

## AIMING HIGH: AN 80% EMPLOYMENT RATE AND HOW TO DELIVER IT

Other countries have achieved an 80% employment rate and there are enough people who are out of work in the UK that want a job to get there. Doing so is essential given an aging population, and would bring a £23 billion economic prize. We've made substantial progress increasing employment before, but restarting progress will require a decade-long effort to widen employment support, join up work, health and skills, and work with employers on how they recruit and retain people.

### What would an 80% employment rate mean?

The most commonly quoted age range for employment rates is 16-64. Of course, most 16-17 year olds are in full-time education (though some work alongside education) and the state pension age is 66 and rising (with the fastest growth in employment over the last decade being those aged 65+).

So, 16 (or 18) to state pension age would be a reasonable measure. You could exclude students to avoid any perverse incentives an 80% target might create to get people out of the classroom and into the workplace. But 16-64 is in common usage and provides international comparability, so that's what we've focused on and was the basis of our proposed ambition for an 80% employment rate.

The employment rate today is around 75%. To get to 80% would mean an extra 2.4 million people in work on today's population. That's more than the 1.7 million we estimated in our [September 2022 report](#) due to:

1. **Labour Force Survey revisions.** The ONS [revised](#) the population up and the employment rate down, accounting for about one half of the change. There are likely to be further revisions as the ONS rolls out its new Transformed Labour Force Survey.
2. **Weaker labour market.** The employment rate has fallen even on the revised stats by a further 0.7 percentage points, equivalent to 300,000 people.

### Why 80%?

The UK 16-64 employment rate hasn't risen above 76.1% (it's pre-pandemic peak in early 2020) in records going back to the 1970s. Isn't 80% a bit over ambitious then?

### ***It can help meet our demographic challenge, grow the economy, and boost the public finances***

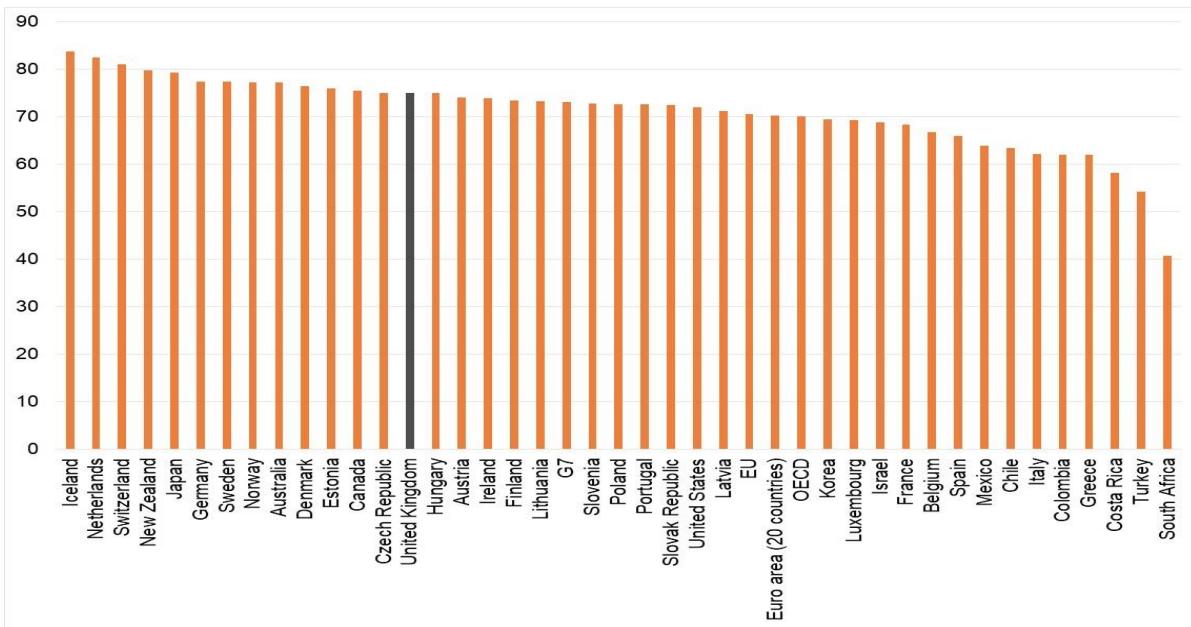
An aging population means there will be 2.3 workers for every retired person in the 2040s, compared to 3.5 in the 2020s. To meet our workforce needs, we need to help more people in the working-age population to find work.

