

GOING DUTCH

Devolving employment support and
adult education to tackle economic
inactivity

Final Report

September 2024



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0. OPENING STATEMENTS

0.1. Prologue – Hope

As an author, where do I even start; hope is absent or lacking in the land that gave rise to Parliamentary democracy. That is many citizens cannot see a way forward for themselves, their families and the friends about them and others, and find it difficult to plot a path of progression; owing to cost of living being too high and price of labour too low. The first reaction of many of our governments to this after the greatest and most total of wars was to put in place policies to preserve living standards, be that first protectionism and more recently redistributionism. The former failed as globalism gained ground – and even if it were to lose a bit, then global blocs will still be. The latter is preconditioned on their being sufficient economic growth – with United Kingdom (UK) commerce employing more people in better jobs, which has been in the main anaemic with a few fits of activeness since the financial crisis of 2008. It was then made worse by political, economic, health and geopolitical events of the mid-2010s onward. Because of the second aforesaid response, governments' chose to centralise power to tackle pressing priorities of that point in time; think of the Butlerist or Bevanist policy drive that led to the National Health Service (NHS). Over decades this has become less that with geographic primary trusts running different parts of it and a great deal of opting and contracting out of services, so centralisation is not specifically a Conservative or Labour or any other party tendency.

I have for a long time thought the most viable way to heal our country's wounds is through good relationships in the broadest possible sense; this of course applies to all things though here the focus is on worklessness. The reason for this is without confronting and dealing with that first of the ills that a wise man once listed – idleness, ignorance, disease, squalor and want – then no Prime Minister or Parliament can do that which needs to be done.¹ The thing about cultivating good relations is that they work best in localities and communities. Indeed, that was the nub of the post-war quarrel between Aneurin Bevan, once Minister of Labour and National Service, who favoured centralisation and Herbert Morrison, involved in local authority politics before joining the Attlee Administration, who preferred localism. While the prior's ideas won out back then, the following's views that emphasised local works and manpower planning to deal with joblessness are being rediscovered today. As a new generation of leaders see self-determination as important, it has become incumbent on us to provide a well-grounded report on devolution with a purpose. Our entry into this arena is not ideological but is driven by a wanting to describe the governance and finance, relationships and partnerships needed for a comprehensive assessment of employment supports role in reducing unemployment and economic inactivity, and in any future industrial strategy. To our national shame, we have neglected these matters for too long.

¹ William Beveridge 'Social Insurance and Allied Services', 1942 <<https://www.parliament.uk/about/living-heritage/transformingsociety/living-learning/coll-9-health1/coll-9-health/#>>

0.2. About the Centre for Social Justice

Established in 2004, the Centre for Social Justice is an independent think tank that studies the root causes of Britain's social problems and addresses them by recommending practical, workable policy interventions. Our vision is to give people in the UK who are experiencing the worst multiple disadvantages and injustice every possible opportunity to reach their full potential.

The majority of the Centre for Social Justice's work is organised around 5 pathways to poverty, first identified in our groundbreaking 2007 report *Breakthrough Britain*. These are: educational failure; family breakdown; economic dependency and worklessness; addiction to drugs and alcohol; and severe personal debt.

Since its inception, the think tank has changed the landscape of our political discourse by putting social justice at the heart of British politics. This has led to a transformation in governments' thinking and policy. For instance, in September 2009, our seminal report 'Dynamic Benefits – Toward welfare that works' which was a forerunner to this report.

Our research is informed by experts including academics, practitioners and policymakers. We also draw upon our Centre for Social Justice Alliance of charities, social enterprises and other grass-roots organisations with proven track-record of reversing social breakdown across the UK. The social challenges facing Britain remain serious, so the aim is to advance the cause of social justice so that more people can continue to fulfil their potential.

0.3. Author's comment and acknowledgements

Author

Trushar Pandya, Head of Data and Analysis at the Centre for Social Justice.

Comment

At university, I was coming from behind and found Gienna Lynn Shostack's journal entry from 1977, which taught me truths about marketed entities. She does not like the word product as it harks back to when manufacturing dominated as services do now; so much so that some writings then described services as intangible products seen by lay eyes as goods. Her piece popularised modern understanding of them; while services are not as palpable, not as material, not as possessable as goods being experiential, not as corporeal, not as distinct from components, they are not fully intangible. At the time, differentiation between these and goods were imprecise, take: the automobile which most say is a good – but its assembly involves other goods, equipment and machinery, and services, done by people; and the car showroom which many call a service – but salesforces need goods, automobiles, and direct and auxiliary services, sales people and other functions – accounting, legal, clerical etc. She gave us the idea that things belong on a continuum from purer good to complex service: say salt at one end – everyone can observe, measure or in this case try and know something, make an informed choice or decision; and perhaps teaching or medical operation at the other – with few having expert knowledge to judge.²

I think Shostack was a private person, so it was not until many years after that I knew her forename, Gienna – she went by G. Lynn Shostack in academic circles. To my surprise, I discovered her classic was written when she was a captain of industry, CitiBank director. But then my thoughts went: first, was it because she was from elsewhere her insight had real-world relevance – read for knowing the true nature of goods and services as a precursor to today's customer service or service level agreement of the private sector or service experience of the public one; and second, was hers a Cassandra-like oracle prophecy – read for the fact few having the specialist knowledge to consider complicated services as foretelling the 2008 financial crisis. That is as financial services got more intricate, even institutions were unable to know the purchase, investment or other vehicle, leaving them much like the 'moms and pops' they traditionally outcompete in so much as their reality was to assert value on non-evidenced cues. These realities are as crude as the company has been around a long time, their staff wear nice clothes and are from top socioeconomic strata – I suppose some might have divested Lehman Brothers earlier if they had known of and more deeply understood Gienna's visions.

As the author of this report, I feel a duty to say things I believe to be right from my nearly two decades in Whitehall talking to experts in the field. I posit this upfront and at the foot of this paper because much like the great G. Lynn Shostack, as I came to see her, to me depth is better than superficial appreciation of the many problems and possible solutions, and viewing in multiple ways

² G. Lynn Shostack 'Breaking free from product marketing', 1977 <[http://belzludovic.free.fr/nolwenn/Shostack%20-%20Breaking%20free%20from%20product%20marketing%20\(cit%C3%A9%20265\)%20-%201977.pdf](http://belzludovic.free.fr/nolwenn/Shostack%20-%20Breaking%20free%20from%20product%20marketing%20(cit%C3%A9%20265)%20-%201977.pdf)>

strengthens awareness. The main body however is based on cited evidences from many sources. I have drawn on context, published numbers and analysis, case studies, academics, practitioners and more to give a highly structured narrative to make the intellectual case for devolution of employment and other services, but not benefit administration. My reason for doing this is not because of any operational efficiency cost savings but as cost can be brought down if the effectiveness of targeted human capital schemes were better suited to the economically inactive population; work-first does not work for them and so programmes that achieve sustained outcomes need to be created for these vulnerable groups of people. I also do this as I believe the lives of these people will be materially and societally better within work, it gives them dignity, their families and friends an example and the community cohesion.

In memory of Gienna Lynn Soshtack, businesswoman and academic, who inadvertently introduced me to ontological and epistemological questioning.

Acknowledgements

As the author of this document, I would like to give special thanks to the following people who have supported me:

- Professors Christina Beatty and Steve Fothergill at Sheffield Hallam University for research on hidden unemployment. They began in the 1990s, when the puzzle was to understand why recorded unemployment in the UK's coalfields had not risen despite the closure of the mines. They identified a diversion onto inactive benefits, and their subsequent work in other parts of the country documented scale of this issue locally, regionally and nationally. Their refining of methods and repeating of calculations have shown that hidden unemployment arising after deindustrialisation has persisted with the big numbers on welfare not being just a Covid related phenomenon. The conclusion is that real unemployment is higher than politicians and the media would like to believe;
- both academics and analysts, Danielle Venn and David Grubb, while in the Employment Analysis and Policy Division of the Directorate for Employment, Labour and Social Affairs of the Organisation for Economic Co-operation and Development (OECD) in 2012, for pioneering indicators of the strictness of eligibility criteria for unemployment benefits, later on strictness of activation requirement across employment support more widely. Their work with and building on the Danish's Finance Ministry indicators led to the OECD's indicators across member countries, enabling comparisons across a wide range of dimensions of strictness. The end product is a widely accepted measure that allows anyone to have perspective on their own country's regime vis-à-vis others;
- leading researchers, Rasmus Lind Ravn, Kristian Nielsen and Thomas Bredgaard at Aalborg University, for conducting a sound empirical study in North Jutland, Denmark. They undertook work to investigate if investing in active labour market policies and reducing caseloads produced positive employment effects, and to look into caseworkers' relational and collaborative impacts in devolved employment services. Their work showed that a strong relationship between social assistance clients and caseworkers significantly increases likelihood of job or education starts. The conclusion of this was that where caseloads were reduced and autonomy given around programmes, both in terms of design and spend, then a sustained effect was observed some years after the baseline period; and

- policy commentators, Bruce Katz and Jeremy Nowak of the New Localism Advisors firm. They gave me material directly and indirectly via their website on what is happening in respects of North American metros' [cities'] and states' [highest regional geographies'] industrial strategies and how this might apply to the UK setting. Their work is around new governance structures that are multi-sectoral and entrepreneurial, new financial mechanisms that unlock public and private funds and new growth models that prioritise innovation, inclusion and sustainability. The final distilling of this down to top plays in their articles and advice of the first contributor's book have been highly influential with national and local leaders.

