



WORKING FOR THE FUTURE

LAUNCH REPORT

for the Commission on the
Future of Employment Support

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The Commission on the Future of Employment Support

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

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

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

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

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

Commissioners

Ashwin Kumar – Professor of Social Policy; Manchester Metropolitan University

Carmen Watson – Chairperson, Pertemps Network Group

Fran Beasley – former Chief Executive, London Borough of Hillingdon

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

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

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

Michael Sheen – actor and activist

Mubin Haq – Chief Executive; abrdn Financial Fairness Trust

Neil Carberry – Chief Executive; Recruitment and Employment Confederation

Institute for Employment Studies

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

abrdn Financial Fairness Trust

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

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Executive Summary

Executive Summary

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

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

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

Full employment – but a range of challenges

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

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

The jobs recovery since the pandemic has been weak

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

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

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

This weak recovery is almost unique among advanced economies

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

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

Poverty and inequality are not inevitable

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

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

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

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

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

Effective employment support is a key part of the solution

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

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

Five key functions of employment support and services

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

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

Support for those out of work

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

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

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

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

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

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

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

Use of Jobcentre Plus has fallen precipitously

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

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

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

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

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

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

Support for employers

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

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

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

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

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

Partnership working

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

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

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

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

We can learn from overseas approaches

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

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

The Call for Evidence – we want to hear from you

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

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

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

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



1: Introduction



1 Introduction

The Commission on the Future of Employment Support has been set up to develop evidence-led proposals for how we help people to find decent, secure and rewarding work, to help employers to fill their jobs and to make work better. In recent years the UK has benefited from high employment and very low unemployment, but this has come alongside a range of challenges – including persistent employment ‘gaps’ for those further from work, rising poverty among working households, declining investment in skills and significant inequalities between different parts of the UK. Many of these issues have lasted over decades, through recessions and recoveries and, if anything, have been magnified over the two years since the Covid-19 pandemic – with the UK lagging behind nearly every other developed economy in its labour market recovery.

However, we believe that there is an opportunity now and over the next eighteen months to take a fresh look at our approach to how we support people, communities and employers to create good work, support economic growth and reduce inequalities. So this commission has been established, with funding from abrdn Financial Fairness Trust, to gather evidence on what is working and has worked in the UK and overseas, to hear what reforms are needed and to develop evidence-based proposals that can secure consensus on changes that we can make to our future approach to employment support.

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

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

We are inviting everyone with an interest in this to share with us your views through a Call for Evidence that will be open until **Monday 30th January 2023**. In particular we want to hear your views on how we:

- Support those who are out of work and want help to find work, and in particular those who are most disadvantaged in the labour market;
- Support decent work, financial security and wellbeing in work;
- Reduce inequalities between places and groups;
- Support employers to fill their jobs and create the conditions for good work; and
- Meet the needs of our future economy and society – supporting growth, economic change, an ageing population and the transition to net zero.

This report provides further context on the UK labour market, our employment services and the key areas on which the commission will be focused. Chapter two provides an overview of the UK labour market before and since the Covid-19 pandemic, summarising key findings from an evidence paper being published by IES alongside this launch report. Chapter three then discusses the role of employment support and services, drawing on new public and employer polling as well as UK and international literature. Finally in Chapter four we set out the key areas that are covered in the Call for Evidence, more detail on how the commission will be taking its work forward, and information on how to get involved.

We would welcome your feedback and input on this work. If you want to get in touch, please email us at commission@employment-studies.co.uk.



2: Context: Employment, opportunity and recovery





2 Context: Employment, opportunity and recovery

This Chapter sets out the economic and labour market context for this Commission, summarising findings from a separate evidence paper being published alongside this launch report (Wilson and Muir, 2022). The Chapter is in three parts: first exploring the labour market context before the pandemic, followed by the impact of the pandemic in 2020 and recovery since then, and finally a comparison with other developed economies.

2.1 Close to full employment – but a range of challenges

The UK entered the pandemic with record employment and close to its lowest unemployment in fifty years – aided by a growing workforce, relatively flexible labour markets and active support for the unemployed. However, this prima facie success disguised a range of significant challenges – in particular around persistent disadvantage, spatial inequalities, working poverty, skills and progression, which are taken in turn below.

2.1.1 Employment ‘gaps’, driven by economic inactivity

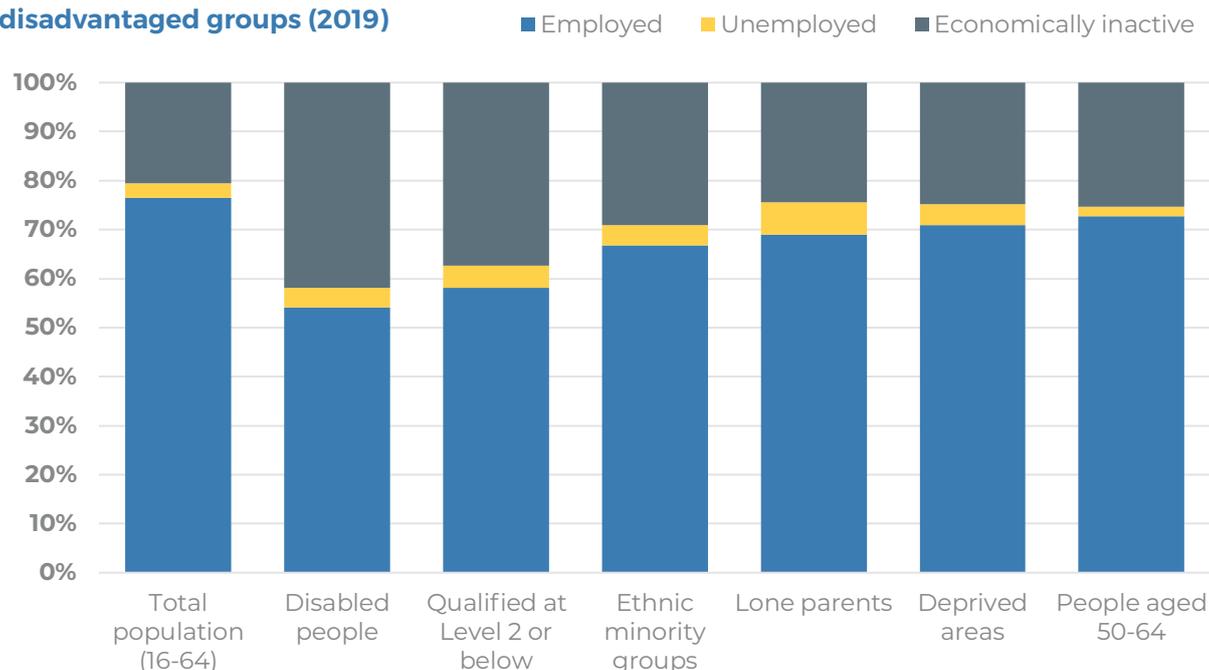
First, while employment overall in the UK was setting new records, those more disadvantaged in the labour market remained far less likely to be in work. Most notably, disabled people – which is just over one in five of all people aged between 16 and 64 – were nearly thirty percentage points less likely to be in work than non-disabled people in 2019 – with an employment rate of 54% compared with 82% for those not disabled; while those qualified below Level 2 (the equivalent of five good GCSEs – making up around one sixth of the population) were over 20 percentage points less likely to work than those with higher qualifications.

Ethnic minority groups were more than ten percentage points less likely to be in work (with significant variations around this for different ethnic groups); while single parents, those with lower qualifications, those living in more deprived areas and older people all had employment rates at least five percentage points lower than people without those labour characteristics. These gaps had narrowed over the decade since the Great Financial Crisis – reflecting demographic and labour market changes – but remained wide, with many groups also facing significant pay gaps when in work.

Importantly, these employment gaps are explained in particular by higher ‘economic inactivity’ – which describes those who are out work and either not looking for work and/ or not available to start work (Box 2.1 below explains in more detail the differences between employment, unemployment and economic inactivity). This is set out in Figure 2.1 below – with the proportion of each group that is unemployed (in yellow) broadly similar to the population overall, while economic inactivity (in grey) often significantly larger.

This matters because in most cases, mainstream employment support is focused on those who want to work and are ready to start.

Figure 2.1: Employment, unemployment and economic inactivity for selected disadvantaged groups (2019)



Source: IES analysis of LFS, Annual Population Survey (APS) and Index of Multiple Deprivation (IMD). All gaps use LFS Oct-Dec 2019, except for 'most deprived areas' which uses APS data for Jan-Dec 2019. Deprived areas are defined as the bottom quintile of local authorities on IMD income deprivation measure

Box 2.1: Labour market terminology

The terms employment, unemployment and economic inactivity are the internationally defined terms that are used to describe individuals' status in the labour market.

Employment encompasses everyone who is in any form of work of any duration. This mainly comprises paid work as an employee or while self-employed but can also include people working unpaid (for example for a family business or as part of an employment scheme) as well as people who are away from a job that they expect to return to (for example due to ill health or temporary lay-off). In all there are 32.7 million people in work, or around 61% of the population (rising to 75% of the population aged 16-64).

Unemployment refers to those who are out of work and are both actively seeking work and available for work. The size of the **labour force** is measured by adding the number of people who are employed plus unemployed. There are 1.2 million people who meet the definition of being unemployed, or 2.3% of the population

(2.9% of the population aged 16-64). The official unemployment rate however is larger than this, at 3.6%. This is because the unemployment rate is a **labour force** measure, and so is calculated by dividing unemployment by the overall labour force (employed plus unemployed).

Economic inactivity then describes the remaining population who are not employed and not unemployed – i.e. those who are out of work and either not looking for work and/or not available for work. The most common reasons that people give for being 'economically inactive' are that they are out of work due to a long-term health condition, are non-working students, are looking after their family or home (usually mothers of younger children), or are retired (especially among those aged 65 and over). Other reasons can include short-term ill health, early retirement, being discouraged from working, waiting for a job to start, or not needing to work. Overall, around 20 million people are economically inactive but half of these are aged 65 or over. Among those aged 16-64, 9 million people are economically inactive, comprising 21.7% of the population.

2.1.2 Inequalities between places

As noted, there are significant differences in employment between more and less deprived areas. Separate analysis by IES for the Local Government Association has also identified that across a range of indicators, areas with lower employment and weaker vacancy growth – often ex-industrial and coastal areas – were significantly more disadvantaged than other parts of the country (Wilson and Williams, 2022). These places: had seen employment grow at around one fifth the rate of more advantaged areas; had median earnings around £50 per week lower; had fewer people with high qualifications and more people with no qualifications; and were about one third more likely to have jobs in industries at risk of contracting in future, and one third less likely to have jobs in industries that were most likely to grow.

2.1.3 Declines in access to training

The last fifteen years has also seen a significant fall in work-related training – with around 25% reporting in 2019 that they had received training in the previous three months, compared with around 30% in 2005. Training is often geared towards induction and health and safety; and on average employees in England and Wales received just 3.6 days of training in 2019¹.

This relatively poor performance on training is one factor that has driven weaker productivity growth in the UK than in many other developed economies – with output per hour worked nearly a quarter lower in the UK than in the US, a sixth lower than in France, and a tenth below Germany. The UK has also fallen from having among the strongest rates of productivity growth in the decade before the financial crisis to nearly the weakest in the decade since.

2.1.4 Persistent low pay

Low pay fell significantly through the 2010s, however by 2019 around one in six workers were still paid below two thirds of median hourly earnings (Cominetti and Slaughter, 2020). There also remained significant differences by industry, with just over half of all of those working in hospitality in 2019 low paid, and around one third of those in social care or in retail.

Furthermore, analysis tracking the earnings of low paid workers over time suggests that relatively few of those who are low paid manage to progress out of low pay for a sustained period of time – with work for the Social Mobility Commission suggesting that around a quarter of those in low pay in 2006 were still low paid in 2016, while just under half cycled in and out of low pay over the decade (D'Arcy and Finch, 2017).

