



WORK IN PROGRESS

INTERIM REPORT: EXECUTIVE SUMMARY

THE COMMISSION ON THE FUTURE OF EMPLOYMENT SUPPORT

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Institute for Employment Studies

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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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Commissioners

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Carmen Watson – Chairperson, Pertemps Network Group

Fran Beasley – former Chief Executive, London Borough of Hillingdon

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Executive Summary

This Commission has been established to develop 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. It was launched in November 2022 in partnership with abrdn Financial Fairness Trust, and in the first half of this year has been gathering evidence from a range of people who use employment services, deliver them and who have expertise in these areas.

This report presents our key findings and then sets out our plans for the next stage of the Commission's work. The hundreds of organisations and individuals who have engaged with this work have set out a compelling case for reform – to address the challenges that we are facing now but also to meet the opportunities for the future. We are hugely grateful to everyone who has contributed their time and expertise, and look forward to developing options for reform in the next stage of our work.

Context: the labour force and labour market are changing

We set out in our launch report how the UK is grappling with a range of challenges that have been made worse by the Covid-19 pandemic – including wide employment 'gaps' for disadvantaged groups, spatial inequalities, weak productivity growth, rising ill health and chronic underinvestment in our human and physical capital. Since then, many of these issues have come into even sharper relief. The UK remains **almost unique in the developed world in having more people out of work now than before the pandemic**, while **nearly three quarters of employers with vacancies report that they have jobs that they cannot fill**.

Looking ahead, major changes in our economy and society will accelerate these trends. New Census data shows that **there are nearly two million more people in their 50s and 60s than there were a decade ago** (the 'Generation X' children of the post-war 'baby boomers'), and around 100,000 fewer people in their 20s, 30s or 40s. As these changes continue, there will be fewer people of 'working age' supporting more people in retirement. **Thirty years ago there were four people aged 20-64 for every person aged 65 or over; but in thirty years' time this figure will have halved – to just two people**.

These changes present opportunities as well as challenges, but will lead to a slower rate of growth in the labour force in the next two decades than we have been used to in the past. Over the first two decades of this century, employment among those aged 20-64 grew by on average **250,000 a year**, helped by higher migration and Gen Xers. However, in new modelling for this Commission, we estimate that over the next two decades this will fall to just **70,000 a year** – barely a quarter of the rate that the economy has been used to until now. Put another way, **there are likely to be around 3.4 million fewer people in work in 2040 than there would have been if the trends of the last twenty years had continued**.

At the same time, our economy and labour market are facing transformational change. Even before the pandemic, the UK was forecast by 2030 to have **2.5 million more high-skilled jobs than there were people with high skills, and three million fewer low-skilled jobs than low-skilled workers**. Since then, these changes have if anything picked up pace – driven by advances in technology and artificial intelligence, the impacts of hybrid working, and our transition to a 'net zero' economy. All of these will place an even greater premium on having higher skills and risk further widening inequalities between places and groups.

The impacts of these changes – in our population, labour force and labour market – were raised as both risks and opportunities in our consultations. They emphasise that our approach to employment support cannot continue as if nothing is changing. We can no longer rely on employment growth alone to meet changes in the economy and to support higher living standards. We will need a new approach, that can support higher participation and productivity in work, address skills shortages, and reduce inequalities between places and groups.

What's working and what needs to change

Supporting people

We heard many examples of effective employment support for people out of work. We were told that things work best when there is local involvement in the design of support, services can be tailored to people's specific needs, there are effective partnerships in place with other services and with Jobcentre Plus, employers are engaged and involved, and individuals are empowered to make their own choices and decisions. We heard of examples that were commissioned by central and by local government, and delivered by different types of organisations, in different areas and for different groups including the long-term unemployed and those outside the labour force entirely (or 'economically inactive').