Roundtable participants

I would also like to thank all of those who participated in the roundtable discussions, of which the following are quoted in Part Two of this report:

- Another Senior Academic at Birmingham University (two persons)
- Employment and Skills Evaluation Consultant
- Former UK Government and now OECD Official
- Leader at an Alliance Charity, The Hinge
- Policy Adviser at Scope
- Policy and External Affairs Officer at Carers Trust
- Policy Manager at Gingerbread (two persons)
- Portfolio Manager at Greater Manchester Combined Authority
- Programme Manager at an Alliance Charity, CatZero
- Programme Manager at Centre for Ageing Better UK
- Projects Lead at an Alliance Charity, Speak Up (two persons)
- Senior Academic at Birmingham University (two persons)
- Senior Academic at a UK university
- Senior Leader at an Alliance Charity, Zink
- Senior Leader at an Alliance Charity, Better Pathways
- Senior Leader at Careers Development Institute
- Senior Leadership Team Member at the British Association for Supported Employment
- Senior Manager at an Alliance Charity, Rush House
- Senior Manager at Greater Manchester Combined Authority
- Senior Manager at West Midlands Combined Authority
- Senior OECD Official
- Stakeholder relations manager at Association for Colleges

0.4. Foreword

The economically inactive population in the UK is edging ever closer to 10 million people - almost 1 million more than pre-pandemic. It includes around 3 million who are sick, an all-time high since records began in 1993, and represents over a fifth of all 16-64 year olds. Any government that is serious about economic growth must get to grips with this immediately. Not only does this number represent a huge drag factor on the workforce, but the rising cost of the benefit bill is soon to become unaffordable.

The good news is that hidden in these numbers are people that want to work, and given the right support would be fully able to. Various schemes have tried to do this over the years with mixed success, but often focused only on the lowest hanging fruit – new entrants into and those already in or recently out of the workforce. The real gains are to be made much higher up the tree.

Most agree that to do this you need support that is holistic and person focused – something very hard to do from distant Whitehall offices. So this paper examines how you could devolve employment support and adult learning budgets so it can better respond to the needs of those they serve. Doing this would require a greater appetite for the risks of devolution from central Government, and an ability to engage with small grassroots, place-based charities and enterprises who know their populations and their needs best. What it wouldn't require is huge new slugs of cash, something that is increasingly hard to come by at national or local government level.

The good news is that here in Manchester our Working Well initiative gives a roadmap and the appetite for devolution elsewhere appears to be there. The King's Speech spoke of the Government's desire to empower metro mayors to deliver new housing projects, transport, employment support and energy.^{3,4} This report provides a blueprint for how to pursue this in employment support.

The Deputy Prime Minister has also written to local leaders, metro mayors and combined authorities' management, on the next steps for devolution.⁵ Thus, this document can inform her and them on possibilities for further devolving of employment support and adult education with view of supporting legislative processes.

And the really good news is that this proposal works. Not theoretically or on paper or just here in Manchester, but in other similar countries across Europe. The Dutch have reduced inactivity at three times the rate we have managed by taking this exact approach to employment support, starting off from a centralised model over a decade ago. In Norway, they have for generations developed what a job coach might look like to something they call a social worker but who focuses on the need of the person not the services of the state, and in Denmark, they have experimented with giving local areas full autonomy in service design and delivery.

In fact, if the programmes in Scandinavia performed as well here as they have there, not only would they be cost-neutral to deliver but they could save the Exchequer billions of pounds a year and give hundreds of thousands of people the dignity and purpose that comes with getting up and going to work every day, earning your own paycheque.

3 The Labour Party, March 2024 'Power and partnership: Labour's plan to power up Britain' <<https://labour.org.uk/wp-content/uploads/2024/03/Power-and-partnership-Labours-Plan-to-Power-up-Britain.pdf>>

4 The King's Speech 2024, July 2024 'Devolved affairs' <<https://researchbriefings.files.parliament.uk/documents/LLN-2024-0031/LLN-2024-0031.pdf>>

5 MHCLG, July 2024 <<https://www.gov.uk/government/publications/letter-from-the-deputy-prime-minister-to-local-leaders-the-next-steps-to-devolution/letter-from-the-deputy-prime-minister-to-local-leaders-the-next-steps-to-devolution>>

This is not a simple thing to do. It will not only require some huge downward shifts in cash, manpower and resources, but also a huge shift in mindset from central Government, as well as upskilling and rethinking commissioning at a local level. It is the kind of change that could take a whole Parliament or more to enact and implement.

But the issue of economic inactivity is now too big and too thorny to ignore. If there were any simple answers, we would already be doing them. It's time to rethink how we support the UK's most vulnerable citizens and this paper represents a big shift in the right direction.



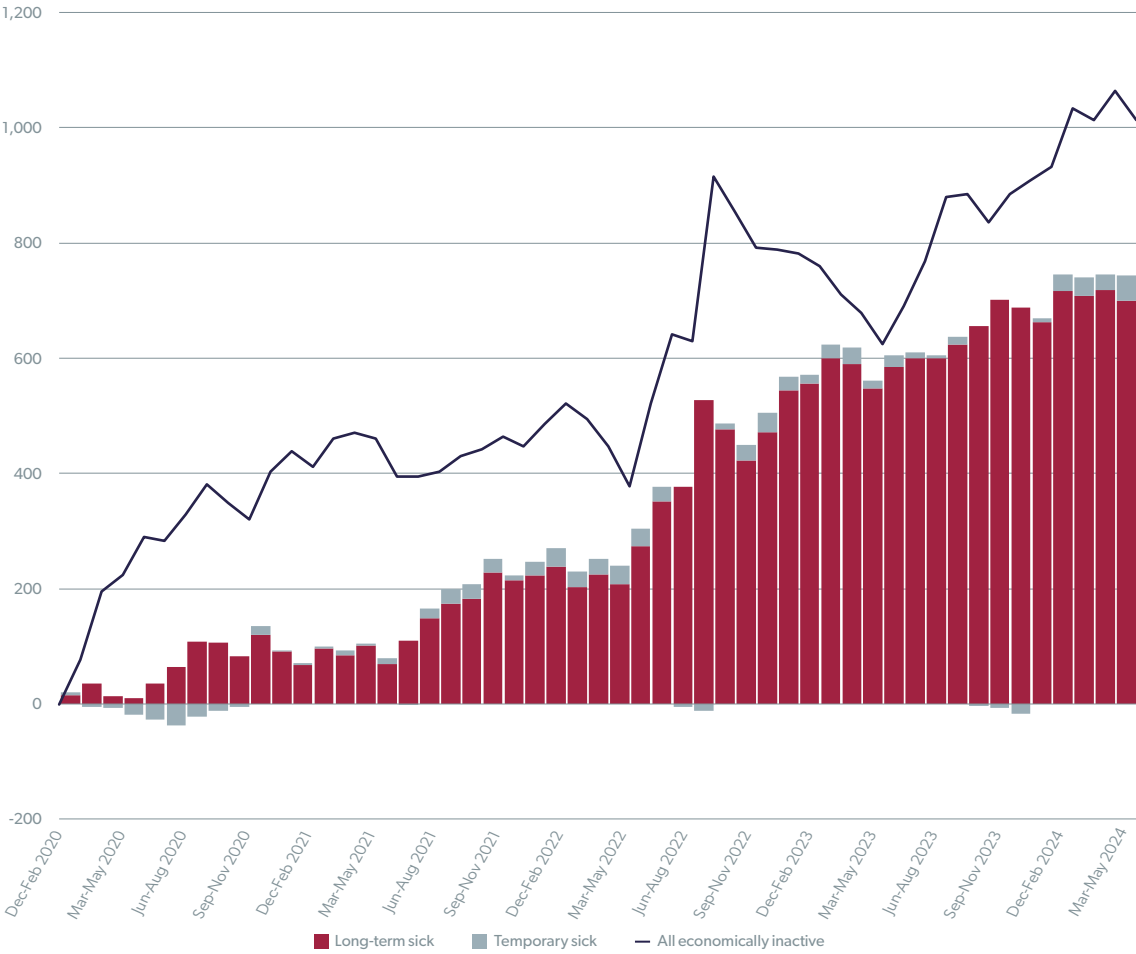
Andy Cook

CEO, The Centre for Social Justice

0.5. Executive Summary

The new Government has put economic growth at the top of its agenda. After almost two decades of a sluggish economy, the Prime Minister has made it his number one priority. However, he inherits all the same problems and chief among them is the alarming number and rise of the economically inactive – those not in work and not looking for work.

Growth in economic inactivity since Covid emerged (thousands of 16-64 year olds)



Source: ONS⁶

There are 9.4 million people in this category – that is up by 1 million since the eve of the pandemic according to the inactivity reason table or up by over 800 thousand on summary table of official statistics; and of them, 2.8 million are long-term sick – an extra 700 thousand since before Covid. A continuation of this would cost the Exchequer billions more in welfare payments by the end of the Parliament, and billions more in lost revenue. Any government serious about growth must have a plan for this cohort – this paper provides one.

⁶ ONS, July 2024 <<https://www.ons.gov.uk/employmentandlabourmarket/peopleinwork/employmentandemployeetypes/bulletins/uklabourmarket/july2024>>

The solution

The good news is that within this group the Centre for Social Justice has identified 700 thousand people who would want to work and could work, given the right help – the question is how we get that help to the right people. Early Government announcements around devolving employment support are absolutely the right direction of travel and this paper makes the case for almost £6 billion to be devolved to the lowest level possible, so that locally embedded communities can commission the right support for the right people, from the right organisations. It will mean a move away from one size fits all Whitehall prescriptions and entrusting the people closest to the problems to come up with the right responses.

There is still an important role for central Government and individual job coaches in the administration of Universal Credit (UC) – from generosity to conditionality. But our research has told us that the same job coaches administering the important stick of a conditional welfare system are not always best placed to be the people who provide the carrot – the employment support. By devolving this function, you enable better relationships between jobseekers and supporters and partnership with community actors, which in turn leads to better outcomes.

