WORK IN PROGRESS

INTERIM REPORT

THE COMMISSION ON THE FUTURE OF EMPLOYMENT SUPPORT

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abrdn Financial Fairness Trust

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Acknowledgements

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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	• 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	• 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	• Supports higher participation in the labour market • Helps to narrow gaps in opportunity between different groups and areas
Sustainable	• 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	• 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	• Can be implemented within reasonable timescales and with manageable risk • Can command broad support from key stakeholders, partners and service users • Has clear accountabilitites and responsibilities, at all levels • Can respond effectively to changing needs

1: Introduction

1 Introduction

The Commission on the Future of Employment Support 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 the economy. 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 was launched in November 2022 with funding from abrdn Financial Fairness Trust and will conclude in early 2024. The ten commissioners bring a range of perspectives from civil society, business, public policy and research, with the work being hosted at the Institute for Employment Studies. In the first half of this year, we have been gathering evidence and hearing from a range of people who use employment support and services, who deliver them and who have expertise in these areas. This has included:

- Running a major 'Call for Evidence' which received nearly one hundred responses and around 250 evidence submissions – a list of all organisations that submitted evidence is at Annex A, and a short summary of the key findings from this is available at: https://www.employment-studies.co.uk/resource/commission-future-employment-support.
- Delivering twenty consultation events – workshops, webinars, expert evidence sessions and focus groups with service users – hearing directly from well over a hundred people with expertise in employment policy and delivery, and with direct lived experience of using services to look for work or to fill jobs.
- Conducting an extensive review of the literature around 'what works' in employment-related support, building on documents submitted in the Call for Evidence.

We believe that this is the largest consultation on our system of employment support in at least a generation, and through this process we have heard directly from people in national and local governments (across all four UK nations); people working in employment services in the public, private and voluntary sectors; large and small employers and their representatives; colleges and training providers; careers services; social landlords; people working in health services; academics and researchers; international experts; and people with direct, recent experience of using employment support.

We are hugely grateful to everyone who has given their time to contribute to this process and to share their views. This report tries to draw these findings together and sets out our plans for the next stage of work when we will start to look at options for future reform. What has come across clearly though, from everyone that has contributed, is that if we want to meet the opportunities and the challenges that we are facing now and in the future, our current approach to employment support needs to change. There is a lot that we can build on and learn from, but a lot more that we need to do.

2: Context: Employment support in a changing world

2 Context: employment support in a changing world

Summary

- The UK remains almost unique in the developed world in having more people out of work now than before the pandemic. Despite this, nearly three-quarters of employers with vacancies report that they have jobs that they cannot fill.
- Major changes in our economy and society will exacerbate the issues that we are facing. There are nearly two million more people in their 50s and 60s than there were a decade ago, and as our population ages 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.
- Over the first two decades of this century, employment among those aged 20-64 grew by on average 250,000 a year. However, we estimate that over the next two decades this will fall to just 70,000 a year – barely a quarter of the previous growth rate. Overall, 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.
- Our economy and labour market are also facing transformational change. Before the pandemic, the UK was forecast to have 2.5 million more high-skilled jobs than there were people with high skills by 2030, and three million fewer low-skilled jobs than low-skilled workers.
- Since the pandemic, these changes have if anything accelerated – driven by advances in technology and artificial intelligence, the impacts of hybrid working, and our transition to a 'net zero' economy.
- These changes mean that we need a new approach to employment support that can support higher participation and productivity in work, address skills shortages, and reduce inequalities between places and groups.

2.1 The labour force is changing

In our launch report in November, we set out a range of challenges in the labour market. Despite record employment before the Covid-19 pandemic, the UK faced significant inequalities too – with for example disabled people two-and-a-half times more likely to be out of work than non-disabled people; wide employment 'gaps' for people with lower qualifications, older people, lone parents and many ethnic minority groups; persistent disparities between places (with many ex-industrial, coastal and urban areas seeing a combination of weak employment growth, low incomes and less access to jobs in growing industries); and chronically weak productivity growth over the last fifteen years, stemming from underinvestment in our human and physical capital.

We argued too that the social, economic and health impacts of the Covid-19 pandemic had exacerbated many of these issues, leading to both widespread labour and skills shortages but also lower participation in the labour force. We showed that the UK has been almost unique among its international peers in seeing both a rebound in labour demand and a contraction in labour supply, and that these were likely be long-lasting challenges due to our ageing population and lower migration in the future.

Since the launch of the Commission eight months ago, many of these issues have come into even sharper relief. On the one hand, the labour market recovery has started to gather speed, with employment recovering strongly from 75.5% when the Commission was launched to 76.0% now. However, we remain almost unique in the developed world in having more people out of

work now than before the Covid-19 pandemic. While employment has risen by 2.3 percentage points across the European Union, and has risen for every other G7 nation, in the UK it remains 0.6 points below where it was at the end of 2019. Labour and skills shortages also persist – with nearly three-quarters (71%) of employers with vacancies reporting that they have jobs that they cannot fill.[1] This is holding back growth, contributing to inflationary pressures and in turn exacerbating inequalities.

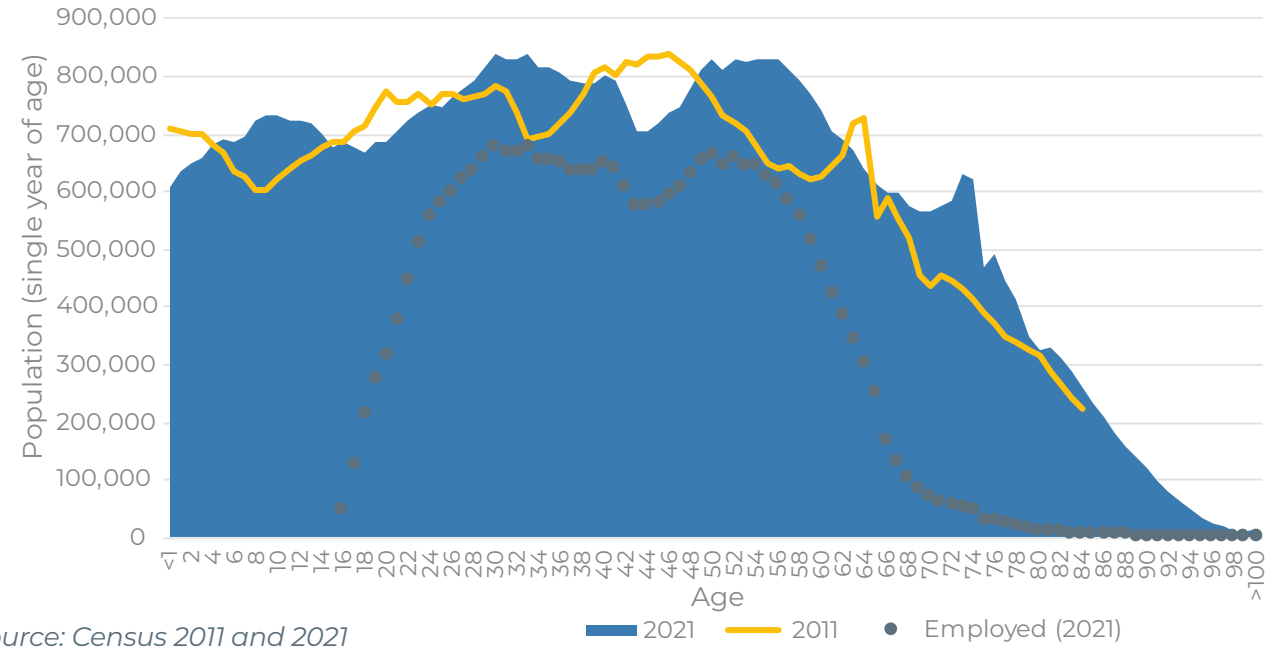
Looking ahead, it remains our view that the changes that we have seen in the labour market over the last three years are likely to be permanent rather than temporary, and reflect a combination of long-running demographic changes and one-off impacts from the pandemic. This view was shared by those responding to the consultation, many of whom emphasised in particular the impacts of our ageing population and of increasing prevalence of disability and of long-term ill health, meaning that support in future will need to be far better focused on helping to keep people in work, and to support people who may be more disadvantaged in the labour market.

Recently released data from the 2021 Census (for England and Wales) illustrates this clearly, showing that there are 1.7 million more people in their 50s and 60s than there were a decade ago, and around 100,000 fewer people in their 20s, 30s or 40s. This is illustrated in Figure 2.1, which shows population by age in 2021 (blue) and in 2011 (yellow). Three trends stand out:

- First, the 'boom' in people in their late 30s to mid-40s a decade ago has now moved into their late 40s and mid-50s – this is 'Generation X', or the children of the original post-war 'baby boomers' (who are now in their early 70s);
- Secondly, there are more people in their thirties now than there were in their twenties a decade ago – illustrating the impact of high migration through the 2010s (which as we set out in our launch report, also boosted employment by over two million in the decade before the EU referendum); and
- Thirdly, we are having fewer children – while there is a small 'boom' of 8-13 year-olds (the grandchildren and great-grandchildren of post-war boomers, and the children of more recent migrants), the unmistakeable trend is of a decline in the population aged under 30.

The graph also includes employment estimates by age for 2021, shown in black. This illustrates how employment rates are now consistently high for those between their mid-20s and mid-50s but drop significantly after this point (and even more sharply as the State Pension Age is reached).

Figure 2.1: Population by single year of age in 2011 and 2021, with employment by age in 2021



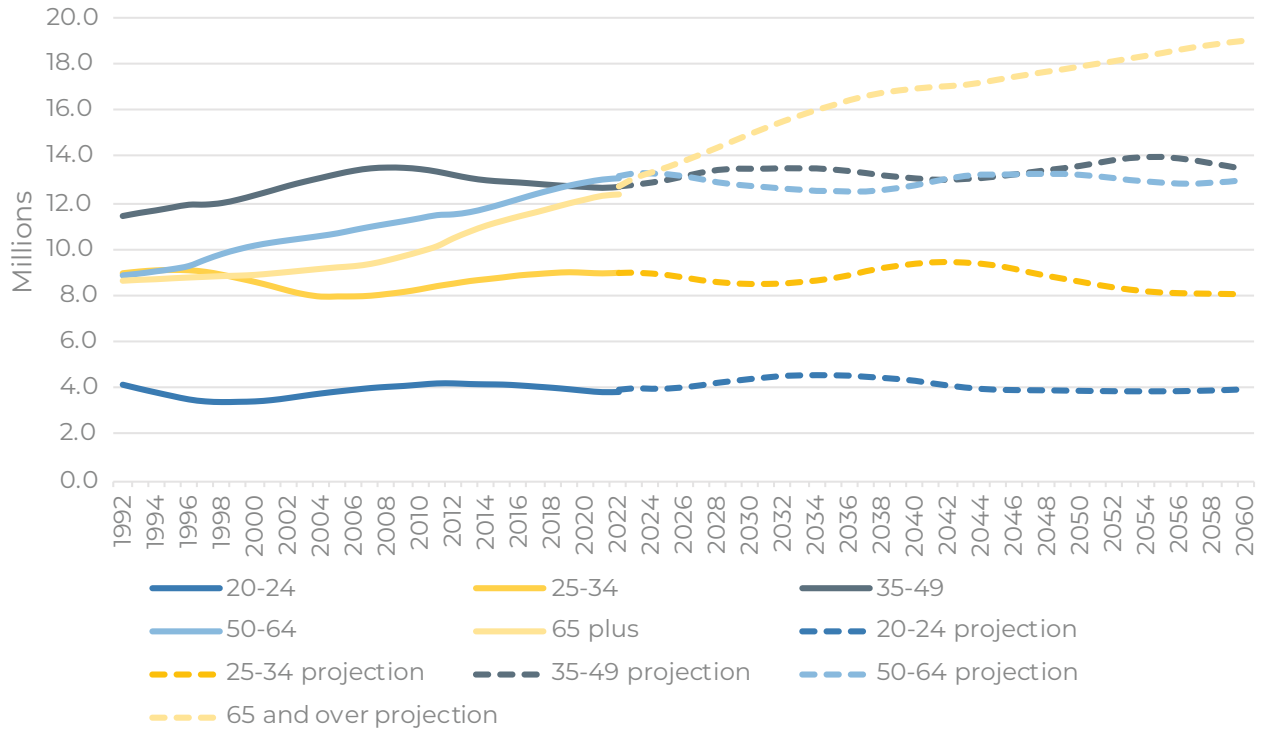
Source: Census 2011 and 2021

1 Source: CIPD Labour Market Outlook, Spring 2023

Looking ahead, as the 'boom' of people in their early 50s move into their sixties and seventies – and with lower migration and birth rates in future – we can expect to see a smaller and older 'working age' population in the coming decades compared with what we have been used to in the past. This is set out in Figure 2.2 below, which shows the estimated population aged 20 and over since 1992 with the latest projections from the Office for National Statistics through to 2060.

This shows that the overall population aged 20-64 is likely to be broadly flat in future, compared with substantial rises over the prior three decades: which saw growth of over four million among those aged 50-64 and over a million for those aged 35 to 49 (and over five million in the number of people aged 20-64 overall). The most striking line in the chart, however, is for those aged 65 and over – with growth accelerating in the coming decade as those in their 50s now move into older age. Thirty years ago there were four people aged 20-64 for every person aged 65 or over, but over the next thirty years this will halve to two.

Figure 2.2: UK population aged 20 and over – 1992 to 2022, and projected to 2060

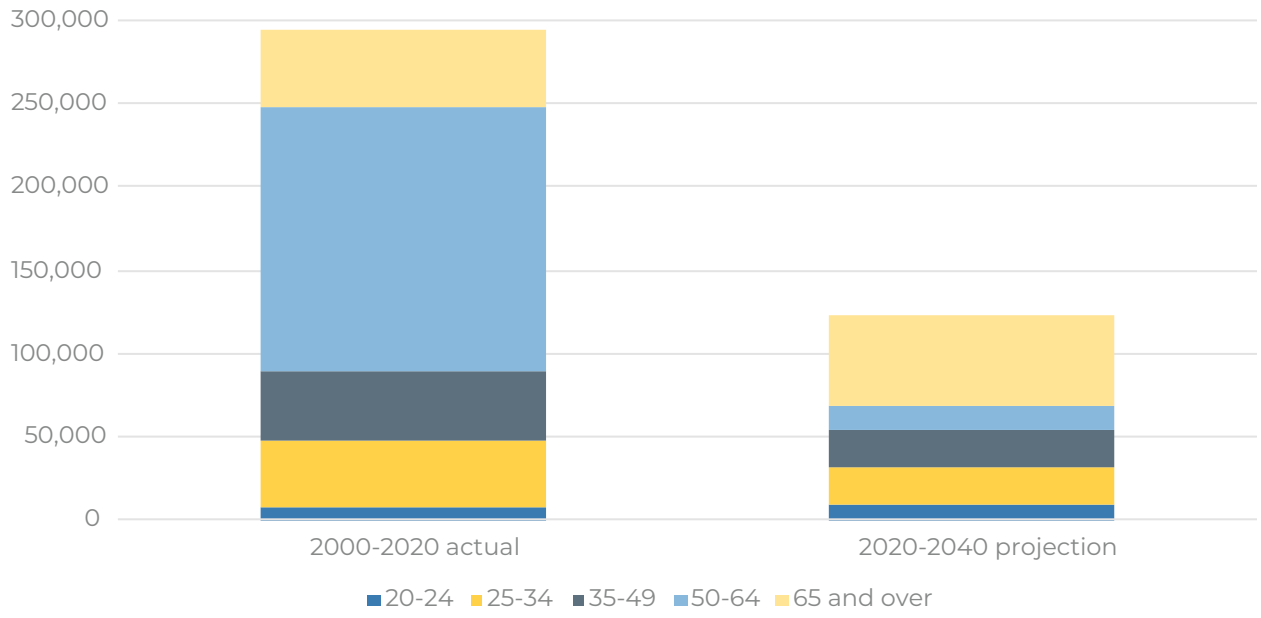


Source: ONS mid-year population estimates and national population projections

Weaker population growth will also lead to a slowdown in the growth in employment compared with recent decades. Over the first two decades of this century (2000-2020), employment among those aged 20-64 grew by on average 250,000 a year – aided in particular by more women in work, more older people in work and higher migration – while employment among those aged 65 and over grew by just under 50,000 a year (so employment overall rose by on average around 300,000 a year). In analysis for this Commission, we forecast that over the next two decades employment among those aged under 65 will grow by just 70,000 a year, while employment among those aged 65 and over will grow by just over 50,000 a year (so around 120,000 in total). This means that we are likely to see employment growth in future of less than half the rate of the last two decades, and of barely a quarter of the rate that we have been used to for those aged under 65.

