

Written evidence from the Department for Work and Pensions [PCW0062]

WPSC Inquiry - DWP's preparations for changes in the world of work

SECTION ONE: DWP'S RESPONSE TO STRATEGIC LABOUR MARKET CHALLENGES

The labour market is fluid and will need to adapt to challenges over the short, medium and longer-term. Emerging technologies are changing the nature of work and the skill sets required to do existing and emerging jobs. This brings great opportunities, such as new ways of engaging with work, scope to increase productivity and wages and create new jobs.

Alongside COVID-19, which is already having wide-ranging implications for the labour market, demographic changes, the ending of free movement, new trade deals and globalisation will all impact the shape of the labour market. This will create both challenges and opportunities and shift the sectoral make up of the labour market. Whilst migration and trade policy changes may have a more immediate impact on the movement of labour, it is likely to take longer for us to understand the scope and scale of changes resulting from automation and technology.

Impact of COVID-19

The impact of COVID-19 on the labour market is an emerging picture that will be fluid for some time, influenced heavily by future policy decisions and public health guidance. DWP noted the current ONS official data on numbers of open job vacancies fell to 467,000 in March-May 2020. Since mid-March there has been an unprecedented number of Universal Credit declarations (over 3.2 million) and over 9 million workers furloughed through the Coronavirus Job Retention Scheme. The Chancellor has announced an unprecedented series of measures to support businesses and their employees. This includes £9.3 billion of extra support through the welfare system as well as a range of Labour Market measures announced on 8 July 2020.

Job-seekers in sectors heavily impacted by COVID-19 may face challenges returning to sectors they previously worked in, such as retail and hospitality. The ONS estimate that jobs in these sectors may also face a higher probability of automation.¹ The impact of COVID-19, varies across sectors and whilst some, such as aviation, are facing significant challenges, it has created new demand for workers in some other sectors, such as e-commerce and distribution. This provides DWP with the challenge to consider where to direct jobseekers and how best support people into work, including enabling them to pivot successfully into employment in key sectors where there is high demand. For example, into adult social care and construction where there are longstanding shortages.

Cross-government collaboration

Labour market objectives sit across Departmental boundaries and collective action is required to help jobseekers adapt to the changing world of work. Work is already underway with other government departments to help people into work and to enable DWP to identify and promote growing and high demand sectors to our claimants. DWP has worked closely with the Department for Health and Social Care and Skills for Care to promote roles in the adult social care sector. Part of this work has been to understand the barriers to recruitment in the sector and to challenge some of the misconceptions of working in the sector, including reduced scope

¹<https://www.ons.gov.uk/employmentandlabourmarket/peopleinwork/employmentandemployeetypes/articles/theprobabilityofautomationinengland/2011and2017>

for career progression. Working together, DWP, DHSC and Skills for Care are producing a series of case studies to bring to life the opportunities in the adult social care sector for job seekers, including those from other sectors such as retail and hospitality.

Officials will continue to work across Government to help identify and remove barriers to recruitment in high demand sectors. This will include bringing together insight and analysis held across Government to identify and monitor growing and high demand sectors. This knowledge will underpin a skills offer that ensures we respond and react to variations across local labour markets.

As part of the Government's wider skills offer, we are continuing to develop DWP's skills offer, working closely with DfE and BEIS to ensure our claimants have the skills sought by employers. We are developing proposals on an enhanced skills offer for DWP customers to encourage more people to improve their digital and other basic skills. We are also expanding our sector-based work academy programmes designed to support those with skills up to level 2 and potentially beyond. DWP is working closely with DfE to shape provision in response to skills gaps. We will continue to work with them and identify referral routes for our claimants. Alongside this the government is supporting people to identify skills mismatches and remove barriers to entry for roles in in-demand or growing sectors. For example, DWP is working with DHSC to develop case studies to attract jobseekers into social care. This sector has longstanding labour supply issues and is expected to require an additional 256,000 workers by 2024/25.