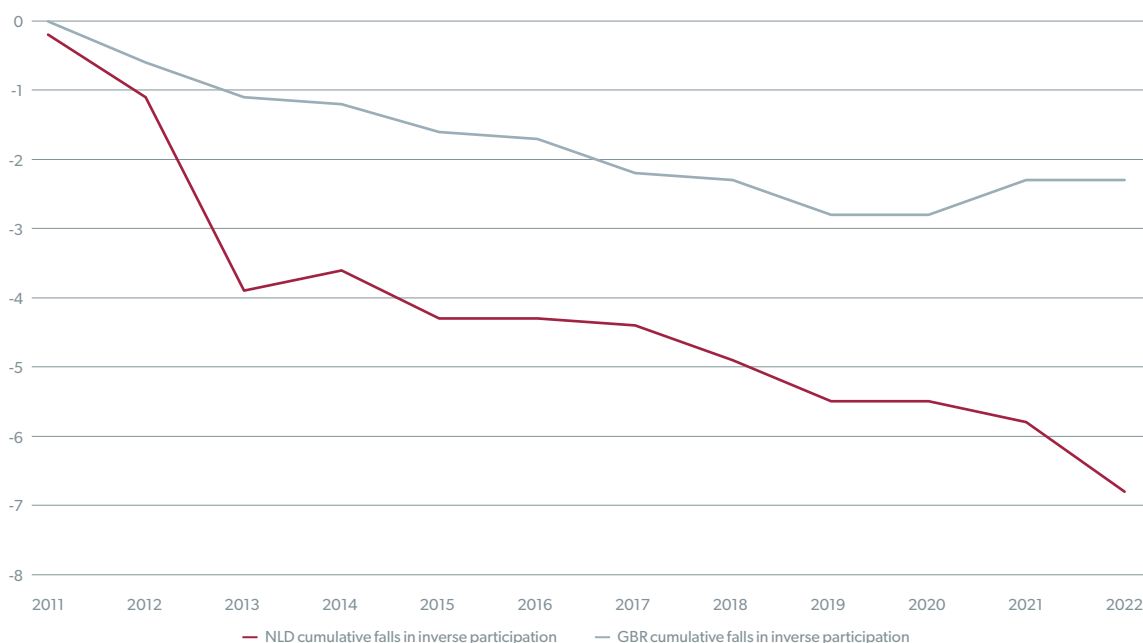
It will require an appetite for risk from Westminster officials to push decision-making and cash down the line but it would not require much, if any, extra spend overall and the good news is that this approach has successful national and international precedents.

Where this is already working

The Netherlands

The title of this report – Going Dutch – refers to a working example of a country that has already split its welfare administrative and support functions – The Netherlands. Since 2011, the Dutch have developed a highly devolved system of employment support, adult education and associated services. They have pushed both finance and governance down to local layers of administration with great effect. In fact, while the UK has seen modest improvements in its overall workforce participation rates through decreases in inactivity numbers, the Netherlands has been three times as successful in getting people back into the workforce.

Cumulative change in 15-64 year old inverse participation rate, 2011-22



* The approximation is based on OECD participation rates.

Source: OECD⁷

Other Scandinavian countries: notably Norway, provide further examples of how local support and provision can work well, particularly through a key social worker model, very different to our own; and Denmark too has run successful pilots of service design and delivery autonomy.

But there is an exemplar for direction of travel much closer to home too.

Manchester

Greater Manchester Combined Authority's Working Well scheme is the nearest thing the UK has to a Scandinavian style devolved service and may serve as a roadmap. They started to commission partner organisations to support disadvantaged groups through the Work and Health Programme pilot ten years ago, as part of their localisation settlement. It was independently evaluated and recent performance reports seem to show a good return on investment. The combined authority indicates that targeted provision, pooled resources, contract packaging and integrating services (including hub strategy) are the drivers. The table below shows the Manchester Working Well return on investment within and after pilot, with the improvement showing how they learned as the pilot developed.

7 OECD, August 2024 <<https://www.oecd.org/en/data/indicators/labour-force-participation-rate.html>>

Return on investment for every £1 spent in Manchester Working Well, 2019

Within pilot	£1.31 for every £1
After pilot	£2.68 for every £1

Source: Greater Manchester Combined Authority⁸

The results suggest that not only could devolving employment support be a cost-neutral change in provision, but its success would actually save the Exchequer money over time as people returned to work – potentially billions of pounds if success is replicated nationally.

Grasp the nettle

This is no small or risk-free undertaking; it requires substantial cash transfers to local government, giving local autonomy and decision-making power. But with very few real answers to the growing cohort of economically inactive adults, the greater risk to Britain's economy is to continue with the status quo. Far better to adopt a radical solution with proven success to support this Government's ambitions and get Britain growing again.

8 GMCA, August 2019 <https://www.greatermanchester-ca.gov.uk/media/2364/working-well-2019_web.pdf>

0.6. Introduction

This publication examines the benefits of devolving employment support and associated adult education to tackle economic inactivity. It takes its steer from more successful models in the Netherlands and Scandinavia and shows how they could be replicated in the UK. It does not compare back to the situation prior to the bringing together of employment services into one agency in the 1990s; because that being advocated for is really different: core funding under new governance, fresh relationship model and new partnerships and line of sight to industrial strategy and the regional development this entails. Indeed, the scale of ambition here in hub strategy goes beyond bringing to bear occupational therapy, and even resurrecting SureStart, and is more akin to going to the Dutch or Scandinavian approach for doing these things. The blueprint provided here is not a silver bullet but will take a Parliament at least perhaps longer to implement; it is gradual evolution to a devolved model that is being proposed. No one is suggesting those who simply cannot be active be put to work and it is expected inactive people will only increase from no to some and some to more hours in a long-term plan to get Britain working again.

Well that above means deciding the right level of geographic authority for the competencies of employment support. If, as advocated here, devolving is part of multi-year single settlements with the nations and mostly the English regions as the first already have much of the powers and monies to do this, then Whitehall must become an enabler and not a doer allowing localities to tailor services to segments. To be absolutely clear this means more than just programme monies being transferred to tiered areas, regional institutions then down to combined and local authorities, it also means estates and people over time, perhaps a Parliament or more. Obviously, that necessitates capability and capacity building on a reasonable trajectory for all places; for some that will be sooner because they have vanguard mayoralities and combined authorities but for others it will be later as structures are raised up. It also requires a different role for central Government to hold these localised bodies to account for public spend and adherence to a broader national strategy with take-back controls as a backstop. However, only this allows local leaders to do different things in diverging labour markets spaces, thereby getting away from a one size fits all tendency, and moves away from the calls for ever more local tax raising functions.

Delineation herein does not prescribe this too precisely as it is expected national and local politicians will want to negotiate the speed and scale of responsibilities and the financing of it; however it does provide a starting point for discussion such that all stakeholders have same or similar levels of understanding. It is hoped that the depth of explanation, which often looks at aspects through a number of prisms, will enrich the policy and delivery dialogue seen in public fora, which to date has tended to be at the top level only.

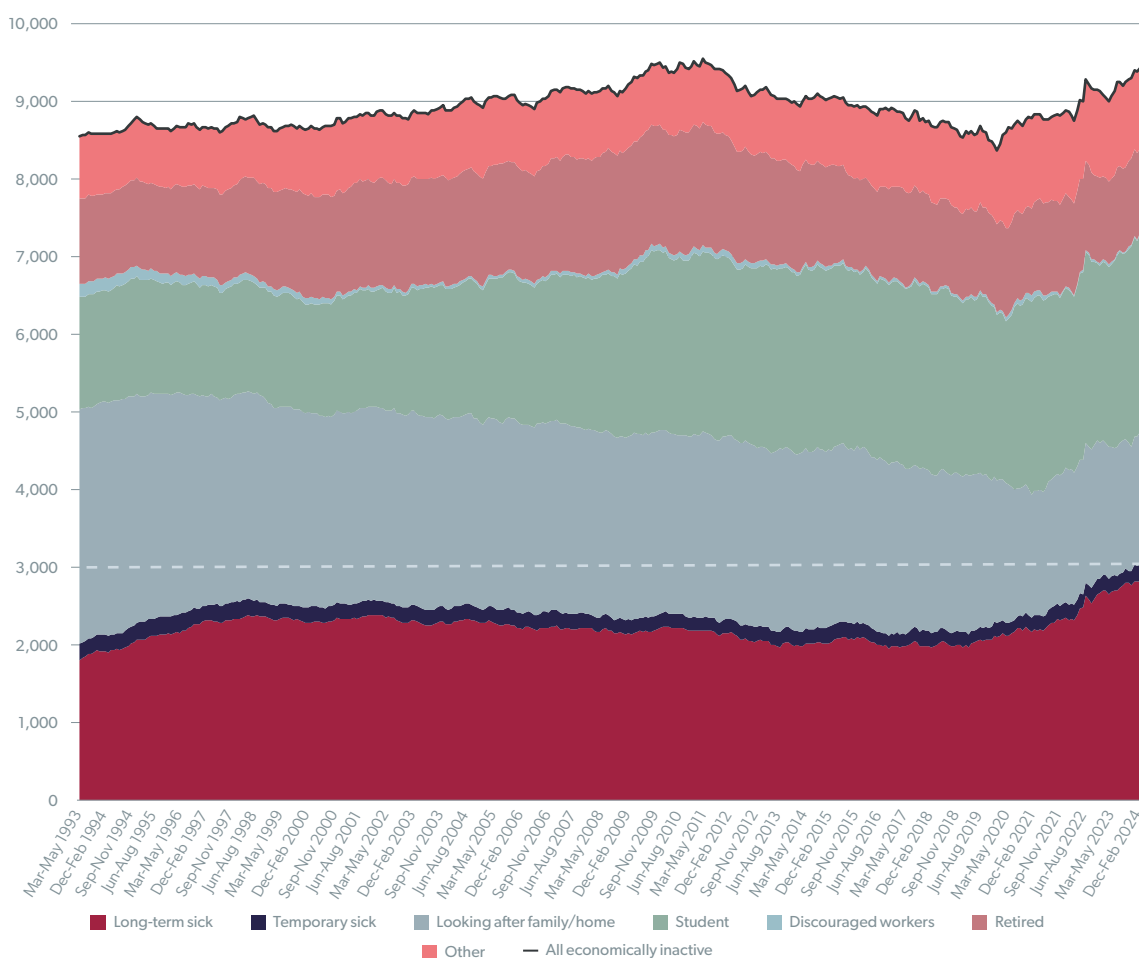
The malaise that made this article

This is not a report full of nebulous ideas. It is more grounded than that, covering practical steps driving towards a purpose. The point of this paper is to give politicians of any colour pragmatic means to tackle pressing perils in employment support and associated services spaces alone, but not benefit administration. This is a deliberate sectioning off as future think tank pieces will focus on childcare, connectivity, community and so on. There are to the author's mind, three great matters facing the UK explored in following passages. It is about getting inactive people into jobs, but not obliging those who cannot to do so, and may in some cases be limited hours of work to fit health and family and desire for dignity.