We [estimate](#) an 80% employment rate would:

- **boost growth by £23 billion per year.** Economic growth has been very slow post 2008 compared to the decades previously. Increasing employment is a supply-side reform that can boost growth.
- **boost the public finances by £8 billion per year.** Vital given how tight projected public spending is and given the debates over projected rises in in and out of work benefits. The best way to limit the benefits bill is by helping people into good and well paid work that suits their needs.

### ***Other countries have done it***

In the OECD, Iceland, Netherlands, Switzerland have employment rates over 80%, with New Zealand and Japan not far behind at over 79%.

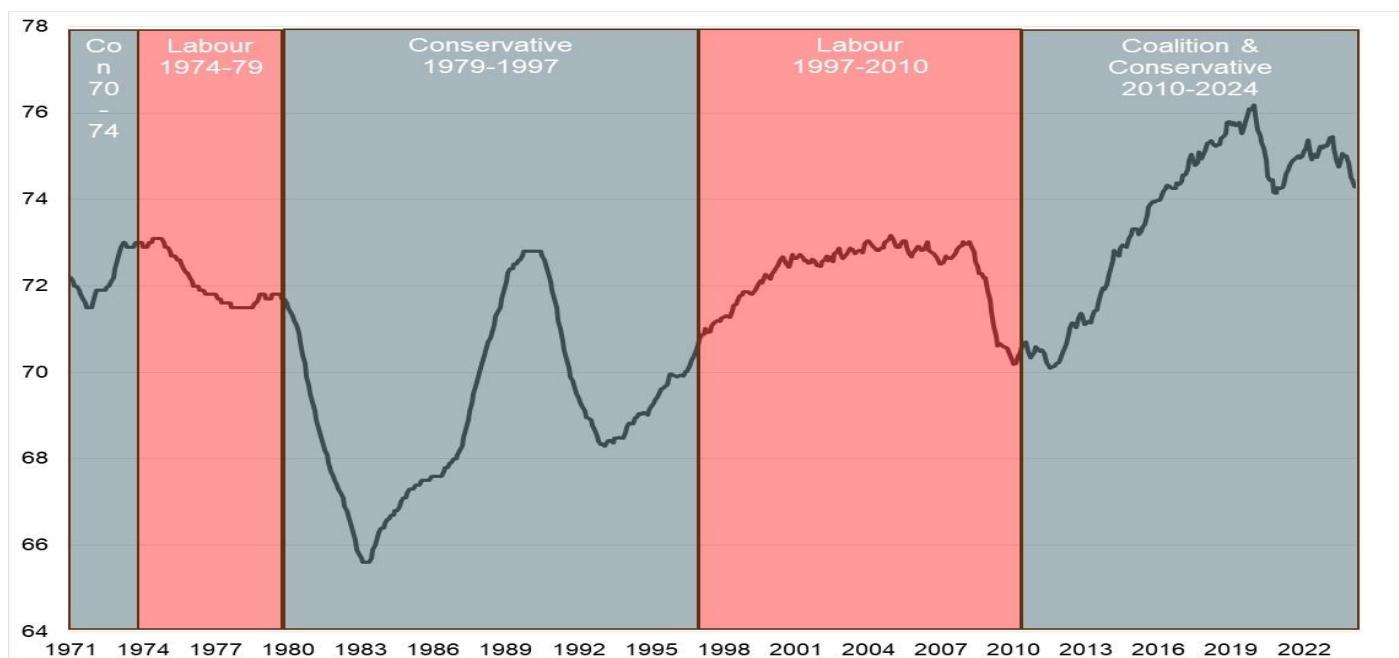


While it depends on demographics and economics, other countries may meet this marker over the decade ahead for the same demographic reasons as the UK. The UK is running to stand still by international standards – we should aim to be world leading by tomorrow's standards, not just today's. If Iceland, the Netherlands, Switzerland, and (almost) New Zealand and Japan have done this now, why shouldn't we?

