HOUSE OF COMMONS

Work and Pensions Committee

Oral evidence: Plan for Jobs and employment support, HC 971

Wednesday 5 January 2022

Ordered by the House of Commons to be published on 5 January 2022.

Watch the meeting

Members present: Stephen Timms (Chair); Siobhan Baillie; Neil Coyle; Nigel Mills; Selaine Saxby; Dr Ben Spencer; Chris Stephens.

Questions 1-40

Witnesses

I: Richard Hughes, Chairman, Office for Budget Responsibility; Hannah Slaughter, Economist, Resolution Foundation; Tony Wilson, Director, Institute for Employment Studies; and Sam Avanzo Windett, Deputy Director, Learning and Work Institute.

Examination of witnesses

Witnesses: Richard Hughes, Hannah Slaughter, Tony Wilson and Sam Avanzo Windett.

Q1 **Chair:** Welcome, everybody, to this meeting of the Work and Pensions Committee. We will be looking at the prospects for the labour market in the year ahead and the impact of the Government's Plan for Jobs. I warmly welcome all four of our witnesses, who have agreed to give evidence today. Three are here in the room and one is on Zoom. Thank you all for being with us. I will start by asking each of you to say a sentence to introduce yourselves to the Committee and everybody who is watching.

Tony Wilson: My name is Tony Wilson. I am the director of the Institute for Employment Studies, an independent research centre that carries out research, analysis and consulting around the labour market, education and human resources.

Sam Avanzo Windett: Good afternoon, Chair. I am Sam Avanzo Windett, deputy director at the Learning and Work Institute, which is an independent policy research and development organisation dedicated to lifelong learning, full employment and inclusion. Like Tony, I am also a co-founder and co-chair of the Youth Employment Group.

Hannah Slaughter: I am an economist at the Resolution Foundation, an independent think-tank focusing on improving living standards for people on low to middle incomes, and I specialise in the labour market.

Richard Hughes: I am the chair of the Office for Budget Responsibility, the Government's economic and fiscal forecaster.

Q2 **Chair:** Thank you all very much for being with us. I will start with the first question. It is nearly 18 months now since the Government's Plan for Jobs was published. Can I ask each of you—in the same order, if we can—to comment on four points? First, how is the plan going? Specifically, what do you think the impact of Kickstart and Restart has been so far? Secondly, do you think the plan needs to be adapted to emerging labour market conditions, and, if so, how? Thirdly, what do you expect for unemployment levels over the next couple of years? Lastly, what do you think the big challenges for DWP are in this area for the coming year? We will start with Tony Wilson.

Tony Wilson: First, on the success or otherwise of the Plan for Jobs, I should say at the outset that my organisation, IES, is evaluating the Plan for Jobs on behalf of the Government. I am not involved in that evaluation; I have no sight of it; there is a clear ethical wall internally between me and that evaluation team. This is really aimed at the Department. Nothing I say is in any way taken from that evaluation. I have no insights into the contents of that.

On the objectives of the Plan for Jobs, I see those as twofold at the outset of the crisis. First, it was to prevent a catastrophic rise in unemployment, which we were facing in the immediate depths of the crisis. Very high numbers were claiming, particularly universal credit, at the outset. Secondly, it was to try to prevent long-term scarring impacts through higher long-term unemployment, and increasing disadvantage, dislocation or rising inequalities between areas or groups.

On those two terms, the plan has succeeded, in particular in preventing the very large rises in unemployment that we had anticipated and that the OBR rightly forecast last summer. Undoubtedly, the measures taken, such as the job retention scheme, the self-employed income support scheme, as well as the efforts of employers, workers, communities, local government and national Government in trying to mitigate those impacts, did succeed. We avoided an unemployment catastrophe.

On long-term unemployment, it is fair to say that the jury is still out. Long-term unemployment has risen from about 300,000 to 450,000, but there are signs now that it has probably peaked. It has been at about that level for the past six months for which we have data. That is about half the level it reached in the aftermath of the great recession of the 2008-09 crisis, when long-term unemployment peaked at about 900,000, and it is about a third of what it was in the early to mid-1990s, when it reached about 1.3 million. So long-term unemployment is up, and that is a problem that we need to address, but it has been nowhere as bad as we feared it might be.

On those two counts, I think we can say that the plan worked. We spent a lot of money and mobilised a lot of effort across Government. A number of things that the Government did were things that organisations and experts had called for. In those terms, it succeeded.

However, we now have a very different crisis—a crisis of labour market participation. Firms are still facing a recruitment crisis, notwithstanding the current omicron risks. On the participation crisis, there are 600,000 fewer people in work now than there were before the crisis began. We estimate that if you take the trend of participation over the previous decade, which was a rising trend of the labour market getting bigger, that gap is a million. There are a million fewer people in the labour market. That is a missing million from what we would have expected on pre-crisis trends. More than half of that is explained by older people in particular. Some of it is explained by more young people in education. Part of it is clearly explained by lower migration, which is a global phenomenon, but exacerbated here. It risks becoming a permanent problem here because of Brexit in particular.

That participation crisis is not what the Plan for Jobs was designed to address, and we don't have a good enough response on that. That is particularly affecting older people, people with health conditions, young people outside full-time education, and anyone you might think of as being disadvantaged in the labour market. They are not being as well served through the measures that were introduced through the Plan for Jobs. We need tools to tackle that participation crisis.

I have probably spoken for long enough. I am happy to talk about what some of that might look like in future. I feel quite optimistic about the medium-term prospects for employment and unemployment. I think unemployment is now very close to pre-crisis levels. It is 4.2%, which is remarkably low. There is every chance that that will continue and stay around those levels, and continue to edge down towards 4%.

The real challenge we need to address is how we can help firms to fill their jobs—we have record levels of vacancies and that is not going to change any time soon—and how we can help those who are disadvantaged in the labour market to get back closer to work and, ultimately, to get into good work.

Sam Avanzo Windett: That is a big question to start the session. I will try to add to what Tony said, because I completely agree with everything he said. Looking overall at the Plan for Jobs, you would say it has been a success on employment and unemployment measures. Unemployment would have been 2.5 million higher if it had followed GDP. With furlough and the big picture policies that coped with the crisis for the majority of people, you would say that the Plan for Jobs did strikingly well.

Moving to where the challenges are, of course, those measures covered the majority of people, but there are groups that have been overlooked, in particular disabled people and those with mental health conditions. We want to look at certain groups such as NEET young people, where the numbers have started to rise. Those are examples of some of the groups that have not quite been covered by the big policies that the Plan for Jobs brought in.

Looking at what is next or where we could improve, I think the Plan for Jobs is just that—a plan for the crisis, and it is really important to keep it as that. It was a plan for crisis conditions. What we need now is a strategy for jobs and growth, which is quite different. We need to assess the new environment that we find ourselves in. I know that some pandemic impacts are still being felt. We need a strategy that starts to assess that and looks at participation. As Tony mentioned, there are 1 million people missing from the workforce who are not filling those vacancies. We need a strategy that looks at that too. There are lots of gaps that we now need to address with a more joined-up strategy.

Hannah Slaughter: Again, I very much agree with what my fellow panellists have said, and I will try to add to it. I echo both Tony and Sam in saying that the Plan for Jobs has been really successful at keeping unemployment down, particularly through the furlough scheme and the targeted schemes like Kickstart and Restart. Tony mentioned long-term unemployment, and while youth unemployment rose in the middle of lockdown, it is now back to pre-crisis levels, which is really good news. It is welcome that the Restart scheme is in place and that it is starting to focus more on older workers and those who were previously furloughed. Those groups have been particularly hard hit, and are particularly at risk of longer-term impacts if they do not get back into work quickly.

On the emerging conditions, as others have said, participation is the big thing we at the Resolution Foundation are worried about in terms of the ongoing impacts of covid on the labour market, in particular for older workers. That group stands out in terms of the trends that have changed since before the pandemic. We do not see any big worries from unemployment on the horizon, although there is obviously lots of uncertainty from omicron. It seems that the participation angle will be the big one to focus on.