This is shown in Figure 2.3 below, with Annex B setting out more detail on how these forecasts were constructed. Putting this 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. Of course, the trends of the last twenty years could not have continued indefinitely, but this change nonetheless means that we can no longer rely on strong employment growth to support higher living standards (or indeed to control inflation) and so will need to do more both to raise participation in work and to be more productive in work.

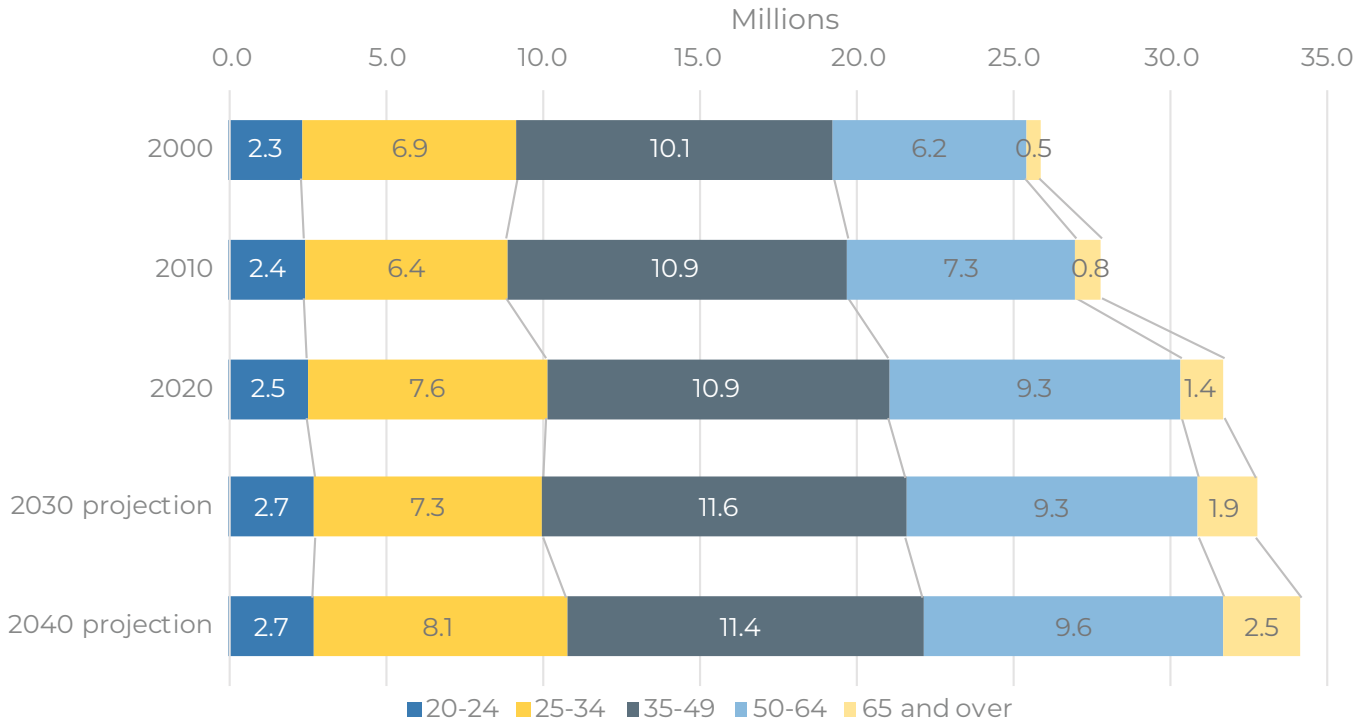
Figure 2.3: Average annual employment growth – 2000 to 2020, forecast for 2020 to 2040



Source: Annual Population Survey; and IES projections

Figure 2.3 looks in more detail at employment by age between 2000 and 2040 (projected). This shows that if anything, these challenges will be particularly acute over the next ten years – as we are coming off a decade of exceptionally strong employment growth, driven in particular by population 'booms' and higher migration; and are entering a decade when employment growth will be virtually flat as those factors unwind.

Figure 2.4: Employment by age – 2000 to 2040 (projected)



Source: Annual Population Survey; and IES projections

2.2 The economy and labour market are changing

At the same time that our labour force is going through a period of significant change, our economy and labour market are changing too. Even before the pandemic, analysis by the Learning and Work Institute estimated that by 2030 the UK would have 2.5 million more high-skilled jobs than there were people with high skills, and three million fewer low-skilled jobs than there were people with low skills.[2] Since then, these changes have if anything accelerated – with employment in higher-skilled work increasing by nearly 600,000 between 2019 and 2021, and employment in lower-skilled work falling by nearly 650,000.[3]

However, there remain significant inequalities in access to higher skilled jobs. Around one-third of all high-skilled work is in London and the South East, where it accounts for three-fifths of total employment. In more disadvantaged areas (and in particular in ex-industrial, coastal and urban areas outside London) less than two-fifths of employment is highly skilled. The coming years will likely see the pace of change further quicken, driven by advances in artificial intelligence and our transition to a 'net zero' economy.

On the one hand, advances in technology may help to partially alleviate the risks of labour shortages set out in section 2.1 (if government and firms can realise the benefits of these advances). However, on the other hand, even if we can capture the benefits of these changes, they will likely also exacerbate risks of skills shortages and place an even greater premium on having those higher skills – with work by IES showing that future labour market change is likely to further widen inequalities between different places and groups.[4]

In our call for evidence, we asked for views on the future challenges and opportunities that a changing economy and labour market will bring. Many respondents emphasised in particular the role of technology, the growth in hybrid and home working and our transition to net zero.

On **technology**, we heard how digital technology and artificial intelligence were already transforming work, but that skills and labour shortages were holding this back. The Recruitment and Employment Confederation (REC) referenced estimates that shortages in digital skills were already costing the UK £2 billion a year in lost output, with up to two-thirds of the workforce likely to be facing some level of under-skilling by 2030; while the Chartered Institute for Personnel and Development (CIPD) cited their own research showing wider barriers to adoption of new technology by employers, including low investment and a lack of awareness of how technologies could be applied.

Many respondents also pointed to a 'digital divide' between higher skilled areas and workers that stood to benefit from technological change, and many of those on low incomes who may face digital exclusion in accessing services, training and jobs – with academics at Manchester Metropolitan University, the University of Birmingham and Centre for Society and Mental Health; as well as those delivering services like Jobs-22 and the Housing Employment Network North East (HENNE), all discussing this.

At the same time, respondents to the consultation talked about the significant benefits that **hybrid and flexible working** could bring for people who in the past may have found it harder to access work – for example due to caring responsibilities, health conditions or a disability. The Centre for Society and Mental Health emphasised the potential that more flexible working could have for improving access to work and argued that this should be a priority for future policy; while others including Reed in Partnership described how they were trying to maximise the benefits of greater hybrid and home working for people that they were supporting.

The **transition to a 'net zero' economy** was also seen by many as an opportunity for transformational change. The Centre for Social Justice, for example, described this as the greatest opportunity in the labour market in a generation, and called for a 'skills revolution' to achieve net zero. They emphasised in particular the need for a more proactive approach to ensure that people living in what they described as 'left behind' communities could benefit, so as to help to reduce inequalities between places and to counter the risks that those most in need of support – in lower skilled work or out of work – would be otherwise least likely to access help.

2 Melville, D. and Bivand, P. (2019) *Local Skills Deficits and Spare Capacity*, Learning and Work Institute
3 Source: Annual Population Survey
4 Wilson, T. and Williams, M. (2022) Work local: labour market analysis, Institute for Employment Studies.

Net zero was a priority too for respondents in local government. The Local Government Association (LGA) described how councils were joining up through initiatives like the UK Cities Climate Investment Commission and were taking a lead on local employment and skills planning. Many combined authorities also set out how they were using their powers to help stimulate and meet demand – with, for example, the West of England Combined Authority describing the need for a 'fundamental shift' across all parts of the economy; and the West Yorkshire Combined Authority talking about their Green Skills Taskforce and how they had used devolved powers in skills funding to take this forward.

2.3 The changing role of employment support

Drawing this together, the coming decade will see significant challenges – from a smaller labour force, changing labour market and continued inequalities between different areas and groups. In our view, employment support and services can play a key role in meeting these, but the evidence that we have gathered so far has reiterated that our approach will need to change. In particular, it will need to:

- **Be more open and inclusive** – to help more of those who are outside the labour force and who want to work to get (back) in; but also to provide greater access to careers guidance and support for those in work who want or need a change. We heard many examples of initiatives that have been working to reach more people, but also that Jobcentre Plus support was tightly focused on those 'closest' to work and claiming Universal Credit.
- **Take a different approach to 'work first'** – with a strong consensus on the need to emphasise empowerment rather than monitoring; enabling people rather than threatening them; and on finding the right job rather than any job. We heard this directly from people on benefits, those delivering services, academics and employer bodies. Looking ahead, an older labour force and tighter labour market will make this even more imperative, with more of those out of work needing greater flexibility and the right 'fit' to get back into work.
- **Meaningfully integrate employment and skills**. Many respondents saw a greater need in future to reskill as the labour market changes and emphasised the premium that this will put on transferable and 'softer' skills. There were many examples of efforts being made to address this, but issues raised too around the inflexibility of benefit rules and employment programmes and the need for employers to invest more in their workforces.
- **Join up far better with wider support and services –** with a range of responses picking up on challenges but also opportunities in helping people get the support that they need to get into (or stay in) work. This included for example the need to improve access to mental health services, local transport or more flexible childcare; but also the potential benefits of greater co-ordination and integration between employment support and occupational health services, to support work preparation or workplace adaptations.
- **Work differently and better with employers.** We heard many examples of services gathering vacancies and referring jobseekers, and some where services were actively brokering people into jobs (to help employers find the right person for the right post). Support in future will likely need to go further still, to help employers understand how they can broaden their talent pools, improve retention at work and manage changes in their workforce and labour market.
- **Harness the benefits of new technologies.** A number of respondents talked about the potential benefits for employment services in supporting social networks, improving service quality, providing access to virtual learning and more; but also the risks that technology leads to less choice or greater exclusion for service users, or is seen primarily as a way to cut costs.
- **Work more effectively and with a wider range of partners.** Finally, doing all of the above would require a very different role for employment support within local and national services. Many respondents emphasised the need for a more co-ordinated and proactive approach in future that could join up across different areas in order to meet the needs of places, people and employers, and with greater localisation or devolution to support this.

All of these issues and themes are explored in more depth in the following four chapters.

3: Supporting people

3 Supporting people

Summary

This chapter sets out what we have heard in our consultations on how employment services are helping people to prepare for and find work, move into work, and (in some cases) to stay and progress in work. Our launch report argued that Jobcentre Plus support is relatively narrowly targeted and is often overly focused on administrative compliance and monitoring and on pushing benefit claimants to take 'any job'. Service users are generally positive about how they are treated in jobcentres, but less positive about the usefulness of that support in helping them find work. More broadly, we set out that funding of provision for groups that are more disadvantaged in the labour market has been falling and is often fragmented.

We have been seeking views on these issues, and in particular on whether support should be more widely available, whether and how it should be geared towards those who are more disadvantaged, how it aligns with other support, and the role of employment support in helping people who are in work. This chapter starts by setting out what is working well in the current system and good practices that we can build on; followed by a discussion of the key challenges identified by respondents.

The chapter sets out many examples of effective employment support. We were told that things worked best when there was local involvement in the design of support, services could be tailored to people's specific needs, there were effective partnerships in place with other services as well as Jobcentre Plus, employers were engaged and involved, and individuals were empowered to make their own choices and decisions. However, we also heard seven key challenges, around:

- **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. 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**. We heard that this was a particular issue for those more disadvantaged in the labour market like parents, disabled people, older people and disadvantaged young people.
- **An 'any job' mindset** within Jobcentre Plus – with evidence that this could be fuelling turnover in work, discouraging people from accessing support, disempowering jobseekers and alienating those employers that engage with the system.
- **A focus on compliance and the threat of sanction**. Sanction rates have doubled since 2019, and we heard that these were undermining trust, pushing some people away from support and likely had little or no positive impact on employment.
- **Poor co-ordination with skills and careers**. 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** – with a complicated and fragmented landscape of local support making it hard for services to join up effectively and for service users to be empowered to get the help that they need.
- **A lack of support for self-employment**, which 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.

3.1 What is working that we can build on

Submissions highlighted many aspects of the current employment support system which are working well. There was recognition that the Jobcentre Plus network, at the centre of the system, is efficiently run and has helped to support rapid re-entry to employment for people who are 'claimant unemployed'[5] and reduce long-term unemployment. Submissions also identified a range of different programmes that have been particularly effective at supporting people into work and that are often either funded by the Department for Work and Pensions (DWP) or commissioned directly by them – including the 'JETS' scheme for unemployed people; 'Supported Employment' models for disabled people and those with long-term health conditions (like Local Supported Employment and Individual Placement and Support); and Sector Based Work Academies, which join up pre-employment skills training with work placements.

Providers reflected on the features of design and delivery that lead to positive outcomes for individuals. These included local involvement in design and commissioning; relational approaches; time to work with people to understand their needs and aspirations and to provide appropriate support; smaller caseloads to facilitate this; strong partnership working with a range of local partners including health, education and skills providers; providing careers guidance; and strong employer engagement. Importantly, providers also highlighted programmes that worked with a wider range of individuals than those claiming benefits, and included those in work who desired progression. Many providers shared examples of projects and programmes that they felt demonstrated these characteristics and that were effectively meeting needs, often supporting people who were long-term unemployed or outside the labour force entirely (or 'economically inactive').

Examples of good practice in employment support from our Call for Evidence submissions

- **Job Entry Targeted Support (JETS)** was introduced by DWP across Great Britain to boost support for people who became unemployed during the Covid-19 pandemic, focusing specifically on supporting people once they had been unemployed for 13 weeks). The programme was designed as an early intervention to help people back into work and prevent long-term worklessness as well as associated mental and physical health issues. Providers of JETS told us that the programme had enabled a person-centred, action-orientated approach to help individuals gain sustainable employment. Key features of the programme were:
  - » Specialist employment advice alongside job coaching and confidence building;
  - » Group workshops on topics such as CV writing and transferable skills, with external courses also sourced;
  - » Effective remote and hybrid delivery, which played a key role as it reduced transport barriers and enabled delivery during social distancing; and
  - » Some scope for access to additional support – including digital skills training, financial support to work, and integrated wellbeing support.
- **Good Work Camden (GWC)** was developed in pre-Covid Camden, where despite high employment levels and a strong economy, many individuals were in low-paid, insecure work with limited opportunities for progression. Acknowledging residents as experts, the programme was co-designed with them, incorporating service-user voice to ensure that the service was tailored to their needs. In co-designing the programme with service users, they found that there were many people in precarious employment and experiencing in-work poverty who needed support but were not on benefits. Therefore a key principle of Good Work Camden is that it is a universal service, with residency being the only eligibility criteria.
- **In-work support by Reed in Partnership advisers** is designed to support people in work to identify progression opportunities, access resources, get support and self-manage issues that may affect them at work (like health needs) and manage job transitions. In

5 'Claimant unemployment' refers to people who are claiming either Jobseeker's Allowance or are claiming Universal Credit and are required to be available for work and actively seek work (the 'Searching for Work' group).

particular, it includes giving employees in low-paid or insecure jobs the confidence to apply for progression or ask for flexibility. Key features include personalised and tailored advice, effective communication as well as providing advice to both employers and employees.

- **Local Supported Employment**, which is being funded by DWP to support people with learning disabilities and/ or autism, uses a 'place then train' approach to provide tailored support to move into, stay in and sustain employment. Respondents emphasised in particular Local Supported Employment's ability to deliver meaningful in-work support; the three-way relationship between employment support, employer and individual; and the 'whole person' focus (with many examples of effective joining up with wider local support). We heard from organisations delivering Supported Employment, like Abri, as well as experts at Mind, Youth Futures Foundation and the Scottish Centre for Employment Research – who outlined that the most successful Supported Employment interventions are multi-component, high-contact and well-targeted. Many also emphasised the need for a clear national framework for their delivery.
- **The Steps Ahead mentoring programme** provides CIPD-qualified mentoring to help people enter or return to employment. Mentors provide tailored support designed to build confidence and to enable people to articulate the skills and experience that they can offer. The volunteer mentors are knowledgeable and experienced in recruitment and can offer unique insight into what employers are looking for from potential employees.