2.1.5 Rising poverty in working households

Finally, higher employment in the UK has been accompanied by significant growth in the number of people in working poverty (defined as having a household income below 60% of the median, after housing costs). This figure rose from below six million two decades ago to nearly nine million on the eve of the pandemic. Many of the issues set out above have contributed to this rise – inequalities between groups and between places, underinvestment in workforces, persistent low pay and poor progression – as well as in more recent years, reduced financial support through the benefits system for low paid working families.

¹ Source: Employer Skills Survey 2019

Poverty is more common in households where at least one adult does not work (with around a third of people in those households in poverty); but even in households where everyone works, one in eight people are poor – and the number of people in this latter group has risen by a quarter since 2015. This appears to be particularly explained by higher poverty among households with children, particularly single parent households, and likely reflects a combination of low paid part-time work and cuts to social security (particularly through the benefit cap, two child limit and cuts to housing support).

2.2 The recovery since 2020 has been weak

Thankfully, the UK avoided the unemployment crisis that many of us had feared would come in the aftermath of the Covid-19 pandemic – through a combination of job protection measures, flexible working during lockdowns and a rebound in hiring after they ended. However, while unemployment is now at its lowest in nearly fifty years, this has not been matched by a recovery in employment – with the labour force still half a million smaller than it was before the pandemic began and the number of people economically inactive and outside the labour force over 600 thousand higher.

2.2.1 Higher worklessness due to ill health and among older people

This fall in participation and growth in worklessness has been driven by older people leaving work and more people out of work due to long term health conditions.

Economic inactivity due to long-term ill health has risen by nearly 400 thousand since the pandemic began, to its highest level on record (2.49 million). There are likely to be a number of reasons for this, including people waiting longer for health treatments; a deterioration of general health during the pandemic; the impacts of long Covid; a lack of access to appropriate employment support; and changes in workplace practice or employer attitudes around health and disability. At the same time, nearly 600 thousand of those out of work due to long-term ill health say that they want to work.

Alongside this, around three quarters of the total growth in economic inactivity has been among those aged 50 or older. This appears to be mainly explained by older people leaving the labour force during the pandemic, with analysis by the ONS suggesting that early retirement is the most common reason but is nonetheless cited by fewer than half of those aged between 50 and 64. Other reasons given include redundancy, stress and illness, lifestyle choices, caring responsibilities and not wanting to work. Three fifths of those who have left would consider returning to work – for a job that was more flexible, secure, and/ or had better pay (ONS 2022).

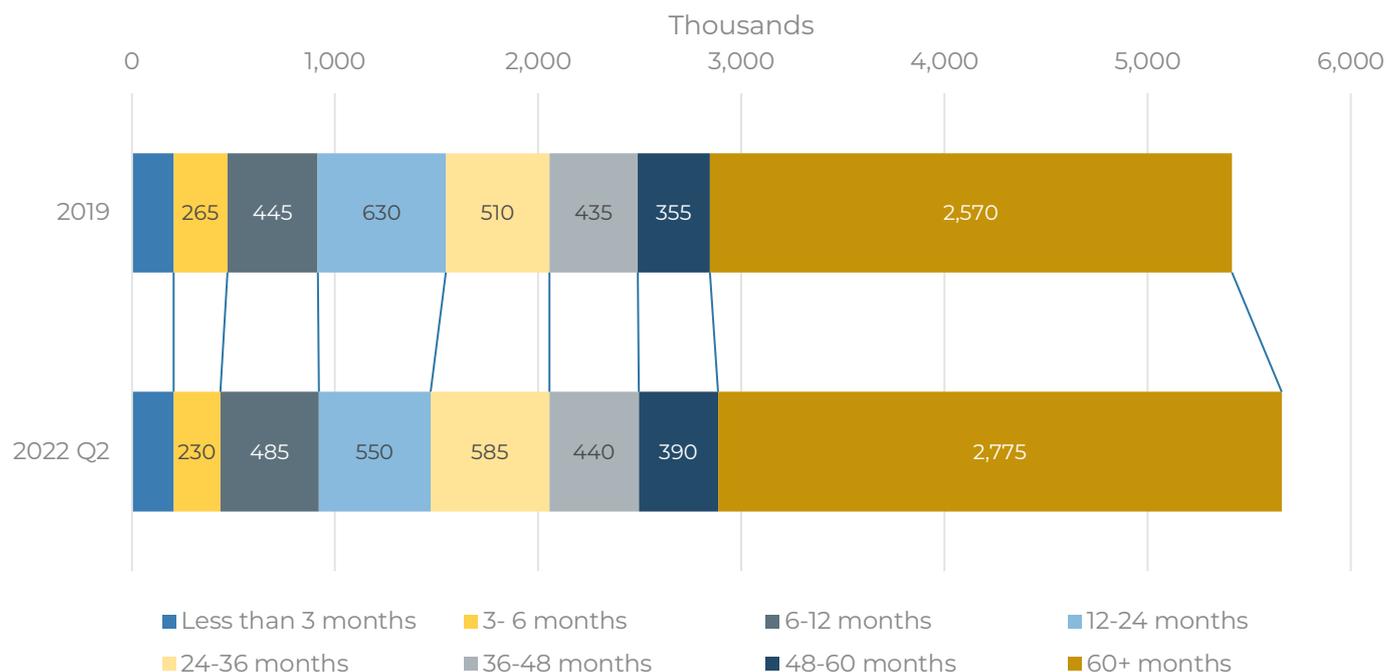
2.2.2 Long-term worklessness is rising

Of particular concern, new analysis for this Commission finds that the growth in economic inactivity over the last two-and-a-half years is being driven by long-term worklessness. Comparing 2019 and 2022 (Figure 2.2) shows two worrying trends:

- A clear growth in those who last worked 2-3 years earlier – i.e. either side of the first lockdown – which has risen by 75 thousand from 510 to 585 thousand (an increase of 15%). This will likely be a mix of people who were recently unemployed before the pandemic or left work during the first lockdown and are now economically inactive; and
- An even larger increase among those who have been out of work for more than five years (i.e. since at least 2015), which is up by just over 200 thousand. These are likely to be those who are most disadvantaged in the labour market.

More detailed analysis in the accompanying report sets out that growth in economic inactivity either side of the pandemic (the 2-3 year group) has been particularly driven by ill health (both short- and long-term) while growth in longer-term inactivity is almost entirely explained by growth in long-term ill health. So the pandemic has seen both more people leave work due to ill health and fewer return to work.

Figure 2.2: Economic inactivity by detailed duration (excluding those that have never worked), 2019 and 2022



Source: IES analysis of Labour Force Survey. Excludes those economically inactive who stated that they have never worked (predominantly young people in full-time education).

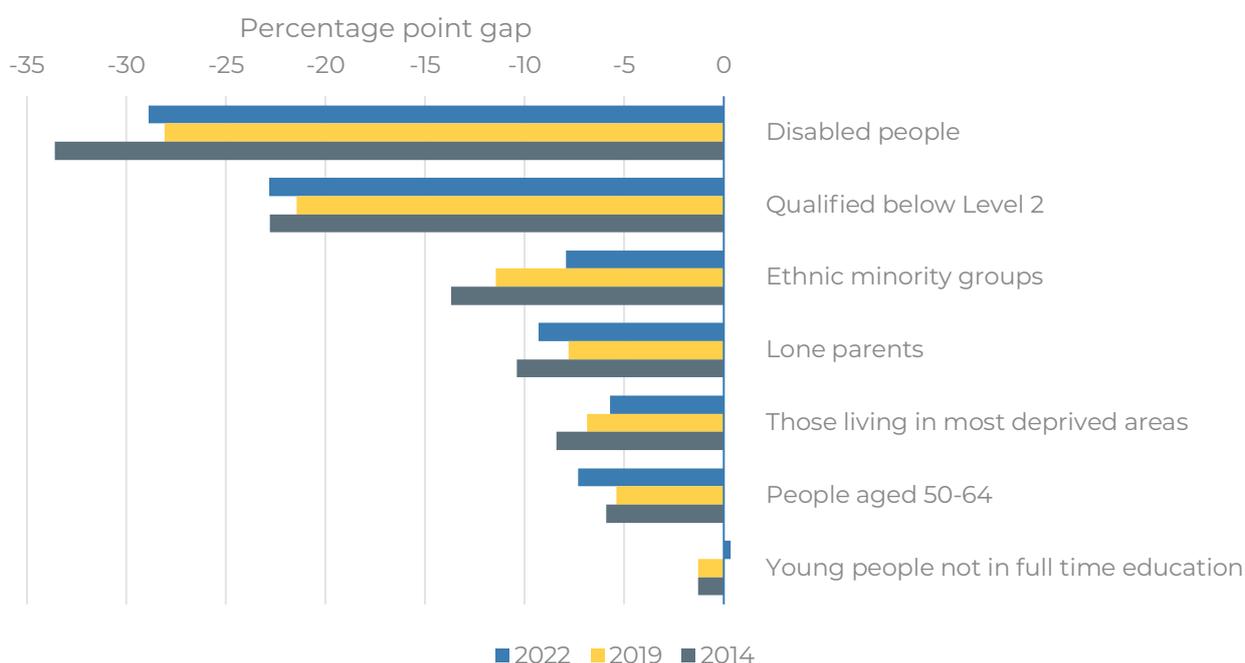
2.2.3 Inequalities in the labour market are widening for many groups

Lower employment and higher worklessness has also led to employment ‘gaps’ widening for many disadvantaged groups. Figure 2.3 sets this out, showing employment rate gaps for 2022, 2019 and 2014. As noted earlier in this Chapter, employment gaps narrowed in the decade before the pandemic – but comparing 2022 with 2019 (the blue and the yellow bars respectively), gaps are widening again for older people, lone parents, the lowest qualified and disabled people. In each case this is not

entirely unexpected given the growth in worklessness among older people and those with health conditions, as well as the evidence that lone parents and those in lower skilled jobs were often hit harder during the crisis (Clery, Dewar and Papoutsaki, 2021; Wilson and Buzzeo, 2021). It is nonetheless deeply concerning, with progress made over recent years – and in many cases over decades – starting to unwind.

At the same time however, employment gaps have continued to narrow for those living in the most deprived areas, for ethnic minority groups and for young people outside of full-time education (likely for a combination of demographic and economic reasons, discussed in more depth in the accompanying evidence paper).

Figure 2.3: Gap between employment rates for selected disadvantaged groups and those without that disadvantage – 2022, 2019 and 2014



Source: IES analysis of LFS, Annual Population Survey (APS) and Index of Multiple Deprivation (IMD). Changes compare LFS Oct-Dec quarters for 2014 and 2019 with Apr-Jun 2022, except for ‘most deprived areas’ and ‘Qualified below Level 2’ which compare APS data for Jan-Dec 2014 and 2019 with most recent available data. Deprived areas are defined as the bottom quintile of English local authorities on IMD income deprivation measure.

2.2.4 Lower participation is likely to be a permanent feature

While the recent falls in labour force participation have been driven by the pandemic, two longer-term factors mean that we are likely to see a permanently smaller labour force in the years ahead:

- First, as the ‘Baby Boomer’ generation move past State Pension Age over the next decade, with fewer young people joining the labour market in their place; and
- Secondly, due to lower migration following the UK’s exit from the European Union – with employment growth among those born outside the UK falling from on average 220 thousand a year before the 2016 referendum to on average 140 thousand in the six years since (a cumulative difference of just over half a million fewer people in work).

More broadly, the story of the UK labour market over the thirty years before the pandemic has been of higher labour demand being met with higher labour supply – due to migration, longer working lives and more women in work. The pandemic put that growth into sharp reverse, and it has not recovered since. Had the labour force continued to grow at its pre-pandemic rate, there would be around one million more people in the labour force than there are now.

2.2.5 Vacancies remain close to record levels

These falls in the size of the labour market came despite a very strong recovery in vacancies through 2021, with vacancies nearly 50% higher than they were before the pandemic (and higher in every single industry). This continued strong labour demand combined with weak labour supply means that the labour market is the tightest that it has been in decades. For the first time in at least fifty years, there are now more vacancies than there are unemployed people available to fill them.