There is a big issue around living standards more widely: lots of people are talking about energy price rises, but on the labour market side there are questions about making sure that wages rise to meet the increased cost of living and helping people to progress in the labour market. We had high in-work poverty before the pandemic; that will be something to refocus on as we are, hopefully, out of the woods in terms of unemployment from the pandemic.

Richard Hughes: I echo what my fellow panellists have said about the success of the Plan for Jobs in avoiding what we feared would be much higher levels of unemployment from our initial forecasts at the beginning of the pandemic—we were forecasting double-digit peaks of unemployment. Through the success of the furlough scheme, the resilience of the labour market and, most importantly, the fact that the ending of the furlough scheme coincided with the reopening of the economy and the vaccination of the general population, unemployment has been kept much lower than we initially forecast. In our latest forecast—back in October, just as the furlough scheme was closing—we expected unemployment to peak at around 5.25%, but the latest read is in the low 4%s and, as my colleagues have said, there are reasons to believe that it might stay there over the medium term, with the important caveat that we are still waiting to see what the impact of the omicron variant, and possible future variants, might be on the economy.

The schemes have been remarkably successful at keeping unemployment low. However, I agree with my colleagues that the big challenge is inactivity: this crisis has been characterised by rising levels of inactivity and falling participation. I echo Hannah's point that we have basically missed out on a year of progression in work for those people who have remained in employment or gone back to their previous jobs. We now have the highest proportion of the labour force categorised as overeducated for the job they have—about 18%—since data started being collected in the early 2000s. There is a challenge in how you get the people who either remained in work during the pandemic or have gone back to work to progress. Again, that is related to the issues around the productivity challenge, which we had going into the crisis and we still have. If you are going to improve living standards in the long run, you have to get people to be utilising their skills in work and to be more productive in the work that they do.

Maybe I should add one caveat to all the good news we have had about the success of the furlough scheme, the Plan for Jobs and keeping unemployment low. This is linked to the fact that the CJRS has been successful in helping people go back to their previous jobs. Most people who have left the furlough scheme have gone back to their previous sector and their previous employer. That works if the pandemic is on its way out and we do not see future vaccine-escaping variants. If it looks like we have more of an endemic virus to deal with, then potentially some of those jobs are not viable over the longer term and the sectors of the economy to which they have gone back cannot sustain the previous levels of employment.

If you think about transport or hospitality, sending people back to their previous jobs was the right strategy if the vaccines prove effective in seeing off future variants of the virus and mean that we can essentially go back to a pre-pandemic economy. If we cannot, then the Plan for Jobs may well be something that we thought was the right strategy but actually we need something that helps people move out of their previous jobs and employment and into different sectors, and that connects them up to different kinds of employers.

Q3 **Chair:** On the point about the missing million in the labour market, if we look at the numbers claiming other benefits, can we see the million people there? Or are they just people who are living on their savings?

Tony Wilson: At the moment, part of it could be explained by the rise of universal credit in particular. I am by no means an expert in universal credit, but universal credit has grown across the conditionality groups.

Within the searching for work group, you see people who are waiting for their work capability assessment to see if they are entitled to the limited capability for work or the support group equivalent payment. So some of what looks like a rise in unemployment and claiming unemployment could be disguising a rise in inactivity.

There are also people in there who might be partners in households and who are not looking for work. In the past, they would not have been counted in the jobseeker's allowance data, but they currently are in universal credit data. There might be some signs that is there. There is now a very large discrepancy—a very large disconnect—between the official labour force survey measure of unemployment, which is around 1.6 million, and the universal credit measure of claiming unemployment, which is over 2 million.

More broadly, a lot of people who have left the labour market are over 50, and many are over 65. For men it is coming back towards pre-crisis levels, but there are still 100,000 fewer women over 65 in the labour market than there would have been on pre-crisis trends, which is extraordinary. That is the equivalent of around one in five women in the labour force aged over 65. Many of them would not be on universal credit. They may have no income from benefits, or they may be on state pensions, for example. Many may not qualify for benefits for different reasons, in particular if they have other household income.

Q4 **Chris Stephens:** Richard, my first question is to you. The OBR forecast for the roll-out of universal credit is different from the DWP's forecast. Is there any reason for that?

Richard Hughes: The main reason is that we take a more pessimistic view of the pace of migration of people on legacy benefits on to universal credit. This is born of years of experience of seeing what the Government's plans were for the migration of people off legacy benefits on to UC, and then observing the pace at which people are migrated.

We have had a number of years where the migration has been delayed, and then we have had the pandemic, which quite rightly meant that DWP was focusing nearly all of its administrative efforts on getting new claimants on to UC so they could be in the system if they needed to claim the benefit. That is one of the things that has driven up the claimant count, as Tony has alluded to. That has meant that they have had to further delay their plans for migrating people on existing benefits on to universal credit, with all the implications that that has for the level of benefit entitlement.

Previously, we used to add on about six months to the end of whatever DWP's estimate was for the conclusion of managed migration in our own forecasts, but consistently that proved to be too optimistic. We adjusted our forecast back in March to add two years on to whatever the DWP's plan was for managed migration to our own forecasts, in an attempt to arrive at some kind of central forecast for the migration of people from legacy benefits on to universal credit, so that we don't consistently keep being surprised by the fact that the roll-out gets delayed.

Q5 **Chris Stephens:** Thanks; that was pretty comprehensive. Richard, I will ask you and then open it up to others: is the Department doing enough to understand how universal credit affects the labour market?

Richard Hughes: What I would say is that we have worked very closely to try to understand the dynamics of universal credit. I have a lot of sympathy for their analysts who have now got a very different case load. You saw at the beginning of the pandemic a big increase in UC claimants, from new claimants who haven't been on legacy benefits before and who have different characteristics from those on legacy benefits. Over time, collectively, working with them, we have got to a better understanding of the nature of the case load and what is a realistic timetable for roll-out. It continues to be the case that they are optimistic about their timetable for getting to where they want to get to. We have had to add some pessimism on to that, and actually more and more pessimism over time, in order to arrive at what we think is now a central forecast for the roll-out.

Q6 **Chris Stephens:** Thanks, Richard. I will open it up to others: is the Department doing enough to understand how universal credit affects the labour market?

Sam Avanzo Windett: I will just jump in on an important point, which it is good to state here. The figures that we are giving—in the last recession of 2008-09, we had a lot more data that we were able to see publicly, and that MPs were able to analyse and local authorities and Jobcentre Plus and people like ourselves. We were actually able to see people moving around conditionality groups. We were able to see them moving into employment more easily. Actually, a lot of the questions that we have and that you probably have as a Committee, we are not able to answer as well as we would like to, because with the introduction of universal credit, we are not seeing those monthly figures being reported. It is important if someone moved between JSA and ESA previously—we are not seeing that.

We are also not seeing the same sets of data on that local level. That data on benefit changes was available at local authority level and constituency level. That is not currently able to be seen. All of us using the same set of stats on Nomis would be able to work together. I think that is an interesting framing point for some of the discussion today—that it would be good to have that richer level of data that we could all use. The data that we do have is very high quality and it has been pushed as far as it can go—the ONS has done a fantastic job—but I do think we are missing some of that data that we used to have and that we did have in the last recession.

Q7 **Chris Stephens:** That is quite helpful, Sam. Is there also an extent to which the pandemic has affected the Department's expectations of the impact of universal credit on the labour market and people's earnings?

Sam Avanzo Windett: Tony, do you want to jump in on that?

Tony Wilson: I would certainly reiterate Sam's point. I think the Department has done a lot of research. There is a lot of user research. There is a lot of commissioned research. It doesn't publish all of that research, and the Committee has had its own issues with trying to access research that the Department has carried out. I think we would all like to see more of that. There are a lot of imponderables about the data that we do not really understand. There has been a very large growth in universal credit claims, which cannot be easily reconciled with the labour force survey data, but may reflect people who are self-employed, in particular, whose businesses no longer have incomes and so have been claiming universal credit and probably are continuing to claim it. Once you are on it, there is a sort of Hotel California effect—you tend not to leave—so part of it is that levels will now stay higher, with that natural migration that Richard talked about. Some of it will be people with health conditions, some will be other disadvantaged groups.