1) Growing economic Inactivity driven by physical health and mental health deterioration

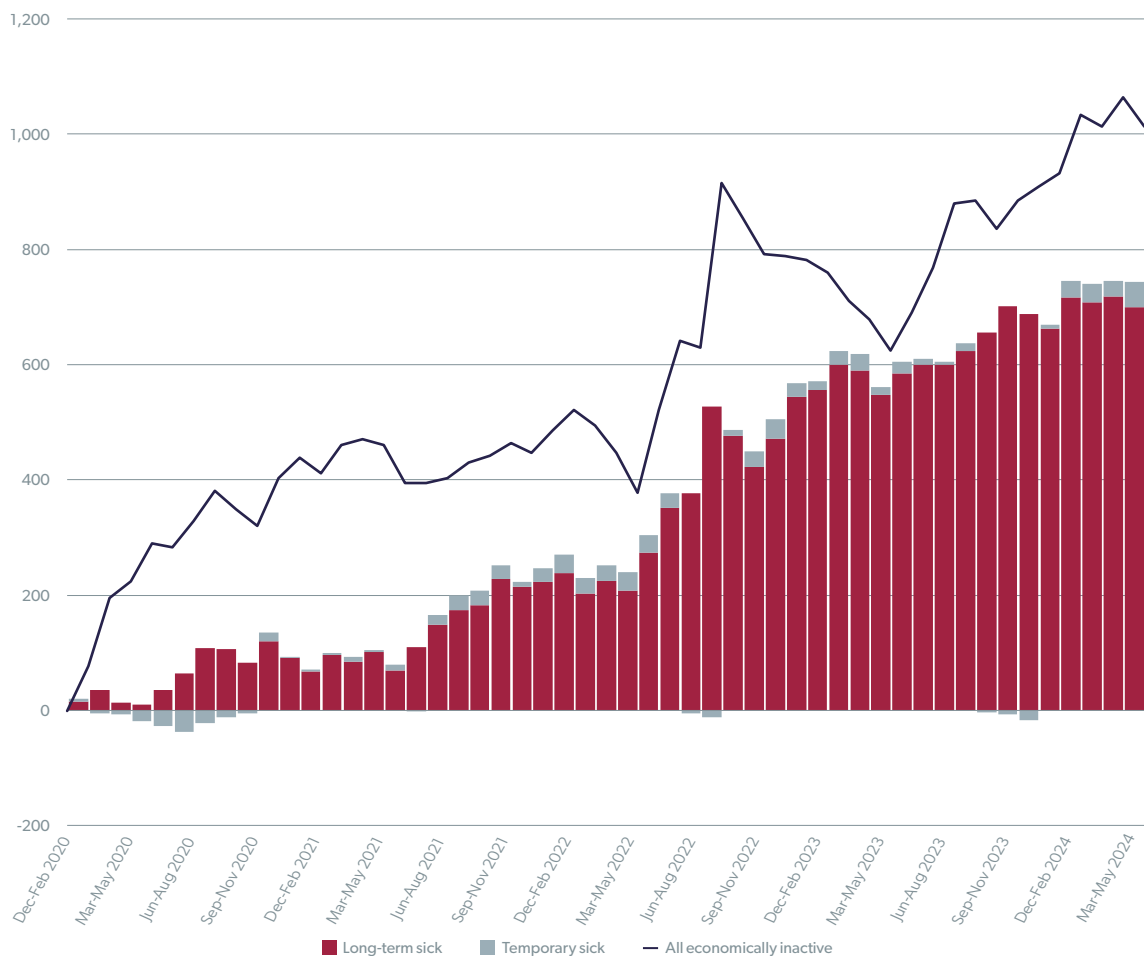
We have uploaded the charts below on the Centre for Social Justice’s Twitter thread for many months, in absolute volumes and then relative to December 2019 – February 2020 after which Covid appeared in the UK. The first one shows that the inactive population is at 9.4 million 16-64 year olds in the quarter to May 2024 up over a million since the pandemic according to the inactivity reason table or up by over 800 thousand on summary table of official statistics, which is nearer one fifth of all 16-64 year olds; 3 million of which are either long-term or temporarily sick, an all-time high since records began in 1993.⁹ The second shows this volume is driven by the long-term sick that are up nearer 700 thousand after the epidemic.

Exhibit A: Official UK economic inactivity (thousands of 16-64 year olds), seasonally adjusted from reason breakdown table



⁹ ONS, July 2024 <<https://www.ons.gov.uk/employmentandlabourmarket/peopleinwork/employmentandemployeetypes/bulletins/uklabourmarket/july2024>>

And above relative to first datapoint when Covid emerged (thousands of 16-64 year olds), seasonally adjusted from reason breakdown table



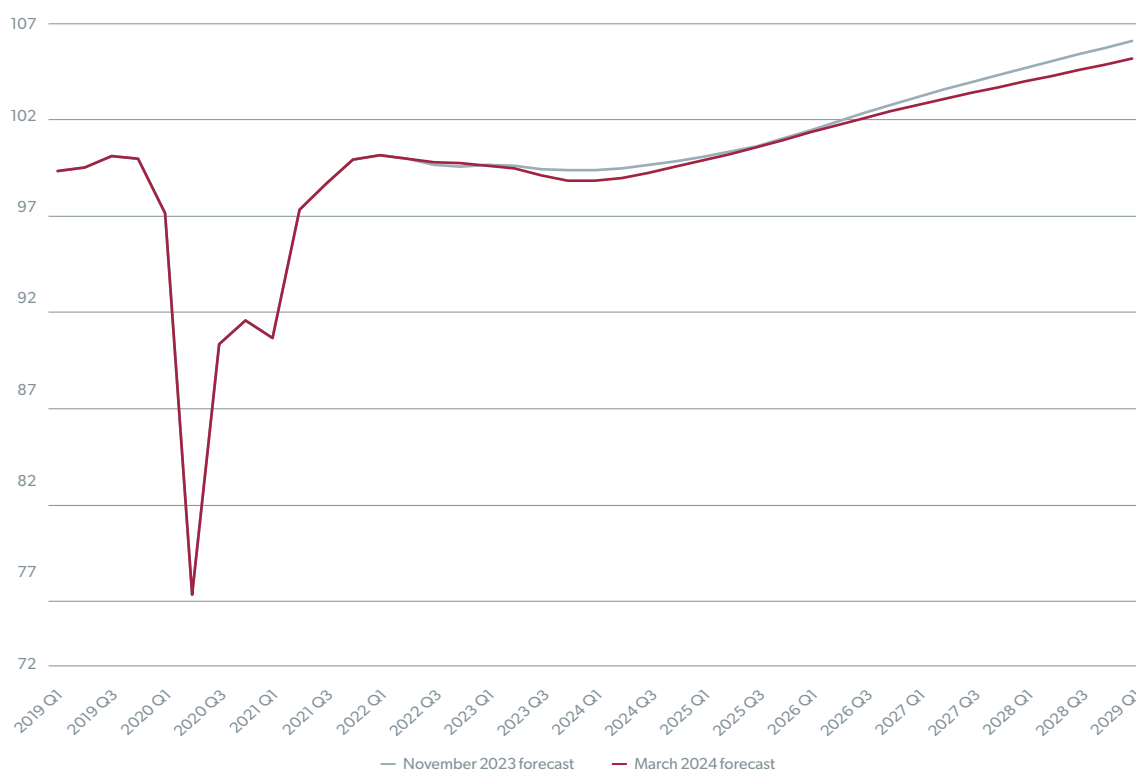
Source: ONS¹⁰

2) Need for local control of growth levers and desire for greater self-determination

While we think it is not the only thing to consider, there is a prosperity impact of inactivity. It is not just a waste of talent but has an increasingly harmful effect on the wider economy. The chart below shows Real Gross Domestic Product (GDP) per person is under pre-pandemic peak in 2024, which is in large part driven by labour inactivity to around three quarter per cent lower projection at the horizon end from March to November rounds. This is projected to steadily improve after 2024 and has amplified voices, already present, calling for control of local funding, more institutions and leaders in regions most affected to raise the quantity and quality of work.