Submissions often emphasised the important role of community organisations in helping to overcome mistrust of statutory services and the benefits of using local organisations to provide wide-ranging support to meet individuals' needs. The particular role and capabilities of social landlords and housing associations in reaching a wider group of people and in capitalising on local partnerships was also a key theme.

The role of voluntary and community sector organisations

- **Working for Carers,** led by the Carers Trust and funded by the European Social Fund (ESF) and National Lottery, provides employment support primarily to carers who are outside the labour force. This is delivered by local, specialist carer support organisations and includes specialist employment support alongside access to wraparound services like mental health support.
- **Action Towards Inclusion** (ATI) is an employment support programme in York, North Yorkshire and East Riding, also funded by the National Lottery and ESF. The programme is targeted at those 'furthest from work' and operates via a network of regional delivery partners within the voluntary and community sector. The ATI model is based on keyworker support in combination with access to a tailored range of interventions focused (as appropriate) on health, wellbeing, finances, skills, training, job search, and more. Key features of the programme include one-to-one time with a key case worker, a long-term relationship with a trusted adviser, and a highly flexible and incremental approach.

We heard positive examples given where local partners and services had built strong working relationships with their local and regional Jobcentre Plus colleagues. These included examples of Jobcentre Plus referring to local provision (sometimes through co-location arrangements) and jointly run careers events where employers could share vacancies. We also heard this in our workshops with organisations delivering support – with one describing the '*massive, massive difference*' that a Jobcentre Plus team had made in referring individuals to their support.

Finally, some respondents set out examples of international approaches that the UK could learn from. These had similar characteristics to initiatives in the UK, but often with a particular emphasis on collaboration between services, a 'dual focus' on the jobseeker and employer, and access to additional financial incentives (which is generally not a feature of support in the UK anymore but was common before 2011). For example, the Centre for Ageing Better described the German 'Perspektives 50+' model as one example of best practice that the UK could learn from.

Perspektives 50+ (Germany)

Perspektives 50+ provided tailored support to older jobseekers alongside advice and individual support for employers on age-friendly employment, in order to raise the participation of older people in the labour market. The mobilisation of local partners and establishment of regional networks through 'employment pacts' were seen as being key to its success. Services were tailored to meet employer and jobseeker needs, helping to identify the right job candidates and facilitate knowledge exchanges. The programme included a wage subsidy, which paid for half of the employee's wage for up to three years on condition that employment continued after the expiry of the subsidy for at least as long as the subsidy period.

The programme has been widely credited as an example of best practice in supporting older people. The key to its success was considered to be the focus on partnership between the employer, counsellor, and jobseeker – which was facilitated by Jobcentres – and the personalised approach to support.

3.2 Where are the challenges?

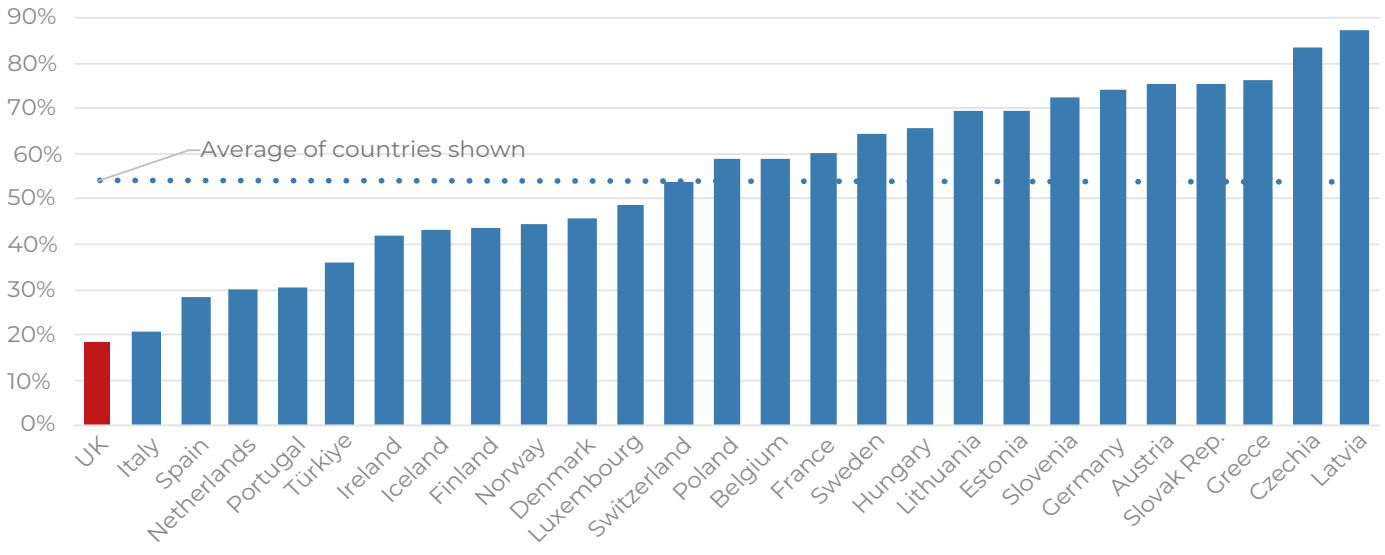
3.2.1 Reaching the right people

Many respondents raised issues around the narrow focus of employment support, and that groups who needed or could benefit from support were either unaware of it, unable to access it or not eligible. In particular, this included many people that are outside the labour force entirely and 'economically inactive', including people with long-term health conditions, older people who have given up looking for work, parents and students. In general, people not on benefit have little or no entitlement to support.

There is also extensive evidence that even jobseekers often do not access Jobcentre Plus support. In our launch report we set out that use of Jobcentre Plus by the unemployed had dropped precipitously in the last two decades, mainly reflecting its effective closure to people not on benefit and the very limited jobseeking support (rather than claim monitoring) provided to many of those who do claim benefits. Furthermore, new analysis published by the OECD shows that the UK has the least well-used employment service in Europe – with on average three times as many jobseekers using their employment service in other countries, and four times as many jobseekers using the equivalent service in Germany. This is shown in Figure 3.1 below.

There will be a number of economic, institutional and social reasons for this, but it is worth noting that it is not explained by higher use of private recruitment services in the UK (with on average 24% of jobseekers in *both* the EU and the UK reporting that they used private recruiters).

Figure 3.1: Share of jobseekers (aged 15-64) who have contacted the public employment service to seek employment, 2020



Source: OECD analysis of EU-LFS, published in OECD (2023) Evaluation of Active Labour Market Policies in Finland, February 2023

As well as not reaching enough people who are out of work, many respondents told us that there is little or no support available for people in low-paid work who may want help to increase their hours or progress, nor for (potential) second earners in households where a partner is working. This is particularly challenging both because of the cost of living crisis and rising poverty among those in work, but also because many of those who want to progress are either under-employed (meaning they want more hours) or over-qualified for their current roles.

Overall, then, there was a clear view among respondents that our employment support system is too narrowly focused, that this was having adverse economic and social impacts, and that support needs to be made available to a wider group of people including those not claiming benefits. These issues were raised by Working Free, the Scottish Centre for Employment Research, Andrew Phillips at Demos, the D2N2 Local Enterprise Partnership, Lambeth Council and the Child Poverty Action Group (CPAG) among others.

3.2.2 The need for more personalised support

There was strong consensus that the employment support system needs to be more person-centred and individualised. This was emphasised in particular with support for those most disadvantaged when looking for work. Respondents discussed, for example:

- **Parents** – who currently often receive generic support and can be required to attend face-to-face appointments which they may struggle to fit around childcare (raised by Belina Consulting and CPAG). One parent of children with additional needs who took part in a focus group noted how their personal circumstances were not taken into account by employment support providers.

> ***'I've got two children with additional needs and that didn't even come into the mix at all whatsoever. How many appointments or meetings I had to do didn't come into any conversation at all. No, they weren't interested in my personal life at all. It felt [just] just ticking that box, getting that job.'***
>
> Participant, Consultation with parents

- **Disabled people** and those with long-term health conditions – with extensive evidence of the benefits of tailored, long-term support, with high levels of partnership working between employment services, employers and wider support (including health and skills).
- **Older people** – with the Centre for Ageing Better describing how support needs to be carefully communicated and well targeted, and that older people may need more intensive support, earlier signposting to skills and training provision, and access to more flexible employment opportunities.
- **Disadvantaged young people** – with Youth Futures Foundation telling us that they are more likely to need 'multicomponent' interventions, for example combining classroom and work-based elements, as well as targeted and high contact support.
- **Refugees and migrants** – with respondents including Southampton City Council, the Workers' Educational Association, Humankind and the Association of Colleges describing how support was being tailored to refugees and recent migrants, but also significant challenges around access to appropriate English language and literacy support, recognition of qualifications, help with family and housing, and more.

3.2.3 Any job or the right job?

More generally, there was extensive criticism of the current focus on rapid job entry rather than finding the right job. Respondents were particularly critical of the 'any job, better job, career' formulation ('ABC') which had started to be used by DWP and Jobcentre Plus in early 2022. This was seen as being counter-productive in three important ways, as it:

- Was probably making turnover in the labour market even worse and undermining opportunities to progress in work and build careers (raised by Pete Robertson from Edinburgh Napier University, Manchester Metropolitan University and the Career Development Institute);
- Discourages people who are more disadvantaged from engaging with support, as they will often be unable to take 'any' job and are more likely to need to find a job that fits their circumstances (raised by the Centre for Society and Mental Health); and
- Is alienating for employers – with the Federation of Small Businesses (FSB) telling us that it can lead to high volumes of inappropriate applications and to people being forced to take up jobs that they do not want and subsequently leave.

This approach also means that the support provided by Jobcentre Plus was often seen as being very light touch, overly focused on CV writing and applying for a high quantity of jobs, and disempowering for jobseekers – with a 'claimant commitment' to high volume jobseeking rather than an action plan setting out goals, strengths, needs and actions (with Black Thrive Lambeth, Manchester Metropolitan University, and the Career Development Institute all referencing these issues). Service users described negative experiences of this too, with one young person commenting:

> ***'It definitely does feel like they are trying to push you through the system very quickly and to put you into any role that's out there just to get you into employment, without properly thinking about what's right and what you want and what your circumstances are.'***
>
> Participant, Consultation with young people

Some respondents felt that the current system, with its focus on rapid job entry, also closed off the opportunity to follow pathways that could lead to more sustained employment. Many felt that intermediate outcomes such as training and skills development, work experience and volunteering were disincentivised (a point raised by those who deliver employment services too, including the Employment Related Services Association (ERSA) and Jobs-22). The potential negative effect on benefit income of part-time work and volunteering was also highlighted as a disincentive in the current system by Camden Council and ERSA. A young jobseeker noted:

> ***'It wasn't the most, shall we say, personalised. I didn't really feel that they really got to understand my background and where I'd come from. And even at the time I was doing voluntary work, they used to penalise me just for doing the voluntary work and sort of saying why aren't you looking for a job... so it wasn't the most useful experience... What actually did help me in the end was, ironically enough, my volunteering.'***
>
> Participant, Consultation with young people

The Association of Colleges, among others, pointed out that these issues are hard-wired into the benefits system, with the requirement for individuals in the 'full conditionality' group of Universal Credit to spend up to 35 hours per week looking for work often preventing people from being able to re-train and develop skills that would allow them to get better quality, more stable, better paid work in the long term.

3.2.4 Experiences of work coach support and conditionality

Service users described how the support available from Jobcentre Plus and work coaches could be a 'lucky dip' and spoke of significant variability in the service and support received (which was also a common theme in discussions with practitioners and local government). Participants often stated a lack of connection with their coach, where they felt unable or uncomfortable sharing certain details of their personal life, even when these significantly affected their employment opportunities.

'When it comes to how they treat people, my experience is not a good one... You keep meeting different jobs coaches. This is not helpful at all. You have to repeat the same thing all the time.'

Participant, Consultation with parents

'It was like a stranger that you were talking to and working with, sometimes they didn't quite understand what you wanted and needed and at the same time I don't think I knew what I wanted to share with them... I wasn't quite sure what I should be sharing and telling them and whether I was comfortable with doing that.'

Participant, Consultation with young people

'My experience with the job centre, I'd say is generally mostly negative... I felt like literally, like a number. I didn't feel like a human being... There was no human connection.'

Participant, Consultation with parents

Submissions emphasised that large caseloads affected work coaches and advisers' ability to build rapport and trust, which is fundamental to positive employment outcomes. Issues around caseloads and personalisation were raised by organisations including Earlybird, Capita, the University of Manchester, Southampton City Council and Renaisi. Large caseloads limit the time an adviser can spend with each person they are supporting, and many highlighted the average ten-minute Jobcentre Plus appointment as inadequate. They felt that more time is required to review progress, provide personalised employment support and plan ahead.

Combining responsibility for monitoring compliance with benefits rules alongside employment support was also considered by many respondents to undermine rapport, trust and openness – referenced by Scope, Belina Consulting, the ESRC Centre for Society and Mental Health and UK Youth among others (as well as being raised in discussions with service users and in workshops with stakeholders).

Many highlighted how the mandatory nature of public employment support and the sanctions regime create anxiety and suspicion among individuals. Sanctions use has increased significantly in recent years, with around 45,000 people sanctioned every month (a figure that has doubled since 2019). Virtually all of these sanctions (97%) are for failing to attend appointments. Many respondents – in the Call for Evidence and in consultation discussions – said that this fear of sanctioning had the unintended consequence of pushing away people who were not required to attend jobcentres but who may otherwise have wanted help to look for work. We also received and reviewed evidence on the impact of benefit sanctions, which suggested that sanctions likely have little to no effect on employment, may lead to lower earnings for those that do work,[6] and may lead to higher worklessness for the most disadvantaged claimants.[7]

With short-term unemployment now falling to close to its lowest ever level, the trend towards stricter conditionality and tighter monitoring is if anything accelerating – with the government announcing in the spring that it is trialling daily interviews for jobseekers reaching thirteen weeks of unemployment, in sixty jobcentre plus offices (with thirty of these offices also piloting a 'rewards' scheme for staff who exceed job entry targets).[8]

Based on the evidence that we have heard, it seems likely that this prioritisation of ever more frequent contact with ever fewer short-term unemployed people will lead to diminishing returns and will tie up capacity and capability that could be better used to reach people who are currently receiving no support at all. Indeed, if this scheme were rolled out nationwide, it would likely require over 2,000 work coaches to implement[9] – staff who could otherwise likely support over 100,000 people who are out of work.

6 https://www.gov.uk/government/publications/the-impact-of-benefit-sanctions-on-employment-outcomes-draft-report
7 https://bristoluniversitypressdigital.com/view/journals/jpsj/25/2/article-p129.xml
8 https://questions-statements.parliament.uk/written-statements/detail/2023-02-27/hcws582
9 This is based on conservative assumptions that around 40% of those entering the 'Searching for Work' group would become eligible for daily signing at thirteen weeks, and that each work coach would be delivering between 10 and 15 interviews a day

3.2.5 Improved coordination with skills and careers support

Integration and coordination between employment support, skills and careers guidance was seen as key to improving support for individuals. With longer working lives and a changing labour market, the Career Development Institute emphasised the need for more flexible and adaptable support for people through all stages of their lives – and for high quality occupational and careers guidance as the 'linchpin' in this. Phoenix Insights advocated for making greater use of the 'Mid-Life MOT' model to bringing together careers advice with support with finances, pensions and health; while Make UK also called for better access to careers guidance and training in later life to support older people to move jobs but stay in work.

Several respondents noted that Jobcentre Plus work coaches are not careers guidance professionals and do not offer careers advice. This was felt to be a gap, and meant that jobseekers may be less aware of wider opportunities and longer-term career paths. It also places a greater premium on the relationship between Jobcentre Plus and National Careers Service (NCS) providers, but we heard that this was often patchy on both sides – with poor awareness of careers support among work coaches and a very limited offer from the NCS.

Some respondents called for more fundamental integration of employment and careers support – with Demos proposing that careers guidance, employment support and adult skills training should come together under a new Universal Work Service, integrated at a local level to better support individuals and employers; while Pete Robertson of Edinburgh Napier University advocated for putting career development at the heart of employment support as part of a 'Capability Approach' focused on long-term career management (rather than as a bolt-on to the employment service).

Similarly, the lack of effective alignment between employment support and the training and skills system was commonly discussed. This was partly seen as a consequence of the 'any job' model set out in section 3.2.3, with evidence from the Association of Colleges and a roundtable with their members highlighting in particular the limited flexibility for jobseekers to undertake training while claiming benefits (with the relatively rapid Sector Based Work Academies model being the main exception to this). CPAG highlighted that this could present issues for some groups who are more disadvantaged in the labour market, and particularly for many parents returning to work – both because of the time many will have spent out of work but also because they may need to access relatively higher paid jobs in order to afford childcare.