In terms of what does this mean for expectations and impacts on the labour market, again, this is something that we really do not know. Go right back 10 years ago, and part of the reason for introducing universal credit was a belief that it would draw more people into the labour market into short-hours work, working fewer than 16 hours or fewer than 24 hours, because it would remove that cliff edge that existed in the old tax credit system, which required people to work a certain number of hours before they could access in-work support. Are we now actually seeing people shifting down because that cliff edge no longer exists? That is part of the rationale for why the Department has explored applying greater conditionality in support for people in work. Right now, will the really significant improvements in the taper and disregards serve to bring more people into the labour market? Might that encourage people to find an optimal level, with slightly fewer hours than they had in the past, which might reduce labour supply a bit? I think we just do not know. We need much better evidence and research on this to understand those impacts.

Q8 **Chris Stephens:** Let us move on to participation in the labour market. Hannah, the report from your organisation, "Begin again?", notes that some groups of people, particularly younger people and people from ethnic minority backgrounds, fared worse than others in the labour market during the pandemic. Do you have any views on why those groups suffered disproportionately? What safeguards were missing for them that we could maybe look at in the future?

Hannah Slaughter: As you said, groups like young people and ethnic minorities were hardest hit, largely because of the types of jobs they were working in prior to the pandemic. Consistently over the course of the crisis, we have seen that it is people working in sectors such as hospitality and leisure—face-to-face sectors—that were disproportionately hit. People on insecure contracts, such as zero-hours contracts, were also hardest hit by the pandemic. It is the sectoral impacts that drive the other trends that we see. It is not necessarily young people being young that puts them more in the firing line. There may have been some element of last in, first out, but broadly it is the sectors that people were working in and where the economic impacts hit that drove the labour market trends that we have seen.

On young people, it is worth saying that we saw some rise in unemployment among young people, but we also saw changes in participation, with young people leaving the labour force entirely, which is largely linked to them taking up education instead. We have seen that in previous recessions as well. It can be a really good thing. Again, we know from previous experience that people who enter the labour market in a recession tend to fare worse not only at that point but in their longer-term careers. By essentially riding out the storm and entering education instead, not only are they building up skills and human capital in that way but they are also able to enter the labour market at a better time for their careers. Some of that is starting to ebb away. We are seeing the return of young people into the labour force.

On ethnic minorities, again, we are seeing some progress towards reducing those higher levels of unemployment among some ethnic minority groups. However, it is worth saying that, among some groups, particularly the black ethnic group, unemployment rates are not yet back to pre-crisis levels in the same way as for other groups, so there is still some way to go in helping people to find those jobs. When it comes to young people, the Kickstart scheme is likely to have had a big impact. Particularly for those who struggled more to get into work and needed that experience, perhaps with a first job, the scheme helped those people get some experience and not spend too much time out of the workforce entirely. That is a really good thing, but it may be that schemes like Kickstart and Restart need to step up in helping those groups of people.

Q9 **Chris Stephens:** Thanks, Hannah. You mentioned zero-hours contracts, something I consistently raise. Were many people on zero-hours contracts suffering mainly because they were part of what we call the excluded—those who were not getting the support that other workers were getting? They were not getting furlough payments, for example. Is that one reason why they were suffering during the pandemic?

Hannah Slaughter: To some extent, it might have been that. We know that people on zero-hours contracts were more likely to lose their job entirely than to be kept on furlough, although they were also more likely to be furloughed than workers on more typical contracts. They may also have been on things like temporary contracts, which an employer could let run out and not renew, rather than going through a process of letting someone go or furloughing them. We know that people on zero-hours contracts were particularly hard hit.

Q10 **Chris Stephens:** Do you have any comment on how the pandemic has impacted labour market participation by older women? I am thinking specifically of those 1950s-born women who perhaps expected that they would be retiring and are not. Has your organisation done any research on how older women are affected?

Hannah Slaughter: Yes, in the report you mentioned before, "Begin Again?", we looked at workers in their 50s and compared how women and men have fared this time around, compared to previous crises. We found that when we compare workers in their 50s, the impact has been very similar between men and women; what is different about this time is that women have been affected. In previous crises we saw women's employment relatively protected compared to men's, among that age group, whereas this time they have been equally as badly hit as men. To some extent, that means unemployment, but also leaving the labour force entirely. There is a risk with older workers that if they leave the workforce or lose their jobs they may choose to leave permanently and retire early rather than return.

Q11 **Chris Stephens:** Thanks. Tony, I know that your organisation estimates that around two fifths of the change in economic activity is explained by population decrease, linked to fewer EU migrants. Presumably, that is a consequence of Brexit—is it a long-term consequence?

Tony Wilson: I think that, at the moment, it is an acute challenge that pretty much all developed economies are facing, with people moving back to their countries of origin or back to where their families are, and other people being less likely to cross borders to work overseas—which is completely understandable. That acute problem will become more of a chronic one in the UK because of the consequences of Brexit and tighter rules around low-skilled and lower-paid migration. So yes, and we are seeing that already in hospitality, just as we have seen it more spectacularly and publicly in HGV driving over the summer.

Q12 **Chris Stephens:** For any future pandemic, what lessons can be learned for increasing the employment resilience of the groups we have mentioned—ethnic minorities, young people and older women? Is there anything that you would recommend the Government should do for a future pandemic?

Tony Wilson: For a future pandemic, I will come back to a really important point that Richard made: the immediate priority in that sort of a crisis is to try and freeze things in aspic as best we can, and hope that we can pick up on the path we left as quickly as possible. For example, trying to address some of the gaps and holes in the safety net that was created—very successfully on very short notice—would help with that. There are groups that slipped through those cracks because we were overly reliant on employers doing the right thing in terms of CJRS—which overwhelmingly they did. However, people on zero-hours and temporary contracts were entitled to job retention scheme support and, in some cases, they did not get that and instead fell back on to the benefits system. You could look into having a better designed, more off-the-shelf ready model.

The more important lessons are for future recessions; while we may or may not have another pandemic, we definitely will have another recession. These come around every decade or so. There are some important lessons there. As Hannah was saying, if you look at the occupational impacts of crises and the need to be able to help people to move quickly from jobs that they were in, which may be on the decline, to jobs that become available in the future, it comes back to having effective public employment services. At the moment, Jobcentre Plus functions primarily as a benefit administration service that also delivers employment advice and brokerage. We need to look at its role as a public employment service. It also means working much more effectively with employers and having much better integration between the skills provision system and our employment services. In turn, that means much better, more effective and better resourced local partnerships and co-ordination that can bring together local government, those who are delivering services and national Government as well. All of that will make a difference.

The UK has led the way on this over decades, but we have fallen away from doing some of the things that we know work. We can learn a lot from countries such as Germany and Denmark, and also from the US, Canada and others, many of which have borrowed different aspects of how the UK has done active labour market programmes over the decades.

Chair: A quick question from Dr Ben Spencer.

Q13 **Dr Spencer:** Just building on from your answer, Tony, I want to ask about pre-omicron hospitality. Having spoken to many hospitality firms in my constituency, particularly the country clubs and hotels, they are really struggling with recruiting people. As you know, there are good jobs there with good training and good career prospects. It strikes me that we have a serious problem in hospitality per se as a career pathway. Do you think the challenges that people are seeing in the sector at the moment is a temporary blip to do with pandemic confidence? If you have a job in hospitality, especially seeing what has happened post omicron, it is not particularly the most stable work environment to get into. Or do you think there is a more structural problem around hospitality in our country? Is this something that DWP, and BEIS and DfE for that matter, need to get to grips with to support careers with education and training pathways in that sector, such as other countries have? In France, hospitality is an entire career structure in itself.