¹⁰ ONS, July 2024 <<https://www.ons.gov.uk/employmentandlabourmarket/peopleinwork/employmentandemployeetypes/bulletins/uklabourmarket/july2024>>

Exhibit B: UK Real GDP per person index



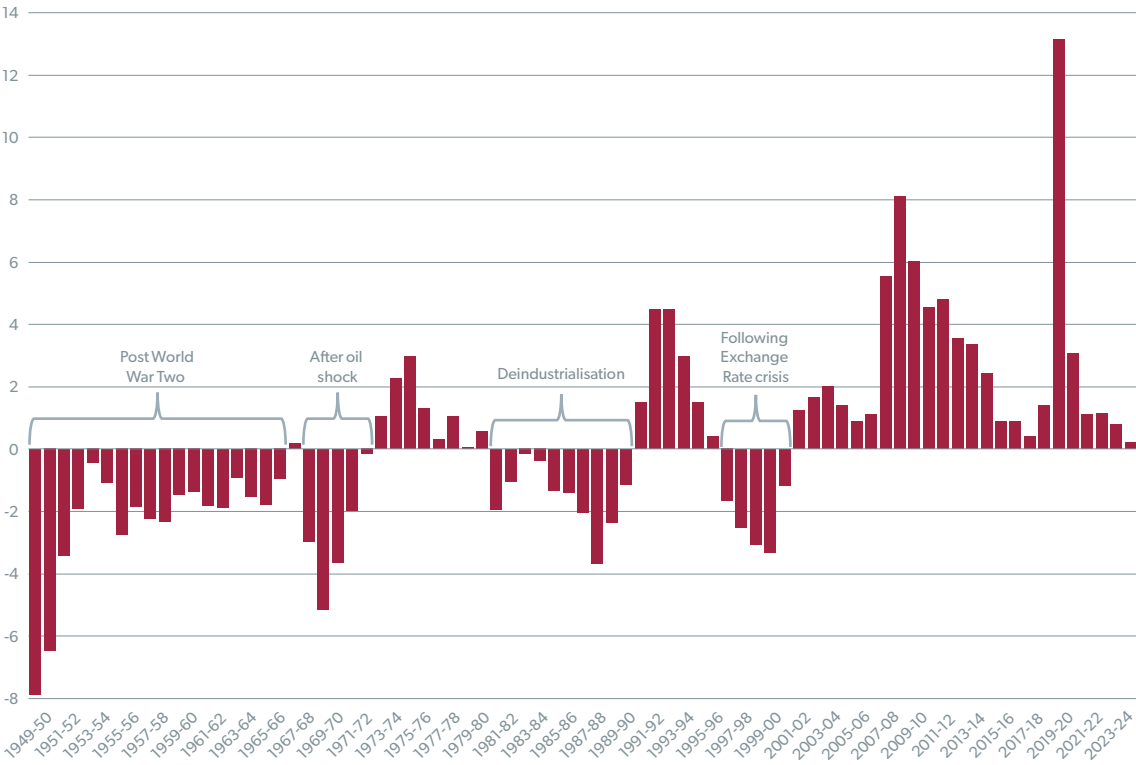
Source: OBR¹¹

3) Need for growth-centric industrial strategy to return to prosperity

We also believe it is imperative to accelerate economic growth, otherwise the living standards of UK citizens will fall. The primary deficit, as it is usually referred to, is current income from taxes less current government spending excluding interest paid on government debt; if this were to go negative then that is a primary surplus. The chart below shows economic headwinds tended to mean governments contracted public spending until sufficient growth is created, as per episodes after each event signposted. However, following the 2008 financial crisis this did not happen with state borrowing, quantitative easing and some reduced real-terms public spending each taking the strain and this was repeated in the Covid era, leading to the high primary deficit bars below. It has been over twenty years since the country has last declared a primary surplus, paid its way in the world without the kindness of others or at least the offer of debt.

11 OBR, March 2024 <<https://obr.uk/efo/economic-and-fiscal-outlook-march-2024/#foreword>>

Exhibit C: UK primary deficit as a per cent of GDP



Source: OBR¹²

Over forty years, UK growth was generated with a model that espoused first free trade and then globalisation, along with that migration of skilled and unskilled labour, and finally when these did not yield enough that debt be turned to until the next technological advance. It is not as Angus Deaton put it: *“economic growth requires investment in things – more machines, more basic facilities like highways or broadband – and in people, who need more and better education. Knowledge needs to be acquired and extended. Some of that extension is the product of new basic science, and some of it comes from the engineering that turns science into goods and services, and from the endless tweaking and improvement of design that, over time.”*¹³ So, it was the case that UK workers were outcompeted on cost where value added was not there.

A new economic model emerging in this account

This document is about taking the readership through the problems in Part One of the main body and the solutions in Part Two of it; thereby describing the structural change to the employment support and associated (educational) services implied by the new model. The parts will of course overlap and tap into other aspects of the emergent model, which is productivist in nature. The aim of this piece is to give policymakers from either end or middle of the spectrum knowledge, with ideas old and new from those that fit the new reality. There are to the author’s mind two parts comprising of four sections to be briefly outline now, and more fully in the following chapters.

12 OBR, March 2024 and November 2020 <<https://obr.uk/efo/economic-and-fiscal-outlook-march-2024/>> and <<https://obr.uk/box/trends-in-the-debt-stabilising-primary-deficit/>>

13 Angus Deaton ‘The Great Escape: Health, Wealth, and the Origins of Inequality’, September 2013

What is the core of the predicament and what have we and others done about it

Part One, Section One – the Centre for Social Justice thinks this is best summed up by Joan Robinson, who said: *“the purpose of studying economics is not to acquire a set of ready-made answers to economic questions, but to learn how to avoid being deceived by economists.”*¹⁴ But have many misunderstood the truth of official labour market statistics, from a definitional angle rather than owing to relatively recent reduced response rates in survey. What is discussed here is: whether historic focus on employment and unemployment figures has lulled governments into a false sense of security, with a lot of hidden unemployment sitting in high economic inactivity numbers; growth in benefits populations for incapacity notwithstanding those for unemployment in economic up- and down-swings. There is a possible higher true rate of national unemployment as proposed and calculated by academics drawn on here. There is also consideration of demography and migration trends here, but only in respects of context for and impact on national growth strategy, and not from an ideological vantage.

Part One, Section Two – we wanted to be clear it is not that there has been inaction on inactivity, just it has concentrated on those closer to the labour market, may be Anne Case had it right: *“We need to correct the process, not try to fix the outcomes.”*¹⁵ Here, she spoke to stopping deaths caused by abuse and overprescription of opioids, but what it could just as easily apply to is this: the reality is that most labour market programmes tend to focus on low hanging fruit, particularly young people or those not out of work too long, to get results. The fact that over decades there have only been a few attempts to reach people deep in inactivity and get them into sustainable jobs and these have not had a great record of success. When increasing and worsening mental health disorders among the young and physical health ones amid older people occurred these did not stand up. This is not to say the young are not to be concentrated on as well, but just that the area requires structural change in services before effects can be seen in all groups’ employability.

Part One, Section Three – it seems apparent to us that certain other countries have done better in managing the population’s labour, including that inactive, than has the UK, perhaps Karl Polanyi articulated it best: *“To allow the market mechanism to be sole director of the fate of human beings and their natural environment, indeed, even of the amount and use of purchasing power, would result in the demolition of society. For the alleged commodity, labour power cannot be shoved about, used indiscriminately, or even left unused, without affecting the human individual who happens to be the bearer of this peculiar commodity.”*¹⁶ Looking at international comparisons, what his insight speaks to in the UK’s situation is: that quite low benefit replacement rates but quite high incapacity related ones, lead to draw factor from unemployment to economic inactivity as both wages and its replacement are seen as insufficient; with regime being more strict in some ways, job search and mandations, but less so in others, geographic and sector mobility, meaning this appears not to offset draw to inactivity. Thus, the state needs to intervene to encourage labour force participation through better support and recalibration of incentives.

Part One, Section Four – to the think tank it looks like the Nordic countries tend to do well in social matters, which we expect owes something to Michael Booth’s observation: *“Perhaps Danish happiness is not really happiness at all, but something much more valuable and durable: contentedness, being satisfied with your lot, low-level needs being met, higher expectations being kept in check.”*¹⁷ Here,

14 Joan Robinson ‘Marx, Marshall and Keynes’, 1955

15 Anne Case and Angus Deaton ‘Deaths of Despair and the Future of Capitalism’, March 2020

16 Karl Polanyi ‘The Great Transformation: The Political and Economic Origins of Our Time’, 1944

17 Michael Booth ‘The Almost Nearly Perfect People: Behind the Myth of the Scandinavian Utopia’, February 2014

he had lived in Scandinavia and travelled through all five of the Nordic countries over a decade to discover their secrets and was speaking to their culture more widely. What his insight transfers across to labour force affairs is that they have a strong support into work and a better further, rather than higher, education offer than others, which has allowed them to keep the population's confidence and togetherness. This makes them a good model to look at when re-designing UK systems.

How to build localism, manage relations and partners and develop industrial strategy

Part Two, Section One – the Centre for Social Justice reason this is about moving away from that which Adam Tooze saw in this excerpt: *“Back in 2007, former Fed chair Alan Greenspan had been asked by the Zürich daily Tages-Anzeiger which candidate he was supporting in the upcoming presidential election. His response was striking. How he voted did not matter, Greenspan declared, because we are fortunate that, thanks to globalisation, policy decisions in the United States have been largely replaced by global market forces. National security aside, it hardly makes any difference who will be the next president.”*¹⁸ But how to move away from this type of thinking; well the Dutch have founded a localised system that offers a best example to follow, which is highly devolved with comprehensive employment, adult education and other services sitting alongside each other. They have increased economic activity at about three times the rate of the UK over a decade or so by putting services at the right level. This was done via governance and finance powers at national and localised layers, with most at the lowest – there are estimated budget transfers for doing this herein that fall within the UK's current envelope.