2.2.6 Strong nominal private sector pay, stagnation in the public sector – but falling pay in real terms

Finally, the combination of low unemployment and high vacancies means that nominal pay growth (the change in pay without accounting for inflation) is very strong – with pay rising by nearly 6% over the last year compared with an average of less than 3% a year over the two decades before the pandemic. However, strong nominal pay growth is being entirely driven by private sector pay, which is now rising by 6.4% a year compared with just 2.4% for the public sector

High private sector pay growth may be contributing to higher inflation in some parts of the economy, although the evidence on this is far from conclusive. Either way, overall inflation is so high that in most of the economy pay growth cannot keep up – leading to significant and sustained falls in pay in real terms (down by 3.3% since the turn of the year, the steepest falls in at least two decades).

2.3 One of the weakest recoveries in the developed world

The accompanying evidence paper describes how the UK compares with other developed economies on a range of labour market measures including employment, wages, social security, poverty, inequalities and employment support.

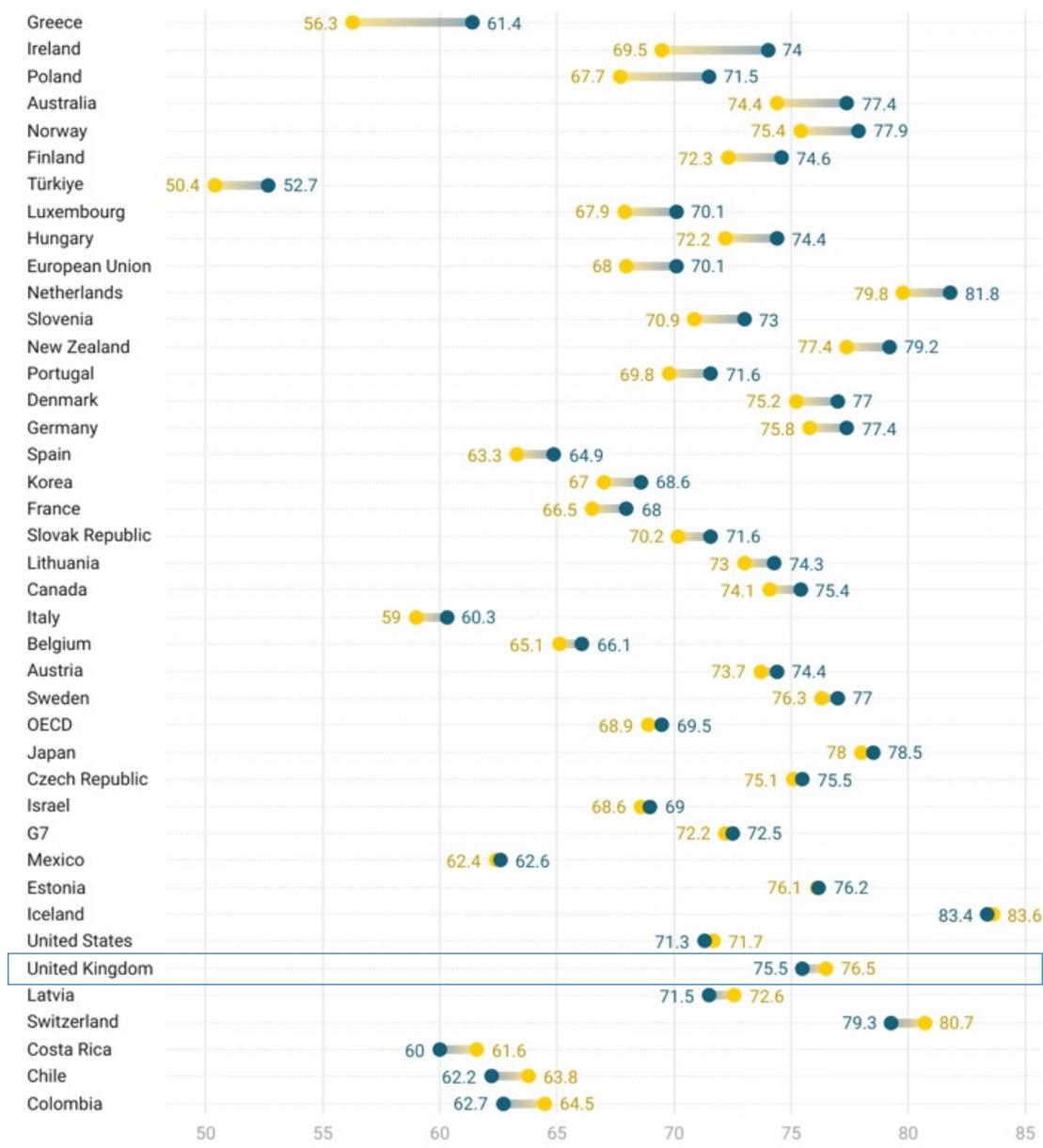
In summary, it sets out that the UK has a number of strengths – high employment and low unemployment, a flexible labour market and strong incentives to work underpinned by a high minimum wage; but that many of the issues and challenges set out elsewhere in this report are areas where we are also weaker than our neighbours and competitors. The UK has often wider inequalities in employment, earnings and incomes than other countries (including wider employment gaps for disabled people and older people); less generous benefits; far stricter requirements on jobseekers; and often more limited access to employment support

Worryingly, we are also seeing employment recover far less strongly in the UK than in virtually any other developed economy. Across the developed world, employment rates are now at or above where they were before the pandemic began. Across the European Union for example, employment rates are on average two percentage points higher than they were before the pandemic began, while in the UK the employment rate remains one percentage point lower.

Figure 2.4 below, which shows the change from pre-covid (yellow) to most recent (blue) employment rates for every OECD nation: outside of Latin America, only the UK, Iceland, Switzerland, Latvia and the US have seen employment fall since 2019. Furthermore in each of these other cases, employment rates have been recovering strongly in the last year – by on average just over half a percentage point every quarter. In the UK by contrast, employment has been flat. So it is plausible that by early next year the UK will be the only developed economy in the world whose employment rate is lower than it was before the pandemic began.

It is not clear why the UK has fared this poorly, and some of the potential factors are discussed in more detail in the accompanying paper. It is highly likely though that the picture on employment support has contributed to this – particularly the lack of access to employment and skills support for people who were off work on furlough during the pandemic, and the very limited provision now for those out of work but not claiming unemployment-related benefits (discussed more in the next Chapter).

Figure 2.4: Change in employment rates by OECD nation, 15-64 year olds
 – Q4 2019 (yellow) to Q2 2022 (blue)



Source: OECD.Stat. Created with Datawrapper.

2.4 Conclusion

All told, the UK's strong position on employment entering the pandemic belied a number of structural challenges – around persistent employment gaps for disadvantaged groups, spatial inequalities, poor workforce investment and productivity, low pay and in-work poverty. Thankfully in the pandemic we avoided an unemployment crisis, but two years on we are instead grappling with major challenges around a shrinking labour force, higher worklessness, labour shortages and high inflation. The pandemic has precipitated many of these issues, but they are likely to prove chronic rather than acute and will likely continue to hold back economic growth and entrench many of the disadvantages and inequalities that existed before the pandemic began.

Worryingly, we are also seeing employment recover far less strongly in the UK than in virtually any other developed economy. Comparisons with other countries also illustrate that the inequalities in employment, earnings and incomes that we see in the UK are not inevitable, with many other northern and western European countries managing to achieve high employment, decent pay and lower rates of inequality. Indeed the UK would not have to be the best in the world in order to see material economic and social improvements: for example if our employment gaps for disabled people and older people improved from being mid table internationally to just being at the bottom of the top quarter of countries (i.e. from around 16th to 8th in the OECD) then that would lead to nearly a million more people in work than there are now, with:

- An employment rate for disabled people of around 65%, which on current population estimates would mean nearly **600 thousand** more disabled people in work; and
- An employment rate for those aged 50-64 of 73% (compared with 70.5% now), which would be equivalent to **340 thousand** more older people in work.

This would lead to an employment rate of just over 80% overall, with analysis by Learning and Work Institute suggesting that at a similar employment rate this would add around £23 billion a year to the economy and raise incomes by around £2,000 (Evans, 2022).

Looking ahead, the future will also bring new challenges and opportunities for our economy and society – in particular through advances in technology and automation; the transition to net zero; and a need to adapt to a future with greater barriers to overseas trade, lower migration and higher borrowing costs. These changes will bring new demands for different skills and labour, and may also increase inequalities between those people and places more and less able to adapt – with estimates that as soon as 2030 there will be three million more people with low and intermediate qualifications, and 2.5 million fewer high skilled workers, than there are lower and higher skilled jobs (Melville and Bivand, 2019).

In our view, we will need a new approach in order to rise to these challenges and meet the opportunities of the future – and in particular one that can support higher participation in work; reduce inequalities for different groups and between places; better meet the needs of employers, economies and the workforce; support decent work, higher incomes and improved wellbeing; and contribute to a fairer, greener and faster growing economy.



3: The role of employment support

3 The role of employment support

3.1 The role of employment support and services

Good employment support can play a key role in raising employment overall; addressing disadvantages; supporting decent work, retention and progression; and helping employers to meet their needs and to grow. It is a key supply-side driver of economic growth, higher productivity and lower inequalities. For this commission and review, we are defining employment support as those public or publicly-funded services that:

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

Employment support and services can achieve these objectives in different ways, but they tend to cover five roles under three broad areas, set out in Figure 3.1 below.

Figure 3.1: Five key functions of employment support and services

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

This Chapter discusses the UK approach across these three broad areas, taking each in turn. While employment support is an important part of successful labour market policy, there are other drivers too – in particular macroeconomic and fiscal policy, social security, education and skills, how we regulate the labour market, and also wider social and economy policies like housing, health, migration, transport and childcare. These areas are not directly in scope for this review, but we are interested in hearing how employment support can better align with these areas, and vice versa.

3.2 The UK system

Employment support in the UK is delivered through a range of actors and services, including:

- The public employment service – Jobcentre Plus in Great Britain, and Jobs and Benefits Offices in Northern Ireland – which tend to focus on delivering services for those on Universal Credit and closer to work;
- Programmes contracted-out or grant funded by national governments, often in the private and voluntary sectors and supporting people further from work (but often still on benefits); and
- Employment support commissioned or delivered through other public services – particularly by local government, colleges and training providers, careers services, health services and social landlords (and often funded via the European Social Fund).

Before the pandemic, spending on employment support was around £1.5-2.0 billion a year, split fairly evenly between these three broad categories (NAO, 2021 and authors' estimates). Funding had been in decline through the 2010s due to a combination of budget reductions and lower unemployment, but increased again during the pandemic as a result of temporary measures announced in the 2020 Plan for Jobs.

This overall model was largely set in 2001, with the creation of the Department for Work and Pensions (DWP) and Jobcentre Plus – which formally brought together employment services and benefit administration in Great Britain. Over the last two decades this has led to a highly centralised approach with policy, funding and commissioning generally directed by Whitehall and then directly delivered through Jobcentre Plus or centrally commissioned to private and voluntary sector providers (Finn, 2015; Phillips, 2022; Wilson, T. et al., 2017). However more recent years has seen some greater devolution, particularly to Scotland and to some extent to Combined Authorities and local partnerships in England (set out in Box 4.2 later in the Chapter).

Importantly, as well as delivering employment support Jobcentre Plus:

- Administers the main benefits for adults below State Pension Age – with around 5.7 million people receiving Universal Credit (two fifths of whom are in work) and around 2.0 million people receiving other out-of-work benefits²; and
- Monitors whether individuals are meeting their conditions of receiving benefit (particularly those related to looking for work) and administers sanctions for non-compliance (covered later in the Chapter).

2 With around 1.7 million people receiving Employment and Support Allowance due to a long-term health condition; 100 thousand receiving Jobseeker's Allowance while unemployed; and 200 thousand receiving Income Support, due to caring responsibilities (with Income Support now closed to new claims).