Nonetheless, many of these positive examples were often working in spite of significant institutional and practical barriers. Seven key themes came up:

- **The narrow focus of employment services.** Many of those who need or could benefit from support are unaware of it, unable to access it or not eligible – including most of those who are outside the labour force entirely, like people with long-term health conditions, older people who have given up looking for work, parents and students; as well as those in work who want to progress. New analysis by the OECD reinforces this, showing that the UK has the least well-used employment service in Europe.
- **Limited access to personalised support.** For those who do seek help, support is often not well tailored to individuals' needs. We heard that this was a particular issue for those more disadvantaged in the labour market like parents, disabled people, older people, disadvantaged young people and refugees and migrants.
- **An 'any job' mindset.** There was widespread criticism of the 'Any job, Better job, Career' mantra used in Jobcentre Plus, with evidence that this could be fuelling turnover in work, discouraging people from accessing support, and alienating those employers that engage with the system. It is also disempowering for jobseekers, focusing on meeting 'commitments' based on the quantity of jobsearch; rather than setting goals, making a plan and following it.
- **A focus on compliance and the threat of sanction.** Sanction rates have doubled since 2019. The evidence base for sanctions is weak, and we heard that the focus on compliance was undermining trust and pushing some people away from support. It also brings a significant 'opportunity cost': the mooted move to daily signing on for short-term unemployed claimants would likely tie up over 2,000 work coaches in activity that would make a vanishingly small difference to labour supply.
- **Poor co-ordination with skills and careers.** This has been a challenge for decades, but respondents emphasised its growing importance given changes in the labour force and economy. There was strong support for a more flexible and adaptable service for people through all stages of their working lives: combining high quality careers guidance, opportunities to reskill and support to find work.
- **Problems in navigating wider support.** We heard many examples of how a complicated and fragmented landscape of local support made it hard for services to join up effectively and for service users to be empowered to get the help that they need. We heard that this confusion and sometimes duplication could be demoralising and further discourage people from seeking help.
- **A lack of support for self-employment.** There has been little or no structured support available since 2021 for people seeking to start their own business. This was seen as cutting off opportunities for those who may be more disadvantaged by the formal labour market or who wanted more control and flexibility in how they work.

Many of these issues are longstanding problems. However, our evidence gathering over the last six months leads to an inescapable conclusion that we are facing particularly acute challenges now, which if anything could be making matters worse in the labour market.

Working with employers

Employer bodies, employment services and wider stakeholders provided a range of evidence on how services were working with and supporting employers. We heard how organisations were:

- Helping employers to **make recruitment more inclusive and broaden access to work** for disadvantaged groups;
- Linking up **help for individuals with advice and support for the employer** – most notably in ‘Supported Employment’ models for disabled people but also in skills and training support;
- Using their own **leverage as large employers, funders or conveners** – for example through ‘charters’ and commitments led by local government, or in their own procurement rules; and
- Working with employers to try to **support better retention and progression** (although this was less common).

Again though, while there were positive practices, there were also many issues raised. We heard that services often took a **‘goods-led’ approach – with a narrow focus on vacancy collection and job applications**, that did not speak to employers in their own language or fully understand how they worked and their wider needs. Combined with the ‘any job’ model, this was described by one employer body as like *‘throwing darts at a dartboard’* and by another as undermining take-up of publicly-funded employment services.

Alongside this, a **poor alignment between employment and skills support** makes it challenging for services to offer a joined-up approach around recruitment, workplace training and wider workforce planning – which is particularly important now given the challenges that firms are facing with both skills and labour shortages. There were mixed views on whether new ‘Local Skills Improvement Plans’ would improve this, but some feedback was more positive on approaches in areas with greater powers over skills funding.

We heard that the **lack of effective co-ordination of services**, particularly in England, puts the onus on employers to navigate different systems and so further fuels their disengagement. This could be made worse by short-term funding, making it harder for services to maintain relationships. This picture was somewhat better in Scotland, Wales and Northern Ireland, with many areas in England with greater devolved powers following suit. There was strong support for more coherent, ‘one stop’ support for firms.

These issues often combined to lead to very **low levels of employer awareness of support and engagement in it**, with research suggesting that this is often due to constraints on employers’ time and on their using known and trusted sources when they do seek support. Many of these issues were seen as particularly acute for smaller firms, which in turn were exacerbated by the absence of support specifically targeting their needs (alongside a deliberate move towards offering more enhanced services for larger employers).

Working in partnership

There were many examples of effective partnership working in areas across the UK. We heard how in Northern Ireland, new **Labour Market Partnerships** were bringing together partners at local authority level to co-ordinate activity, steer the delivery of services and commission employment support. In Scotland, the ‘No One Left Behind’ approach has placed greater powers and responsibilities in local partnerships to commission support for those more disadvantaged in the labour market.