Part Two, Section Two – we think that Elinor Ostrom said it first, but it was misheard by many *“But until a theoretical explanation – based on human choice – for self-organised and self-governed enterprises is fully developed and accepted, major policy decisions will continue to be undertaken with a presumption that individuals cannot organise themselves and always need to be organised by external authorities.”*¹⁹ The relevant premise she proclaims here is given right circumstances a consensual view prevails allowing the commons [local people] to manage resources [say employment and associated services] without there being a predestined depletion [mismanagement]. Her work has often worried politicians because it was couched in the example of Swiss farmers, who from ancient times to now, sustainably pastured livestock on communal land, this concerned preservationists who maintain some authority is necessary. However, she never said it was a free-for-all, indeed hers is a paradigm that supports public sector radicals on how to innovate with:

- clearly defined boundaries for self-governance – she provides read across for the geographic unit, funding streams and performance frameworks of the last section;
- a strong rulebook for the commons – her thinking fits national labour market strategy and adaptation to local ecology of needs of the last section. It is also in local people having a hand in deciding them as per this section;
- participatory negotiations so those affected by rules can negotiate – she has it that there is a need for good relationships, which is the well-functioning key worker model described in this section. Here, recalibrating claimant commitment, holistic policy programmes and caseworker workloads are important to the decentralised system;

¹⁸ Adam Tooze 'Crashed: How a Decade of Financial Crises Changed the World', August 2018

¹⁹ Elinor Ostrom 'Governing the Commons: The Evolution of Institutions for Collective Action', January 1990

- ensuring that localities are respected by the centre – her point is this only works when local democracy is strong, a blueprint for this is Greater Manchester’s Working Well initiative in this section. It reports back achievements upstream and enables its mayor and combined authority to justify the devolution of powers; and
- monitoring the facets of behaviours to feedback into policymaking – she advocates for research to inform design of devolved services, which is the Danish experiment on switching off the central offer and testing that formulated locally of this section.

This is not to say everything of the state and local governments needs reform, just that the subject matter of this paper is one such place in that landscape.

Part Two, Section Three – our understanding is no quote from Mary Paley Marshall exists outside her work with husband Alfred Marshall, as hers was a life lived when women were unheard; but she is seen as the first to convey clustering contributions, increasing returns realised by large and small businesses owing to spatial nearness to each other and things.²⁰ Her intelligence is applicable here as it gives the backdrop to how the Industrial Revolution happened far away from the old urban centres (though applicable there too long ago); this comes into view as partnerships between the state and third sector partners who are often closest to and most trusted by vulnerable groups that need help. Good examples include: Norway that has a strong social worker model, a term meaning something different to that in the UK; and national and local charities, albeit Government will have to adjust the commissioning rules to get more of the latter. Partnerships with the private sector might also depend on amending employment legislation and levelling the digital marketplace.

Part Two, Section Four – the think tank affirms the wanting for a new economic model as Dani Rodrik states: *“the post-industrial economy opened a new chasm between those with good jobs in services, which were stable, high paying, and rewarding, and those with bad jobs, which were fleeting, low paying, and unsatisfying”*²¹ He declares productivism is re-orientation rooted in production, work, and localism instead of finance, consumerism and globalism.²² His relevance is in telling how at least in the US an industrial strategy might play out within the context of global flux caused by: trade bloc conflicts, various externalities and developed world crises made over many decades as well as the desire for self-determination, the need for local level devolution in states and metros over there; and localised workforce planning, case studies range from onshoring public contracts to decarbonisation are detailed here. This Machinery of Government change cost is low with all/vast majority of the expenditure transferred across, and enables the country to assess its relative competitive advantage and puts the national security project into a coherent plan.

The end state for the UK in this artefact

The aim is to devolve employment and associated services with sizable central monies to get 700-800 thousand disabled people into some degree of work, and to detach it from benefit administration which stays central. It is thought if this pure Universal Support can help them, it can help other vulnerable people, carers, lone parents, parents and the often older discouraged to work, to contribute to the 80 per cent employment rate aspiration. This will involve moving from a work-first to human capital model, from quick-fix to sustainability, from one size fits all to agile targeted support to those far from work to alleviate poverty. The endeavour will take over a Parliament, more likely

20 Alfred Marshall and Mary Paley Marshall ‘The Economics of Industry’, 1879

21 Dani Rodrik ‘Straight Talk on Trade: Ideas for a Sane World Economy’, October 2017

22 Democracy, summer 2023 <<https://democracyjournal.org/magazine/69/the-productivist-era-has-begun/>>

two to make lasting change like the Dutch did, with vanguard areas in the lead and those parts of the country without mayoralities and/or combined authorities needing trajectory to build capacity and capability mapped out.

A viable proof of concept is there, as the Dutch went from central to tiered localised employment services over a decade ago and reaped the rewards; they had three times the percentage point reduction in economic inactivity rates as the UK over that time. It is all about putting things at the right levels, creating governance and finance frameworks and making local leaders accountable and liable for them. The reform is cost-neutral or cost a little with monies almost entirely coming from departmental account lines, in the form of budgets for people, equipments, estates and programmes, and setting up costs are covered by closure of bodies rolled up into devolved services. In the long-run, this is a cost saving measure, because if like in Scandinavia inactivity is reduced, the benefit bill comes down.

Links to health-related matters

The need for national and regional development gives the devolving of employment and associated services real purpose, as does national resilience and local democracy benefits. In respects of this central proposal, former Prime Minister, Tony Blair once said: *"What matters is what works"*²³; however that is exactly what efforts between the departments for Work and Pensions and Health and Social Care have not been able to do enough of. Note, the NHS's Improving Access to Psychological Therapies started in October 2008, three administrations back. While it has some cumulative success in palliative care over many months it must be less successful at getting a lot of people into work, as less than half of the 18 thousand with integrated care contracts recovered in the most recent month.²⁴ The previous Government has tried to get better working between the aforesaid departments since 2015, with the joint Work and Health Unit linking them up, but only with limited success.

There has been a view that doctors, who have historically signed off fit notes, do so: with medical caution coming from the Hippocratic Oath, upholding ethical standards; and/or from observations of many with appointments to control workflows, albeit the last cannot really be known. This led the last Government to allow nurses and occupational therapists, even pharmacists and physiotherapists in certain cases, to sign off these notes, but not to overrule doctors in June 2022, and to take the burden off general practitioners for doing this altogether in a recent speech. This was not to put rising inactivity at the door of the medics, just that they like much of the economy suffer from limited capacity, staff shortages and other wider and more pressing priorities. Therefore, it is asserted a new set of structures and staffs are needed rather than reframing that which was tried before.

Other key aspects of the future

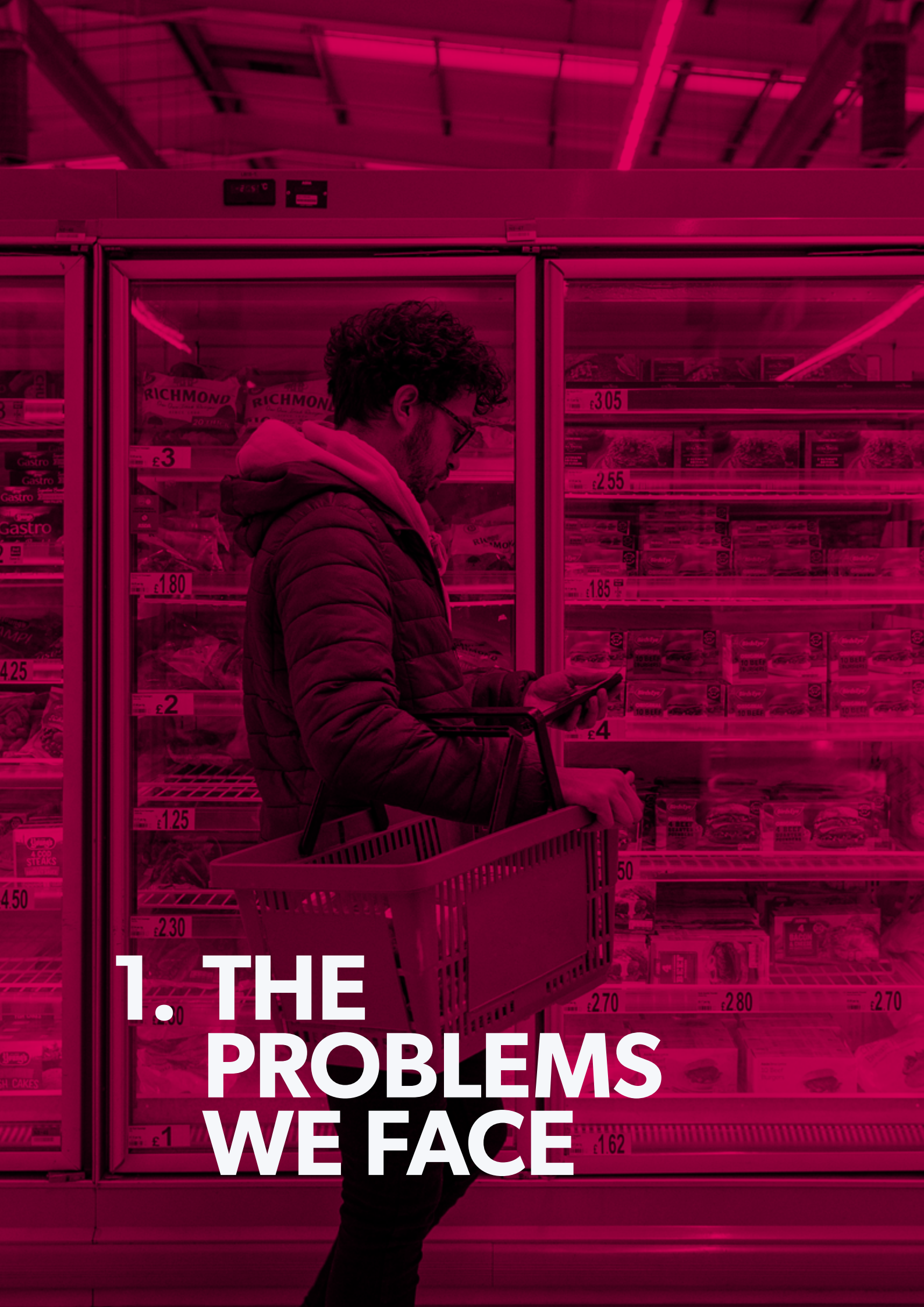
We conclude from talking with the Centre for Social Justice Alliance of charities and others in roundtables, persuasion from someone who has a connection with the inactive that is longer than 15 minutes is imperative for movement back into some amount of work, not too much but just appropriate hours. Thus, the following parts, sections and paragraphs intend to give any new Government grounded steps to deal with both the mental health outbreak scarring young people and physical health rises affecting the old, at the same time it calms calls for greater self-governance, while at the same time giving the country an industrial strategy to rejuvenate our shared future. For clarity in this report, key terms and themes are defined:

²³ The Guardian, April 2006 <<https://www.theguardian.com/commentisfree/2006/apr/30/comment.politics>>

²⁴ NHS, April 2023 <<https://digital.nhs.uk/data-and-information/publications/statistical/psychological-therapies-report-on-the-use-of-iapt-services/january-2023-final-including-a-report-on-the-iapt-employment-advisers-pilot>>

- devolved employment support, employment services, employment and associated services, employment and adult education and other services or any other variation of this – is a Universal Support offer for any jobseeker, unemployed or inactive or even in work, ranging from online and on-site boards, signposting and preparation to in person or via third party upskilling, brokering and matching, including careers planning. It is separate from the benefit administration system which is envisioned to stay at the national level. The intention of universality is to detoxify the often antagonistic relations between claimants and Jobcentre Plus (JCP), particularly with disabled people, carers, lone parents and parents of young children and the long-term unemployed all of whom suffer poverty;
- eligibility or conditionality or mandation rules – these are not envisaged to be part of the above devolved employment support offer unless the localised authority wants it, and if they do then these can differ across the geographies. If the benefit administration wishes to apply these, it must have access to local areas' work search data; so the quid-pro-quo on this must be that the areas get full(er) access to central data, platforms, apps and web-materials for client segmentation, policy design, performance management and financial negotiation purposes. The new social contract between the localised service and its client base needs to be distinct from the benefits system rules, such that no talk of that happens within it; and
- hubs or hub strategy or one-stop shop or suchlike – this is definitely devolved employment and adult education services within Part Two, and with the implication that health services may be best place there but without bringing in funding allocated to that herein. The proposal scope is the work and learning space here, but in future other aspects may be best configured within the same location. This enables the current or any future Government to consider whether to continue the last ones' policy on expanding occupational health and unburdening doctors, with or without this there can be cooperation between these services at local level.

The point is to empower local leaders and institutions where they have matured capacity and capability, and over time give all parts of England trajectory path to that state.



1. THE PROBLEMS WE FACE

1.1. Economic inactivity, hidden and real unemployment and economic dependency in numbers

1.1.1. Why has inactivity not featured historically, as heavily as it does now, in the national discourse around labour market participation?

This section looks to describe the story of economic inactivity in the UK, its growth over many decades and why it is little understood. The difficulty is there are a vast range of labour market measurements constructed from governmental survey data and benefit administration data, which are not well known to and fully comprehended by many people outside the confines of labour market statisticians, economists and other experts. Moreover, the relationships of these with official economic growth and migration figures is also not known to and grasped fully by many non-experts.

The aim of this portion of the report is to get all readers to a similar level of knowledge, and so may be one that those with cognisance should scan for relevant information. While those who have an interest but not the expertise, and those who represent communities with high inactivity, might want to go through it with an eye for the detail. The Centre for Social Justice wants a nuanced debate about inactivity, and believes this can only happen if people representing those affected know the true levels and rates of inactivity plus unemployment. Further parts and sections will elaborate on past and current national and overseas policies, and future policy and delivery recommendations.

Summary

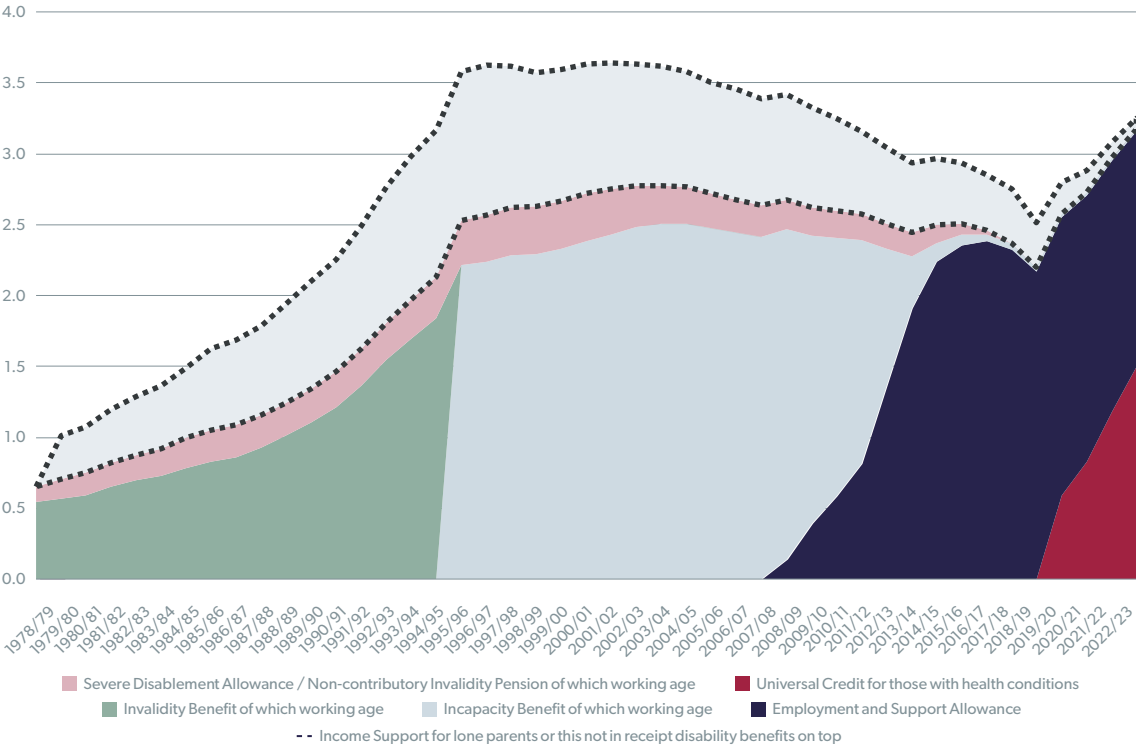
Over many decades, governments of all colours have used the unemployed and migrants to recover from recessionary periods, rather than deal with long-term economic inactivity; be that sickness, family responsibility or discouragement related. This can be seen in the relations between unemployment, economic growth and migration to fill UK enterprise's vacancies. When the national supply of the workless was nearly expended, they tended to look to the reserve labour market of the European trading bloc and not to bring in the domestic inactive. That choice can of course be reversed more easily now as that reserve of labour is less available, though this is not to say immigration for work will not be part of the mix for as demographics dictate it must until the population age profile is more balanced.

It is hard to believe now, as inactivity is ever present in news rounds, but the media did not look at it as frequently in the past. This happened because of the model that used the unemployed and reserve labour which was yielding sufficient growth. That is, there was too much focus put on the headline unemployment rate that excludes inactive people. It is clear if one simply adds up the headline official labour market statistics, official unemployment, employment and inactivity rates, as there is a methodological imbalance; the sum product of topline indicators is never 100 per cent because of

exclusion of the inactive population in the unemployment rate denominator. The broad story has been outside of downturns, the official unemployment rate has been low and the employment one has been high in historic terms since the 1990s. Countervailing this the inactivity rate has been stubbornly steady, and where it appears to fall this is driven by bigger older cohorts leaving the working age population to be replaced by smaller younger ones in the labour market. Furthermore, dependency is set to get worse with pensioners living longer and new entrant cohorts into working age being smaller than in years gone by. That is the country is ageing as a population; the upshot of these trends is without ever increasing immigration, the only way to fill vacancies is to tap into some of the inactive group.

Growth in inactivity, albeit there is no one-to-one relation with benefits because of eligibility rules, does mean more people with incapacity and lone parenting responsibility are on welfare. Those incapacitated on benefits swelled to over 2.5 million from the late 1990s into the 2000s and again now to over 3 million; the first peak owing to the direct effects of deindustrialisation chief amongst those laid off and indirectly on their families, while the second one is the recent inactivity trend due to Covid directly and indirectly on underlying conditions. Those out of work because they were/are on lone parenting benefits bulged to over 1 million in the mid-1990s, but has fallen away as the age of youngest child for eligibility has fallen and with UC incentivising many into work as childcare payments are provided and much of the earnings from working are not taken pound for pound. The chart below shows the breakdown, albeit one must be careful with lone parent caseloads as there may be some degree of overlap with incapacity volumes.

Exhibit D: Incapacity and lone parenting related benefits counts of claimants and claims from administrative data in Great Britain (GB), 1978/79-2022/23 (millions of cases)