3.2.1 Employment support for those out of work

Support for the unemployed

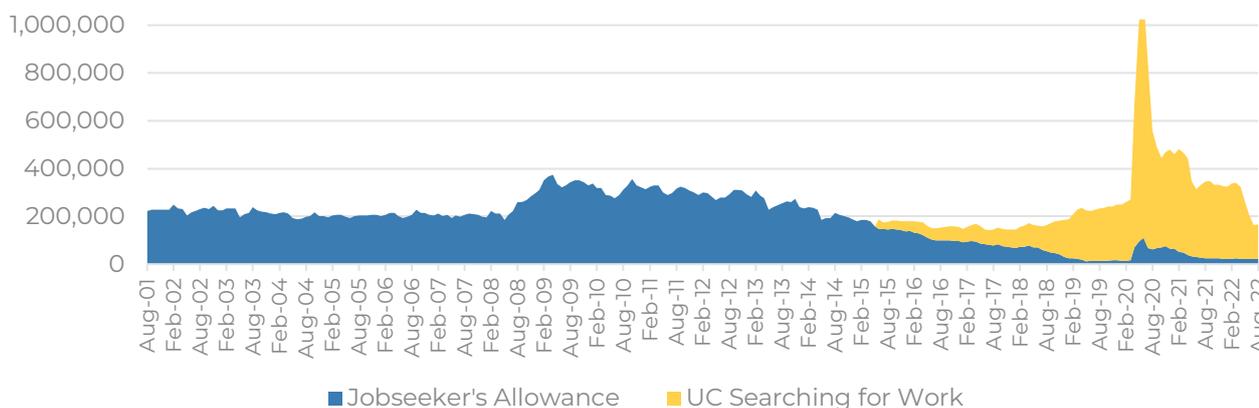
The introduction of Jobcentre Plus represented a significant change in the way public employment services and benefits were delivered in the UK. It introduced a stronger work focus for benefit recipients and extended a core approach of mandatory, frequent meetings between employment advisers and those claimants required to look for work (with benefit sanctions in the case of non-compliance). This ‘work first’ approach focuses on immediate jobsearch and rapid placement into work, and evaluation evidence found that it was successful in reducing rates of benefit receipt and to some extent increasing employment for the unemployed (Riley et al., 2011).

This Jobcentre Plus support is delivered by ‘work coaches’, who meet every week or fortnight with claimants who are required to look for work, to review their progress and provide support with job searching. Before the pandemic, just under 10,000 people were employed as work coaches (on a full-time equivalent basis) across a network of nearly 700 Jobcentre Plus offices. With the pandemic, the number of work coaches increased to just over 20,000 on a full-time equivalent basis, with the Department successfully recruiting 13,500 new staff into these roles (NAO, 2021). Overall, spending on work coach support rose from around £550 million a year in 2019 to £750 million in 2021 (NAO, 2021).

Jobcentre Plus support is primarily focused on those who are ‘claimant unemployed’ – meaning that they are both claiming benefits and required to look for and be available for work (i.e. in the Universal Credit ‘Searching for Work’ group, or claiming Jobseeker’s Allowance). In all there are around 1.5 million people who are claimant unemployed, but this disguises very significant movements into and out of unemployment support – with Figure 3.2 showing that typically between 150 thousand and 300 thousand people becoming claimant unemployed every month. This means that Jobcentre Plus is typically supporting upwards of **two million newly unemployed people every year**, with Jobcentre Plus support in particular focused on those unemployed for less than nine months (which is the large majority of those who become unemployed).

Figure 3.2 also illustrates the sheer scale of the impact of the Covid-19 lockdowns on claims to Universal Credit, with new ‘flows’ into claimant unemployment averaging over a million in spring 2020 and still above 400 thousand a month a year later – prompting the doubling of work coach numbers described above.

Figure 3.2: Number of people becoming ‘claimant unemployed’ each month, 2001-22



Source: NOMIS and StatXplore. Jobseeker’s Allowance data from NOMIS JSA Flows dataset. UC Searching for Work estimate is proxied from Alternative Claimant Count estimates of number of out-of-work claimants in that group joining the claimant count each month. Rolling three-month averages are used.

Direct Jobcentre Plus support for the shorter-term unemployed has been accompanied by more specialist support for people unemployed for longer – first through the New Deal programmes in the 2000s (which combined a ‘gateway’ period of intensive adviser support with a series of ‘options’ around subsidised employment, volunteering and training), then the Flexible New Deal in the late 2000s, the Work Programme in the 2010s and now the Restart Scheme which launched in July 2021. There is only limited data so far available on Restart, but we know that around **230 thousand people** started the scheme in its first nine months³.

These latter programmes drew on contracted-out providers using ‘payment by results’ contracts, and evaluations of the New Deal programmes and Work Programme found statistically significant positive impacts for participants (with the Work Programme evaluation finding that it reduced benefit receipt and increased employment overall, and more than paid for itself in fiscal terms (Kay and Marlow, 2020).

Support for those further from work

This relative success in reducing claimant unemployment led in the mid to late 2000s to an extension of support (and often obligations) to those on benefits but not looking for work, and in particular to lone parents, disabled people and those with health conditions. However while some aspects of this were successful (most notably the New Deal for Lone Parents (see Evans et al., 2003)), others had little or no impact (particularly the Pathways to Work programme for those with health conditions (see Knight, G. et al, 2013)) and there has been growing evidence that the negative consequences of conditionality and sanctions for many of those further from work has outweighed any potential benefits (Dwyer, P et al., 2018; Hale, 2014).

These issues around the effectiveness of support from those further from work have contributed to reductions in DWP funding overall for contracted-out specialist provision, with the Work and Health Programme supporting around **40,000 disabled people per year** between 2018 and 2022, and the Intensive Personalised Employment Support (IPES) programme for disabled people benefiting around **6,000 people since December 2019** (British Association for Supported Employment⁴).

This increasingly narrow focus in national provision on those on benefits and required to look for work means that many of those who most need help to prepare for or find work can miss out. As set out in Chapter 2, this is a particularly acute challenge now, with higher worklessness among older people and those with long-term health conditions. There is also limited support within the current system for those in work who would like to change jobs because they want higher pay, to develop and use higher skills, to work different hours, or because they are at risk of redundancy (and current plans to extend Jobcentre Plus support to those in work will in effect extend ‘work first’ conditionality to the lowest paid on Universal Credit).

To some extent, local areas and partnerships have tried to plug these gaps through their own commissioning, and in particular through programmes funded by the European Social Fund (ESF). The last ESF funding round, covering 2014 to 2020, provided around €3.5 billion for employment support – with this funding targeted primarily at supporting those further from work (and usually not on benefits) (NAO, 2021). However with the final ESF projects now closing, alongside delays in the Shared Prosperity Fund which will replace it, funding and provision overall for those further from work is in decline even as worklessness rises.

3 Set out in answer to a Parliamentary question in May 2022: <https://questions-statements.parliament.uk/written-questions/detail/2022-05-10/232>

4 BASE issued a Freedom of Information request to DWP leading to the publication of IPES performance statistics. Available here: : <https://www.base-uk.org/news/ipes-performance-statistics>. [last accessed 19.10.22]



Conditionality and sanctions

Finally, as set out in the accompanying evidence report, the UK has among the strictest requirements on jobseekers in the developed world, which partly stem from the strong ‘work first’ focus of the UK system and partly from policy changes as benefits have been introduced and reformed. Most notably within Universal Credit, those in the Searching for Work group (around 1.5 million people) are expected in most cases to provide evidence that they have looked for work for the equivalent of a full working week, as well as that they have applied for suitable jobs and not turned down work.

Universal Credit also increased the severity and duration of sanctions – with sanctions typically reducing benefits by £60-80 per week and lasting for between a month (for a first sanction for failing to be available for work) and six months (for twice being sanctioned for failing to apply for or take up a job). Sanction rates have also significantly increased, after being largely disapplied entirely during Covid-19 lockdowns. By early 2022, around 50 thousand people on Universal Credit were being sanctioned every month, with over 100 thousand under sanction at any point in time.

Jobcentre Plus work coaches are responsible for monitoring compliance and referring individuals for sanction; and the combination of strict requirements and high levels of sanctions can undermine relationships and trust between work coaches and claimants (Phillips, 2022). There is also growing evidence that the incidence and severity of sanctions has caused significant harm for those families affected and has contributed to higher poverty and destitution, poorer wellbeing and less secure employment (Dwyer, P et al., 2018; Hale, 2014; Griggs and Evans, 2010). And more generally, the focus on rapid job entry under threat of sanction can lead to poor quality job matches, job insecurity and higher turnover in work, which in turn may be contributing to pay inequalities and weaker productivity (Batty et al., 2015 ; Finn, 2015; Work and Pensions Committee, 2014; NAO, 2016; Harrison, 2013).

Box 4.1: Use of contracted-out employment services

Alongside Jobcentre Plus provision, the DWP commissions employment support services through for-profit and not-for-profit providers.

The three main advantages of this contracted model are: improved access to specialist services that might be too expensive for Jobcentres to provide; greater flexibility to adjust the scale of employment support services to respond to rising or falling levels of unemployment and changing government priorities; and an opportunity for innovation and a means to benchmark quality and cost effectiveness of Jobcentre provision (Finn and Peromingo, 2019).

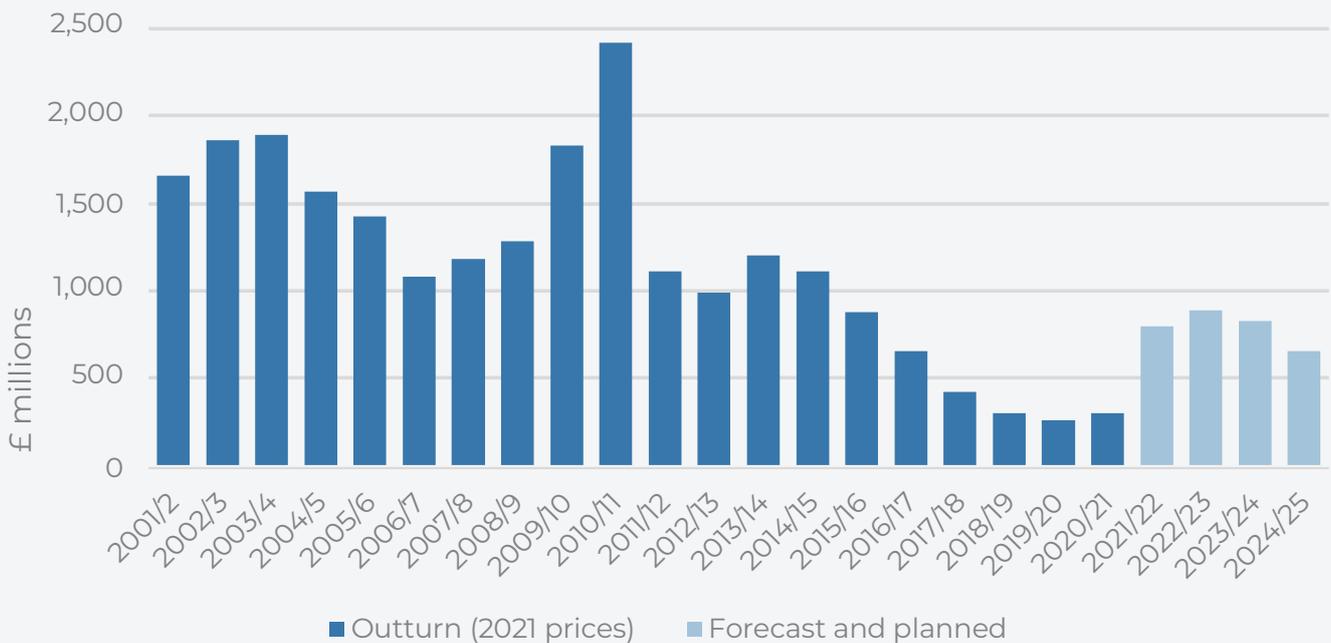
However, there are disadvantages to contracting out employment support, which

require careful management to avoid unintended consequences. For example, the balance between payment-by-results and upfront payment to cover running costs needs to be right to avoid disincentives to providing more complex, costly support to those with greater barriers to work.