Nonetheless, we heard positive examples too of skills and employment support being joined up. For example, Association of Colleges members told us how flexibilities within some Combined Authorities were enabling them to design and deliver more locally responsive training; while the Open University told us about their OpenLearn platform, which acts as a hub for short, digitally-badged, online learning and which has been promoted to people on Universal Credit through Jobcentre Plus services. This has the potential too to be expanded in future to bring in sector-specific badged courses, including in areas with specific skills shortages.

3.2.6 Signposting service users to relevant support

In our launch report we noted that the current employment support landscape is complicated but also fragmented, which causes confusion both for jobseekers and services. This is discussed in more detail in Chapter 5, but it was noted by many respondents that this had practical implications for how people accessed employment and wider support. In focus groups with service users, participants described going from service to service and having to re-tell their stories in the hope of eventually finding the right support. This was also raised in Call for Evidence responses, with for example Camden Council telling us that it can be difficult for jobseekers to know how to access support and that referral routes were often unclear; while Black Thrive Lambeth said that this was demoralising for jobseekers, detrimental to their health, and often further discouraged people from seeking help to find work.

> ***'It never actually came from my work coach. So, I never knew anything about support like this until somebody else... They seem to be good at referring to other organisations, but it is a shame that they don't pick up how other organisations are working with their clients for them to do a bit of extensive work like that themselves.'***
>
> Participant, Consultation with parents

Many respondents set out that services need to better connect people to appropriate support at the right time. As examples of this, Nick Pahl from the Society of Occupational Medicine talked about the potential benefits of engaging occupational health specialists to work alongside employers and employment services; while Reed in Partnership reported that a survey of over a hundred frontline advisers emphasised in particular the need for better mental health support, more affordable and flexible childcare and improved access to training. In consultation workshops, we also heard that with rising living costs and cuts to public services, many people's needs were changing – with budgeting advice, housing support, help with transport costs, and emergency financial assistance all becoming more significant needs for many of those out of work.

Related to this, we received feedback in consultation discussions on the Flexible Support Fund, which can be used by local Jobcentre Plus offices to fund more flexible, local support. This was seen as potentially an effective way to help disadvantaged groups and to address specific issues for jobseekers, but we heard that use of this was often patchy and awareness of it among some work coaches was low. We also heard concerns from Recro Consulting that the lack of any data on Flexible Support Fund spending, use and outcomes made it impossible to shine a light on and scale up good practices or stop funding things that may not be working.

3.2.7 Support for self-employment

Finally, a number of respondents to the Call for Evidence highlighted that there is a particular gap around helping people to set up their own businesses and become self-employed. Self-employment can be relatively low-paid and less secure than employee work, but often also has higher rates of job satisfaction and can be a more viable or attractive option for people who need to work more flexibly (often by combining self-employment with a part-time job). Southampton City Council, for example, said that more support for self-employment could help improve opportunities for disadvantaged groups; while respondents including CPAG and HENNE said that employment support should include advice and support around self-employment.

Specialist self-employment support has been available in the past (through the New Enterprise Allowance, which was closed at the end of 2021). The FSB highlighted in their response some effective models that could be built on, including the 'EnterprisingYou' project in Greater Manchester which provides tailored support, and an example from the Finnish employment service that provided start-up support alongside tax and benefits advice. They also advocated for more support for people who are already self-employed in order to grow their businesses and improve their incomes.

Many of the issues set out in this chapter have been longstanding tensions in our system of employment support and services, and in particular in the balance between its responsibilities for benefits oversight and control, for supporting disadvantaged jobseekers and for helping the labour market to work more efficiently (the three broad functions that we described in our launch report). However, our consultations and evidence gathering over the last six months lead to an inescapable conclusion that we are facing particularly acute challenges now – with services often narrowly focused on the 'claimant unemployed', an over-reliance on policing benefit conditions and on taking any job, and institutional and practical barriers to effectively joining up services and support. We heard too that many of these problems may be making matters worse in the labour market – by discouraging people from seeking support, or by pushing jobseekers into less secure and lower paid work than they might otherwise have found.

Set against this though, we also heard many examples of good practice – by Jobcentre Plus, local government, service providers and wider partners; and from across the UK as well as overseas. These were often based on personalisation, partnership working, localism and effective employer engagement. A key common theme was also around empowerment – for local partners, advisers, and critically for those accessing services. This was put best by one professional, as part of a workshop with organisations delivering employment support to parents.

> ***'What I've always been about is changing people's attitudes about getting back to work. Because at the moment employment support is done to you. It's a question: "have you done this, have you done this?" And that's not how anybody acts at their best... You have to have an employability system that is about recognising that a lot of people do want the best for themselves, and ... that if people go to a Jobcentre and they feel that all that's being done to them is somebody who doesn't understand them asking them questions about something that they don't really care about, and it's all form filling, it's just not going to work. And that's why I go back to New Deal for lone parents, where the Jobcentre had specialist advisers with a pot of money to help people do things and they were able to say, "where do you wanna go?"'***
>
> Participant, Consultation with organisations working with parents

4: Working with employers

4 Working with employers

Summary

This chapter summarises findings on how our system of employment support works with employers. In our launch report, we set out that employment services offer relatively limited support for employers; that its support can be patchy and fragmented; and that take-up of services is often low. However, we also reported that those employers that did access Jobcentre Plus services were generally satisfied with the support that they received. In our consultations we have been asking for views on current employer practice, what support employers need, the barriers to taking up support, and how services could be improved in the future.

As with Chapter 3, we start by setting out what is working well and good practices that we can build on; before then turning to the key challenges identified by respondents.

- We heard a number of examples of organisations working with employers to make recruitment more inclusive and broaden access to work for disadvantaged groups. There were fewer examples of support with employee retention and progression.
- The most effective interventions try to link up help for individuals with advice and support for the employer – for example in the Supported Employment model.
- Some larger organisations and local authorities talked about using their own leverage as employers, funders or conveners – for example through local 'charters' and procurement rules.
- However, we heard that too often services take a 'goods-led' approach that does not speak to employers in their own language, and have a narrow focus on vacancy collection and job applications. This can be alienating for firms and undermines take-up of publicly funded services.
- A poor alignment between employment and skills support can also make it challenging for services to offer a joined-up approach around recruitment, workplace training and wider workforce planning.
- The lack of effective co-ordination of services, particularly in England, puts the onus on employers to navigate different systems and can further drive disengagement. There was strong support for more coherent, 'one stop' support for firms. The picture appears to be somewhat better in Scotland, Wales and Northern Ireland.
- These issues often combine to lead to very low levels of employer awareness of support and engagement with it, which 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, and in turn were exacerbated by the absence of support specifically targeting the needs of smaller employers (alongside a deliberate move towards offering more enhanced services for larger firms).

4.1 What is working that we can build on?

4.1.1 Supporting inclusive recruitment

A number of organisations told us how they were working with employers to make recruitment practices more inclusive. This included making changes to processes to make them more accessible; providing additional support for those more disadvantaged in the labour market; and/ or leading by example within their own areas or sectors.

For example, on making processes more accessible, Black Thrive Lambeth described how they supported employers to use audio and video options in recruitment, and to make adjustments at interview stage like allowing more time or sharing questions in advance. Similarly, Southampton City Council encourage employers to make reasonable adjustments for disabled people and

those with long-term health conditions, and signpost employers to specialised employment services that can provide advice and support. East Sussex County Council described how they had worked with employers to adjust their approach in order to reach people who were homeless, marginalised, have complex needs or have low skills. This included providing informal conversations and workplace visits, using guaranteed interviews, and in some cases changing processes to assess qualities that are not qualifications or work experience:

Employers should consider where they might find other talent, and how supporting a neurodiverse individual, or person living in homelessness accommodation can add to their business – lived experience, creative thinking, ambition and motivation to succeed.

East Sussex County Council

We also heard in consultation sessions from organisations who had delivered the Kickstart Scheme, and who felt that its focus on subsidising employment for disadvantaged young people had enabled them to work with employers to support more inclusive recruitment practices. It was also felt that there had been a missed opportunity to build on that and to continue to engage with those employers after funding for the Kickstart Scheme ended.

Many respondents noted too that the current challenges that employers were facing with labour and skills shortages created real opportunities to improve practice. For example, the D2N2 Local Enterprise Partnership said that they were seeing employers widen their 'net' to reach people that they may have not previously recruited, but that this also meant that employers were likely to need more support to help take people on and keep them in work.

4.1.2 Joined-up support for employers and jobseekers

There were many examples of employment programmes for those out of work that had a strong employer-facing component alongside support for the jobseeker (a so-called 'dual customer' approach). Many of the initiatives described in Chapter 3 operated in this way, most notably the Supported Employment model, which is built around support for both the individual and employer – for example on job design, recruitment and brokerage into the role, and follow-on support in work. Supported Employment models also often bring together a range of services and partners – including Local Authority SEND teams, skills support, HR specialists and the organisations delivering the service.

We also heard from organisations that were linking skills, careers and employer-facing support to help firms improve recruitment and retention, like the Skills for Growth programme in West Yorkshire which is working to connect SMEs with education and training providers; and a collaboration between the Open University and Uber to cover tuition fees for education courses taken by Uber drivers. A number of respondents also referenced the success of Sector Based Work Academies in linking up pre-employment training, work experience and guaranteed interviews (and similar schemes like the 'Hatch' programme, which provides one-to-one support leading to a guaranteed job interview at KFC).

Some respondents emphasised too the importance and effectiveness of linking up support within places. Make UK suggested that support works most effectively when a locally tailored approach is taken and employers work with representative bodies to build relationships between employers and jobseekers. The D2N2 Local Enterprise Partnership gave the example of their 'Recruiting Talent' initiative, which brings together employers and organisations that can support them with diversifying their recruitment practices. Reed in Partnership also talked about the relationships that they had developed with employers, stressing the benefits of inclusive recruitment and helping to build connections and pathways between employers and jobseekers who are more disadvantaged in the labour market.

4.1.3 Convening employers and securing commitments

A number of respondents, particularly those in local government, housing and public services, talked about their work to convene employers and to secure commitments – for example through Charters and procurement rules – in order to try to engage employers and support better work.

Lambeth Council for example described how local authorities often have the strongest local links with employers and can be the '*most common convenors of business groups and anchor institution networks*'. The City-Region Economic Development Institute (City-REDI) at the University of Birmingham told us about the Birmingham Anchor Network, which brings together a coalition of predominantly public sector organisations that have committed to working together to use their own employment, spending and influencing powers – which has included practical projects to help employers extend employment opportunities to those more disadvantaged in the labour market (for example, through the 'I Can' project with local NHS employers). Similarly, many social landlords talked in consultation discussions about how they were using their own procurement and direct recruitment to help raise participation and support disadvantaged groups.

> ***'We are anchor institutions. We're not going anywhere and some of us are very large employers ourselves. So it's about driving and working with all of our heads of departments to look at what their future employment opportunities are looking like so that we can start to support our customers within our community to say, look, we've got these jobs coming up, we've got leverage with the supply chains, and it's about working very closely with them to see what are they going to give back, what's the social value.'***
>
> Social landlord, workshop with housing associations

The Call for Evidence also highlighted the growing use of charters and pledges as a means to engage employers, drive change and improve access to support. In Greater Manchester for example, the Greater Manchester Good Employment Charter aims to help achieve two mayoral priorities: to deliver good jobs with opportunities for progression; and to build a thriving and productive economy across the city region. This was co-designed with social partners and employers, and by mid-2022 had close to 450 members and supporters covering over 250,000 employees. The North of Tyne Combined Authority has developed a similar approach, with its Good Work Pledge setting out five pillars of good practice for businesses and stakeholders which help to improve job quality: valuing and rewarding workers, promoting health and wellbeing, effective communication, and representation, developing a balanced workforce, and social responsibility. Nationally, we also heard how the Youth Employment Charter has enabled employers to demonstrate their commitment to good practice in recruiting and supporting young people.

4.1.4 Improving retention and progression in works

We also heard examples of services working with employers to support retention and progression, although these were less common. HENNE, for example, described their 'Grow Our Own' programme which is providing careers support for current staff, with annual careers reviews; Black Thrive London, South Tyneside Council and Southampton City Council also set out how they were engaging with people in work for training and skills development; while Reed in Partnership described the in-work support model that is available through their employment support programmes (which includes working with staff to identify and develop progression paths). The Better Work Network[10] has also pulled together many examples of initiatives to improve retention and progression.

The Institute of Directors suggested that this agenda will only grow in importance for employers in the coming years, given the tightness of the labour market. Nonetheless, a number of respondents reported that in practice, many people have very little opportunity to progress at work, that more employers need to provide workplace support around retention and progression, and that there is only limited support available to improve this (for employers or workers).

10 https://learningandwork.org.uk/what-we-do/good-work-progression/better-work-network/, accessed on 11 July 2023.

4.2 Where are the challenges?

4.2.1 A narrow focus on vacancy collection and job applications

While there were examples of good practices in working with employers, submissions were generally more critical of the system than positive about it – with issues in particular around support not meeting employers' needs, being fragmented, and not enough employers engaging with it.

Most significantly, we heard from employer groups, experts and wider stakeholders about services being narrowly focused on vacancy gathering and not talking to them as employers and understanding their needs. Evidence from Jo Ingold at Deakin University and Tony Carr FIEP at 4Front Partners described this as a 'goods-led' model, based on delivering different employment programmes rather than working with employers to deliver support and services based on their specific requirements. We heard from the FSB that employers want services that understand them and their local labour market, that can help identify candidates who meet these needs and who want the jobs, and that can support them on accessing wider support particularly around skills development.

> ***'Employers want a service which responds to the needs of the local labour market and they want a service that delivers candidates who want the jobs available.'***
>
> Federation of Small Businesses

A number of respondents also argued that support was too focused on those out of work rather than on helping employees to stay and be productive in work.

We also heard from employer bodies, researchers and those delivering services that recruitment support was often overly focused simply on generating high volumes of applications for posts, rather than helping to find the right candidate for the job. Research with employers by Manchester Metropolitan University found that this was discouraging employers from engaging with Jobcentre Plus, and particularly smaller and medium sized organisations. The research also suggested that employers were often put off by Jobcentre Plus's perceived 'punitive' approach to applying benefit conditions. In our evidence session with employer representative bodies, these issues were put particularly starkly.

> ***'It's a kind of "throwing darts at a dartboard" kind of effort. But from the employer's perspective that's very frustrating, because you've got those people turning up or maybe not turning up who don't really want that job. They have no interest in it, but they've been told to apply for it. And you know, I've heard this directly from people who have said, "I've taken an afternoon out to interview people ... [and] none of them showed up." And for a small employer that kind of friction is quite difficult to manage ... If you're a small employer and that's your time and you're running the business, it's quite a big deal and it's going to put you off.'***
>
> Evidence session with employer bodies

A number of employer bodies and experts suggested that this was contributing to a broader 'image problem' with Jobcentre Plus services, which were generally seen as not suitable for employers' needs and so were being under-used. The CIPD, for example, said that their own surveys had found that only a small minority of private sector employers felt that Jobcentre Plus would be an effective way to meet their resourcing and talent needs, which backs up findings from the employer survey conducted last autumn for the launch of this Commission.

4.2.2 Poor alignment between employment and skills support

A particular issue raised by many employer organisations and by local government was around the alignment between skills support and employment services. Local authorities including Southampton, Haringey, North Norfolk and Lambeth all talked about the need for a more joined-

up approach between skills support and employment support for employers, particularly given the current challenges that many areas are facing with both skills and labour shortages. They emphasised in particular the role that local government should play in helping to co-ordinate this locally.

This linked to a wider issue around how employers are supported on career and skill development, with a number of respondents emphasising the need to work with employers and workforces to support career planning and progression in work. Reed in Partnership talked about the need to better align workplace training with in-work progression support, while the Career Development Institute suggested that there should be greater co-investment in workplace skills alongside access to careers guidance while in work, with Phoenix Insights emphasising the importance of effective careers guidance and employment support in later life. The Centre for Ageing Better referenced the 'WorkAdvance' model in the United States, which combined employment support in work with careers guidance and sector-based (co-funded) training to support progression, with positive results.

Make UK also argued that employment services needed to better link up skills support with employment support (in and out of work) but was more positive about employers' capability to do this within their sector (manufacturing) and the potential of new 'Local Skills Improvement Plans' to help facilitate this and to deliver more relevant, timely and better aligned support for retraining, career development and upskilling while in work.

