to February 2020 level



Source: Labour Force Survey.

April-June 2022 labour market statistics show that there were 2.39 million people who are economically inactive due to long-term sickness or disabilities. Some 527,000 over 50s have left the labour market since March 2020. Yet 1.64 million people who are economically inactive say that that they want to work<sup>12</sup>. It is welcome that Universal Credit reforms better incentivise part-time work which may be attractive to these groups of people. In relation to economic inactivity among older people and disabled people, the DWP may also wish to:

- (a) **Open up employment support.** Review the qualification criteria and referral pathways for employment support programmes as most DWP programmes exclude people who are economically inactive.
- (b) **Work with employers.** Work with employers' organisations, employers and recruiters such as Timewise to encourage more part-time employment opportunities for older people and other who want to work fewer hours.
- (c) **Build employment support on best practice.** Review the content and structure of employment support programmes for older workers and people with long-term health conditions and disabilities, drawing on evaluations of these programmes. For people with disabilities and health conditions, in-work support from a coach or support worker helps people to stay in work. One-stop-shop services have also been shown to be effective in helping disabled people find and stay in work. For example, the Shaw Trust's Community Hubs pilot in London draws together employment, debt, benefits, health and other services to offer wrap-around support to disabled people and has successfully helped them move into work.

L&W would be delighted to provide more detailed evidence to the Work and Pensions Committee on the characteristics of successful employment support programmes for these groups.

<sup>12</sup> March 2021-April 2022 Labour Force Survey figures.

## 2. Support Programmes

### 2.1 How effective are the DWP's employment support programmes?

Most DWP employment support programmes have commissioned evaluations. These broadly show that employment support programmes have positive impact and are cost-effective<sup>13</sup>, although there are challenges in providing effective employment support for vulnerable social groups, for example, people struggling with their mental health. It is also essential that DWP-funded services are afforded the flexibility to adapt their services drawing on the learning from evaluations.

Some of the larger programmes have also published statistics on participant start numbers, characteristics and outcomes<sup>14</sup>. For example, quarterly statistics for Work and Health Programme participants show that between 18% and 35% of participants have a 'job outcome'<sup>15</sup> after taking part in this programme. But statistics are not publicly available for initiatives such as Way to Work (see below).

### 2.2 What has been the effectiveness of the Way to Work campaign?

The Way to Work campaign aimed for 500,000 people to leave benefits for work during January-June 2022. It appears to have largely consisted of additional requirements for people to look for jobs outside of their previous sectors and occupations of work more quickly after losing their job. However, most people who lose their jobs find work again more quickly. As discussed above, the bigger challenge in today's labour market is helping people who are economically inactive (not looking for work and often not in receipt of unemployment-related benefits) and those who are long-term unemployed.

There is no way to assess the effectiveness of Way to Work. DWP has not published data on how its figures on the number of people leaving benefits during January-June 2022 were derived, its assessment of the counterfactual, or on comparable data for previous time periods. However, L&W analysis shows that the total number of people leaving the alternative claimant count did not rise in January-June 2022. That would be indicative of the campaign not having an impact. L&W calls on DWP to set a date by which it will publish regular data on movements between Universal Credit conditionality groups. This is something DWP said it would do some years ago, as it would make it easier to assess the effect of initiatives like this. However, no timetable is currently set for publishing this data.

### 2.3 How effective is employment support for people in rural areas?

The employment rate has tended to be higher in rural areas, while the rates of unemployment and economic activity tend to be lower than in urban areas. But access to transport can impact on someone's ability to work, or to participate in employment support programmes. A number of organisations including the recruiter Reed has called for employment to be put at the heart of rural transport planning, with buses at the right times to enable workers and trainees to reach their jobs. Employers could also play a greater role in supporting employee transport in rural areas<sup>16</sup>.

There are also proportionately more small businesses in rural areas, compared with towns and cities. Small businesses often have less administrative capacity to take on apprentices, offer traineeships or make links with local employment support providers.

### 2.4 What has been the impact on employment support provision of winding down the European Social Fund? Is the UK Shared Prosperity Fund doing well as a replacement?

By 2024-25 the UK Shared Prosperity Fund (UKSPF) will be funding many employment support projects (as well as help for people to improve their skills, for example, through the new Multiply programme). Between the wind down of European structural funds and the introduction of the UKSPF, interim funding regimes have been put in place for the 2021-22 to 2024-25 period, but not at the same level as previous

<sup>13</sup> For example DWP (2020) Evaluation of the Work Programme, London: DWP.