Many of these tensions have been exemplified in the Work Programme, which was a large-scale programme supporting long-term unemployed claimants of Jobseeker’s Allowance as well as claimants of income support and incapacity benefits with long-term health conditions. Evaluations of the implementation of the Work Programme found that the payment-by-results model encouraged ‘procedural innovations’ to deliver services more efficiently and at lower cost, but may have inhibited more far-reaching innovation in supporting those further from work (where the benefits may be uncertain and the costs significant). There were also signs that the payment model led to providers being more selective in how they targeted support and may have led to those furthest from work receiving less support as they were less likely to achieve job outcomes (Lane et al., 2013; Newton et al. 2012). Nonetheless however, its impact evaluation found that overall the programme led to on average lower benefit receipt and higher employment among participants than a comparison group, and that for every £100 million spent there were at least £150 million in fiscal and economic benefits (Kay and Marlow, 2020).

Figure 3.3 below shows how spending by DWP on contracted-out programmes has evolved over time. Spending is broadly counter-cyclical – rising when unemployment is higher – but was in long-term decline through the 2010s both as unemployment fell and as support from those further from work was reduced. (It should be noted that this graph excludes grant-based funding during the pandemic, where around £750 million was disbursed through grants to fund temporary jobs for unemployed young people through the Kickstart Scheme.)

Figure 3.3: DWP spend on contracted-out employment programmes, 2001/2-2024/5 (£m)



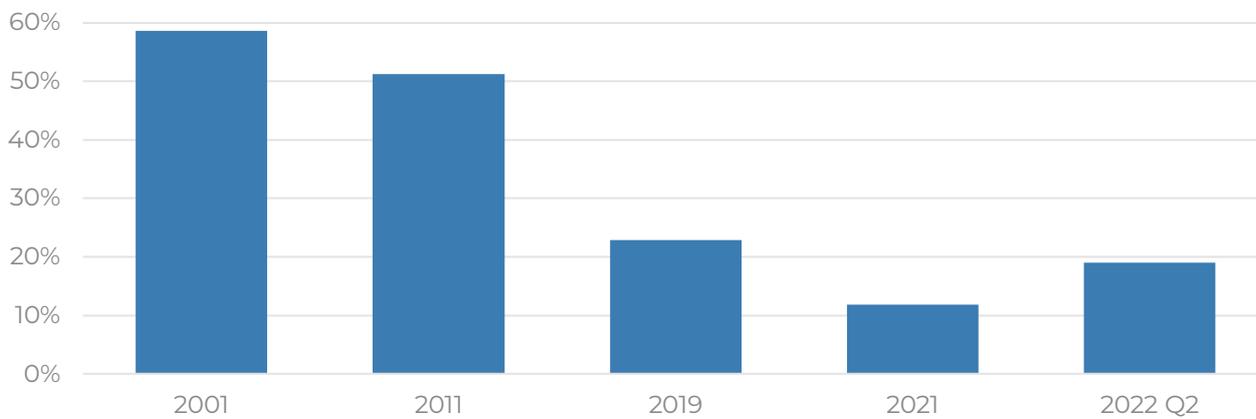
Source: DWP annual reports and accounts. Data to 2020/21 is shown in 2021 prices

3.2.2 Use and views of Jobcentre Plus among those seeking work

In order to further understand how Jobcentre Plus is used and viewed by those seeking work, we have analysed the Labour Force Survey (LFS) and conducted public polling of 4,535 people⁵.

The LFS analysis sought to explore changes in the use of Jobcentre Plus over last two decades. This analysis was restricted to the unemployed as very few (less than 1%) of those economically inactive or in work reported using Jobcentre Plus as a jobsearch method. Most notably, our analysis finds that there has been a precipitous fall in the share of unemployed people who report having visited Jobcentre Plus as a method of looking for work – from nearly three fifths in 2001 to just under one fifth now (second quarter of 2022). The graph also includes data for 2021, to illustrate the effects of the pandemic on jobseeking (where Jobcentre Plus use fell to just one in eight of the unemployed).

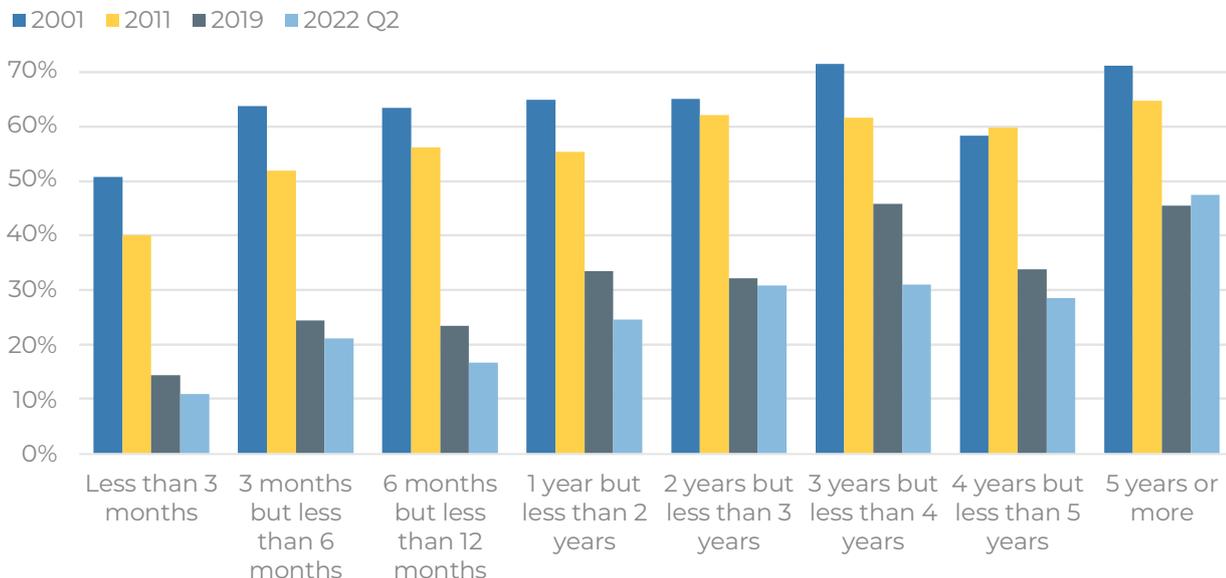
Figure 3.4: Proportion of unemployed who reported visiting Jobcentre Plus to look for work



Source: IES analysis of Labour Force Survey

Figure 3.5 then looks at use of Jobcentre Plus by duration unemployed. This shows that usage of Jobcentre Plus increases as durations increase. Even in 2001 just half of the newly unemployed reported visiting Jobcentre Plus, while two thirds or more of the long-term unemployed did so. However, the falls in Jobcentre Plus usage have been across durations – with use nearly halving between 2001 and 2019 for those unemployed for a year or more, and then falling further in the aftermath of the pandemic.

Figure 3.5: Proportion using Jobcentre Plus as jobsearch method by duration unemployed



Source: IES analysis of Labour Force Survey

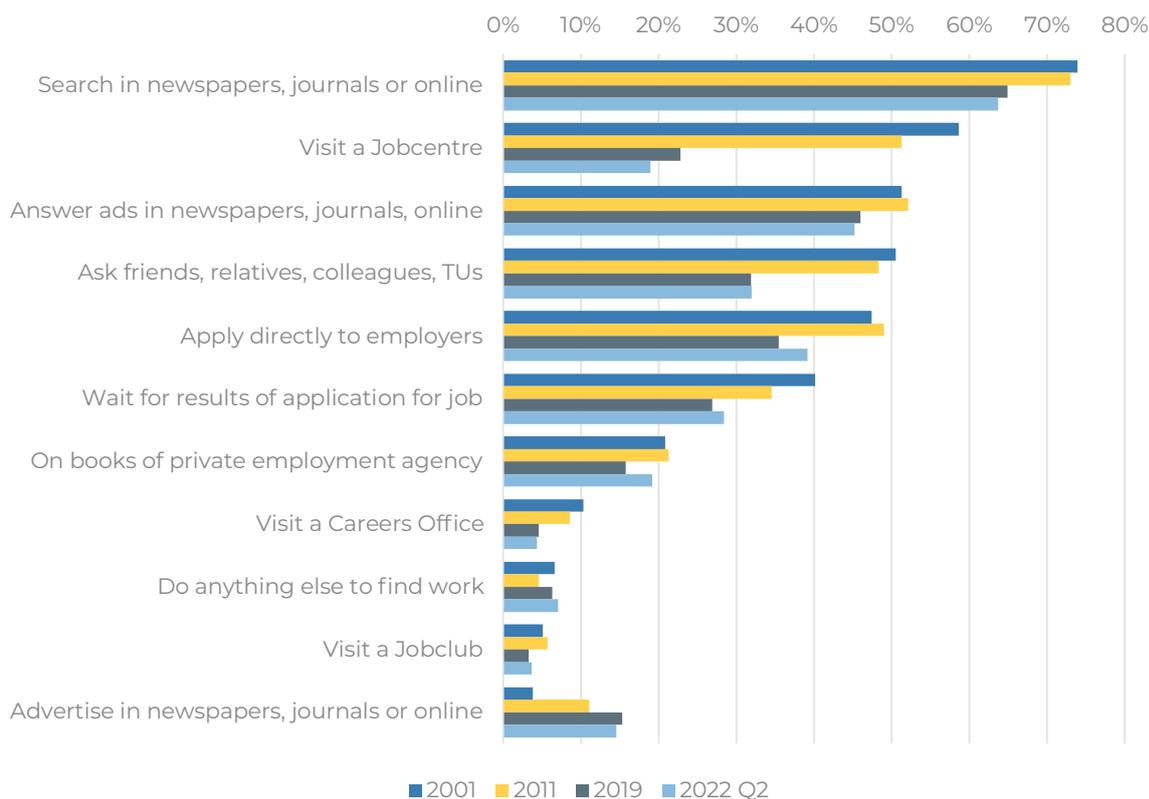
5 Figures are from YouGov Plc. Total sample size was 4535 adults, of whom 1852 sought a job since 2020. Fieldwork was undertaken between 23rd - 27th September 2022. The survey was carried out online. The figures have been weighted and are representative of all GB adults (aged 18+).

Analysis by age groups found that those aged under 35 were slightly more likely to use Jobcentre Plus than those older, but that falls in use have been greater among younger people – with for example one in seven of those aged 16-24 using Jobcentre Plus, compared with nearly one third of unemployed people aged 55-64. (Analysis by ethnicity and for disabled people found very small and often insignificant differences between groups, and found that falls in use were consistent across groups.)

In part, these large falls in the use of Jobcentre Plus reflect a concentration of jobsearch effort in fewer methods generally over the last two decades. However, more detailed analysis of different search methods used (Figure 3.6) shows that falls in Jobcentre Plus use have been much greater than for any other method – with the only decline of a similar scale being in the use of careers offices and from a much lower base.

The data also give clear signs of the growth of online jobsearch – with self-advertising more than trebling between 2001 and 2022 (which is an approach commonly used on jobsites) and word of mouth (asking friends, colleagues etc) falling by about a third. Unfortunately the two most common current methods (searching for and answering adverts) don't distinguish between using newspapers/ journals versus online, but the fact that these have largely held up will likely reflect an underlying shift from physical to virtual jobsearch.