4.2.3 Fragmented and inconsistent support

A common issue raised in evidence submissions and in consultations was that support for employers is inconsistent and spread across multiple providers. A number of respondents, including the Career Development Institute and Jo Ingold at Deakin University, told us that the lack of any central source of employer support or co-ordination between services means that they often do not know what support is available or where, and have to go to multiple sources to get what they need. Respondents including the LGA, Recro Consulting and Abri said that this was exacerbated by short-term and siloed funding, so relationships are hard to sustain and often very limited in what they can offer.

This lack of signposting and effective join-up also makes it harder for employers to access the sorts of support that they may need in the current labour market, if they are looking to broaden their recruitment to better reach people who are more disadvantaged. The Long Covid at Work group, for example, stressed the need to improve connections with those who have specialist skills and knowledge of the management of specific long-term health conditions (including energy-limiting conditions); while Nick Pahl from the Society of Occupational Medicine similarly emphasised the importance of improving access to occupational health support (including greater employer investment). Other respondents including the Institution for Occupational Safety and Health emphasised the need for greater support around accommodating the needs of an ageing workforce and planning ahead to support retention of older workers.

Respondents including Generation and East Sussex County Council expressed how employers are keen to do more to improve inclusion and diversity in the workforce but require more support to do so. The Inclusivity Works project in Gloucestershire, which supports employers to develop a more inclusive workplace whilst highlighting the benefits of this for the wider business community, was a rare example of a local project that was looking to address this directly.

It was also noted that the fragmented nature of support (at least in England) meant that employers often faced a 'postcode lottery', as Manchester Metropolitan University put it, where their experience depended largely on what services are available in that local area, how well linked-up these are, and the extent to which the adviser that they have contacted (or been contacted by) is able to help them to navigate this.

4.2.4 Lack of co-ordination and collaboration

Building on this, we heard from many respondents about the need for greater co-ordination across services, especially in England. Respondents from local government, as well as a number of academic experts and some employer bodies, argued for the need for more 'place-based'

approaches – to ensure that provision can meet local employer, workforce and economic needs, but also to join up better between different local initiatives and programmes.

This picture was somewhat different in Scotland, Wales and Northern Ireland – which face similar challenges around 'goods-led' provision and competing services, but often have more effective mechanisms for co-ordinating and bringing together support for employers (through Scottish Enterprise, Business Wales and InvestNI – although support from these services for recruitment specifically is limited). Many areas in England have also started to put in place the structures to better co-ordinate across services, with for example the West Yorkshire Combined Authority highlighting their work to try to better co-ordinate across employers within sectors and to then support collaboration between services to meet labour market and skills needs.

Nonetheless, we heard about a range of barriers to doing this well, particularly in areas without Combined Authority status and powers. These barriers included the short-term and siloed nature of provision, the lack of funding to support co-ordination, an inability to flex support to meet local needs and inconsistent engagement within Jobcentre Plus (with a number of respondents arguing that there should be a single, named point of contact for employer services in all local offices). Competition between services was also seen as a barrier, and some emphasised that current procurement models mean that providers are often disincentivised from referring to each other (unlike in other, more co-operative models overseas).

> ***'Multiple, competing providers/programmes operate in the same labour markets and travel to work areas. Many programmes offer niche 'products' including traineeships, apprenticeships, specialised demographic groups and programme targets –these are the providers' priority which doesn't always match business need. [...] The result is a single employer having to engage with multiple providers in one geography who are the gatekeepers to siloed talent pools.'***
>
> Jo Ingold at Deakin University and Tony Carr FIEP at 4Front Partners

More positively, there was clear appetite for greater co-operation locally, both in terms of bringing the right partners together (including local government, employer representatives, training providers and employment services) and having 'one stop' support for employers – with the LGA stating that 93% of councils in a recent survey agreed that this would add value in their areas.

4.2.5 Low awareness and engagement

We heard that many of the issues set out above have combined to lead to very low levels of employer awareness of support and engagement in it. Research suggests that this is often due to constraints on employers' time, particularly smaller firms, and on their using known and trusted sources when they do seek support. Respondents to the Call for Evidence flagged these issues too.

> ***'...time constraints, not knowing where to start or feeling fearful of beginning conversations and "getting it wrong".'***
>
> Fife Voluntary Action

Evidence also pointed to a general lack of engagement with employment support, which was referenced by respondents including the CIPD, LGA and Education Development Trust. Many issues were raised including the opportunity costs of participating, the time commitments involved in finding and accessing the right support, the diversity of rules and eligibility criteria, and the lack of flexibility within programmes and services to respond to employers' needs.

Again, the importance of untangling and simplifying the offer locally was emphasised by a number of organisations. Local research by Lambeth Council, for example, suggested that there was a willingness among local businesses to recruit locally and engage with support, but that employers were simply not aware of what was available in their area. The D2N2 Local Enterprise Partnership made similar points, arguing in particular that initiatives are introduced

without enough thought being given to how awareness will be raised and services promoted. The importance of working through employers themselves – their testimonies, experiences and case studies – was also emphasised, for example by the Gloucestershire Gateway Trust

4.2.6 Lack of support for smaller firms

Many of the challenges set out in this chapter were reported as being particularly significant for smaller and medium sized organisations. We heard from the FSB, Institute of Directors, CIPD and others that smaller firms typically have limited (and often no) specialist HR staff and are 'time poor' – so do not have the capability or capacity to navigate different providers and provision and to find the support that they need. The FSB in particular emphasised that for small firms, the onus should not be on the employer to have to work out for themselves what support is available where and from whom. We heard too that this has been compounded in recent years by the focus within services (particularly Jobcentre Plus) on 'account managing' larger employers regionally and nationally while cutting back on more local level engagement.

Some respondents pointed out that this approach was likely to be particularly counterproductive as many smaller employers may be better placed than larger firms to be more flexible in how they recruit. The Welsh Council for Voluntary Action, for example, said that small and medium employers are often more able to work with local community organisations and to tailor their approaches to different jobseekers.

Drawing this together, then, our evidence gathering found that while there were a number of pockets of good practice in engaging employers and joining up across services, these appeared to be often happening in spite of, rather than because of, the design of our system of employment-related support. Too often, services are narrowly focused, fragmented and uncoordinated, with employers unaware of support and unable or unwilling to engage with it.

We heard in our evidence session with employer bodies that they often felt like an 'after thought' in employment services, rather than full partners – with experts at Deakin University and Manchester Metropolitan University making similar points that employers are not well enough involved in the design and implementation of employment support. The Welsh Council for Voluntary Action emphasised that it is also important to include workplace representatives and trade unions in these relationships. However, we also heard of initiatives that were trying to address this and to better join up support and services – often led by local government (including through charters and pledges), but also provider-led initiatives like the ReAct Partnership within the Restart Scheme. These models of co-design, co-ordination and collaboration are all areas that could be built on in future.

5: How our employment system works

5 How our employment system works

Summary

This chapter draws out key findings on the governance and structures that underpin our system of employment support. The launch report for the Commission set out that while there were many examples of effective partnership working and collaboration – across the UK nations, within local areas and across services – this was often hampered by poor institutional alignment between employment support and other services, a centralisation of powers in government departments and an inconsistent approach to devolution. In our consultations, we have been seeking views on how institutional arrangements could be improved and on the future role of different partners including governments, commissioned services and wider partners.

The chapter begins by summarising feedback on how services work in partnership currently; before exploring views on the roles and functions of national and local government, and the appetite for more radical change. It then concludes with discussion of how the wider employment support market works and its sustainability.

- Local partnerships can play a key role in convening and co-ordinating employment support as well as in overseeing delivery of joined-up services – including co-located employment hubs, 'no wrong door' referral models, and outreach and engagement with residents. Scotland and Northern Ireland have both used their devolved powers to roll out more substantive devolution and control to local areas.
- However, the infrastructure and governance to support this in England is not strong enough, with Jobcentre Plus involvement often patchy, and short-termism, siloed responsibilities and funding pressures making partnership working harder.
- Multiple accountabilities at the centre of government also create challenges, with at least five departments having some responsibility around employment and the labour market but none joining these up effectively with each other. The loss of 'agency' status for Jobcentre Plus may also have exacerbated these issues.
- Cuts to funding of employment support, alongside a move towards larger-scale commissioned programmes, has led to a less diverse market for employment support and less access to specialist provision. Rapidly changing priorities and short-term contracts were felt to further undermine longer-term investment and partnership working.
- Employment services are almost unique among public services in not having any independent oversight or regulation of the quality and standards of the services being delivered. This is a missed opportunity for assessing standards, sharing good practice, supporting improvement and improving organisational and workforce management.
- The government has sought to address many of these issues through more recent commissioning rounds, and there was recognition that national commissioning enables economies of scale, consistency between places (for individuals and employers) and specialism. However, there remains widespread support for greater devolution and local control in commissioning and delivery – building on international good practices from Germany, Denmark and elsewhere.

5.1 Partnerships and joining up

5.1.1 What has worked well that we can build on

We heard a range of positive examples, in the Call for Evidence and in consultations, of effective partnership working and joining up across services. Often this involved close and effective working relationships with Jobcentre Plus offices and teams, as was also noted in Chapter 3. Abri for example shared that their positive working relationship with DWP in South Somerset had been crucial to the success of their own support, both in relation to receiving

referrals and securing funding. In our consultation with LGA members, a number of councils also described how they had built effective working relationships with local Jobcentre Plus managers – for example to co-locate support in employment hubs, run jobs fairs for employers and improve referrals between services.

Many other submissions to the Call for Evidence referenced effective local partnership working, often convened by local government or by organisations delivering services. Swansea Council, for example, described how local partnerships and networks underpinned their model for employment support – in particular their relationships with local employers and with organisations providing employment services, careers information, training and wider support. The Australian Council of Social Service advocated for local employment and skills partnerships that could be led from the ground up by employers, unemployed people, community services and unions in collaboration with employment and training providers.

We also heard positive feedback in evidence sessions on the potential for new Integrated Care Boards (ICBs), which are bringing together health and social care employers within areas to help to plan and deliver joined up services and improve population health. With their emphasis on convening a broad alliance of partners concerned with improving care, health and wellbeing, stakeholders highlighted the potential of the ICBs to improve links with employment support but also to act as a potential model for other locally-led partnerships.

Gloucestershire Gateway Trust shared the success of their National Lottery-funded programme Going the Extra Mile (GEM), which is delivered in the community by cross-sectoral experts including Gloucestershire Deaf Association, GL Communities, Gloucestershire Action for Refugees and Asylum Seekers, and Gloucestershire Rural Community Council. Gloucestershire Gateway Trust believes that the multi-agency approach had been one of the main drivers of success, and was enabled by their ability as a community organisation to reach people who are more disadvantaged and to link up with wider services.

We also heard positive examples of delivery of partnership-based employment support by employment teams in social housing, in our consultation event with social landlords. They described a number of employment programmes which drew on funding from sources including ESF, National Lottery, the NHS, DWP, local government and their own income, which were delivering services for local communities – often in disadvantaged areas – and working in partnership with local government, Jobcentre Plus, training providers and wider services.

Social landlords described the ways that they were able to deliver holistic support through partnership networks developed with other community-based organisations. For example, one housing association outlined a model involving seventeen organisations which enabled them to provide access to services for drugs and alcohol misuse, mental health, financial hardship and LGBTQ+ support. Others talked about the delivery of 'Individual Placement and Support' and Supported Employment models, funded through DWP and the NHS. One outlined their partnership with local GP surgeries, who on their behalf could message surgery lists to offer access to employment support.

> ***'We are co-locating in GP surgeries and our local GP surgeries will send texts out to people on their surgery list asking them if they want employment support. They've been very successful. I think because people tend to trust their GPs, and with a message coming from their GP they tend to trust the stuff that's following…'***
>
> Social landlord, workshop with housing associations

A common theme was that the voluntary support provided by social landlords, and their long-standing relationships with tenants and in communities, could '*actually get behind the front door of households*' and reach people that statutory services struggled to reach.

5.1.2 Challenges to joining up

However, while there were many positive examples of effective partnership working, there were also consistent and strong views that wider, institutional barriers meant that these sorts of collaborations were often in spite of, rather than because of, the system (especially in England – with other UK nations taking a different approach, set out in section 5.2 below). Many of these wider challenges were felt to stem from issues around national policy and commissioning, but many also referenced how changes and reductions in funding were reducing the availability of support and the management capacity to effectively join up.

One further, common theme was that Jobcentre Plus involvement in wider partnerships is often patchy and reliant on relationships with individual local managers. The Scottish Centre for Employment Research, for example, argued that integration and alignment of employment support is 'strikingly underdeveloped' in the UK compared with other countries – and so was a missed opportunity for 'win-win partnerships' that could help meet their objectives as well as those of local partners. Some argued that this may in part also reflect the way that Jobcentre Plus views success – with the charity Generation suggesting that Jobcentre Plus's focus on rapid job entry for those with strict conditionality requirements meant that they often had little incentive to engage in wider partnerships to improve access to employment or join up support for other groups.

> ***'I would have really appreciated DWP working better with local organisations that are very much instrumental to the community... If [a] person's already getting assistance from another organisation, DWP should figure out how to integrate their service into that rather than being a lonely island... it needs to be a collective collaboration to get people into employment.'***
>
> Participant, Consultation with young people

More broadly, we also heard that in many areas the infrastructure and governance to support more effective joining up simply did not exist (or no longer existed). As one social landlord put it, many areas simply do not have mechanisms to allow partners 'to look up, out and across'. However, these mechanisms do exist to a greater extent in Scotland, Wales and Northern Ireland (in different ways in each), and within England are being addressed to some extent within Combined Authorities and in London's sub-regional partnerships.

5.2 The roles of national and local government

5.2.1 National policy and commissioning

Feedback on the role of national government departments was mixed and often critical, with many arguing that the employment, education and skills systems (particularly in England) were too 'siloed' in their policy and operations; and were not effectively aligned with each other or with tiers of local government. At least five government departments have some responsibilities around employment and the labour market[11] and the lack of effective co-ordination or join-up was felt to exacerbate the complexities experienced by employers and service users when attempting to navigate these systems.

The LGA argued that at both the national and local level, the UK needs a clearer and more coherent strategy, and a better handle on how employment and skills funding is being used. They noted for example that there is currently no strategy drawing together how the range of initiatives relevant to employment and skills (including Levelling Up, the Restart Scheme, Skills Bootcamps and Help to Grow), each delivered by different Whitehall departments, should be working together – with no single organisation responsible for their co-ordination or holding them accountable for their outcomes.

We also heard from independent experts like Dan Finn and Eamonn Davern that 'machinery of government' changes within DWP had diminished its focus on employment. The Department's five priorities now include two on 'welfare' but none on employment; [12] while

11 https://learningandwork.org.uk/what-we-do/good-work-progression/better-work-network/, accessed on 11 July 2023
12 https://www.gov.uk/government/organisations/department-for-work-pensions/about [accessed on 7 July 2023]

the loss of agency status for Jobcentre Plus in 2011 means it is no longer held accountable for its delivery of employment and benefit work. Looking internationally and historically, we were told that 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. (Indeed, DWP has seen its day-to-day spending fall by more than 50% in real terms between 2011 and 2021, the second-largest reduction of any government department).[13]

Other submissions often focused on specific areas of disconnect between national departmental policies and responsibilities. The FSB for example highlighted the mismatch between the education system and employment (as did others), which was felt to be undermining the work-readiness of young people leaving education. The Career Development Institute identified disconnects between employment, skills and careers services, meaning that many jobseekers and learners were not able to access good quality careers advice.

There were also many examples given of departmental initiatives duplicating or conflicting with each other, or creating confusion for existing local schemes and provision. The LGA noted that the 'Way to Work' campaign by DWP, emphasising the need to take 'any job', was announced just 48 hours after a major extension of the Skills Bootcamps scheme by the Department for Education which aimed to provide intensive, sector-specific training to address specific shortages. Further back, the Welsh Council for Voluntary Action described how the introduction of the Work Programme had led to significant confusion around eligibility for their own 'intermediate labour market' programme. Many organisations felt that these sorts of issues were leading to fewer people accessing support, and/ or undermining the effectiveness of programmes.

For all of this criticism however, there were also respondents who argued that national commissioning of employment support had brought benefits too. Some providers argued that larger contracts had created economies of scale that were not possible in locally commissioned provision, and also reduced the risks of 'postcode lotteries' in the availability of support for individuals or employers. In addition, the Scottish Centre for Employment Research argued that DWP had developed significant policy and commissioning expertise.