Tony Wilson: It is both; I think that is absolutely right. On the first point, a lot of people, particularly young people, left the hospitality industry in the early crisis because they had to, because the jobs were not there, but they are not going back, because they do not want to. They do not need to because they are in other jobs now. If we look at the growth in gig economy employment as an example, people were pushed out of the industry because of the impact of the crisis, and I fear that they might not return because they have found things that suit them better. They might have more control and more choice. They might get more satisfaction and enjoyment, and might be better paid in their work.

Firms do have a responsibility to do better. Many of them are. Undoubtedly, many of them are, but it is really challenging. If we take country clubs as a case in point, there might not be a ready labour pool. Many employers have relied on migrant labour and on being able to put people up locally and have them working on their sites. That applies in other industries such as agriculture, for example.

There are things that employers can do, which many of them are doing. One is around more inclusive recruitment, and thinking about how they can better engage recruits who might be at a disadvantage. We might talk about older people later. That is a real case in point. Older people largely do not work in hospitality. There is huge untapped potential there, so we need better recruitment practices. Part of it is around better notice around shifts, better scheduling of shifts, and those two often go together. Students are a case in point. We have far fewer students working now than at any point in the past. Under 30% of people in full-time education work. It was two fifths when I was a student. That gap alone is 350,000 fewer people in the labour market.

Why don't students work now? It is because they are less likely to be driven to the place of work, for example. They are not given enough notice of the shifts. The shifts are too long and they can't fit them around their studies. There is a number of things that firms can do better, but that also relies on providing better support to those firms. Recruiters do that very well, and our employment services need to as well—not just Jobcentre Plus or broader employment services such as Restart and JETS and others. So there is a lot that we can do even without addressing those career path points.

On the second point, undoubtedly there is more that we can do through vocational education systems, through colleges and apprenticeship providers and so on, but it does also rely on more investment in those routes and better careers advice, guidance and support, and being able to say honestly that there are better prospects in those industries and that the work will be better paid and more secure. So, all of the above.

Chair: Thank you. We do need to speed up a bit, given the time. It is extremely interesting evidence that we are hearing, though. I call Neil Coyle.

Q14 **Neil Coyle:** Apologies for coming in a bit late. I think you have covered a part of this, but I want to focus on the missing million as well. Tony, as I came in, were you suggesting that some of those who now appear to be economically inactive are actually simply waiting to be assessed and processed by DWP? Is that part of the answer?

Tony Wilson: Yes. The National Audit Office, in a recent report on something different—Kickstart, I believe—mentioned this in passing. It appeared that a part of the reason for the growth in the searching for work group might be that people are waiting for work capability assessments, among other reasons.

Q15 **Neil Coyle:** So not actually economically inactive. Okay, that's useful. Hannah, you touched on older workers and their potential. How much should we, as a Government, country and Select Committee, be concerned about that group at the end of their work life? Are you suggesting that a more dedicated programme for the over-50s is required? That question is open to anyone. Sam, I am trying to include you as well.

Hannah Slaughter: It is definitely worth while thinking about that group. We are particularly thinking about those who are perhaps 50 to 64. They are still of working age as we tend to classify it, but if they have retired early, that can mean a big decrease in labour supply. There are lots of reasons why we are worried. Obviously, those workers are likely to have lots of built-up skills and experience. For employers, the labour market and the economy, that is not something we want to lose.

It is worth thinking about the consequences for older workers, in terms of their working lives and their finances. If someone over 50 loses their job, and wants to return to work, it takes them longer to do so, and they are more likely to take a pay cut. If those workers wanted to come back into the labour force later, they could struggle to. We shouldn’t be complacent about those people who are leaving now. They might want to come back later, and we need to make sure that we support them to do so. In relation to retiring early, it may be that some people have lots of savings built up and it’s not going to financially impact them too much, but other groups might struggle more in retirement, and it’s worth bearing that in mind—the impacts on the worker and their finances.

It is really welcome that Government support schemes now focus particularly on the over-50s, or at least older workers, and helping them to get back into work, because we know that they can have longer-term challenges in getting back into work, which impacts their living standards.

Q16 **Neil Coyle:** The Secretary of State hinted that the DWP may be moving to make Restart participation compulsory for some claimants. Is that the right approach? There is nervousness about that, I think. Does anyone want to come in on that?

Tony Wilson: I am happy to take that. On the older workers point, there is a wealth of evidence around the barriers that older people can face in entering and re-entering the labour market, and around what works in supporting older people. It is often different from some of the challenges other groups face. I would recommend in particular the work of the Centre for Ageing Better and their Good Recruitment for Older Workers—GROW—campaign, which a range of organisations, including ours, have been involved in supporting.

I am pleased that the Department are focusing more on older people as a distinct group. That is welcome. The more we can have that kind of specialisation in Jobcentre Plus and employment services, the better.

On making Restart mandatory or requiring people to attend, it is currently in the guidance that it is an expectation that people attend the first interview with the provider, and providers can require people to undertake specific activities, but that has been dialled down significantly from previous programmes, which I think is and will continue to be the right approach. There are likely to be many reasons why not as many people are engaging with Restart as was hoped, but a really important part of that is that people have not been engaging with employment services at all over the last 18 months, because of the massive disruption from the pandemic. People will engage with support where it is the right kind of support, is good quality, meets their needs and is part of a wider set of services and support. We shouldn't have to, and don't need to, rely on conditionality and mandation to get people to attend employment services. The starting point for that is always that people don't want to work, but overwhelmingly people who are out of work and unemployed want help to get a job, so let's focus on giving them the help they need.

Sam Avanzo Windett: Our research with the Centre for Ageing Better predicted this rising, longer-term unemployment among the over-50s, and we have, as everybody has said, seen this drift into inactivity. It is interesting, Neil, that you have linked it to Restart, because of course the conditionality of Restart will work only for those over-50s in the benefits system. If people are over 55 and have a private pension, they could have been drawing down from that, in comparison with what they could have claimed under UC. That could be a very common-sense choice for them, and the conditionality of Restart would not affect them, so it might not be the solution for that one.

We need to look at the impact on older people's finances in tandem with that. If people have taken that route, what does that mean for their choices in later life, for the labour market, and the employers that might need their skills in the labour market? It is always going to be better to engage people voluntarily in any scheme and to encourage them to improve their skills or to change career than it is to mandate, but for other groups, ultimately there is a sort of rights-and-responsibilities question.

Q17 **Neil Coyle:** Richard, does this need to be an age-specific approach, or should it be sector by sector, linked to those people who are out of work? That links to a point Ben was making, because while we don't have country clubs in Bermondsey and Old Southwark, we do have a massive hospitality sector, with Borough market and 7 million tourists a year. Should it be sector by sector, linked to the specific demographics of those who are seeking work, or should it be done simply by age group?

Richard Hughes: It has been a very sectorally differentiated shock. When you look at the composition of the recovery, it has also had quite a distinct sectoral dimension, in the sense that one bit of good news is that there are more employee jobs out there than there were before the pandemic—about 200,00 more. Half of that growth has been in the health and social care sector alone; hospitality and other sectors are still below their pre-pandemic employment levels. Health and social care is not typically thought of as an entry-level job for a younger worker, and it is a more difficult sector for older workers to go into if they do not have prior training, although some people have come back into the labour force to do those jobs. You need to think about where job growth is likely to be if you are going to think about how to support people into those jobs.

On the point about older workers, it is important to point out that we were making progress in getting older workers back into the labour force before the pandemic. Post financial crisis, older people increased their participation rates. We were on a good trajectory in the run-up to the pandemic, but it has taken a knock as a result of the pandemic.

One reason to be optimistic, post pandemic, has been the hybrid working revolution. One of the reasons why older workers leave the labour force is because they have caring responsibilities and cannot spend time in an office. If they can combine those caring responsibilities with work from home, that offers the prospect of bringing more of them back into the labour force.

Q18 **Nigel Mills:** May I turn to what has happened to the number of people in self-employment? It appears to have dropped off, perhaps a little surprisingly given that it had been rising steadily before the pandemic. Do we know what is happening and what might happen as we complete the recovery? Who wants to kick off?