Figure 3.6: Methods used to search for work among unemployed



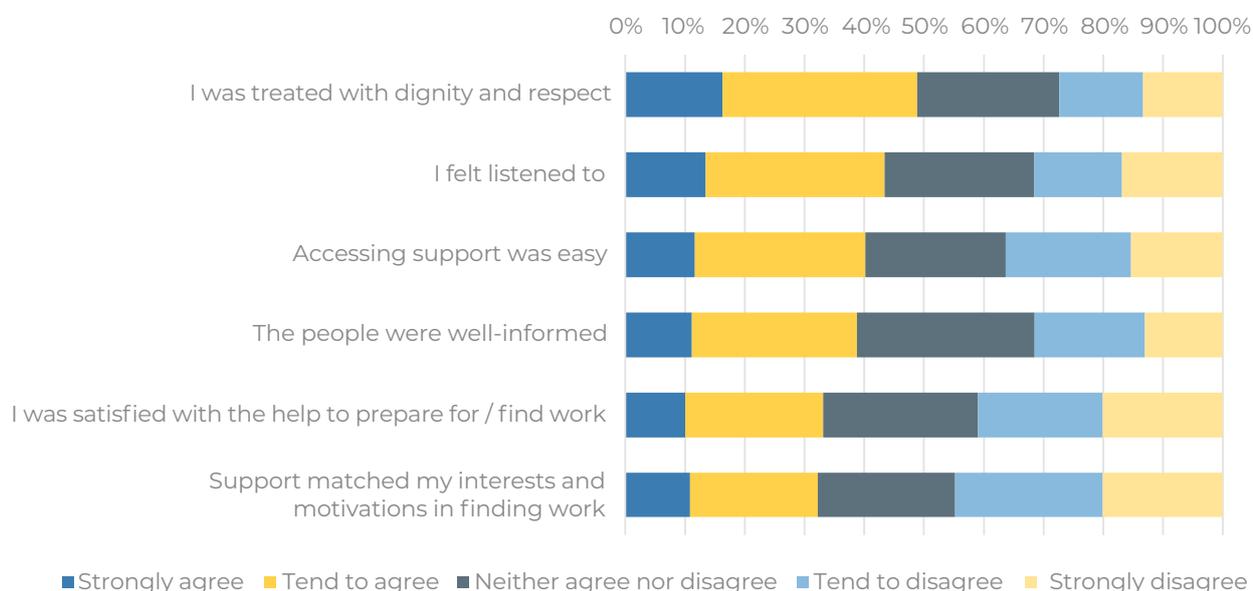
Source: IES analysis of Labour Force Survey

One factor that could be contributing to this large decline in use of Jobcentre Plus could be the precise wording of the question in the LFS, which asks about visiting rather than using the service. So the fall could be disguising greater support from Jobcentre Plus online, if respondents answer it literally. In order to test this, in our public polling we asked over 4,500 people whether they had searched for work since 2020. Of those, 43% stated they had done so and were subsequently asked if they had

used Jobcentre Plus. This found that among those who had searched for work (1,852 of the sample), just **13%** had used Jobcentre Plus services. This rose to **30%** amongst those unemployed (105 respondents), so a figure somewhat higher than those reported in the LFS but still substantially below any other major method of jobsearch.

Those polled who had used Jobcentre Plus were also asked for their views and experiences of using it. On the whole, experiences were more positive than negative. People were more likely to agree than disagree that they were treated with dignity and respect (47% agree), that they felt like they were listened to by the person they spoke to (42%), that accessing the support was easy (39%), and that staff were well informed (37%). However, views of the help to prepare for and find work were less positive – with just under a third (32%) agreeing that they were satisfied with this help or that it matched their motivations and interests (31%); while two fifths or more disagreed. Furthermore, for every statement, a sizeable minority of users strongly disagreed (at least 12% for each, rising to almost one in five (19%) on views of actual support to find work). This is shown in Figure 3.7 below.

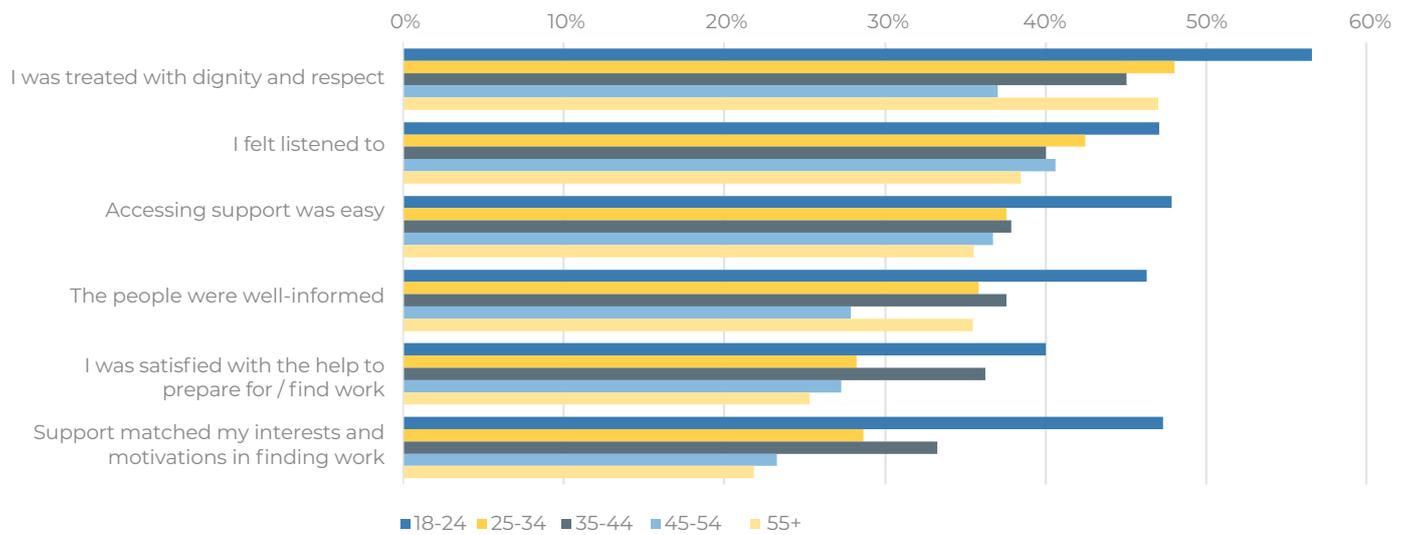
Figure 3.7: Views of Jobcentre Plus support among users, looked for work since 2020



Source: YouGov polling for Commission on the Future of Employment Support, 23-27 September 2022. Excludes those who answered Don't Know. Base: 547 respondents.

Looking at views of Jobcentre Plus support by age, across all areas responses were most positive among young people (those aged 18-24) and least positive among older people (those aged 45 and over). In particular just a quarter (25%) of those aged 55 and over agreed that they were satisfied with the help provided to prepare for / find employment, and even fewer (22%) agreed that it matched their motivations or interests. However they were more likely to agree that they were treated with dignity and respect (47%) than those aged 35-54 (37%). Those in their late 30s and early 40s however were generally more likely than other age groups (except for under 24s (40%)) to be satisfied with the support received (36%).

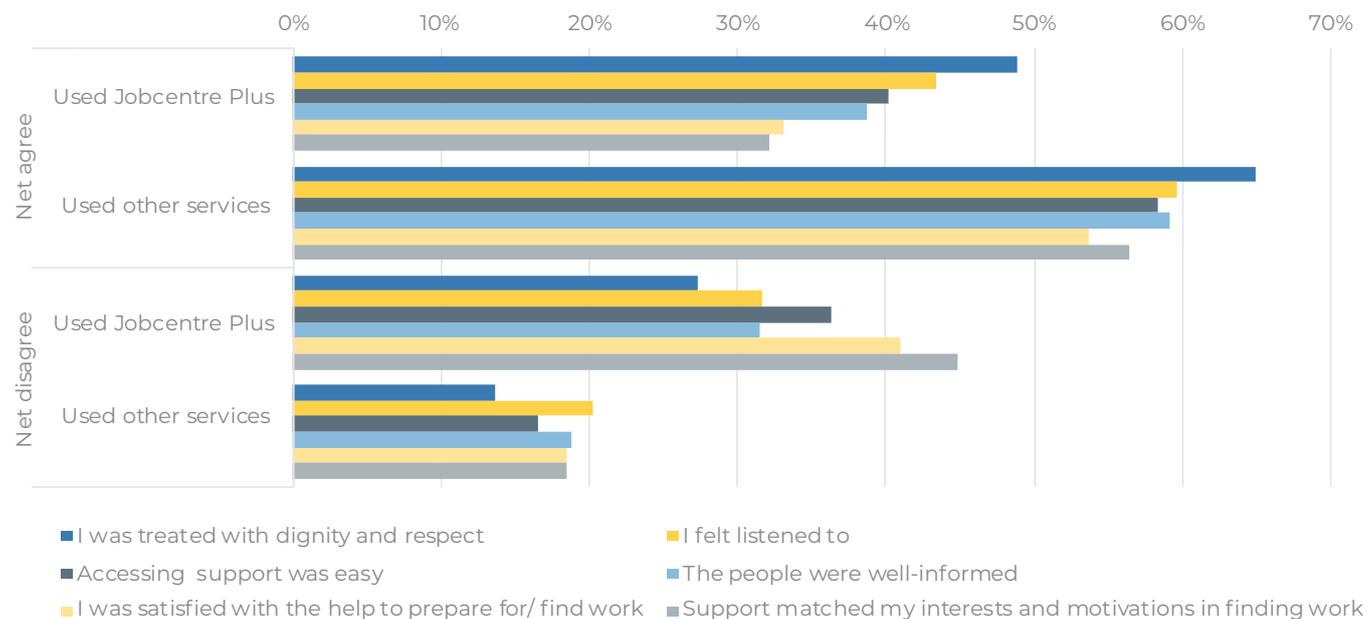
Figure 3.8: Views of Jobcentre Plus support by age, looked for work since 2020 – proportion either agreeing or strongly agreeing



Source: YouGov polling for Commission on the Future of Employment Support, 23-27 September 2022. Excludes those who answered Don't Know. Base: 547 respondents.

Finally, we also asked the same questions to people who used other support services (for example recruitment agencies or employment programmes). The numbers here were somewhat smaller than for Jobcentre Plus, but as Figure 3.9 shows the views of these other services were generally significantly more positive. For example around three fifths agreed they felt listened to (60%), that the staff were well informed (59%) and they could access the support easily (58%); compared with two fifths in Jobcentre Plus (43%, 39% and 40% respectively). Further, more than half were satisfied with the support received (54%) and felt it matched their interests (56%), compared with one third in Jobcentre Plus (33% and 32% respectively). And across nearly every indicator, users of Jobcentre Plus were around twice as likely to disagree or strongly disagree with statements compared with users of other services..

Figure 3.9: Views of employment support – Jobcentre Plus compared with other services, looked for work since 2020



Source: YouGov polling for Commission on the Future of Employment Support, 23-27 September 2022. Base: 547 respondents for JCP, 238 for other services. Excludes those who answered Not Applicable or Don't Know.

3.2.3 Working with employers

Employment services' support for employers in Britain is relatively limited. This is largely the responsibility of Jobcentre Plus and provided free of charge, and includes:

- A recruitment support service (for example help to draft job specifications and plan recruitment campaigns) delivered by Employer Advisers within each Jobcentre Plus District and by a national employer support team for large-scale national employers;
- A digital vacancy advertising service; and
- A national telephone support line (Finn, 2015).

However, research has indicated that Jobcentres are not adequately resourced to undertake employer engagement and business development activities and that work coaches often do not have time for employer-facing activities (Ingold et al., 2017).

Further, there is some evidence that the Jobcentre system's focus on work-first and mandation may encourage people to apply for jobs that they are ill-suited to in terms of skills and motivations (Work and Pensions Committee, 2017; Dwyer, 2018). This is then viewed negatively by employers, who are required to manage relatively high volumes of unsuitable applications and likely to be a significant barrier to SMEs engaging with Jobcentre Plus (Phillips, 2022; Ingold, 2020).

Employers are also supported through contracted-out employment services, like Restart and the Work and Health Programme, but the complexity of this picture for employers – with providers covering different areas, as well as providers of different programmes covering the same area – can make it hard for employers to know where to go or how to access help (Phillips, 2022; Ingold and IEP, 2020). Providers are now working together to address this, in particular with cross-programme partnerships for engaging and supporting employers developed in the Work and Health Programme and now being extended further in Restart.

Use and perceptions of Jobcentre Plus among employers

This Commission has also polled employers to gauge their views on current support needs and on the suitability of Jobcentre Plus to meet those. In total 537 employers were polled between 22 and 29 September.⁶

First, employers were asked to select the top three workforce issues that they currently needed help or support with from the list provided. Unsurprisingly, these tended to be around costs of living, labour and skills shortages, and staff retention – with the costs of living crisis now the top issue that employers want advice and support on (cited by 37% of all HR decision makers surveyed), followed closely by finding staff with the right skills and experience (35%), then retention (30%) and tackling labour shortages (29%). This emphasises both how far costs of living are now occupying employers' minds; and that the current tight labour market is not simply a story of unfilled vacancies and labour shortages – high turnover and skills shortages are at least if not more important. It is also noteworthy that of these four issues, our current employment services only really provide help with one: filling vacancies.