<sup>14</sup> See <https://learningandwork.org.uk/resources/research-and-reports/evidence-review-employment-support-for-people-with-disabilities-and-health-conditions/>

, for example, <https://www.gov.uk/government/statistics/work-and-health-programme-statistics-to-may-2022>

<sup>15</sup> A job of more than 16 hours per week paid at the minimum wage or six months of self-employment.

<sup>16</sup> Reed in Partnership (2021) *Supporting job-seekers in rural areas*, London: Reed in Partnership.

EU funding. L&W is concerned that this will lead to some employment support programmes being unable to continue their work, with a resultant loss of expertise. This wind-down includes the end of the National Lottery Community Fund's Building Better Opportunities programme by March 2023, where Lottery money has been match-funded by the European Social Fund. Building Better Opportunities has supported 144,000 people and is targeted at those furthest from the labour market, including people who are economically inactive.

In England, UKSPF money will be allocated to Local Economic Partnerships (LEPs) at the same real-term level of funding as received under the previous European structural fund allocation. Within LEPs money will be allocated to individual local authorities using a needs-based formula. This avoids winners and losers in 2024-25, but it also means that the undesirable features of EU structural funding allocations are replicated by the UKSPF. For example, the two poorest regions of the UK (Cornwall, and West Wales and the Valleys) received eight times as much EU funding than areas which were only marginally less deprived such as Teesside.

### 3. Policy

#### 3.1 Should the Government provide employment support to people who are not on benefits?

The Government must make employment support is available to all those who are out of work, tailored and targeted to people who need it most. As noted above, L&W recommends that the Government to review rules on access to employment support for the estimated 1.64 million people who are economically inactive and want to work. This requires a mix of widening access to existing Government-funded employment support, developing new forms of support to reflect people's different needs, and better supporting existing voluntary provision, for example, in partnership with housing associations.

#### 3.2 How can DWP's employment services best support in-work progression?

L&W welcomed the 2021 Ruby McGregor-Smith *In Work Progression Commission* and the £99 million extension to the 2017 In-Work Progression offer which allows people who are working and receiving Universal Credit to receive coaching. However, it is important that this scheme is evaluated, and that data is analysed on the uptake of the In-Work Progression scheme across different demographic and social groups. There is a need to build a better evidence base on what works in improving in-work progression, including through evaluated pilot programmes. L&W would also like to see in-work progression included as a measure in the evaluation of employment support. This would require that evaluations are undertaken over a longer-period of time.

In addition, DWP is not always best placed to help people progress, particularly where this requires work with employers on job design or skills utilisation, or where it requires a range of services to work together locally, or where people do not necessarily want to engage with Jobcentre Plus or may be low paid but not in receipt of Universal Credit. L&W has helped to develop a number of in-work progression schemes, including the Step Up Pilot for low-paid workers in London. People who took part in the pilot had a range of skills needs, and many needed much more coaching than we anticipated. Using the right language to publicise the scheme was also significant as people had different motivations for taking part. We have provided the Work and Pensions Committee with some good practice guidance from this project<sup>17</sup>. Many of these projects have been led by local or Combined Authorities; they have an important role to play in in-work progression.

Crucially, making sure that everyone has the opportunity to develop their skills assists in-work progression. Yet employer investment in training - off-the-job courses, apprenticeships and on-the-job training - has fallen 28% since 2005. Currently, only 60% of employers fund or arrange training, with over half the training on offer relating to health and safety or induction. Access to training is also highly unequal, with low-paid, low-qualified workers less likely to have opportunities to develop their skills and their routes out of low

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<sup>17</sup> Murphy, H et al. (2018) *Step Up: Trialing new approaches supporting low-paid workers to progress their careers*, Leicester: Learning and Work Institute.

pay<sup>18</sup>. L&W calls on the Government to look at ways to incentivise in-work training, for example through a skills tax credit system where the cost of providing training is deducted from a business's tax liabilities. The DWP also needs to work with other government departments and local and combined authorities to government to provide integrated employment and skills support in work - this is not something DWP services can do on their own.

### 3.3 Building on the recommendations of the Taylor review, what should be the DWP's role in ensuring that work is 'good work'?