Richard Hughes: I can. In terms of our forecasts, you have seen a significant fall in the number of people who classify themselves as self-employed since the start of the pandemic—about 260,000. About 60% of those have basically reclassified themselves as being employed, probably with an eye to claiming furlough, but a number of them have been supported through the SEISS.

Going forward, there is a big question about how many people will voluntarily go back to being self-employed or not take up formal employment. One of the lessons of the pandemic is that the level of support attached to not being a formal employee—working informally or for yourself—may be less in future. The lesson people might learn is that they would rather be attached to an employer if that means that they are more likely to get the kind of support that people got through the furlough scheme, rather than the more uncertain and, to some extent, patchier support that the BSEISS offered people, depending on how their business was doing and what legal form their employment took prior to the pandemic.

Hannah Slaughter: To build on what Richard said, the classification point is really important. At the moment it is quite difficult to interpret what is happening to the overall number of self-employed people, particularly when measured in the labour force survey. People are surveyed every quarter for five quarters, and we have seen this strange phenomenon of people changing whether they are employees or self-employed without actually changing jobs. The ONS has suggested that that could be, for example, people who are self-employed but paid themselves through PAYE and were then able to furlough themselves, and started to think of themselves differently. It is a classification thing, rather than people actually changing what they are doing.

That said, we know that the pandemic has disproportionately hit self-employed people, compared with employees. We have found that when we have done surveys of workers throughout the pandemic. People have either stopped being self-employed entirely, or have lost lots of their income, and, as Richard said, may be inclined to leave self-employment entirely. When we did a survey about a year ago, we asked people about their plans for the future and whether they planned to be employees or self-employed after the pandemic, and we found that people who had needed support from the self-employment income support scheme but had not been able to get it were more likely to say that they planned to leave self-employment in the future.

Thinking way back to the very start of the pandemic, when the Chancellor, Rishi Sunak, announced the self-employment income support scheme, he hinted that it might come with a kind of quid pro quo of higher taxes on self-employment down the road. If that does happen, that could provide an incentive for some people to switch their employee status.

Q19 **Nigel Mills:** Sam, you were waving.

Sam Avanzo Windett: I want to unpick gently some of that decrease, in terms of the groups. That decrease in self-employment has hit men more than women, which is interesting. It has fallen across all age groups, so all age groups have seen a drop, but the biggest drop has been among 25 to 49-year-olds.

Obviously, we all know that we had seen big rises in self-employment pre-pandemic, especially for disabled people and people from ethnic minority backgrounds, and during the pandemic we saw those numbers fall less than for their peers. The number of disabled people in self-employment fell less than the number of those who are non-disabled, for example. There are some things that we want to look at there.

I agree with Hannah overall on that point about recategorisation for some; it is about changing to other forms of employment. Overall, we have to work out whether this is a supportive or hostile environment for self-employed people. Are the Government taking the view that self-employment is good or bad? I ask that question because it feels like there are discouraging factors for people in self-employment. Is that intentional, and if so is it a combination of Treasury and DWP policy? Or is it unintentional, and do we want more supportive policies in there for people in self-employment, particularly in those groups that, as I mentioned, were seemingly thriving before the pandemic in self-employment, such as disabled people?

Q20 **Nigel Mills:** Do you have any evidence that measures that were around before the pandemic, such as the IR35 change, show that people got the hint and decided, "Actually, I'm not really self-employed", or, "I'm not meant to be self-employed", and made the change that the Government wanted them to make? Or has that just got lost in the storm, and do we not quite know yet what has been happening?

Sam Avanzo Windett: Some of the Government's policies have taken that sort of approach, and they have been quite blunt instruments for hammering out what is viable self-employment and what is not. I know that the Committee has looked at the minimum income floor before, and that has come back in. That is a hammer blow to some businesses that could potentially be viable after a longer period of time. I think I would say that that is the Government's intention, but I think we are seeing some disadvantages to those who could have viable self-employment, but struggle with some of these policy changes.

Tony Wilson: It is definitely the case, particularly with public sector employers, that people have been brought on to the payroll rather than being paid as contractors, precisely because of IR35. We know that has been the case for larger employers as well, just as it has been for us an employer; we are not within the scope of the IR35 rules, but employers will err on the side of caution where they are liable for determining the status of people carrying out work for them. Undoubtedly, that has been a factor.

That is possibly affecting the labour workforce survey data; it is more likely to be affecting the PAYE data, as one of the factors contributing to higher employee numbers through the administrative data. However, as Richard said, there is so much going on that it would be very hard to disentangle the effect of IR35 specifically. My fear is that IR35 may be discouraging self-employment and contracting generally, which would be an unintended consequence of a reform that was intended to protect workers but might, in the end, disadvantage some groups.

Richard Hughes: The very big tax differential between those who are incorporated versus those who are self-employed or employed remains. One thing that may change in the wake of the pandemic is the fact that people who were one-person corporations, or small corporations paying themselves through dividends rather than through salary, got very little support during the pandemic, because they were not an employee; they did not benefit from the furlough scheme, or from the SEISS. They were very much left out of the pandemic support, and they may reassess whether that is a wise strategy in future, because one of the lessons is that if you were a self-incorporated business then, because you didn't have employees, you didn't get support for employment. Some of those people fell through the cracks of the pandemic support system, and seemingly via a deliberate strategy of Government.

Chair: Thank you very much. Let's go to Chris Stephens—but let's keep this one fairly brief, Chris.

Q21 **Chris Stephens:** I will certainly do my best. There were sniggers from our colleagues there—I do not know why.

Hannah, I will ask you this first, but I can certainly open it up to others. My question is around the gig economy. Self-employed individuals are identified as being in one of three main groups: struggling, surviving or thriving. Of those involved in the gig economy, 87% were found to be in the "struggling" group, because they are earning less than £10,000 a year. To what extent do you see the gig economy as a significant threat to the wellbeing of workers?

Hannah Slaughter: In terms of wellbeing and mental health, we have done some research into insecure work more widely, particularly among younger age groups and the demographics that are more susceptible to mental health issues anyway. Insecure work can in many cases be as detrimental to mental health as being unemployed. The instability and uncertainty of some gig economy jobs can have a really big impact. It obviously has a financial impact if you are not earning very much, or if your earnings are uncertain and you do not know from week to week what your earnings are going to be.

We should also remember that lots of gig economy jobs are key worker jobs. Delivery drivers are an obvious example of people who, during the pandemic, were out there, putting their health at risk, and there are concerns and wellbeing issues that come with that. There is a crossover of issues that are likely to have a detrimental impact. It varies a lot from individual to individual, depending on their personal circumstances. For example, if someone has a partner with a more stable income, that might mitigate some of the wellbeing impacts of having an unstable job in the gig economy. Not all gig economy jobs are created equal. There is a wide variety of jobs that people do within that broad term. Certainly, in lots of cases, it can be quite detrimental.

Q22 **Chris Stephens:** Thanks very much for that, Hannah. My last question is to you, Tony. Young people are over-represented in the gig economy. So are people with degrees, which might seem counterintuitive. What is the source of the problem? Is it the structure of the economy, the education system, or something else? What Government support is needed to help people in the gig economy who are struggling? How do we help young people and those with degrees to find more traditional forms of employment?

Tony Wilson: That is a good question, and it relates to how our public employment services are structured, and how they focus primarily—overwhelmingly, actually—on supporting people who are out of work to get into work. They do not really focus on helping people who have an income and a job already to find a new job. There has been work done. The Government have trialled in-work support through Jobcentre Plus and Jobcentre Plus work coaches. There haven't been any spectacularly positive results, but there have been some small potentially positive impacts for some groups.

More broadly, though, we are entering a phase in which we are going back to very high employment—though not as high as pre-crisis levels—and very low unemployment; it is basically at pre-crisis levels. However, we still have a very large number of people in relatively low-paid and less secure work. Given that, we do need to think about how our employment services are supporting people who are in low-paid and insecure work to find a better job. That does not need to be at Jobcentre Plus. Often, Jobcentre Plus may not be the best place for people to have those conversations with gig drivers or people working in social care, hospitality, retail and other low-paying industries.