DWP actively engages with employer representative bodies and businesses across a range of sectors to understand how the labour market is changing and to identify opportunities to support and help people adapt. Ministers and senior officials have met recently with key business and employee representative organisations, including Confederation of British Industry, British Chambers of Commerce, Federation of Small Business, Chartered Institute of Personnel and Development and Trades Union Congress.

We held a series of Ministerial roundtables to understand the opportunities and barriers to employment in specific sectors. This has enabled us to learn from businesses in growing sectors – including infrastructure, residential care, logistics, gig economy, supermarkets and knowledge/tech. We've also worked closely with experts in the recruitment industry to learn from their experience of supporting individuals to pivot sectors.

SECTION 2 – Labour Market Impacts

The UK's labour market is dynamic – with new firms and jobs being created; and others ceasing on an ongoing basis. Estimates of the impact of the changing nature of technology on the economy and the labour market are highly uncertain. Changing technology may affect worker productivity and the nature of tasks they do within existing jobs; it displaces some jobs, while also creating others (Acemoglu and Restrepo 2018)².

In 2019 the ONS estimated that around 1.5 million jobs in England are at high risk of some of their duties and tasks being automated in the future.³ Generally lower skilled occupations with routine tasks are more at risk of automation. The ONS found that the three occupations with the highest probability of automation are waiters and waitresses, shelf fillers and elementary

² Acemoglu, D. & Restrepo, P. (2018), 'Artificial Intelligence, Automation and Work', NBER Working Paper No. 24196 ([link](#))

³ ONS (2019), 'Which occupations are at highest risk of being automated?' ([Link](#))

sales occupations, all of which are lower skilled or routine. The three occupations at the lowest risk of automation are medical practitioners, higher education teaching professionals, and senior professionals of educational establishments. These occupations are all considered high skilled. The graph below shows the probability of automation amongst jobs in each high level occupation category.



Differential impacts.

The ONS⁴ independent analysis of the probability of jobs being automated in the UK – in line with with international research from the OECD and building on past academic work by Frey and Osborne – uses evidence on how automation will change the tasks people do in their jobs, to estimate the probability of a job being automated.

The ONS estimate that in England of 19.9m jobs 7.4% of these jobs (1.5 million people) were in jobs at high risk of automation and 27.7% (5.5 million) people in jobs at low risk of automation.

4 <https://www.ons.gov.uk/releases/occupationsandtheriskofautomation>

Their key findings about the differential of impact of automation arise from different characteristics of people holding jobs at risk of automation at the time of the analysis:

- **Gender:** women account for 70.2% of employees in jobs with a high risk of automation, and 42.6% in jobs with a low risk of automation;
- **Work pattern** – people in part-time positions account for 69.9% of all employees in jobs at high risk of automation, while 11% of jobs at low risk of automation are undertaken by part-time employees;
- **Age** – those aged 20-30 held 45% of high risk jobs, however they often move into lower risk work as they develop their career. The proportion of those in at-risk jobs increases again from age 40 onwards. [*Support for young people - Add high level details on announcement*]
- **Educational achievement** - of the jobs at low risk of automation, 87% were held by employees with a degree, while employees with lower education than GCSEs and those with A level or GCSEs made up most of the jobs at high risk of automation (59.8% and 39% respectively).
- **Locations** – Areas will be affected differently, according to the sectors that make up their labour market.
 - The South East of England and London have the greatest proportion of jobs estimated at low risk of automation.
 - Areas in the South West, East Anglia, the North West and the North East that have the greatest proportion of jobs at higher risk of automation, which highlights the importance of the Government's levelling up agenda to build skills in these areas.