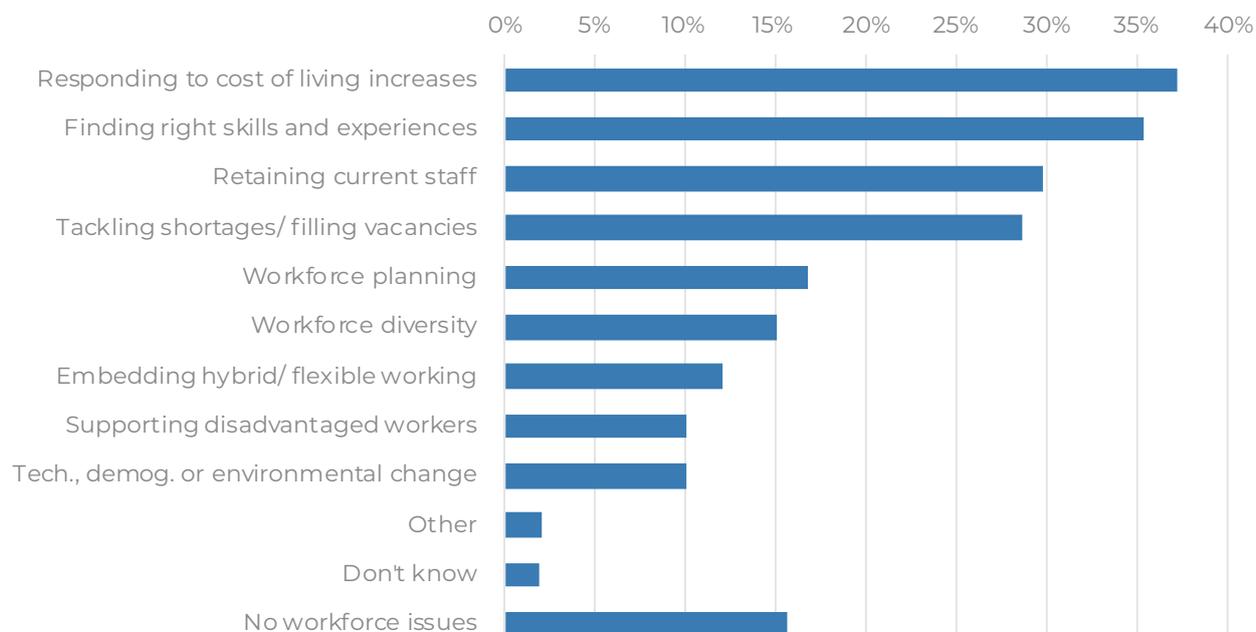
Scores for other potential issues were far lower, with for example around one in six citing workforce planning (17%) and workplace diversity (15%) as key issues, and one in eight listing hybrid working (12%). Hybrid was generally more of an issue for larger employers than smaller (20% vs 7%), and so the low proportion overall citing this in part

⁶ Figures are from YouGov Plc. Total sample size was 672 HR Decision Makers. Fieldwork was undertaken between 22nd - 29th September 2022. The survey was carried out online.

reflects the fact that firms are more likely to be small than large.

There were some notable differences by industry too, with hospitality and leisure employers more likely than average to be reporting issues around labour shortages and filling vacancies (40%), retention (40%) and accessing high-quality candidates with the right skills and experiences (46%); and construction firms more concerned about workforce planning and skills shortages.

Figure 3.10: Top workforce issues that firms want help with



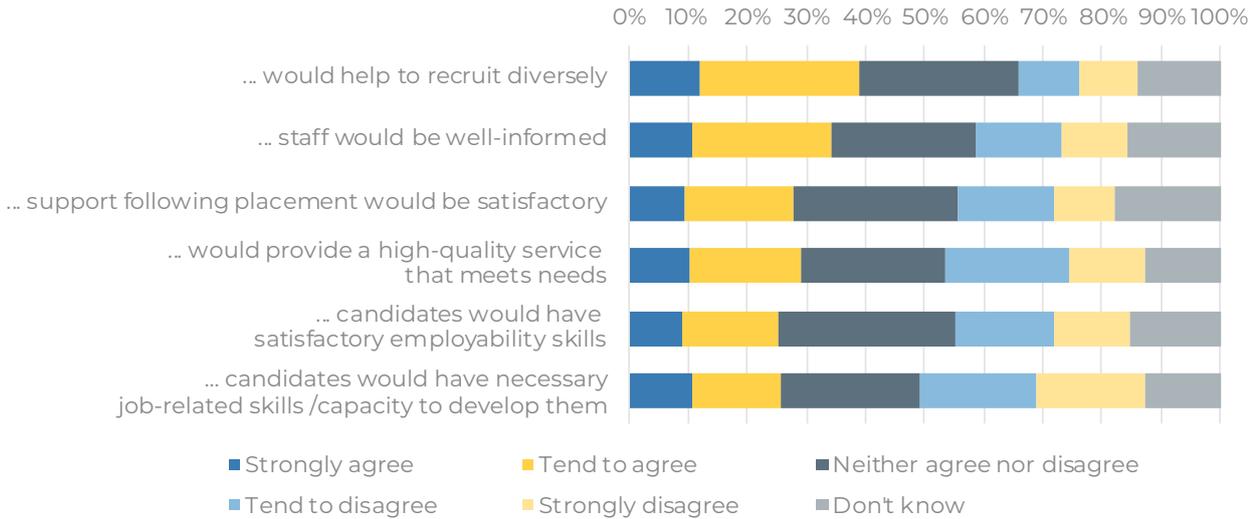
Source: YouGov polling for Commission on the Future of Employment Support, 22-29 September 2022. Respondents could list up to three issues. Base: 537 respondents.

Employers were then asked whether they used Jobcentre Plus currently or had used it in the past. Perhaps unsurprisingly, very few employers indeed reported that they were currently using Jobcentre Plus – just **8%** – while a further **10%** were not currently using Jobcentre Plus but had done so in the last two years. Most employers (**57%**) reported never having used Jobcentre Plus. Jobcentre Plus was more likely to have been used by large employers in the past two years (around a quarter (23%) of all employers with 250 staff or more) and among firms in construction (34%) and retail (25%) (although response sizes by industry and Jobcentre Plus usage were relatively low).

All respondents were asked about the extent to which they felt that Jobcentre Plus would meet their needs if they were to use it in future – around recruiting staff with the right skills, providing a high-quality service and supporting a diverse workforce. Overall, as Figure 3.11 sets out, views of Jobcentre Plus were more negative than positive around candidates having the right skills (job-specific or employability skills) and staff providing a high-quality service – with fewer than a third of employers agreeing with these statements. Views were much more positive around staff being well informed, and that candidates would be from diverse backgrounds (including gender, age, disability, ethnicity and class). In each case a quarter or fewer employers disagreed with these statements.

It should be noted however that a significant proportion of employers said that they were either neutral or did not know (typically two fifths of respondents for each statement). This likely reflects the high proportion who have never used Jobcentre Plus or not used it in recent years.

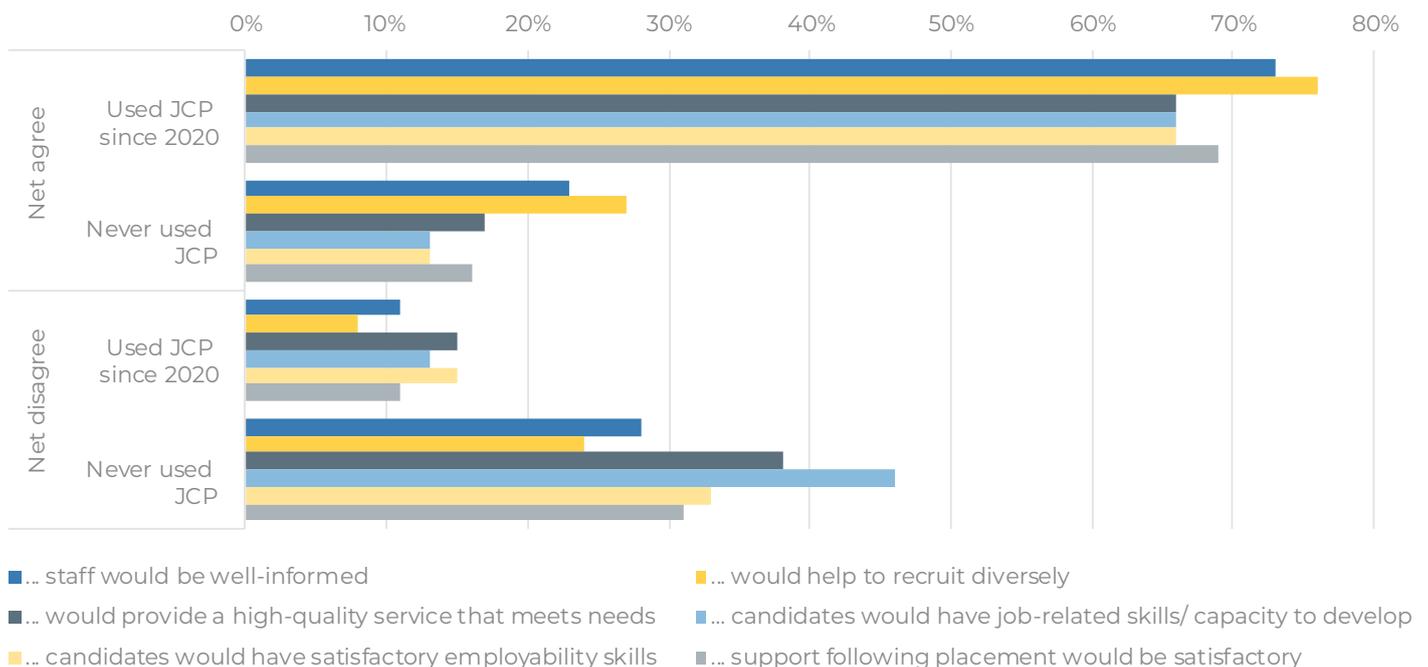
Figure 3.11: Extent to which employers agree or disagree that Jobcentre Plus...



Source: YouGov polling for Commission on the Future of Employment Support, 22-29 September 2022. Respondents could list up to three issues. Base: 537 respondents.

Importantly though, views of Jobcentre Plus were far more positive for those employers who had used the service in the last few years compared with those who have never used it. As Figure 3.12 below sets out, among those that had used Jobcentre Plus in the last two years at least two thirds either agreed or strongly agreed with every statement. Fewer than one in six disagreed or strongly disagreed. Overall these firms comprised just under one fifth of those polled, and inevitably many of them will be firms that have actively sought out Jobcentre Plus because of the areas, roles or needs that they are recruiting in to. Nonetheless the very high positive scores suggests that firms that use Jobcentre Plus are generally happy with the services that they receive, and that there would be benefits in improving take-up of Jobcentre Plus services among firms. It also suggests that there are strengths in the Jobcentre Plus offer for employers that could be built upon.

Figure 3.12: Extent to which employers agreed or disagreed – those that have used Jobcentre Plus since 2020 compared with those that have not



Source: YouGov polling for Commission on the Future of Employment Support, 22-29 September 2022. Base: 99 respondents used JCP, 304 respondents not used JCP.

3.2.4 Partnership working

DWP and Jobcentre Plus can play an important role in local partnerships, with notable examples of effective partnership working during the pandemic in the rollout of Youth Hubs to co-locate and join up support; the delivery of the Kickstart scheme, again for young unemployed people; and the implementation of Sector-Based Work Academies, joining up Jobcentre Plus employment support with pre-employment training and work placements. However, this partnership work is often relatively light touch and can be inconsistent – especially when compared with approaches overseas where there is stronger local governance across economic development, employment and skills, and where the employment service can play a central co-ordinating and delivery role (Wilson et al., 2017; Orlando and Wilson, 2022).