We do have other provisions. We have Restart, the job entry targeted support scheme, and a range of local authority provisions, which could be engaging with those groups and trying to help people find better work. I think we have a decent idea around the sorts of things that work. We often say that there is not enough evidence around what works, but I think we do have a decent idea. It starts with the individual and trying to help them develop an action plan and goals for where they want to go next, and then trying to align the right support to help them achieve that. It is really about focusing on the relationship with the individual and helping them to find what is right for them.

The final point I would make is that many people work in the gig economy because they choose to. They may not have gone into it because they wanted to, necessarily, but they may stay there because they choose to. We have a really strong recovery in vacancies at the moment, so this is a good time to be trying to help those people who are trapped in gig jobs to try to find better work, rather than thinking that we need to help everybody who is in gig work.

Q23 **Chris Stephens:** So is the record number of vacancies in other parts of the economy and not the gig economy?

Tony Wilson: It's across all industries, yes.

Q24 **Chris Stephens:** Therefore, we can help people in the gig economy who are struggling to get into these jobs?

Tony Wilson: Absolutely. For me, our top priority is helping those who were out of work before the crisis and are still out of work now, because that group has largely been overlooked. The second priority must be helping those who are in lower-paid, less secure work to find better work.

Literally every single industry has vacancies above pre-crisis levels. This isn't all about the reorganisation post covid. Some of it is, clearly. It is not all about the impacts of covid, although that is definitely driving big growth in health and social care, and in some professions. But we are seeing a really strong recovery in labour demand—we just can't meet it. There are not enough workers to meet that demand at the moment.

Chris Stephens: Thanks, Tony, and thanks, Chair. I hope that was quick enough for you.

Chair: Thank you, Chris—that was very helpful. I think Siobhan wanted to come in quickly on the gig economy.

Q25 **Siobhan Baillie:** If I can just take a step back to what Richard was saying about the excluded—the company directors and the 3 million—I think it would be remiss not to mention them given their experiences during the pandemic. I am interested to know what your assessment is of the Chancellor's approach to that group. I know it was considered by many that the 50% self-employment income requirement was effectively arbitrary. I sat with a number of constituents and when we ran through the figures compared to what other self-employed constituents were getting, it did feel very unfair. I would be interested to know what your assessment of what happened was, and what you would have done with that group if you were Chancellor, and whether there was a different approach that we could have taken.

Richard Hughes: I can give my assessment, but I am definitely not legally allowed to say what I would do if I were Chancellor.

It is important to say that this is a very diverse group. It includes well-paid professionals who have higher degrees and who are working as incorporated businesses, but it also includes people who drive taxis and other kinds of workers who are on much lower incomes. They did not receive levels of support equivalent to what people who were employees or self-employed people got. You also have to point out that they have paid a lot less in tax than people who were previously employees or even self-employed. Being outside the tax system ended up having its consequences for the pandemic.

The issue for us is what that means for their incentives going forward. Do they continue to choose this form of employment, which has tax advantages but potentially consequences for how much support they get in the event of another shock like the pandemic?

In terms of what Tony or Hannah or Sam would do if they were Chancellor, I leave that to them.

Tony Wilson: That was one area where I was quite glad not to have a view and not to have to make a decision on. There are clearly some people who lost out really badly and would rightly feel that they were treated unfairly. On the other hand, as Richard says, many people had chosen to pay themselves in those ways and I think there was an element of that being part of the Treasury's thinking.

Chair: Neil Coyle wanted to come back on some points on disability.

Q26 **Neil Coyle:** Yes, on the disability employment gap. I am mindful that that is where the original missing million report came from. The Committee has recommended devolution of employment support for disabled people to help tackle that gap. The Government have not properly responded to that recommendation. I am interested in your views on devolution of employment support for disabled people—feel free to also pick up on it a bit more widely, albeit we have limited time—and whether the Work and Health Programme is doing enough on disability employment support.

Tony Wilson: I am happy to go first, briefly. I think we are not doing enough on employment support for disabled people. We spent last year less on specialist employment support for disabled people in the whole year than we did on the furlough scheme in a single week. We simply do not spend enough money, frankly. This is something where money does talk—we just do not spend enough money on specialised employment support for disabled people. I don't think that is acceptable, given that disabled people are two and a half times more likely to be out of work than non-disabled people. We are among the best performers in Europe and in the developed world on employment overall, but we are distinctly mid-table on employment for disabled people and our disability employment gap is too wide.

I think devolution is definitely one way to do that. We personally would support much greater local integration and much greater devolution of the delivery of services, ideally input or control over the commissioning of services, and a much greater alignment across health and employment support.

Q27 **Neil Coyle:** Does anyone else want to come in, or I will move on?

Chair: Sam is waving.

Sam Avanzo Windett: I completely agree with Tony and with the point that we were closing the disability employment gap before the pandemic. Some of that was due to people declaring disabilities in work and so on, but some of that was closing the gap. That gap widened during the pandemic, and that is what we need to worry about. As I said before, the Plan for Jobs was about policies for the majority, not the overlooked groups, and that is where we need to come back to. I completely agree with Tony that that is where we need to invest.

Devolution is definitely needed to join up these services. We need to join up support at a local level. But we know that some of the bigger national programmes haven't fared so well for people with disabilities, which is why we got the Work and Health Programme, which is meant to be more targeted and more specific. Is that funded well enough? Is that moving people towards employment and employment opportunities, including those that are coming and do not exist today?

We have talked a lot about the gig economy and self-employment, and I kept mentioning the large numbers of disabled people within those areas—their jobs are more at risk of automation than any other group. If the Committee is using this session for scoping what should be looked at, I know that you have looked at the future of work before, but what is the impact of trends in the labour market on specific groups such as disabled people? Is the Department planning ahead for that? Is enough support going into those jobs that are at risk of automation and given that self-employment is decreasing? Are we doing enough planning and support around that? I would suggest no at the moment.

Q28 **Neil Coyle:** With a potentially shrinking workforce, are there grounds for more of an onus on employers, perhaps in partnership with BEIS, the local enterprise partnership or others, to go through what reasonable adjustments might work for someone who is seeking to take early retirement, for example?

Sam Avanzo Windett: That is exactly right. It is about good employer practices as well, as we keep saying. There are two sides: one is supporting people, but it is actually about the jobs and the employers and the support that they're providing for people to move into employment. Equally, there are other forms of employment, too. It is taking all that into account and thinking forward about what that means and what that support needs to look like.

Q29 **Neil Coyle:** Finally, do you think individuals and employers and Jobcentre Plus are sufficiently aware of schemes such as Access to Work or the flexible support fund in order to deliver better support to help tackle that disability employment gap? Are we where we should be?

Tony Wilson: We often talk about employers not being aware of Access to Work. I think actually some of the administrative challenges in Access to Work are more significant at the moment. The Department has talked about the need to transform and digitise the delivery of Access to Work, which would help. They are also trying to make changes around Access to Work passports, so that people can take entitlements with them or demonstrate to an employer at the point at which they apply for a job that they would have entitlements. All of that will help.

There could be a whole inquiry—indeed, there is an inquiry around disability employment support—and there is a range of things that we can do across how we provide better support in the workplace and better and more focused support for individuals that looks beyond their disability and focuses on how we can best support them to find work. Importantly, that should also link up between condition management, health management, health services and wider employment support. At the moment, that is a particular challenge that we are not doing well enough on, and we can do much better, particularly around managing risks of absence from work and managing health-related issues in work.

Q30 **Dr Spencer:** Off on a slight tangent now with a question about the Shared Prosperity Fund and its impact on employment support services. As I am sure you know, the Chancellor announced £2.6 billion in the Budget for the fund, and how that will work exactly has yet to bed in. What do you think the impact on the employment support sector has been given the uncertainty around that, and what would be your priorities for the fund?