New types of jobs and opportunities

New jobs will be in digital and data areas. Where automation is already happening some of the jobs that exist now did not exist ten years ago. Around 6% of UK jobs in 2014 were of a kind that did not exist in 1990.⁵ It's estimated that by 2030 8-9% of global labour demand will be in occupations that don't yet exist.⁶

The timeframes and pace for technological change in the UK across sectors are uncertain. There is little sign yet that businesses, particularly small and medium sized ones, are making largescale investments in technology. There are key barriers to overcome:

- **Tasks** - not all tasks can be easily automated. For example those involving perception and manipulation, creative intelligence and social intelligence.
- **Costs** - displacement relies on capital associated with disruptive technologies being cheaper and more productive than labour.
- **Transformation skills** - speed of adoption relies on the availability of workers with skills to deploy new technologies.
- **Acceptance** - Government regulations and societal preferences between automated and non-automated production are potential constraints.
- **Market power** - a small number of firms may dominate a sector, reducing competition and raising prices which could slow the development and deployment of the technology.

SECTION 3 – How is DWP supporting people to look for employment in new and emerging sectors?

5 PWC (March 2015) – [UK Economic Outlook](#)

6 McKinsey (2017) – [Jobs Lost, Jobs Gained: Workforce Transitions in a Time of Automation](#)

DWP is continuing to work with HMT and other Government departments to monitor the evolving economic and labour market situation to identify the most effective ways to help people stay in or close to work both now and in the future.

Evidence shows that work coach support is the best way of helping people return to work. Work coaches tailor support to individual circumstances and their efforts helped Britain reach record high employment in the months before the pandemic. Doubling the number of work coaches to 27,000 will ensure that high quality work search support is available to those who need it. In addition to workcoach support, DWP provides a wide range of support and advice for jobseekers, including access to a range of products to support people to look for work in new and emerging sectors

Job Help, Employer Help and Find a Job

- DWP launched a £5m marketing campaign at the start of June (A Good place to Start) to support jobseekers and employers. At the heart of the campaign are two information websites. [Jobhelp](#) provides jobseekers with help and advice including identifying transferable skills, information on which sectors are recruiting, links to the national careers service and DfE Skills Toolkit and practical help to apply for jobs. Live (and therefore unverified) campaign metrics indicate that there have been almost 320k page views on Jobhelp and the ads have had a broad reach with 24.5m impressions across Facebook and Twitter. Jobcentres are also promoting the campaign in communities.
- [Employerhelp](#) provides a range of support for employers with everything from support to recruit inclusively and help attracting Jobseekers. Both sites directly link to [Find a Job](#).
- Find a Job is a central place for employers (and recruitment agencies who recruit on their behalf) to post their vacancies and for job seekers to look for work.
- We have been actively promoting these websites to other Government departments, Mayoral Combined Authorities, Local Enterprise Partnerships and sector bodies.

Flexible Support Fund

- The Flexible Support Fund allows work coaches to provide support to claimants who may need additional training to allow them to move back into employment in either a similar or different sector. examples include:
 - purchasing training provision to move customers immediately into work with a Level 2 certificate in the engineering manufacturing industry and;
 - using a focused community partnership grant with a local authority supporting ex-offenders to train and gain a qualification that enabled them to work in the building trade.
- This funding also allows work coaches to support claimants when starting work e.g. by paying for travel costs as well as upfront childcare costs as well as other support they may require.

Rapid Response Service

- The central Rapid Response Team is ready to support employers and their workforces through its usual Rapid Response Service (RRS), and in partnership with the National Careers Service in England, Partnership Action for Continuing Employment in Scotland, and Careers Wales in cases of redundancy. We have increased the number of staff on the

team and trained all the National Employer and Partnership Team's Account managers in RRS processes as a contingency.

- The National Employer and Partnership Team are:
 - Gathering local labour market intelligence to pick up early indicators of businesses at risk of failure
 - Maximising digital communications channels so that RRS information that was traditionally offered face to face can be delivered digitally
 - Identifying new employers and growing business sectors and working with all employers on the national portfolio to gather information on vacancies and opportunities available

Supporting young people

We are committed to supporting young people through these unprecedented times, working with them to prevent and reduce the long term impact of scarring. We have announced an expansion to our Youth Offer to support those 18 – 24 This will include a structured 13-week programme, during which they will be referred to the most appropriate support such as careers advice, training, work experience, or apprenticeships.