This is partly a consequence of the highly centralised model for employment services in Great Britain, described at the start of this Chapter, but it is not an inevitable one. It reflects also limited resourcing for partnerships – with Jobcentre Plus Districts covering very large geographies and having generally small teams for partnership working – and the fact that Jobcentre Plus effort tends to be focused on those claiming benefits and required to search for work, with comparatively little scope to flex resources to other local economic or social priorities. This is despite the evidence of substantial variations in local labour markets and skills challenges in different areas of the UK (Wilson and Williams, 2022) and international evidence that employment support works better when it is tailored to the needs of local places (Finn and Peromingo, 2019; Finn, 2015 and 2016; Froy and Giguère, 2010).

Nonetheless it should be noted that this picture is somewhat different in the devolved nations, where there is often more scope to commission services and align support, and increasingly in combined authorities in England too, as Box 4.2 sets out.

Box 4.2: Employment support and devolved government

Powers on employment support and social security are largely 'reserved' for the Westminster government. However there are some exceptions to this. In particular in **Northern Ireland** policy responsibility for both employment and welfare is devolved, but with an expectation of broadly mirroring the UK approach. In practice this has meant that Northern Ireland rolled out a network of Jobs and Benefit Offices over the decade following the introduction of Jobcentre Plus in Britain; has the same rules around benefit conditionality; took a similar approach to the British New Deal for the longer-term unemployed during the 2000s and early 2010s, and introduced Universal Credit (albeit with some modifications). However it has also diverged on a number of aspects of employment support – particularly around support for disabled people and those with health conditions and more recently in the design of support for the long-term unemployed.

In **Scotland**, the Scottish Government has had devolved responsibility for employment support for those further from work since 2017. After an initial transitional year, the government has delivered this through Fair Start Scotland – a contracted-out programme with voluntary participation, supporting disabled people and the long-term unemployed and aiming to support around 40,000 people over four years.

Wales does not have similar devolved powers, but in common with both Scotland and Northern Ireland it does have responsibility over education, skills and careers policy, as well as for the European Social Fund when this was available. This has enabled all three nations to tailor support in these areas to local political and economic priorities, and in Wales has enabled the introduction of Working Wales to provide information, advice and guidance to those looking for a job, skills or a change in career; and the Communities for Work programme, delivering targeted employment support for those further from work and economically inactive through local partnerships.

Notably however, while the three nations had devolved responsibility for the European Social Fund, the UK government has decided that for the successor scheme (the Shared Prosperity Fund), funding will be reserved to Westminster in both Scotland and Wales – meaning that they will not be able to tailor funding to reflect their priorities and will have only a limited ability to influence it (with local councils and partnerships instead likely bidding for those funds).

Within England employment policy is fully the responsibility of DWP, but in two areas (Greater London and Greater Manchester) the commissioning and oversight of the Work and Health Programme was devolved (with those areas also able to make minor changes to the design of the programme). In addition, the Combined Authorities and Greater London now have devolved responsibility for adult skills funding and so are increasingly using this (alongside 'deals' on specific devolved programmes) to try to better adapt employment and skills services to local/ city region needs.

Previous reviews have highlighted in particular a poor record on alignment and co-ordination of employment support with skills and careers services, which is in turn likely contributing to issues around how effectively services can meet labour demand and respond to changing needs (Phillips, 2022; Finn and Peromingo, 2019; Wilson et al., 2017). For example within England, work for the Local Government Association has identified 49 separate national employment and skills related schemes or services spanning economic development, employment, skills and careers, spending approximately £20 billion and accountable ultimately to five different Secretaries of State (LGA, 2022). This complicated landscape of programmes, funding rules, boundaries, reporting lines and eligibility criteria is complicated to navigate, confusing for citizens and employers, and leads to risks around fragmentation, duplication and gaps in provision (Phillips, 2022; LGA, 2022; Finn and Peromingo, 2019; Simmonds 2012).

For example, in relation to careers guidance, each UK nation has its own national careers service, separate to Jobcentre Plus, with the English National Careers Service (NCS) delivered by contracted prime providers commissioned by the Education and Skills Agency. The expectation is for strong partnership working in local areas, but in practice the quality of these partnerships varies considerably and can lead to gaps in service and a failure to ensure that all those who need it have access to timely, high quality careers information and guidance (and flowing the other way, there is in effect no ability for the NCS to refer people to Jobcentre Plus where they may need job matching and brokerage support) (CDI, 2022). Indeed, the very narrow focus for Jobcentre Plus support has increasingly led careers services in England, Scotland and Wales to in effect start offering job preparation and jobsearch support, which adds to confusion and overlaps within the system.

Effective partnership working can also enable employment support to better reach people who are out of work, and to enable them to address wider factors that could make it harder to return to work. For example health services, social landlords and children's services have all been effective ways to engage people who are not in touch with mainstream employment support; while addressing needs around childcare, transport, language and literacy, housing and health can all make a difference in support returns to work. There have been many examples of good practice in all of these areas over the years, particularly through European Social Fund and locally funded provision, but also a lot that the UK can learn from other countries in the role that public employment services can play in leading and co-ordinating this work.

The devolved nations however do provide important pointers for how employment services could work differently in partnership with other services across local areas, and within the broad institutional set-up for employment support that currently exists. In Scotland for example, the No-One Left Behind approach has put in place Local Employability Partnerships in every local authority, bringing together local government, Skills Development Scotland, DWP, colleges and key delivery partners to co-ordinate activity, tailor support and influence commissioning and delivery. While in Northern Ireland, the government intends to put in place local Labour Market Partnerships in each of the eleven council areas to co-ordinate across services and – crucially – to oversee commissioning of local employment support for those further from work. Each of these approaches could be a blueprint for partnership working and devolution in England too.

3.3 International trends and lessons

Finally, the approaches taken in other countries also provide a range of lessons for how the UK could improve its approach to the design and delivery of employment services.

Most notably, many countries make much more effective use of **partnership working** in employment services, often alongside a higher degree of **devolution and decentralisation** of service delivery to more local levels of government. In Canada, the Netherlands and the USA for example, lower tiers of government have taken on responsibility for designing and organising benefits and employment support programmes, financed through block grants from central government. In Germany, public employment service reform led to the creation of new local partnerships between the employment services and municipalities (Finn, 2015; LGA, 2017; Finn 2016). And in each country, evaluations show that decentralisation contributed to reductions in caseloads and increases in employment (although there are contending views on the quality of the outcomes secured) (Finn, 2015).

However, there are a range of further areas where we want in this commission to learn from approaches taken overseas, for example on:

- **Career management and navigation** – where many employment services are developing a greater focus on how to help people navigate the changing world of work, and improve links between employment, careers and skills support;
- **Employer engagement** – where others are doing more on co-ordinating activity across industries and within places; actively recruiting and engaging employers; developing new (online) tools to help match demand and supply, particularly for shortage vacancies; and offering services beyond just vacancy handling and job brokerage;
- **Raising participation** – with many countries doing more than the UK to engage people outside of the labour force in order to respond to labour shortages and demographic change;
- **Technology** – where the UK has significantly invested, but other OECD countries are making increasing use of artificial intelligence and machine learning to support job matching, tailoring of support and service modernisation;
- **Local service integration and alignment** – particularly through the use of ‘one stop shops’ that bring together employment support and other services and are increasingly common in other countries; and
- **Effective social partnerships** – where trade unions, employer bodies and employment services work in co-operation around job placement, workplace support and workforce planning and development.

We would be keen in the Call for Evidence to hear views on what the UK can learn from other countries in all of these areas and more.

3.4 Conclusion

Employment support plays a key role in raising participation in work and supporting fair and decent work. The UK model has helped to support high employment and low unemployment, but our highly centralised approach, its reliance on ‘work first’ and its narrow focus on unemployed benefit claimants means that it is struggling to address the challenges now facing the labour market – and could in fact be exacerbating them. This manifests itself in particular in issues around fragmentation of support and services, inconsistent approaches to partnership working, and limited resources to join up effectively locally.

Our research also finds that most unemployed people do not use Jobcentre Plus (with negligible take-up among the economically inactive), and that those who do use Jobcentre Plus are generally positive about how they are treated but negative about the support received to find work. The vast majority of employers also do not use Jobcentre Plus and do not expect that it would meet their needs – although those that do use it tend to have very favourable views of the staff, services and support.

Looking ahead, there are clear strengths that we can build on, both within Jobcentre Plus and across the wider landscape of services across the four nations of the UK that are working to support employment, economic development and social inclusion. There is also a deep well of good practices overseas that are grappling with similar issues and developing different approaches to supporting people, reaching employers and working in local partnerships



4: Taking this forward - the Call for Evidence

4 Taking this forward – the Call for Evidence

This first launch report of the Commission on the Future of Employment Support has sought to set out some of the key challenges and opportunities that we are facing in the labour market; how we compare with our international peers; and the role that employment support and services play. We believe that over the next eighteen months we have an unrivalled opportunity to develop evidence-led proposals that can seek to meet these challenges and opportunities, and can help achieve full employment in decent, secure and rewarding work.

However we need your help to do this, and want now to hear your views through a Call for Evidence that is available at <http://www.bit.ly/call-for-evidence> and will be open until **Monday 30th January 2023**.

The Call for Evidence is structured in five areas as follows, drawing on key themes and issues identified in this report. For each section, we have set out a number of questions where we would particularly welcome evidence and views.

4.1 The role of employment support

- How can employment support better help people who want jobs to find the jobs that want people?
- Should public funds be used to provide employment support to people who are not on benefits? If so, do you feel that this support should be different in any ways, and if so how?
- Some groups are disadvantaged in the labour market. This includes disabled people and those with health conditions; ethnic minority groups; older workers and younger people; single parents; refugees and migrants; and those with low qualifications. What needs to be done to improve labour market outcomes for these groups?
- How well does the current system incentivise work and help remove barriers to work?
- Does the current system disincentivise people to work, and if so how?
- What role should employment support play in tackling low pay and job insecurity, and supporting progression at work?
- How can employment services best support skills development and career management? What works well within the current system and what needs to change?
- How well do you feel that people understand the support and services that may be available to them? What if anything could be done to improve awareness and understanding?

4.2 Employers

- How well does the current system work with employers?
- What support do employers want and need, and how should this be delivered? How could services work better across sectors, and/ or within places?
- What examples of good employer practice are there in relation to recruitment, retention, job quality, design and progression?

- Is there a role for employment services in supporting employer investment in skills? What would good practice look like?
- How well do you feel that employers understand the support and services that may be available to them? What if anything could be done to improve awareness and understanding?

4.3 Structure and governance

- How should employment services and support be organised – at what levels and in what parts of government should responsibility for funding, policy and delivery sit?
- Some publicly funded employment services are ‘contracted out’ to providers (both for-profit and not-for-profit). How effective is the current role, structure and composition of the ‘contracted out’ market? Should there be any changes?
- Within the current system, how well-coordinated are employment support, skills and training, careers information and guidance, and other public services?
- Should employment support and benefits administration continue to be delivered by the same organisation? If not, what would an alternative look like and how would any risks be managed?
- What role should Jobcentre Plus (and other employment support) play in monitoring compliance with benefit conditions? If this was not done by Jobcentre Plus, how should it be organised and managed?
- How should the performance and success of public employment support be measured?

4.4 Meeting future needs and opportunities

- How do we ensure that our approach to employment support can meet the needs of the 21st century – and in particular changes brought about by technology, home and hybrid working, population ageing, changing migration patterns and the transition to Net Zero?
- What are the opportunities for the UK to make more and better use of digital channels and technology to improve employment services and support?

4.5 Evidence, good practice and international examples

- What evidence does the Commission need to consider about what could work to improve employment support in the UK?
- What good practices are being taken forward across the four nations of the UK and internationally that could be build on?

Thank you. We would welcome responses to the Call for Evidence at any time before the closing date on Monday 30th January 2023. We would also welcome any supporting data, research evidence, practical examples or experiences, via the Call for Evidence or by email to commission@employment-studies.co.uk. If you are visually impaired and would prefer to contribute to this Call for Evidence in a telephone consultation with one of the research team, please contact commission@employment-studies.co.uk.

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