In England, we heard examples of strong partnerships between Jobcentre Plus and organisations delivering employment support, as well as of local government (and particularly combined authorities) convening and co-ordinating across services. This included **co-located employment hubs, ‘no wrong door’ referral models, and engagement work with residents** via housing, health and other services.

However, in England at least, there were consistent and strong views that wider, institutional barriers meant that good practices were often in spite rather than because of the system. We

heard that in most places the **infrastructure and governance to support effective joining up no longer existed**; that **Jobcentre Plus involvement was often patchy** and reliant on individual local managers; and that **short-termism, siloed responsibilities and funding pressures** all made partnership working harder.

A key issue identified was the **lack of coherence at the centre of government** – with at least five government departments having some responsibility around employment and the labour market but none joining this up effectively with each other or with tiers of local government (DWP's five public priorities, for example, do not include any related to employment).

We heard that the loss of 'agency' status for Jobcentre Plus may have exacerbated these issues further – as employment services without operational independence are less well connected to industry and social partners, less able to work strategically and with other services, and more likely to be subject to short-term decision-making and short-sighted budget cuts. Overall, the Department for Work and Pensions has seen its day-to-day spending cut by more than 50% in real terms in the last decade, the second-largest reduction of any government department.

A further issue raised was that **cuts to funding** of employment support – which has more than halved since the mid-2000s – alongside a move towards **larger-scale commissioned programmes** had led to a less diverse market for employment support, less choice and less access to specialist provision. This was felt to have been made worse by major changes in approach with each new commissioning round, and by frequent changes in approach since the Covid-19 pandemic (most notably with Kickstart and Youth Hubs both being wound up just as they started to achieve results). There was strong feedback that this short-termism creates a vicious cycle where local partners cannot develop long-term plans and invest, which in turn makes it harder to join up services and improve outcomes – leading to more short-term responses.

We also heard that employment services are very unusual (and almost unique among public services) in not having any **independent oversight or regulation** of the quality and standards of the services being delivered. There is no equivalent of Ofsted or the Care Quality Commission. This sort of independent oversight plays an important role in assessing standards but also in sharing good practice, supporting improvement, and improving organisational and workforce management. In a world with more diverse commissioning and delivery, these roles will become more rather than less important.

The government has sought to address many of these issues, for example by emphasising the importance of partnership working within programmes, bringing forward access to Shared Prosperity Fund monies, and using more local commissioning (especially in support for disabled people). There was also recognition that national commissioning enabled economies of scale, consistency between places (for individuals and employers) and specialism. Nonetheless, there was widespread support for greater devolution of employment support and local control in commissioning and delivery – building on models in other UK nations but also international good practices from Germany, Denmark and elsewhere.

Digital delivery of employment services

We received many responses setting out the opportunities that advances in digital technology are bringing for how we delivery employment services. These advances are often enabling organisations to reach people in new ways, who may previously have not had access to support, and with services that better meet their needs. Many respondents highlighted in particular the potential of digital technology to **extend employment support to a wider group of people in a cost-effective way** – including for disabled people and those with long-term health conditions, older people, carers, and those in more isolated and rural areas.

Alongside this, we heard examples of approaches internationally that have rolled out digital resources that **enable jobseekers to access online the full range of traditional 'jobcentre' services**, spurred on by the move to remote delivery during the pandemic. The UK too has also been at the forefront of moves to greater online service delivery, particularly through Universal

Credit rollout, albeit with a stronger focus on managing claims and recording activity rather than on accessing online tools and support.

We also heard how technology being used to positively **improve services and support for those who are more disadvantaged** in the labour market. This included initiatives to enable more flexible and ‘on-demand’ contact, to help people stay in touch with each other, and to widen access to other services that could help them (like budgeting, wellbeing and skills support).

However, there was widespread recognition of the **risk that greater digital delivery could disadvantage people** who are less able to access or use digital channels (for example due to a lack of digital skills, broadband access, being unable to afford data and lack of access to hardware). This was felt to be particularly a risk where digital innovations had been introduced primarily to cut costs by reducing or removing face-to-face and telephone contact, rather than to enhance services. One important way that these risks could be mitigated – and the benefits of digital delivery enhanced – is through co-production and co-design with service users, and we heard examples of good practices of this in a number of European public employment services.