> ***'DWP should be commended for the way in which they have developed a high-quality infrastructure of expertise, data, MI, commissioning, policy design and analytical rigour.'***
>
> Scottish Centre for Employment Research

5.2.2 Experiences of devolution and localism

At the same time that many respondents were critical of national departments, there was near consensus in the call for evidence and consultations on the benefits of more localised commissioning and devolution.

A range of examples were given of good practices in locally commissioned programmes, often drawing either on devolved budgets or from pots of money set aside for new trials and innovations. For example, City-REDI described how, in Connecting Communities – a voluntary, community-based programme trialled across nine neighbourhoods in Birmingham – localisation had enabled a different approach to commissioning that could draw on a wider range of providers, test more innovative methods to engage those further from work, and enable councils, community organisations, colleges and private providers to collaborate. This helped in particular to address some of the complexity in how employment and skills services joined up within the city region.

13 Source: Institute for Government. The largest reduction has been in the Department for Levelling Up, Housing and Communities, reflecting cuts to central government funding of local councils.

> ***'One provider partnered with a community interest company (CIC) with strong roots in their respective area. This partnership allowed the provider to leverage the said CIC's familiarity with the target community and their extensive network with local groups and organisations. Moreover, these innovative partnership models allowed providers to reach potential participants in ways beyond the traditional referral source for employment support of Jobcentre Plus.'***
>
> City-Region Economic Development Institute, University of Birmingham

Many areas with greater local powers also argued that devolution of skills funding and other responsibilities had enabled them to deliver more coherent, locally responsive approaches than the nationally-commissioned provision that they replaced. This in turn was felt to help address some of the silos and barriers that made it harder to join up across employment, skills, health and other services. All argued that these approaches were more accessible for residents and employers, could better meet their needs, and had the potential to realise better value for money.

Employment hubs and 'one-stop shops' for employment support were commonly raised as examples of ways to increase access to a range of support services. The West Yorkshire employment hub, launched in 2019 using ESF, Combined Authority and local government funding, was designed to support 16 to 24-year-olds furthest from the labour market and to engage with businesses in order to stimulate apprenticeship opportunities and job vacancies. The hub engaged nearly 6,300 young people, with an estimated return on investment of nearly £5 for every pound spent. We also heard examples of one-stop shops and co-located employment support in areas without devolved powers, like the Hull City Council Employment Hub. Looking at a wider service level, 'Working Wales' was referenced as a good example of how devolved powers could be used to create a more seamless, single point of access to different services – in this case, linking up careers, skills support and employment provision.

A number of submissions from councils also described the benefits of co-designed, local employment interventions – for example in evidence from Camden and Lambeth Councils. The Good Work Camden programme for example, referenced in Chapter 3, was developed following extensive consultation with employers, residents and partners including DWP.

However, for all of these positive examples, we also heard potential issues and risks that would need to be mitigated in a system with greater devolution. This was more common in discussions in workshops and consultations than in written responses, where concerns were raised in particular about:

- Building the capacity and capability to commission services effectively in parts of the country that have less recent experience of doing this;
- Inconsistency between areas – in access to services, how provision is commissioned and managed, reporting requirements, success measures and so on;
- The need for devolution to be part of a wider settlement or 'deal' that can reconcile national and local priorities (as larger 'devolution deals' try to do);
- The risks that some groups may be under-served – for example because they are particularly marginalised or have high needs that cannot be easily met through local commissioning, or because local providers focus effort on delivering services to groups that they are most specialised in (with some respondents in Scotland suggesting that there were signs that this was happening with the recent rollout of local authority-level commissioning); and
- Complexity for employers, especially larger firms that may operate across local authority or local government boundaries.

> ***'[Employment services] are often poorly aligned with employer and jobseeker "functional economic geographies". Residents, businesses and training providers don't think in terms of where the local authority boundary happens to be. Many businesses who would really benefit from the Workforce for the Future support are excluded because of where they are based – the postcode lottery creates unfairness.'***
>
> Business West

5.3 Appetite for more radical change

5.3.1 Devolution of employment policy and delivery

We set out in our launch report that the UK has a highly centralised approach to the oversight and delivery of employment support. Our consultations identified a number of potential models with greater devolution and localisation of policy, funding and oversight of delivery.

In Denmark for example, there is a very high degree of devolution to local government – with municipalities responsible both for the running of local jobcentres but also for wider active labour market policies and delivery. This has been seen as an effective model in balancing local flexibility and responsiveness with strong social partnerships and networks, and in having clear arrangements for regional co-ordination and national accountability.

The Danish public employment service structure[14]

National level
The Danish Ministry of Employment has overall responsibility for employment policy, with input from representatives of social partners through an Employment Council.

Beneath the Ministry, the Agency for Labour Market and Recruitment (STAR) is responsible for supporting the Ministry on policy formulation, supporting implementation of initiatives (by overseeing municipalities) and supporting the generation and sharing of information, knowledge and insight.

Regional level
At regional level, there are three decentralised labour market divisions called Labour Market Offices. These support local jobcentres and unemployment insurance funds to implement employment policy and labour market reforms. Additionally, they co-ordinate regional activity alongside businesses, jobcentres, unemployment insurance funds, social partners and training provision.

There are eight Regional Labour Market Councils, each responsible for co-ordinating employment, skills and business support in their areas, with a particular focus on addressing labour shortages and areas of high worklessness. They aim to improve coordination and dialogue between municipalities, and between municipalities and unemployment insurance funds.

Alongside this, Danish local government has five regions, each with a number of municipalities beneath them. These co-operate on various issues via a Local Government Regional Council, and are required to co-ordinate employment policy matters between municipalities within their areas.

Municipality level
Each of Denmark's 98 municipalities are then individually responsible for running local jobcentres and for designing and implementing local active labour market policies. These are developed in line with regional and national priorities, but municipalities and their jobcentres have a high level of freedom in the detailed design and delivery of policies and services.

This approach is governed by a clear framework for accountabilities, where STAR may intervene if municipalities are not meeting their obligations or effectively discharging their responsibilities.

14 Adapted from OECD (2021) Institutional and regulatory set-up of active labour market policy provision in Denmark, Research note, June 2021

Germany was also cited in responses as an example of a country with a higher degree of local autonomy and partnership working but within a clear national policy framework. Like Denmark, Germany has a clear separation between the national ministry, an executive agency and then local delivery. Its Federal Ministry of Labour and Social Affairs (BMAS) leads on developing employment policy, setting targets for employment services and allocating employment funding. It then supervises the Federal Employment Agency (FEA), which is tasked with overseeing the implementation of employment policy (with strong social partner input). Responsibility for delivery is decentralised to each municipality, or Länder. Eamonn Davern likened the relationship between the agency and the federal government as similar to that of an independent central bank – with it expected to follow broad policy directions, but governed by a Board comprising the Ministry, agency executives and social partners, including employers and unions.

Closer to home, the approach taken in Northern Ireland was also noted as a potential model that other nations in the UK (or areas within England) could follow. Northern Ireland is expected to 'mirror' UK rules on social security and benefit conditions, but beyond this has complete funding and policy devolution for the oversight, management and delivery of employment support. In effect, the equivalent of 'Jobcentre Plus' is already fully devolved in Northern Ireland. Until about a decade ago, the Northern Ireland government broadly reflected the approach taken in the wider UK. More recently however, it has started to use its powers to do things differently – in particular by establishing Labour Market Partnerships (LMPs) in each council area, which bring together key local partners and have responsibility for:

- Local leadership, coordination and integration of relevant services;
- Developing and agreeing local area plans, including performance targets;
- Managing devolved funding for employment programmes; and
- Managing arrangements for the evaluation of local interventions.

This new approach is intended to strike a balance between national and local level responsibilities, and to support more effective co-ordination, partnership working, service design and delivery, and engagement of residents and employers within areas.

Similarly in Scotland, which has devolved powers over employment support for disadvantaged groups, local partnerships now take the lead in commissioning local employment support through the Scottish Government's 'No One Left Behind' strategy. This is underpinned by a Partnership Working Agreement between the Scottish Government and local authority partners, with local employability partnerships then developing their own local plans to commission services that can support those most disadvantaged in the labour market.

Elements of each of these models could be implemented, to a greater or lesser extent, in Great Britain. Jobcentre Plus could be devolved to other GB nations or to city regions, as it is in Northern Ireland. Local councils could be given greater control over commissioning of provision, as they are in both Scotland and Northern Ireland, as well as in Denmark and Germany (and many other countries). National government could take more of a co-ordinating and stewardship role, with detailed policy and delivery then led by local government. There are potential benefits in each of these approaches – in enabling greater co-ordination between services, better meeting local needs, and/ or enabling greater flexibility and responsiveness.

We also heard about the need for a clearer demarcation between DWP/ Jobcentre Plus responsibilities and those of local support and services, with calls for more powers and funding for local areas in the delivery of employment support. Some submissions suggested a hybrid model of national and local commissioning (which would be similar to the UK-Scotland relationship), arguing that this could maintain the benefits of achieving economies of scale through national commissioning for 'mainstream' services while enabling local commissioning to address more specialist, local priorities and needs. A further, less radical suggestion was to continue centrally commissioned programmes but to have stronger arrangements for co-design and co-commissioning with local government.

5.3.2 Separating employment support and benefits administration

A further potential reform, which we asked for views on in the Call for Evidence, could be to separate departmental responsibility for employment support from benefits administration. These responsibilities were brought together with the creation of DWP in 2001, in order to bring employment support closer to people on benefits (including those not on unemployment benefits) and to end the situation where people often had to visit both Jobcentres and social security offices to maintain their claims. However, as we have set out in Chapter 3, there is a range of evidence that employment support often plays a secondary role to benefits administration and control, which interestingly had been a key objection to the original proposals in the 1944 Beveridge Report to subsume the Labour Exchanges within a new Minister of Social Security.[15] We also set out in Chapter 3 that the integration of employment support and benefit administration appears to be making it harder for Jobcentre Plus to engage people who are more disadvantaged in the labour market, to deliver more specialist employment support, and to work effectively in partnership with wider services.

Many respondents to the consultation argued that separating out departmental responsibilities for employment support and social security administration could be beneficial, as it could reduce barriers to engagement for disadvantaged groups, promote higher quality employment support through a reformed employment service, and enable more effective partnership working including greater devolution. These and similar arguments were made by a number of council respondents (including Lambeth and Southampton), service providers (Capita, the Growth Company and others) and wider stakeholders (including Mind).

Making a change of this sort could in effect return things to their pre-2001 position, with a Department for Employment and one for Social Security (with the employment service potentially still responsible for monitoring work availability and jobsearch requirements, as it was before 2001). The Department for Employment could also take on wider responsibilities related to the labour market including employment regulation and industrial relations (as it had for most of the pre- and post-war period, in various different guises), which could also enable a greater focus on employer support and responsibilities and on making work better. Demos's proposed Universal Work Service, for example, would be along these lines – with a clear, single point of contact for information and support for citizens, employers and partners delivering employment-related support and services.

However, while many respondents supported making changes along the lines set out in this chapter – for greater devolution, and/ or to separate employment support from benefits administration – there were also mixed views on how feasible or desirable it would be to take forward changes of this scale. Some pointed out that machinery of government changes are difficult and time-consuming, and could divert attention from focusing on addressing more immediate and pressing priorities. Many respondents favoured more incremental or targeted changes, to work with and improve the structures that currently exist.

5.4 The employment support market

5.4.1 Changes in the market for contracted-out services

We asked in our consultations for views on the wider market for delivering employment services, which includes private sector, non-profit and other public sector organisations (for example colleges, local authority teams and health services). As we set out in the launch report, funding for commissioned services has reduced significantly over the last fifteen years – more than halving in real terms compared with the mid-late 2000s. A number of respondents commented that these funding cuts, alongside uncertainty and fragmentation in commissioning, had led to a less diverse market, less access to specialist provision and less choice within local areas.

15 The government's response to the Beveridge Report, under the chairmanship of Sir Thomas Phillips, then Permanent Secretary at the Ministry of Labour, likened the transfer of the Labour Exchanges to the Ministry of Social Security to *'treating [their role] as if it were primarily to administer an unemployment benefit test, very much as if the main function of a health service were to be that of giving certificates for disability benefit.'*

We also heard a range of evidence about impacts of changes in the way that services are commissioned, particularly since the Freud Review in 2007.[16] After this review, commissioning by DWP has tended to follow a 'prime contractor' model where the Department manages fewer, larger contracts with those contract holders then expected to bring together wider supply chains and resources to deliver across those areas. This has been intended to maximise economies of scale, leverage greater investment by providers and enable the Department to take a more strategic approach to the market. This has also been accompanied by experimentation in how services are paid for – particularly around the level and nature of 'payment by results' (based on employment or earnings) and on fees for service delivery.

There were varying views on this approach. Many respondents recognised the benefits that larger contracts had brought. As noted earlier, the Scottish Centre for Employment Research argued that the Department has built significant expertise in the design, commissioning and management of contracted programmes; while a number of providers said that larger scale and longer-term contracts had been successful in creating the economies of scale for greater investment and had helped to mitigate risks of 'postcode lotteries' by enabling a more consistent focus on service standards across areas and groups (and for employers).

Nonetheless, there were common issues raised too, in particular that:

- The large geographies of DWP contracts made it harder to join up provision locally, and increased risks of gaps in support in areas that are harder to serve within a standardised delivery model (referenced by the LGA among others);
- The prime contractor model had negatively affected local and often voluntary or community sector organisations – with many unable to get on to supply chains, or only able to deliver limited services for short periods of time and at low costs (raised frequently in consultation discussions with smaller providers, as well as by some individual respondents from provider organisations);
- The design of 'payment by results' models encouraged a focus on rapid job entry rather than high quality services, and created risks that providers 'park' people who were less likely to achieve a job outcome (again raised in consultation discussions with delivery organisations, but also in submissions from providers and academics including Pete Robertson at Edinburgh Napier University); and
- The focus on competitive procurement and relatively short-term contracts can undermine co-operation between providers, collective investment (for example in technology) and the sharing of evidence on what is working (discussed by Jo Ingold at Deakin University and Andrew Phillips at Demos, and by the Career Development Institute, Renaisi and others).

The Department has looked to address many of these issues as new programmes have been commissioned, for example by introducing mandatory 'service standards' with penalties for non-achievement, requiring providers to show how they will work in partnership (which has also supported industry-led initiatives for collaboration and improvement, like the 'ReAct Partnership' within the Restart Scheme), enabling local areas to assess parts of bids, and examining more closely how funding is used in delivery. However, for the government's main programmes this has still been within a 'prime contractor' framework with large contract geographies and relatively little oversight of supply chain management. A number of respondents argued that there was scope to do significantly more to support a more vibrant market for national and local provision.

5.4.2 The role of local commissioning

Alongside larger national programmes, local commissioning has always played a role in meeting more local priorities and (often) in supporting groups that are more disadvantaged in the labour market. We heard many examples of locally commissioned programmes, particularly from Councils and combined authorities. Many of these are covered in detail in earlier chapters. However, three significant challenges were raised.

16 *Freud, D. (2007) Reducing dependency, increasing opportunity: Options for the future of welfare to work*, Department for Work and Pensions.

- First, many raised concerns about how cuts to funding were leading to organisations winding up support and services. This was set out clearly in evidence from ERSA, and we also heard directly from organisations that had had to end programmes and withdraw support. A key driver of this was delays in the rollout of the Shared Prosperity Fund (which replaced the ESF), but more broadly there has been a consistent decline in funding for locally commissioned provision over the last decade.
- Secondly, and related to this, organisations talked about how short-term contracts, stop-start funding and a lack of coherence between different funding streams made it hard for providers to plan for the future and to focus on delivering services in the present. In consultations with providers, we heard that this was creating particular challenges now, with staff on relatively low-paid and short-term contracts often moving on to more secure jobs either within the sector (in longer-term, larger programmes) or outside it.
- Thirdly, this fragmented landscape means that organisations referring people to services often do not know what provision is available where, when and for whom; and referrals are overly reliant on word-of-mouth or individual relationships. This was raised in particular in relation to referrals from Jobcentre Plus, but consultation discussions suggested that similar issues existed in referrals between wider services within local areas.

Again, the government has taken steps to try to address some of these issues. For example, there is increased funding and more of a focus on local commissioning in Jobcentre Plus through the Dynamic Purchasing System and Flexible Support Fund, although as noted in Chapter 3 some providers who had (tried to) use this raised issues around the lack of effective performance measurement and challenges in scaling successful initiatives.

The government has also enabled areas to draw down funding from the Shared Prosperity Fund for 'skills and employment' interventions earlier than planned, although people directly involved in either commissioning or bidding for this told us that its rushed implementation and a lack of meaningful oversight and co-ordination across areas meant that there were risks that this could make issues around complexity, coherence and sustainability even worse.