Sam Avanzo Windett: I am happy to come in on this. I actually had to look back, Chair, at when the Committee held its last inquiry on the European Social Fund and the Shared Prosperity Fund. Steve McCabe brought it to the Committee in 2018—nearly four years ago now. You are quite right to point out that we do have some of the sums of money outlined, but there has been little development in the framework, which we are still expecting. The Shared Prosperity Fund is due to come in in three months' time in April. Overall, out of all the policies I have ever worked on, it is probably the most overpromised and underdelivered. The amounts of money that were promised initially for the Shared Prosperity Fund were £1.5 billion per year, because that sort of averaged out the EU contribution—not the match funding that was also provided, by Whitehall, but just the EU contribution. The spending review had a sort of ramp up to £1.5 billion. We have a smaller amount this year; then it's ramping up, in two years' time, to that £1.5 billion. I don't think we should over-egg it, though, because we do have EU receipts that are still coming in, that are still paying for some of the programmes.

I will just flag why we care about this. Some of the issues that we have flagged around participation and engagement of certain groups in the labour market are those that are being served by European Social Fund programmes. Skilling up, reducing reoffending, helping disabled people into work, NEET young people—all the groups that we have mentioned today are the ones currently being supported by European Social Fund programmes.

Your question was about the providers' uncertainty. Four years ago, we flagged the fact that providers did not know what was coming next. They had no certainty over their funding for these vital programmes, and how can a business plan for providing services when it does not know what that funding is going to look like? We are three months away from April and the Shared Prosperity Fund coming in, and we still don't know and those providers still don't know. It's not a tap that you turn on and off. You can't turn on and off experts who help these groups of people, these communities, which are all part of the levelling-up agenda. We really need much more transparency and certainty over what is going to be funded and how it is going to be funded.

Dr Spencer: That was very comprehensive; thank you.

Q31 **Selaine Saxby:** Welcome. I wanted to talk about employment support and, in particular, how effective the DWP has been in matching labour supply with labour demand. From my own constituency, I have quite an interesting take. We have a big skills gap and are very under-productive relative to national measures. However, I was reading about the Resolution Foundation saying that the share of people who are over-educated compared with the average level of educational attainment for the occupation is now at "a record high". Obviously, that is not my own personal experience in my constituency, but I just wondered how the DWP could be helping people to progress into the jobs that match their skills and would boost productivity. Who would like to go first?

Tony Wilson: I am really happy to go first. I think this speaks to the crisis that we are facing now around how we can address the record numbers of vacancies—the recruitment crisis and participation crisis at the moment. Jobcentre Plus does a lot, clearly, around engaging employers locally, running jobs fairs and helping people with their job-search activity—helping people to prepare for work, to action plan, to look for work, and so on. My concern is whether we have as great a focus as we are going to need in the years ahead on understanding local labour markets and local labour market need and working really effectively with employers and employer bodies and with skills providers and those who can help people to prepare for work, get the skills they need, and then enter work.

There is an opportunity here, because we have also seen really significant investment in work coaches—a doubling of the number of work coaches—and we are seeing investment in skills provision through skills boot camps through the National Skills Fund, and through other provision too.

I think there is something missing, though, around how we draw this all together locally. We have called for, we have talked about the need for, local labour market partnerships, good work partnerships, inclusive labour market partnerships—whatever we want to call them—which is a model that is used in other countries, pretty much most other developed economies. You can look at Denmark, Canada and the US. In Northern Ireland, for example, they are rolling out a model of local labour market partnerships. There are much more coherent, well governed efforts to get around the table employer representatives, skills providers, public employment services and the organisations that are then delivering that outside Jobcentre Plus, like Restart and others. That is often being convened through local government.

We don't have that kind of infrastructure here. It would not be expensive or overly bureaucratic to produce. I do think we need a far greater focus on how we can help people who want jobs to find jobs that want people. At the moment, we largely focus only on the individual, through Jobcentre Plus; we don't do enough that is focused on the local labour market and employers and on how we can draw that system, draw those services, together. It also does not require radical machinery-of-government or devolution changes. We can do a lot of this through existing systems. We don't at the moment; we're not doing it well enough.

Hannah Slaughter: I agree with everything Tony said. Obviously, we need to make sure that the training that DWP and job coaches direct people to is relevant, high quality and that it is helping people with the jobs that are around. Also, we need to help people target their job search, navigate the market and not fall foul of things like conditionality. This is the right time for DWP to be thinking about this. We are in a period of readjustment in the labour market. Tony has mentioned a few times, as have others, that we have record vacancies. We do also have record levels of job starts, so people are moving into jobs. It is a big period of flux.

As the economy has reopened, we have had areas of absolute shortages. HGV drivers are obviously the ones in the news a lot, but there are pockets where there are not enough people qualified to do the jobs. There have also been a lot of hiring bottlenecks. The right people and the right jobs are both there; it is about helping people navigate those frictions. That is where work coaches can step in and help people. This is obviously dependent on what happens with the omicron variant, of course, but it is a period of flux. It is right that DWP, work coaches and Jobcentre Plus should be thinking about helping people navigate that.

Q32 **Selaine Saxby:** The DWP itself has spoken about having a job, getting a better job and having a career. Do you think there is more that DWP could be doing to facilitate that for people and support in-work progression?

Tony Wilson: Yes, and I think the starting point would be to have a genuine public employment service, where if you are looking for a job there is somewhere you can go to find one. At the moment, to access work coach support, you need to be not only claiming benefit, but the right bit of benefit, and the work coach needs to determine that you meet the criteria to access their support and be seen by them. What we don't have and what we used to have in employment service days was more like a public employment service. We are not talking about whistles and bells, one-to-one work coach support and fortnightly interviews and so on, but if you wanted to access help, you could go and get it.

Just to tell one small anecdote, every month we publish analysis of labour market stats, and that will go out and sometimes it will get coverage. I will get emails from people who are saying, "I have been looking for work and I can't get any help. I don't know where to go." It is so hard to be able to say, "This is the place you can go." More often than not when I ask where they have gone, they will say that they have a meeting with the National Careers Service. How did the National Careers Service become our public employment service? Why are people not able to talk to Jobcentre Plus and book an appointment with an adviser?

We have over 20,000 work coaches and we cannot offer people who want a job an appointment with an adviser or even a discussion on the telephone. That is a conscious policy choice we have made in the last two decades. It is an evolution of a set of reforms that began in the late '90s. I think we actually need to look at whether that is really where we want to be in this next stage of our recovery. I think we should be looking at whether we can have a proper public employment service.

Q33 **Selaine Saxby:** Thank you. Did anyone else have anything to add?

Sam Avanzo Windett: On the specifics of what is happening at the moment, the DWP does have pilots running. I would just say that, as always, when the DWP looks at its levers it can pull, it sees Jobcentre Plus. On the issue of in-work progression, we need to think more widely than Jobcentre Plus—not just in terms of individuals engaging with that support, but also employers. Employers are going to be really important for this in-work progression puzzle. We need to look at different models of delivery of career coach support and build the case for a careers advancement service.

As Tony said, that could be enveloped into a wider offer where people can look into improving their pay. It will look different for different people. For somebody who is self-employed, it might be about growing their business rather than their take-home pay. I think this is the next big challenge. I know that DWP is starting to tackle it, but we need a much more integrated approach, because people will have their own complications in their lives and their own reasons for being in the job they are. They may have their own caring responsibilities and ways of juggling things. When we are thinking about careers and career advancement, we need to think about it quite holistically.

Selaine Saxby: Thank you.

Q34 **Siobhan Baillie:** What would you expect the Restart programme to have learned and adopted from the old Work Programme? The Government are considering mandating the Restart programme. Tony touched gently on the barriers to people actually getting involved at the moment. Would you agree with mandating it? Is there any research or feedback you have seen about the programme generally?

Tony Wilson: I am happy to go first on this one. We did some work on the Restart programme when the commissioning process began, and we are doing some work now with some of the providers who are delivering the service, to try to support on action, research and continuous improvement.