Our network of trained Work Coaches will continue to work with young people and provide tailored support, directing them to the provision that best fits their individual circumstances and their employment goals.

DWP is also engaging with a number of external stakeholders including the Youth Employment Group (set up by the Prince's Trust, Youth Employment UK, the Institute for Employment Studies, the Youth Futures Foundation and Impetus). We are providing opportunities for young people to hear directly from employers about what they are looking for. Our Mentoring Circles programme is delivered by senior managers and aims to increase the confidence, motivation and job search skills of the young people participating, raising their aspirations and fostering a 'can do' approach.

Taking a place-based approach

We think national priorities, locally delivered is the best way forward, reflecting that we will need to differentiate according to the opportunities available., The department has already devolved responsibility outside Whitehall for some programmes. For example the department has devolved the commissioning and management of the Work and Health Programme to the Greater London Authority and Greater Manchester, we have also entered into a number of devolution deals., meaning decisions are not taken in Whitehall, but rather by the people they affect. They know the challenges they face, and government should not stand in their way.

As we have transferred responsibility outside London, we have made sure the funding follows. Places play a critical role in directing the European Social Fund to determine how it meets the needs of their economies and to respond to emerging and long-term trends in their labour markets.

We have used the European Social Fund, worth £3 billion in England over seven years, to improve the skills of the workforce outside of mayoral geographies In Dorset, £4.5 million was invested to provide accredited qualifications and bespoke training courses to small and medium-sized businesses in advanced engineering and manufacturing, the creative industries and environmental goods and services.

In addition, the department has provided nearly £25 million to five labour market innovation pilots in devolution deal areas of England, which are Cambridge and Peterborough, Liverpool,

Tees Valley, West Midlands and West of England. The pilots will test a variety of labour market interventions and test partnership working between DWP and combined authorities..

We want to make sure that all parts of the country are equipped to address long-term trends that affect their economies and take advantage of the opportunities they bring.

Further, in collaboration with MHCLG, BEIS, DfE and others, the government has strengthened the analytical capacity of the GLA, MCAs and local enterprise partnerships by providing additional resources to inform their local industrial strategies and enhance their understanding of current and future labour market needs. For example, skills advisory panels are a partnership between public- and private-sector employers, local authorities, colleges, universities and the jobcentre.

A place based plan toolkit is available in all jobcentres to connect DWP policies with operational delivery to improve the effectiveness of local relationships with partners and employers. The toolkit builds a strong evidence base of customer characteristics, employers and partners, labour market trends and funding opportunities.

Sector-Based Work Academies Programmes support people who are ready to work but need support in developing the skills that employers require in particular sectors. We will be expanding our offer to provide 40,000 placements in Great Britain. Using Place Based Plans, DWP gains a good understanding of a local labour market and its potential growth sectors and where there are vacancies to provide sustained employment, suitable for work academy placements, and we can direct the offer where there are recognised shortages. Placements usually last up to six weeks and offer most participants a guaranteed interview.

How could DWP improve its support

Our Jobcentres have remained open throughout the pandemic, making more than 250,000 calls to claimants to help them look for work and supporting vulnerable claimants face-to-face.

The Department will now go further and **will spend £895 million to double the number of work coaches** in Jobcentre Plus before the end of the financial year across Great Britain. Work coaches are at the core of our employment offer and this increase will provide more people with the tailored support they need to move into work.