More positively though, there are also a number of initiatives where DWP has pushed funding out to local services to support local commissioning of specialist services, particularly around disability and health. The best examples given were Local Supported Employment and Individual Placement and Support, which are discussed in Chapter 3. Respondents from local government, providers and wider stakeholders were all supportive of and complimentary about these initiatives, which provide an important potential model to build on – with the Department playing a more strategic funding approach and then co-ordinating the commissioning and implementation in different settings locally.

Finally, the point was made in consultation sessions that employment services are 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, the Care Quality Commission, Prisons Inspectorate, and so on. This sort of independent oversight plays an important role in assessing standards of services, but perhaps more importantly is a mechanism for sharing good practice, supporting improvement, generating and sharing insight, and improving organisational and workforce management. In a world with more diverse commissioning, these roles will become more rather than less important.

5.5 A longer-term settlement

Drawing together some of the themes set out above, there was strong feedback from many respondents that short-term policy initiatives, funding and provision have increasingly undermined our approach to employment support and services – which then leads to negative consequences for local areas, providers and individuals. This was raised in different ways by respondents including the LGA, Association of Colleges, Abri, Dr Fiona Christie at Manchester Metropolitan University, Swansea Council, D2N2 Local Enterprise Partnership, Successful Mums and others.

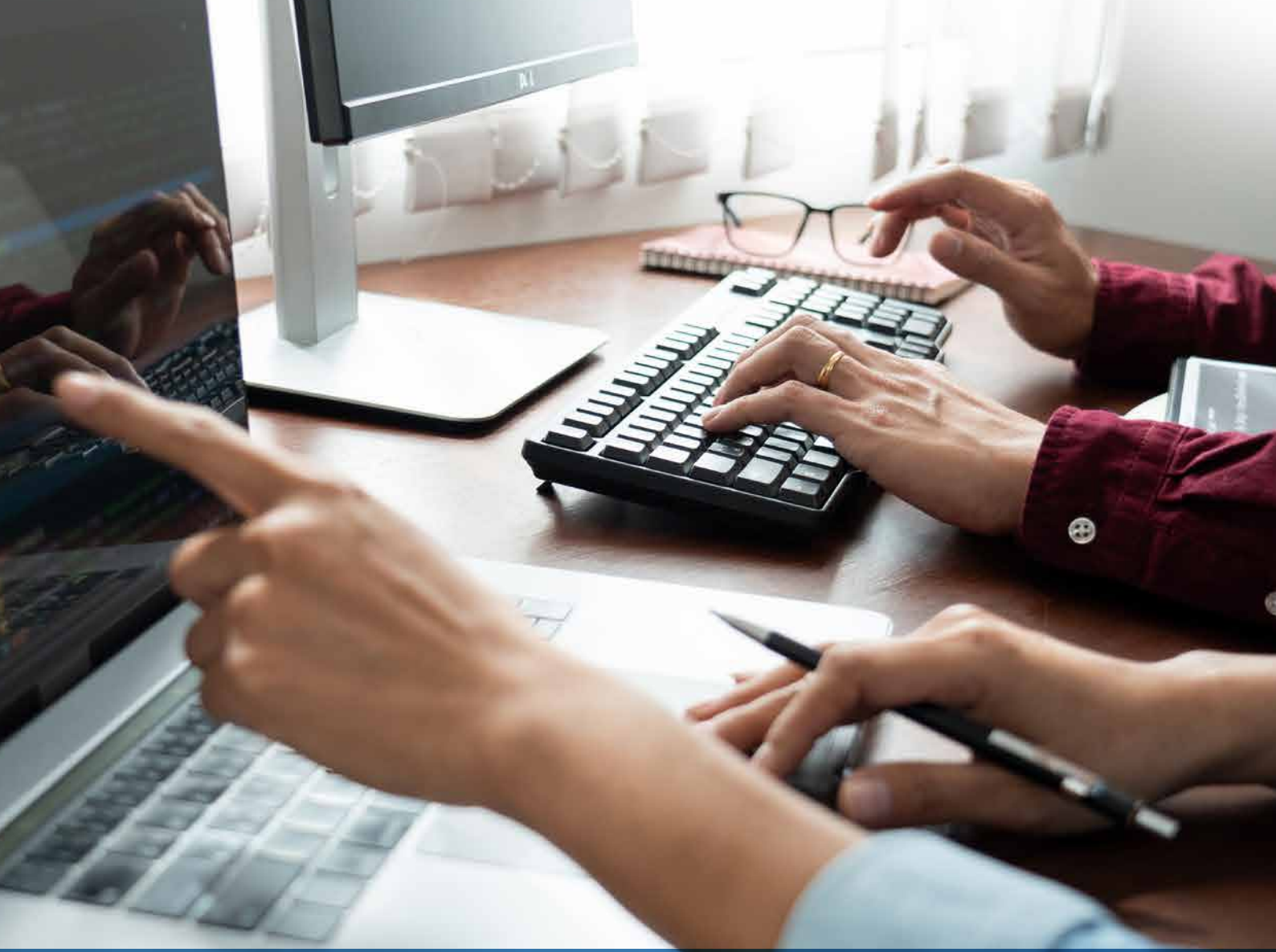
Local areas are often unable to develop long-term plans and make strategic investments due to short-term initiatives and funding, which in turn means that it is harder to join up services and reduce duplication and gaps in provision. Similarly, development of partnership networks between national government, local government, private and voluntary sector providers and employers are harder to renew and maintain when there is churn in programmes and services.

We heard that these issues affect Jobcentre Plus too – with examples given of the mass mobilisation of staff to deliver Youth Hubs, followed by Kickstart, with both then rapidly wound down and staff redeployed to focus on the 'Way to Work' campaign and closer compliance monitoring of shorter-term claimants. This meant that time invested in developing valuable partnerships with real potential – to co-locate outreach and engagement services closer to residents, and to build relationships with employers to access work placements – were abandoned as soon as they were started.

Short-termism also has consequences for commissioned services – with providers having to spend a larger fraction of their time either bidding for contracts, ramping them up or winding them down – and often only limited periods in between of 'full' performance. Providers have little opportunity to meaningfully invest in continuous improvement and sharing practice before the next bidding round starts; and often employ staff on fixed-term, insecure contracts which affects their own effectiveness in the role and can result in challenges with recruitment and retention.

For individuals and communities benefiting from employment support services, the quick turnover of programmes also adds to complexity and confusion in what is available and makes it harder to engage people and to build partnerships between services. For some, it may also contribute to a lack of trust in the system.

Many of these issues are not new, and are not unique to employment policy (nor are they unique internationally). They are also not straightforward to fix – for example, we have experimented with much longer-term contracts through the Work Programme, which gave providers more security and may have led to longer-term investment, but it brought its own challenges. However, the clear message from our consultations over the last six months has been that we need a more coherent and longer-term approach – with clearer responsibilities between tiers of government, the right structures and leadership to support effective partnership working and alignment, and a more proactive approach to stewarding what is now a fragmented, fairly unstable but incredibly diverse ecosystem of organisations working with individuals, communities and employers.



6: Digital delivery of employment services

6 Digital delivery of employment services

Summary

Our consultations asked for views on how employment services need to prepare for the future. As part of this, we received many responses setting out the opportunities that advances in digital technology are bringing. These are often enabling organisations to reach people in new ways, who may not previously have had access to support and with services that better meet their needs. This could help to square the circle between delivering employment services that are open to all, and those where funding and support is targeted at those who are more disadvantaged.

We also heard about risks from digital technology – in particular, if it is being used only to reduce costs and limit choice, which in turn could exacerbate risks of digital exclusion. This chapter sets out some of these findings in more depth.

- Many respondents highlighted the potential of digital technology to extend employment support to more people – including disabled people and those with long-term health conditions, older people, carers, and those in more isolated and rural areas.
- Other countries have rolled out digital resources that enable jobseekers to access the full range of traditional 'jobcentre' services online. The UK has invested heavily in online service delivery of Universal Credit, albeit with a stronger focus on managing claims and recording activity.
- Technology can improve services and support for those who are more disadvantaged in the labour market. This can include 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.
- However, greater digital delivery also brings risks of digital exclusion, for example due to a lack of digital skills, broadband access, being unable to afford data and/ or a lack of hardware). This was felt to be particularly a risk where digital innovations had been introduced to cut costs rather than enhance services.
- One way that these risks could be mitigated is through co-production and co-design with service users, with examples of good practice in a number of European employment services.
- Future digital delivery has the potential to lead to a transformational change in how we deliver employment services – it could collapse the silos that exist between different programmes and services; create a modern gateway for jobseekers, employers and wider partners; and empower service users to navigate this.

6.1 Widening access to employment support

We heard from many respondents – to the Call for Evidence and in consultation discussions – that there is a significant opportunity to use advances in digital technology to improve employment support. Many highlighted in particular the potential of digital technology and artificial intelligence to extend employment support to a wider group of people in a cost-effective way, and that this was particularly important given the increased availability of opportunities for remote and hybrid working. This included:

- **Disabled people and those with long-term health conditions:** Working to Wellbeing highlighted how digital services can be used to better engage people who may struggle to access face-to-face meetings but are motivated to engage with support.
- **Older people:** with the Centre for Ageing Better describing that high quality support could include access to a 'one-stop digital gateway that was explicitly age-targeted and provided tools, information, and signposting to other (local) services'; noting that many people aged over 50 have the digital skills to engage with online services.

- **Carers:** The Carers Trust reflected on learning from an employment support project delivered during the pandemic, where 'the ability to engage participants through online sessions has provided several logistical benefits, most notably reducing travel time for Employment Personal Advisors (EPAs), and thus increasing their capacity to engage and support carers'.
- **Those living in more isolated rural areas:** For example, the ESRC's Centre for Society and Mental Health shared learning from its Action Towards Inclusion project evaluation, noting that the move online during the Covid-19 pandemic, 'had reduced social isolation and overcome some of the barriers of rural living'. Capita also highlighted its JETS programme in Scotland, where 90% of delivery was digital and the rate of successful employment outcomes was similar between more urban areas and rural locations such as Skye and Lochalsh.

6.2 'Digital by default' and self-service models

Alongside this, we heard examples of approaches internationally that have rolled out digital resources that enable jobseekers to access the full range of traditional 'jobcentre' services online – including action planning, occupational profiling, jobsearch support, access to wider partners and services, job applications and maintaining benefit claims. There have been a range of innovations in this space in Europe, North America, Asia and Australia, which have been spurred on by the move to remote delivery during the pandemic (and more recently by advances in artificial intelligence and 'large language models').

In Australia for example, a new employment services model – Workforce Australia – was implemented during the summer of 2022, which takes a 'digital first' approach with digitally literate jobseekers managing their own journey via online self-service tools. Jobseekers are identified through the Jobseeker Classification Instrument, with those who require some digital skills training entering a 'digital plus' stream, while those with more significant needs continue to receive support primarily from in-person employment services. We heard of similar examples in Sweden, Belgium and Korea.

The UK has been at the forefront of moves to greater online service delivery, driven in particular by the transition to Universal Credit as a 'digital-by-default' service. The focus in UC has been more on managing claims and recording activity online rather than on providing access to wider jobsearch support, but it nonetheless provides a potential basis for further developments in future.

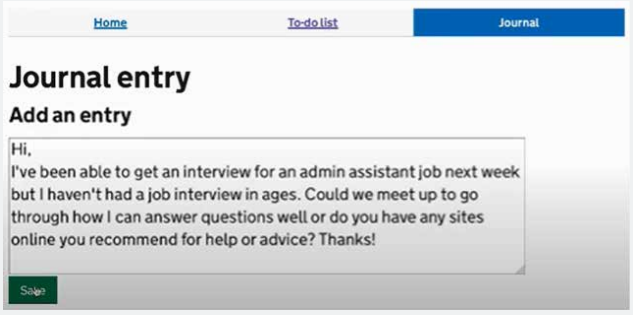
National level

The transition to Universal Credit has seen benefit claims and administration move online by default, with an online portal for inputting details, uploading documents like medical certificates and proofs of income, and then managing changes in circumstances. This is done through a Universal Credit 'journal', which also provides the means for jobseekers to record and update activities and to communicate with their work coaches.

The primary focus of the UC Journal is claim management, both in terms of ensuring that the right amounts of benefit are paid but also providing evidence of jobseeking activity (for those required to look for work). Claimants, work coaches and case managers have actions they must complete in the online system, with outstanding actions monitored and discussed in regular meetings. Individuals can also message their work coach through the system, for example to ask for help or set up meetings, and their work coach can message them too.

Alongside the UC Journal, the online 'Find a Job' service enables jobseekers to search and apply for jobs.

These reforms have streamlined the process for benefit claims and management compared with the systems that they replaced, and give claimants access to information on demand and in real time. However, it has also led to concerns around digital exclusion for those less able to manage claims online and so has been accompanied by initiatives to provide access to local, in-person support where claimants can be assisted in using the online systems.



6.3 Improving support for those more disadvantaged

Alongside moving to 'digital by default' for those who are more digitally able, we also heard about examples of 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, for example to fit around people's other commitments or to get in touch in advance of job interviews or during jobsearch; help people stay in touch with each other (so building social capital and peer support); and widen access to other services that could help them like budgeting help, wellbeing support and so on. This included tools for jobseekers (like the app developed by Belina Consulting and described below), as well as ones that can support advisers to deliver more personalised support (with for example Fedcap Employment using an online needs assessment and behavioural science tool to help tailor coaching support to the needs of specific jobseekers).

Using digital technology to enhance services: the GRoW app

Belina Consulting's Get Ready for Work (GRoW) programme won the innovation award at the 2021 ERSA national conference for its GRoW App.

The programme, which is co-financed by the ESF, provides employment support to women with childcare and caring responsibilities, particularly lone parents. The app is a bespoke social networking site just for programme participants. The rationale for developing the app was threefold: to better enable dialogue with those delivering the service and between participants; to provide a platform to enable access to a wider range of support; and to help socially isolated individuals to feel part of a community.

The app allows participants to access and read resources at any time (particularly important for parents who are restricted by school and childcare hours) and includes content tailored for different audiences. The app also allows quick feedback to be gathered to help shape support (for example, asking people after group sessions what they would like to focus on in the next session). It includes weekly job bulletins, written information, advice and guidance, motivational activities, and a calendar of events that provides quick links for registration. Rather than receiving multiple, separate emails, information is collated within the app for ease, which helps individuals to plan their time during the week.

Jobseekers can also interact as part of an online community, for example by joining online 'coffee mornings'. Similarly, connecting through the app (including by commenting on or liking posts) creates a positive association with activities and encourages others to get involved.

Other respondents also shared ideas for ways in which digital technologies could be harnessed to improve services in future. For example, West Yorkshire Combined Authority suggested a simplified signposting toolkit or platform of available skills support for practitioners, which could be adapted for face-to-face interactions and in plain English. This could encompass all levels from schools, colleges and universities, adult skills and employees, helping to bring together disparate information in an easy-to-use format. They also highlighted potential benefits of interactive maps that support individuals to identify their own needs and suitable provision to meet their needs, either independently or with the support of an employment adviser.

6.4 Addressing digital exclusion

While acknowledging potential benefits, there was also widespread recognition of the risk that greater digital delivery could disadvantage people who are less able to access or use digital channels. This was felt to be particularly a risk where digital innovations had been introduced primarily to cut costs rather than enhance services (ie to direct people into using fewer and lower-cost channels rather than to provide additional and complementary services). A range of respondents including the Centre for Ageing Better, City-REDI and Reed in Partnership talked about risks of digital exclusion and/ or the need to use digital tools as part of a more flexible, hybrid model of service delivery.

Respondents discussed the different ways in which exclusion can be experienced, such as lack of digital skills, lack of broadband access, being unable to afford data and lack of access to hardware. The Education Development Trust, for example, noted that while smartphones are now commonplace they are not always easy to use to access jobs and careers tools. Similarly, Fiona Christie from Manchester Metropolitan University pointed out that job hunting on a mobile phone is limited to more passive activity rather than making applications. Provision of laptops or tablets (as has happened through some programmes particularly since the pandemic) can help address these issues.

6.4.1 Co-production with service users

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. We heard examples from Eamonn Davern of good practices in this in a number of European public employment services. In Norway for example, we heard that in early 2021 a joint team from the Employment Service and from youth organisations researched how digital learning opportunities for young people could be improved, with a particular focus on disabled young people and those with mental health conditions, with the findings from this leading to the co-creation of a new digital learning arena for youth counsellors in the employment service.