I think Restart has huge potential, and there are some really important ways that it definitely learns from and builds on the evidence for what works in employment programmes. There are really clear service standards in the programme around how quickly people need to be seen, how the handover process—the referral process—needs to work, action planning, assessment of needs and the regularity of support while people are on the programme.

Restart also builds in, for the first time ever, a customer service measure, which measures people's satisfaction with the programme. That has not been done before, and it is really welcome. We have tended to lose the individual in a lot of our employment services—not in the services themselves, but in how we commission them. It is welcome that that is now a formal part of the process.

Restart is also relatively better funded than the Work Programme; it is around £1,800 per participant compared with about £800 for the Work Programme, which was supporting people for longer. It has a stronger focus on local partnerships as well, which is really important and welcome. There are a number of ways in which I think it really improves on the Work Programme.

The challenge is that Restart is specifically focused on the long-term unemployed group, and that group is going to be smaller. It was designed at the point when Richard's forecasts were saying that unemployment was going to exceed 4 million and long-term unemployment would almost certainly be well above 1 million—probably 1.5 million and maybe even 2 million. That is not the environment we have now. Given that we have Restart—it is there and it is running—we need to be thinking about how we can support more people through it and how we can make sure that it helps to meet the labour market challenges that we have now.

I do not think that conditionality mandation is necessarily part of the answer here. I think it is reasonable to expect people, if they are unemployed, they are available to look for work and they are not facing any significant barriers to work, to attend an interview and a meeting and to be looking for work. That has been a feature of the UK system since the 1910s, when social insurance was first introduced. But the overly strong focus on mandation in the Work Programme failed, and I think this needs to be focused primarily on offering a really good-quality service with clear expectations around taking part.

Hannah Slaughter: I will add a couple of points to that. First, it is definitely worth considering long-term furlough in thinking about the length of time people have been out of work. I know that that is now on the Department’s radar, but it is a really important thing to take into account. People were furloughed for a long time and then lost their job at the end of the scheme. Obviously, not as many people lost their job as we once feared, but we should be considering that time people spent not working, even if they were technically employed but just furloughed, because that could have been time when people lost some of their skills, for example.

We should also bear in mind that some groups will need specialist support on top of things like the Restart scheme. One example that we looked at in one of our reports was that people with mental health conditions did not benefit as much from the Work Programme as other groups. That is one example, and that will apply to lots of groups. Restart is really welcome, but we should bear in mind other support that people might need to complement that when we are thinking holistically about support schemes.

Q35 **Nigel Mills:** I have a couple of quick questions. Hannah, do we have data on what happened to people who were still on furlough at the end of September? Have they largely stayed in work, or have any of them been made redundant since then? Do we know what the numbers look like now?

Hannah Slaughter: We at the Resolution Foundation ran a survey in mid-October, just after the scheme had ended, and we asked people what had happened to them if they had been furloughed in September. We found that the vast majority of people who were furloughed in September had returned to their previous jobs. I think that has been corroborated by other survey evidence, such as the business impact of coronavirus survey that the ONS ran.

There will have been a small group of people who did lose their jobs at the end of the scheme, but broadly, the fact that the scheme was extended in tandem with restrictions being lifted seems to have meant that when the scheme ended, the vast majority of people who were still furloughed did go back to their previous jobs.

Q36 **Nigel Mills:** In a minute, I might ask the panel what they think the key learning from the pandemic has been about employment support and the job market.

Tony, you mentioned earlier the difference between the support we gave during the pandemic and that in most recessions and the way furlough had worked in stopping unemployment going to the high we thought and hopefully stopping the scarring effect of that. Should we look at doing that for future recessions or was it a kind of one-off—the Government were shutting everything and we had to do it, but in future recessions that will not be the case?

Tony Wilson: No. I think the Job Retention Scheme was the right response to the crisis that we faced then; I don’t think it would be the right response to an omicron-type crisis now, actually. If we were to shut down again, we would need something more like a sectorally targeted scheme, alongside active support for those individuals to find other jobs or new work or to make plans for what comes next.

More broadly, there is potentially an argument for a short-time working scheme in the longer term; that is worth exploring. I would say, though, that universal credit is a fairly well targeted and not ungenerous short-time working scheme in and of itself now, particularly with the changes to the taper if you are renting privately—less so if you are an owner-occupier. The replacement rates that people get through universal credit are knocking on to the sorts of rates you would get through a furlough scheme anyway. The focus on the individual and how we can more actively support people to find new jobs are a really key part.

Q37 **Nigel Mills:** Richard, the numbers don't work, though. If the amount you save doesn't equate to the amount you spend on a furlough scheme, you couldn't make it pay.

Richard Hughes: I support the point that Tony made: the furlough scheme was the right one for this pandemic. That was because there was a vaccine that allowed you to go back to the pre-pandemic structure of the economy, we hope.

Other crises have been very different: they have required a structural adjustment in the composition of employment and the sectoral composition of output. Those were the kind of shocks we faced in the 1980s and in the wake of the financial crisis.

It would not be right to try to freeze the structure of the economy in aspic and then go back to it 18 to 24 months later, and just pay people in the meantime. You have to have schemes that actually support structural adjustment if you face a different kind of shock, which requires those kinds of adjustments. I do not think you would necessarily want to just repeat the furlough scheme for future UK recessions; they may be driven by the need for adjustment in the structure of the economy, which you have to facilitate rather than prevent.

Q38 **Nigel Mills:** Is there any final big learning that we should all remember from the pandemic when it comes to the jobs market? Sam, you are waving.

Sam Avanzo Windett: I wanted to come in on this question earlier, because it is really important, about the employment support sector and the DWP.

Take the example of Kickstart. In previous recessions, young people have always been the hardest impacted. That was sort of easy to predict. There were lots of unique factors about this particular recession, but young people are always hardest hit. Kickstart drew on evidence of the future jobs fund. There was evidence there of what works to support young people into work—work experience, the wage subsidy scheme. But what actually happened was that the DWP then changed that into more of a wage subsidy scheme that supported young people into work through the private sector. That had not been done before—certainly not at scale.

My learning is about preparedness. Does the DWP have a bank of evidence running at any one time with pilots and what works in employment support, to know that you could scale it up and know the systems that sat behind it, with experts there in the Department who were able to develop those systems and work with the provider market to implement things at pace, that could be turned on and off?

When we look at the example of Kickstart, it was just developed in flight. There wasn't the evidence of that particular model that had been done before. Why is that? For me, that is the learning about this pandemic: why is there not a readily available bank of evidence of programmes and of what works that can be enacted by providers really quickly and that the DWP knows how to run? That, to me, is really important.

Nigel Mills: Thank you. We are heading into PMQs.

Q39 **Chair:** Does anyone else want to mention any lessons that stand out that we haven't mentioned?

Tony Wilson: Sam makes a really good point. The fact that we have had a pretty successful response through the Plan for Jobs in avoiding a long-term unemployment crisis should also give us confidence that we can address these other labour market challenges if we put the effort in, if there is the political will behind it and if we are prepared to better understand what works.

I actually feel quite optimistic about the future if we can have a similar focus on participation and addressing the wider labour market challenges talked about today—not just the unemployment crisis and what we faced in the pandemic.

Q40 **Chair:** On that, Tony, you were suggesting a few minutes ago new kinds of local partnerships, but isn't the job that you describe what the local economic partnerships are there to do at the moment?

Tony Wilson: No. At one point, this probably could have been what local enterprise partnerships might have done, but unfortunately not. We need a successor to that. It could be along those sorts of economic geographies, a similar number of partnerships. It needs to be more clearly rooted in local governance—not necessarily just local authorities, but local government institutions and drawing the right range of partners together.

Unfortunately, local enterprise partnerships have been very focused on Brexit and regulatory barriers in the recent past and have not been able to do enough around supporting the increase in growth.

Chair: As Nigel said, the Prime Minister is about to answer questions in the Commons—in four minutes' time. We have a rather harder stop than we normally do.

Thank you all very much indeed for being willing to join us and for the helpful information. You have given us lots of food for thought for our work over the next few months.