A number of respondents also highlighted the significant potential and transformational opportunities that digital services could bring for future service delivery – by ‘collapsing bureaucratic silos’, as one respondent put it, between different programmes and services; and **creating a modern gateway for jobseekers, employers and wider partners and then empowering service users to navigate it.**

Employment support that works for the future

Objectives

In the next stage of the Commission, we want to work with everyone who has an interest in the future of employment support to explore options for future reform. Based on the views that we have heard over the last six months, we believe that this reformed system should have three, core objectives:

1. To provide inclusive, tailored and effective support that can empower people who are out of work or who want to get on in work to find the right job for them;
2. To enable employers to be better able to recruit and retain the people and skills that they need; and
3. To support a stronger economy and more equitable society.

Drawing on best practices, this reformed service should be based on effective partnership with industry, social partners and different levels of government; have clear accountabilities including to service users themselves (employers and individuals); and look to more effectively co-ordinate, align and integrate the delivery of local support.

However, while there is in our view a clear case for future reform based around these objectives, there is not yet a consensus around how these would be achieved in practice. Many of these issues have existed for a hundred years or more, since the creation of the first Labour Exchanges – in particular the tension between their role in policing the benefits system, filling jobs, and supporting those most disadvantaged in the labour market.

Successive governments have also tried different approaches to address this: through stronger departmental control and central planning after the Second World War; a clearer demarcation between employment and benefits and tripartite oversight of the employment service from the 1970s; and then the move to greater integration that culminated with the creation of Jobcentre Plus in 2001. Changes of this scale can be difficult and time-consuming, but also transformational – and there were mixed views on whether major reform would be desirable now.

However, while many of these issues are not new, the context in which we are facing them undoubtedly is – both in terms of our economy and labour market, but also in how advances in

digital technology are transforming how services are accessed and delivered. So in the next stage of our work, through to the end of this year, we intend to start to develop options for future reform. We want these proposals to fully involve people who use employment services now or who would want to use them in a reformed system, as well as input from those who deliver services, commission them, and wider stakeholders.

We are proposing six 'design principles' for future reform, shown below. These are our initial take and we would welcome feedback on these in the next stage of the Commission (including what is missing and what should be changed). We also set out nine key questions for a reformed system in Chapter 7, which include questions around the balance between 'universal' and targeted support; responsibilities for the social security system; and how services are organised, managed and delivered.

We are keen to involve in this process anyone with an interest in employment and related services in the next stage of our work, and all of the hundreds of organisations and individuals who have contributed so far. If you would like to be involved too, then please sign up to the IES mailing list at <https://bit.ly/IES-mailing-list>. You can also email us at commission@employment-studies.co.uk.

Proposed design principles for assessing potential options for reform

Empowering	<ul style="list-style-type: none"> • Gives service users control (individuals and employers) and enables them to access and navigate support and manage their own journey • Built on user engagement in design as well as delivery - individuals, employers and social partners • Advisers have agency to tailor support to individuals' needs
Efficient	<ul style="list-style-type: none"> • Supports labour market efficiency - helping to address labour and skills mismatches • Maximises use of resources and is affordable within budgets • Supports transparent performance reporting and can address variations in performance
Equitable	<ul style="list-style-type: none"> • Supports higher participation in the labour market • Helps to narrow gaps in opportunity between different groups and areas
Sustainable	<ul style="list-style-type: none"> • Delivers improved economic, social and fiscal outcomes, including a sustainable benefits system • Can support a long-term approach, based on consensus and able to take advantage of future change • Enables a vibrant and high quality market of providers • Is evidence led, with mechanisms for sharing insight and improving • Is resilient to changes in the economic cycle, including periods of high unemployment
Joined up	<ul style="list-style-type: none"> • Is joined up with wider services - with effective co-ordination, alignment and delivery • Enables access to appropriate support and services; and the delivery of employment support in different settings
Deliverable	<ul style="list-style-type: none"> • Can be implemented within reasonable timescales and with manageable risk • Can command broad support from key stakeholders, partners and service users • Has clear accountabilities and responsibilities, at all levels • Can respond effectively to changing needs