L&W believes that everyone should be able to access good work provides a decent income, job security, opportunities to improve skills and career progression. People want to feel valued for what they do and have a voice in their workplace. Everyone also has a role to play in making good work the social norm: government, employers and workers, trades unions and civil society.

Successive governments have aimed to make progress in advancing good work through:

- regulation, for example, on the minimum wage, modern slavery and health and safety.
- incentivising employers to support good work, for example, by programmes that support in-work progression, and
- strengthening societal norms about good work and responsible corporate governance, for example, by highlighting good practice in the media, through public information campaigns, awards and the honours system.

Over a quarter of our lives are spent at work. There is also evidence from a range of industrial sectors that highlights the association between higher levels of worker well-being and higher productivity<sup>19</sup>. Ensuring everyone's employment is 'good work' requires effective cross-departmental working across government, as well as the involvement of the administrations in Northern Ireland, Scotland and Wales. The DWP has a role in making sure that work is good work, both as a Government department and an employer. L&W would like to see the DWP:

- Work with the Treasury, BEIS and employers to look ways to increase to increase employer investment in skills. We have recommended reforms to the Apprenticeship Levy and a Skills Tax Credit<sup>20</sup>.
- Make sure that DWP suppliers/supply chains support good work.
- Provide sufficient resources for the Health and Safety executive to carry out its work. While fatal accidents at work are fortunately rare, L&W is concerned that 822,000 people are thought to suffer from work-related stress, depression or anxiety, 470,000 people have suffered work-related musculoskeletal injuries and 441,000 people have sustained a non-fatal injury at work<sup>21</sup>.
- Work with BEIS to promote good mental health at work.

### 3.4 How can the Government best ensure that work pays?

Some 8.3 million people who live in relative or absolute poverty now live in households where at least one adult is employed (57% of people who live in poverty). Nearly 2.3 million Universal Credit claimants were in work in June 2022. Sharp rises in the cost of living will put further pressures on these households, including those with children. The cost of living crisis means poorest in society now need help with meeting their living costs, at the same time as making sure that they are always better off in work.

L&W welcomes recent moves to help people with increased fuel costs, as well the decision to change work allowances and reduce the Universal Credit taper to 55p, a move that better incentivises work. Work

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<sup>18</sup> Evans, S. (2022) *Raising the bar: increasing employer investment in skills*, Leicester: Learning and Work Institute.

<sup>19</sup> See for example, Bellet, C., De Neve J-E and Ward. G. (2019) *Does employee happiness have an impact on productivity*, Working Paper 2019-13, Oxford: Oxford University Said Business School.

<sup>20</sup> Evans, S. (2022) *Raising the bar: increasing employer investment in skills*, Leicester: Learning and Work Institute.

<sup>21</sup> Health and Safety Executive data 2020/21 drawn from the Labour Force Survey.

should be the best route out of poverty, but in deciding to take on more hours or seek promotion, low-income households often weigh up their increases in income against decreases in the in-work benefits they receive, particularly where help with housing and childcare costs are concerned. (Up to 85% of childcare costs are covered for recipients of Universal Credit). This is a particularly significant issue in London, where housing and childcare costs are higher. Addressing this issue will require sustained action to make childcare and housing more affordable. The Government has a welcome commitment to increase the minimum wage to 65% of median income for over 25s. It should look carefully, along with the Low Pay Commission, at the options for going further and extending this to all age groups.

The Government must make sure that the benefits system is responsive to the cost-of-living crisis. L&W supports recommendations made by the Work and Pensions Committee in July 2022 aimed at doing this<sup>22</sup>. In particular, there is a case for considering more regular uprating of benefits at time of high inflation. We would also like to see further increases to work allowances and cuts to the taper rate.

### **3.5 What are the key challenges for the DWP of the Matt Warman review into the future of work and a thriving labour market?**

The Warman Review and previous Taylor Review identify important changes underway in the world of work, many accelerated by the pandemic, and the need for a focus in regulation, policy and practice on high quality work with opportunities for development. DWP has an important role in helping people not just into work but on at work. DWP cannot deliver this on its own. It will need to work closely with other Government departments, as well as employers and councils to join up policy and delivery nationally and locally to do this.

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<sup>22</sup> <https://committees.parliament.uk/publications/23272/documents/169744/default/>