6.5 Personalising support and collapsing silos

Drawing this together, the evidence suggested that digital services worked best where they supported and enabled greater choice, empowerment and personalisation of support for jobseekers. A number of respondents highlighted the significant potential opportunities that this could bring for future service delivery, and in particular in 'collapsing bureaucratic silos', as one respondent put it, between different programmes and services (which could in turn help to address some of the trade-offs and tensions identified in Chapter 5).

In this model, the role of the state would be twofold: to build the architecture to enable this integration and joining-up – ie the digital 'gateway' for jobseekers and employers which would then link up wider services and support; and to support and enable people to navigate it, especially for those who are less able to do so independently. Eamonn Davern talked about early development of this in a number of European employment services, and more advanced development in Korea.

Digital delivery in the Korean Public Employment Service

'The Korean Public Employment Service is employing sophisticated approaches using ontological and network analysis, and deep learning methodologies. Its "WorkNet" system[17] provides a very practical example of a digital platform which can provide a catalyst for the evolution of a data driven employment service ecosystem. It connects thirty-one public and private job search websites in a one stop platform and provides a single point of access for all information related to careers, jobs, vocational training, and oversees employment. It enables customised job search by location, age, salary, working conditions and numbers of employees.'

Eamonn Davern, independent researcher

17 HTTPS://www.dgovkorea.go.kr/service1/g2c_07/work_net [accessed on 4 July 2023]

7: Employment support that works for the future

7 Employment support that works for the future

7.1 Reforming employment support – objectives

The hundreds of organisations and individuals who have engaged with this Commission have set out a compelling case for reforming our approach to employment support – to address the challenges that we are facing now but also to meet the opportunities for the future. This report has tried to summarise that evidence and those findings.

We have heard from and spoken to organisations that are working to better engage people who are out of work or want to move on in work, to provide personalised and tailored support, to join up across services and within places, to work more effectively with employers, and to harness the benefits of new ways of working and technologies. However, we also heard common challenges: around a system that prioritises entry to 'any job' rather than the right job; that focuses on the quantity of jobsearch rather than its quality; is overly reliant on compliance monitoring and the threat of sanction; where accountabilities are highly centralised – with devolution often limited, partial and inconsistent; that offers very little to employers beyond vacancy gathering, and expects even less; and that appears to be locked in a cycle of short-term funding, contracts and initiatives. We can and must do better, particularly given the wider demographic and economic changes that we will face in the coming decades.

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 working 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.

7.1.1 Nine key questions for a reformed system

While there is in our view a clear case for future reform based around these objectives and principles, there is not yet a consensus around how these would be achieved in practice. We are also realistic, from discussions with officials in government and from policy experts outside of it, that there are important constraints or trade-offs that make reform challenging – some are practical and administrative, some are fiscal, and others political or economic.

It should also be recognised that many of these issues have existed almost since the inception of the first Labour Exchanges in 1910, and in particular the tensions between its role in policing the benefits system, filling jobs and supporting those most disadvantaged in the labour market. As early as 1929, John Hilton (an Assistant Secretary at the Ministry of Labour) wrote of the Labour Exchanges:

'If they were told to cease bothering about "where you were last Tuesday" and to devote themselves to finding out what they could do to help the claimant in his quest for work, they would throw themselves into the work with a real enthusiasm. They would, moreover, develop a real facility for guiding and helping.'[18]

A year later William Beveridge, in his 1930 report Unemployment: A problem of industry, took the view that *'it was better to take the risk of an occasional loss to the fund by a few idle workmen than to drive all workmen on fruitless journeys and perpetuate the disorganisation of the market.'*[19]

18 Quoted in Price, D. (2000) *Office of Hope: A history of the employment service*, Policy Studies Institute
19 *Unemployment, a problem of industry*, William Beveridge, 1930

Eventually, four decades later in 1973, the first major reform of our employment services saw a clearer demarcation between employment and benefits work with the creation of the Employment Service Agency and Training Services Agency, under the oversight of a new Manpower Services Commission – bringing together representatives of employers, trade unions and government. As an internal government study in 1971 put it, the new employment service would be '*the pivot around which the various services for vocational guidance, training, mobility, rehabilitation, redundancy payments and market intelligence should turn*'.

However within ten years the wheel was turning back again – first as it became clear that many of those out of work and on benefits were being neglected ('*We have a service which increasingly serves the easy to place*', as Richard Layard put it in 1979, arguing for reunification of Jobcentres and Benefits Offices alongside more support and requirements for the unemployed); and then later to deliver more integrated and efficient services (leading ultimately to the creation of Jobcentre Plus).

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.

In our view then, there are a number of key questions that we need to consider as we develop potential options for future reform. These are set out in **Figure 7.1** below, and we would welcome views in the next stage of the Commission both on whether these are the right questions and on how we could answer them in a reformed system.

Figure 7.1 Key questions for reforming our approach to employment support

1. **'Universal' and targeted support** How far should our approach prioritise making the labour market work more efficiently for everyone, and/or provide more specialist support for those who are most disadvantaged? When should support be transactional or relational?
2. **Administration and control of social security** What should be the nature and extent of requirements and penalties for jobseekers who claim social security –around attendance requirements, work availability (for 'any' job or the right job) and actively seeking work?
3. **The boundaries of employment support** What should be delivered through employment services and what should be coordinated and aligned with them? And what role should our public employment service play where employment support is being delivered in other settings – like in colleges, health services, housing services or prisons?
4. **Governance and accountabilities** What should be devolved, how, and to whom? What accountabilities, support and capabilities would need to be in place to make devolution work, and how would trade-offs be managed if responsibilities were partially devolved?
5. **The role of different markets** Where should the boundary be between the public service and the open market? What should be the commissioning model for employment support – what should be commissioned to non-government services; and what role should choice and contestability play?
6. **Value for money** How should success be measured and what are the implications for how services are funded? (How) can an 'invest to save' argument be built?
7. **The machinery of government** Would changes to departmental responsibilities make a positive difference – for example a return to a 'Department of Employment' model, agency status for Jobcentre Plus, and/or a clearer separation between employment and benefits?
8. **A longer-term settlement** Across all of these areas, how do we escape the cycle of short-term decision-making, reforms and initiatives? What models and lessons can we learn from? How do we ensure that the system is resilient to changes in the economic cycle, including periods of high unemployment?
9. **Making this work** What would need to happen to make reform a success? What capabilities, capacity and support would we need to put in place, for example to design, commission, deliver and continuously improve support and services?

7.2 Proposed design principles for a future system

In order to answer the questions set out above, we are proposing six 'design principles' for assessing options for future reform. These are shown in Figure 7.2 below. Using design principles can help with decision-making, by giving a consistent basis for weighing up different approaches, identifying potential trade-offs or tensions, and drawing out the relative strengths and weaknesses of proposals.

These are our initial take on what the design principles for a reformed system should be and are not intended as the final word. Nor are we making a judgement about which principles are most or least important. We would welcome feedback on these in the next stage of the Commission – including what is missing and what could be improved.

Figure 7.2 Proposed design principles for assessing potential options for reform

Empowering	• 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	• 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	• Supports higher participation in the labour market • Helps to narrow gaps in opportunity between different groups and areas
Sustainable	• 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	• 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	• Can be implemented within reasonable timescales and with manageable risk • Can command broad support from key stakeholders, partners and service users • Has clear accountabilitites and responsibilities, at all levels • Can respond effectively to changing needs

7.3 (Co)-designing a new approach

In the next stage of the Commission, we intend to start to develop options for future reform – building on the evidence gathering, research and analysis that we have conducted so far. We want these proposals to fully involve people who use employment services now or who would want to use them in a reformed system, those who deliver or commission them, and wider stakeholders. As far as possible, we want to develop proposals that are co-designed, evidence-led and that can command broad support.

In the first stage of this work, in September, we will be developing a 'longlist' of potential approaches – identifying different ways that the questions set out in section 6.1 could be answered and assessing these at a high level against the design principles in section 6.2. We'll be doing that through online consultation events as well as a mix of online and in-person focus groups with different groups of service users. We will also be further researching some of the different approaches taken across the UK and overseas.

Following this, in October and November, we want to work with stakeholders to refine these longlisted options into a shortlist of possible different approaches. We will do this through focused 'design workshops' that will scope out different options, weigh them up, refine and prioritise them. We will then seek views on leading options from wider audiences – using public polling to gauge preferences from potential jobseekers and job changers and from employers, and member surveys to hear from practitioner and partner organisations – before developing a lead proposal in early 2024.

We are keen to involve in this process anyone with an interest in employment and related services, 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.

Annex A – Call for Evidence respondents and consultation events

Call for Evidence respondents

Abri

Andrew Phillips, Senior Researcher at Demos

Association of Colleges

Australian Council of Social Service

Belgin Okay-Somerville, Senior Lecturer at University of Glasgow

Belina Consulting

Ben Robinson, Senior Researcher at the Centre for Social Justice

Black Thrive Lambeth

Brian Bell, Chief Executive of Fedcap Employment

Business West

Capita

Career Development Institute

Carers Trust

Centre for Ageing Better

Child Poverty Action Group (CPAG)

Chartered Institute of Personnel and Development (CIPD)

City-Region Economic Development Institute (City-REDI), University of Birmingham

Communities that Work

David Etherington, Professor of Local and Regional Economic Development at the University of Staffordshire

D2N2 Local Enterprise Partnership

Jo Ingold FIEP, Associate, Professor, Deakin University Business School

Deborah Chowney, Employment and Training Officer at VIVID

Disability Rights UK

DOWN2U

Eamonn Davern, Freelance Researcher

Earlybird

East Sussex County Council

Education Development Trust

Employment Related Services Association (ERSA)

ESRC Centre for Society and Mental Health

Federation of Small Businesses (FSB)

Fife Voluntary Action

Fiona Christie, Lecturer and Researcher at Manchester Metropolitan University Decent Work and Productivity Research Centre

Generation: You Employed, UK

Gloucestershire Gateway Trust

Greater Manchester Combined Authority

Haringey Council

Housing Employability Network North East (HENNE)

Humankind - Step Forward Tees Valley

Institute for Employment Studies

Inclusivity Project (University of Exeter)

Institute of Directors

Institution of Occupational Safety and Health

Ipsos

Jeannette Luczkowski, Employment and Training Officer at VIVID

Jill Wigmore-Welsh, Founder of The Art of Human Being

Jobs-22

Jude Day, Employability Programme Manager, Sussex Community Development Association

Lambeth Council

Learning and Work Institute

Living Wage Foundation

Local Government Association (LGA)

London Borough of Camden

Long Covid at Work

Make UK

Manchester Metropolitan University

Mind

National Citizen Service Trust

National Federation of ALMOs

National Housing Federation

Nick Pahl, CEO of the Society of Occupational Medicine

North Norfolk District Council

Open University

Pertemps

Pete Robertson, Professor of Career Guidance at Edinburgh Napier University

Phoenix Insights

Recro Consulting

Recruitment and Employment Confederation (REC)

Reed in Partnership

Renaisi

Scope

Scottish Centre for Employment Research

Skills Builder Partnership

Social Finance

South London and Maudsley NHS Trust

South Tyneside Council

Southampton City Council

SQW

St Helens Chamber Ltd

Dr Sue Holttum, Senior Lecturer at Canterbury Christ Church University

Swansea Council

The Growth Company

Tony Carr FIEP, 4Front Partner

UK Youth

University of Manchester

University of Portsmouth

Unlock – for people with criminal records

Vocational Rehabilitation Association

VONNE

Wales Council for Voluntary Action

Workers Educational Association

West of England Combined Authority

West Yorkshire Combined Authority

Working Free Ltd

Working To Wellbeing

Youth Futures Foundation

Consultation events

16 March: Evidence session on support for disadvantaged groups – with the Centre for Ageing Better, Child Poverty Action Group, Disability Rights UK, the Pathway Group and Youth Employment UK

30 March: Evidence session on devolution – with representatives from local government and social housing

21 April: Evidence session on employment policy – with the Centre for Cities, Demos, the Employment Related Services Association (ERSA), Learning and Work Institute and the Society of Occupational Medicine

30 April: Evidence session on support for employers – with the Centre for Decent Work and Productivity at Manchester Metropolitan University, the Chartered Institute for Personnel and Development, Federation of Small Businesses and Make UK

4 May: Focus group with young people (hosted by Youth Employment UK)

9 May: Workshop on partnership working with ERSA members

11 May: Workshop on employer services with ERSA members

17 May: Focus group with parents who have received employment support (hosted by Belina Consulting and Successful Mums)

18 May: Workshop with organisations delivering the Bounceback programme for young people in Lambeth (organised by the Walcot Trust and Rocket Science)

19 May: Workshop with advisers who specialise in supporting parents (hosted by Belina Consulting and Successful Mums)

22 May: Workshop with housing associations (hosted by Communities that Work, the National Federation of ALMOs and the National Housing Federation)

23 May: Workshop with local government officials (hosted by the Local Government Association)

24 May: Open workshop at Witton Lodge Community Association (hosted by the West Midlands Combined Authority)

31 May: Workshop on the role of the voluntary and community sector with ERSA members

1 June: Workshop with frontline practitioners (organised by ERSA)

6 June: Open webinar

13 June: Roundtable with members of the British Chambers of Commerce skills network

14 June: Workshop with Third Sector Employability Forum members (Scotland, hosted by Fife Voluntary Action)

26 June: Workshop with colleges and training providers (hosted by the Association of Colleges)

Annex B – Methodology for employment projections

Population estimates

Population estimates in Chapter 2 use the most recent projections from the Office for National Statistics. These are the 2020 principal projections, available at: https://www.ons.gov.uk/peoplepopulationandcommunity/populationandmigration/populationprojections/bulletins/nationalpopulationprojections/2020basedinterim (accessed 13 July 2023).

Note that these projections are based on population estimates that pre-date the 2021 Census. This is unlikely to make a material difference to the projections, as the difference overall between Census data and the 2020 population estimates are small (the Census estimate for the population aged 20 and over is 0.2% lower than the 2020 population estimate; and within this is around 0.7% higher for those aged under 50 and 1.0% lower for those aged 50 and over).

Employment projections

Employment projections were constructed based on analysis of employment rates for men and women in different age groups (20-24, 25-34, 35-49, 50-64 and 65 and over). For each cohort, historic employment rates were forecast using three statistical approaches:

- Auto-regressive interactive moving average (Arima). This method is frequently used in economic forecasts, and is used by national statistics offices in the determination of seasonal adjustment factors. In the context of longer-term projections, Arima forecasts tend to continue long-term trends and to react slowly to economic shocks. Arima models were fitted to each of the ten employment rate series using an automated selection method, which therefore differs between series. The methods used are based on those described in Hyndman, R.J., & Athanasopoulos, G. (2021) Forecasting: principles and practice, 3rd edition (available at OTexts.com/fpp3, accessed on 17 July 2023).
- State-space exponential smoothing. This method gives greater weight to more recent observations, and combines this with a model that identifies trends and seasonality. This adapts more quickly to economic shocks than the Arima method, which is perhaps less important in long-term forecasting than in shorter-term forecasting. As the base data includes the economic shocks of Covid and the previous recessions, it was considered useful to see if responses to recent and previous economic shocks moderated the pattern of return to previous trends that the Arima method typically produces. The method is described in the same reference text as above.
- Neural Net. The neural network method used previous values of employment rates as inputs to a non-linear neural network algorithm. It then used each predicted value in the same way to forecast the next step forward in time. The method is described in the same reference text. In practical use, the method varies from following trends through naïve forecasting, reverting over time to a flat forecast, through to one that forecasts cycles in a similar pattern to previous cycles. In this case, forecasts for age/ gender employment rates using this method were lower than those of either of the other methods, and in one case identified a substantial cyclical movement, but this had terminated by the 2030 point used for reporting here.

Results from these three methods were then combined (averaged) to arrive at central estimates for employment rates in 2030 and 2040 by age group and gender, which were then applied to the ONS population estimates for those groups.

The resulting forecasts show that the average annual growth in employment totals is far lower than over the last 20 years, but the working age (here 20-64) employment rates do rise, to over 80% by 2040. This follows from the growth in the 20-64 population being projected to be slower than in the preceding period.

Finally, it should be noted that the ONS 2020 based population projections do not include variant projections, due to the uncertainties following Covid, Brexit and changes to immigration rules. The earlier 2018-based projections do include variant estimates. Forecasts were also conducted

using the 2018-based principal projection and variants to compare results. In the principal forecasts, results were similar between the 2018 and 2020-based projection. However, using the variant that combines higher net migration, higher fertility, and lower progress in increasing longevity (the 'young' variant), it is possible to produce forecasts of growth in total employment over the next twenty years that are around twice the levels in the principal projection.