We know some people will require additional support to get back into work. Decisive action from Government will be critical in helping people back into work and supporting the UK's economic recovery. We are launching a "Plan for Work Package", which builds on and bolsters the existing support offered by our Jobcentre Plus network. The package includes:

- **Kickstart Scheme** – we will launch a new Kickstart Scheme in Great Britain, an initial £2 billion fund to create hundreds of thousands of high quality 6-month work placements aimed at unemployed young people
- **Expanded Youth Offer** – we will expand and increase the intensive support offered by DWP in Great Britain to young jobseekers, to include all those aged 18-24 in the Intensive Work Search group in Universal Credit. Further support will be available through Youth Hubs with specialist Youth Employment Coaches.
- **Expansion of the Work and Health Programme to offer new support to those who lose their job as a result of COVID** – we will expand the scope of the Work and Health Programme to introduce additional support for those on benefits that have been unemployed for more than 3 months. This is additional support and will

have no impact on the existing provision for disabled people or those with health conditions.

- **Flexible Support Fund** – The Department will increase the funding for the Flexible Support Fund by £150 million, including to increase the capacity of the Rapid Response Service (RRS), which supports those facing redundancy move into other jobs. The FSF allows us to provide funding directly to claimants and partners to target support locally and to address claimants' specific barriers preventing them from returning to work or provide training.
- **Expanding sector based work academies** – we will increase participation in our sector-based work academy programmes including in priority areas, e.g. such as construction, infrastructure and social care. We will establish bespoke opportunities, working with employers and training providers to support claimants to fill job vacancies and pivot into new careers. The sector-based work academy scheme offers training, work experience and a guaranteed job interview to those ready to start a job.
- **Job finding support service** – we will provide £40 million to fund additional capacity to introduce a job finding support service in Great Britain. This online, one-to-one service will help those who have been unemployed for less than three months to increase their chances of finding employment.
- Taken together, the package will ensure that we can get Britain back into work quickly.
- As the economic outlook becomes clearer, we will adapt our offer to ensure we are targeting our support at the right people. We have a flexible and agile plan, and we will continue to tailor our response as we continue to learn more about the impact on different sectors of the economy and different parts of the country.

Section 4 - In work progression

One of the key transformational elements of Universal Credit is that it provides us with the opportunity to support people who are in work to progress their earnings. The Department is committed to helping those in low pay to progress into higher pay, higher quality work. We know that women, younger workers, older workers and those of ethnic minority background are at higher risk of experiencing persistent low pay. Location, local economies and local infrastructure will also affect chances to take up good jobs, and opportunities which would lead to progression. Low pay is also more prevalent in certain sectors of the economy, such as care, retail and hospitality.

The Department has invested substantially in building the evidence base on how best to support progression. This has included a large-scale in-work progression randomised controlled trial (published September 2018 and October 2019^[1]) which tested a model of Jobcentre Plus support and conditionality. This was followed by a comprehensive programme of research and testing which is looking at a broad range of approaches to progression. The Department is working with the Learning and Work Institute to support Job Centre staff in their conversations with employers about progression and flexibility, and with claimants around job-switching.

On 2 June the Secretary of State for Work and Pensions said at the Economic Affairs Committee that we want to be in a position to progress through work to help people to become financially resilient. On 16 March 2020, the Department announced an In-Work Progression Commission led by Baroness Ruby McGregor-Smith, an accomplished business woman with a proven track record. The Commission has been asked to look in depth at barriers to progression. It is considering how to improve the progression prospects of the groups stuck in low pay, including young people. It is collecting evidence from employers, academics and government departments with responsibility for skills, apprenticeships, careers advice, public procurement, the Employment Bill, equalities, and infrastructure.

The Commission will also inform thinking on the design of the Department's progression offer, including the role of work coaches and other support mechanisms; and how its offer can best support cross-Government work aimed at improving opportunity for individuals and local economies. The In-Work Progression Commission will report to the Secretary of State for Work and Pensions later this year.

July 2020

[1] <https://www.gov.uk/government/publications/universal-credit-in-work-progression-randomised-controlled-trial>