### ***We've done it before and enough people want to work***

The UK's employment rate has risen and fallen according to the economic cycle and changes in policy, but has trended up over recent decades. A key reason is an increased number of women in the workforce.

Between 1997 and 2019 (so picking years outside of recessions which affect the trends), the employment rate rose by 5.3 percentage points. That's roughly the same rise needed to take us from where we are now to 80%. This was achieved largely through increased labour market participation by women, expanding employment support to groups who'd previously missed out (for example, the New Deal for lone parents), and making work pay through the minimum wage and tax credits. Indeed, the last Labour government set an [80% employment rate ambition](#) in 2007.



Our analysis has shown that halving the disability employment rate gap would mean an extra 1.2 million people in work – half the number needed to get to an overall 80% employment rate. In total, more than 3 million people are out of work and say they want to work. Even more may want to if they knew of the support available and if the right opportunities were out there.

### How do we get there?

As we set out in our September 2022 report, an 80% employment rate is likely to take a decade to achieve – it should be a mission for the UK to achieve by 2035.

To get there requires effort and collaboration by employers, trades unions, national, devolved and local governments, and others including social housing and community groups. We think action would need to be grouped along four themes.

#### 1. Extend and integrate help to find work to all who are out of work

Only one in ten out of work disabled people and older people get help to find work each year, yet two in ten want to work. Too much employment support is focused on the relatively small number of unemployed people, most of whom find work relatively quickly. Everyone who wants to work should be able to get help. That could include looking at annual review with people on benefits but not required to look for work to let them know of the support available (this approach worked well for lone parents), coupled with an extended and more coherent set of voluntary employment support programmes for people who are economically inactive (there's too much fragmentation and not enough reach at the moment).

#### 2. Better integrate public services to meet people's needs

We've argued for a **Youth Guarantee**, so all 16-24 year olds are offered a job, training place or apprenticeship. Delivering that will require locally joining up support, changes to the benefit system so young people can combine studying up to level 3 and job search, and may also require a Future Jobs Fund style job subsidy for young people who can't find work. We'll be doing some work separately on this.

Beyond that, we need to better integrate work, health and skills support:

- **Work and health.** There have been a range of pilots and initiatives in recent years, but we need a systematic picture of what works and plan to roll this out and fill in remaining evidence gaps. For example, how can we get the NHS to offer more help such as ***Individual Placement and Support*** which are shown to work for people with some health conditions?
- **Work and skills.** What about an ***Essential Skills Guarantee***, so everyone on an employment programme gets help with their literacy, numeracy and digital skills given 9 million adults in England lack these skills? That will help those that find work to sustain employment, and leave those that don't find work with a better platform for their next steps. We've also ***argued*** for extending ***Train and Progress*** so that people can study for up to one year while on Universal Credit, if their Work Coach agrees this will help their employment prospected.

#### 3. Work with employers on job design, recruitment and job retention

Many employers are facing recruitment challenges. We should help them think about where they recruit and how they design jobs to find the 'hidden talent' they're currently missing out on. We also need to look at how we reduce the number of people dropping out of work when, for example, they develop a health condition. There's been lots of attempts to do that including Access to Work (processing applications needs to be speedier) and attempts to increase use of take-up of occupational health support. Alongside more support for employers needs to come clear expectations, that doing the 'right thing' is a pre-requisite for winning government contracts and getting other forms of support.

#### 4. Devolve with an outcome-focused, strategic state

L&W worked with the Local Government Association on [Work Local proposals](#), which drew on international comparators. It proposed devolving a single pot of employment and skills funding to local areas (starting with MCAs) in England, underpinned by outcome agreements showing e.g. how many people this would help to get into work. Greater freedom underpinned by transparent accountability. In this world, the role of central government in devolved areas would be to help share best practice and provide open data on performance. How about extending the role of the employment data lab? Agreeing with devolved areas a clear programme of test and learn to fill evidence gaps? Publishing long-promised data on how people move between conditionality groups in Universal Credit? And establishing an independent best practice network on supporting disabled people into work?