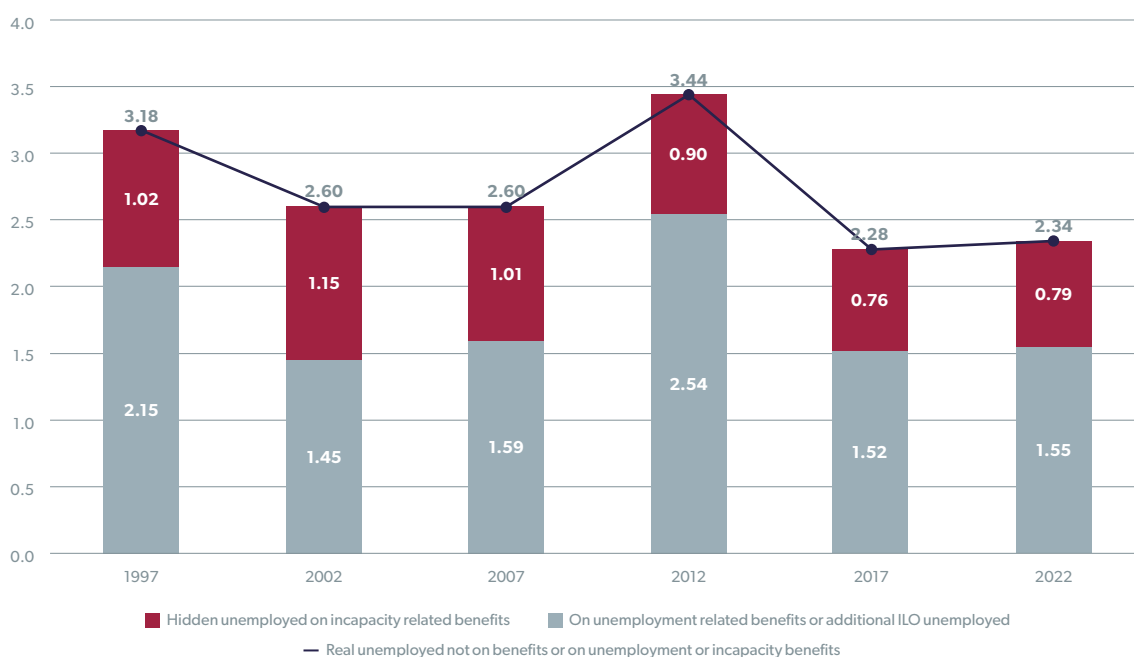
Source: DWP²⁵

25 DWP, May 2024 <<https://www.gov.uk/government/publications/benefit-expenditure-and-caseload-tables-2024>>

The tragedy is that this trend comes at a time when both the Centre for Social Justice and academics are saying over 700 thousand of these inactive people actually want to work or are the hidden unemployed. The table and chart below show the size from the academic literature. The pattern of growth in inactive benefits receipt, hidden unemployment, is not evenly distributed across the country, with some regions in the north of England, Wales and other places having more of it. This is obviously the impact of deindustrialisation, but this is not just about that generation but also their offspring and even theirs in turn, and beyond there are other areas suffering, seaside towns and inner cities. These became black spots, initially owing to sectoral and lifestyle changes but over time due to weakness of those economies coupled with skills deficiencies; all of them require industrial strategy support.

Exhibit E: The real and hidden unemployment in GB, early 2022 (in percentage of working age benefit population [table] and millions of claimants [chart])

GEOGRAPHY	PER CENT	GEOGRAPHY	PER CENT
1. North East	7.7	7. London	6.1
2. Wales	7.7	8. East Midlands	4.9
3. North West	7.5	9. South West	4.6
4. Scotland	6.4	10. East of England	4.1
5. West Midlands	6.4	11. South East	3.8
6. Yorkshire and the Humber	6.4	Total: Great Britain	5.8



Source: Sheffield Hallam, CRESR²⁶

Please see relevant sub-section part for the backdrop and methodology on the above.

This leads back to one of the Centre for Social Justice's flagship ideas; Universal Support that aims to provide personalised help to the furthest away from the labour market.

26 Sheffield Hallam, May 2022 <<http://shura.shu.ac.uk/30252/1/real-level-of-unemployment-2022.pdf>>

RECOMMENDATION 1

Government should roll out nationwide a Universal Support offer based on a locally commissioned and key worker model, using examples of best practice such as the Greater Manchester Combined Authority's Working Well programme. In Budget 2023, the last Government laid down plans to trial this approach with view of possible future roll-out.

The think tank has been tirelessly campaigning for it for many years and wants to see it more fully adopted, as outlined later in this report.

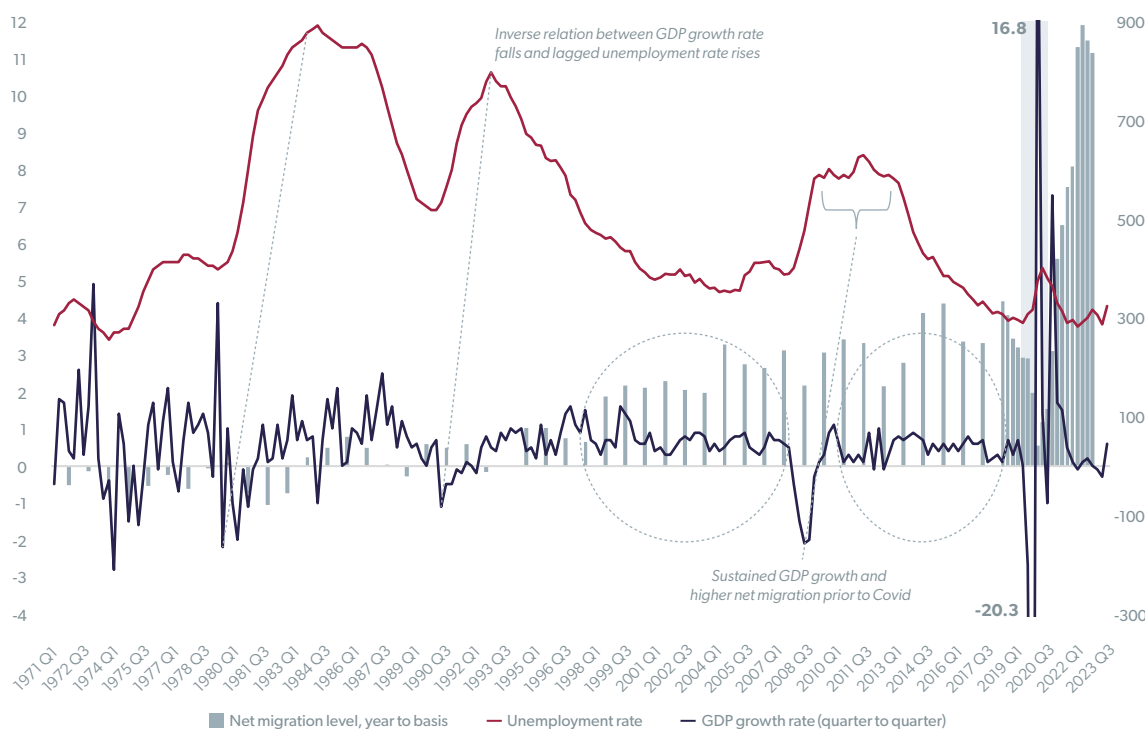
1.1.2. The reliance on migrant labour to contribute to growth in the UK

Relations between official unemployment, growth and migration

There are multiple drivers of growth, as measured by quarter-to-quarter GDP, not that it is the only or even best yardstick. One is certainly national employment rate; others include aggregate educational achievement, practical upskilling by employers and the state, and technological advancement. In the case of the UK, there is a relationship between growth rate, net migration and the official quarterly unemployment rate since the 1990s, which can be seen in the chart below. After 1993, GDP growth rate coincided with higher net migration, aside from the 2007-08 financial crisis and the 2020-21 Covid pandemic, with domestic economic inactivity ignored owing to low official unemployment rate between 1993-2007 and 2014-19 either side of these events' flux. This gave politicians reason to think the problem was one of labour market tightness solved by net migration into the UK rather than one of tackling inactivity which barely featured in the news in those years.²⁷ As with successive recessional periods, its noticeable unemployment has not reached the past last high, which may be due to inward migration.

²⁷ ONS, July 2024 <https://www.ons.gov.uk/employmentandlabourmarket/peopleinwork/employmentandemployeetypes/bulletins/uklabourmarket/july2024>, <<https://www.ons.gov.uk/peoplepopulationandcommunity/populationandmigration/internationalmigration/bulletins/longterminternationalmigrationprovisional/yearendingdecember2022>>, <<https://www.ons.gov.uk/peoplepopulationandcommunity/populationandmigration/internationalmigration/datasets/longterminternationalimmigrationemigrationandnetmigrationflowsprovisional>> and <<https://www.ons.gov.uk/economy/grossdomesticproductgdp/datasets/uksecondestimateofgdpdatatables>>

Figure 1: Unemployment rate – seasonally adjusted, growth rate and year ending migration level, 1971-2023 (rates to the left and level on the right in thousands)



Source: ONS²⁸

When GDP growth rate was sufficient to high, driven by suitably skilled and adequate number of employees and jobseekers, and recessionary episodes were short, then governments of different colours over many decades tended to overlook homegrown inactivity choosing instead to target foreign labour to fill vacancies, particularly from the reserve labour market. In the UK's orbit, this was the European Union (EU) after the Maastricht Treaty, effective November 1993, gave citizens of what was then the European Economic Community (EEC) rights to freely move to take up work in other member states. Even before then the country had incoming migration to support economic growth, but it was nationally decided and from the entire world. This is not a political point of view but one of fact; that is states could decide what the right level and skillset of inward migration was for itself prior to this treaty, and the UK can again now. One of the ways that large and growing inactivity was discounted in the years from 1993 was because of the shortcoming of how labour market statistics were picked up in the national media, which did not bring out the inactivity story. The press instead focused most on headline unemployment rate, which meant that the inactive population were excluded from being part of the solution. The following aims to explain why this happened via official and academic measurements.

28 ONS, July 2024 <https://www.ons.gov.uk/employmentandlabourmarket/peopleinwork/employmentandemployeetypes/bulletins/uklabourmarket/july2024>, <<https://www.ons.gov.uk/peoplepopulationandcommunity/populationandmigration/internationalmigration/bulletins/longterminternationalmigrationprovisional/yearendingdecember2022>>, <<https://www.ons.gov.uk/peoplepopulationandcommunity/populationandmigration/internationalmigration/datasets/longterminternationalimmigrationemigrationandnetmigrationflowsprovisional>> and <<https://www.ons.gov.uk/economy/grossdomesticproductgdp/datasets/uksecondestimateofgdpdatatables>>

1.1.3. The International Labour Organisation indicators

The indicators' construction

The official unemployment rate

The headline method for measuring unemployment in the UK and in developed countries and some developing ones, is the International Labour Organisation (ILO) defined one. It takes the number of unemployed people aged 16 years and over or between 16 and 64 years as identified within the ILO's Labour Force Survey (LFS) and counts respondents who meet this description. The ILO defines unemployed people as being:

- without a job, have been actively seeking work in the past 4 weeks and are available to start work in the next 2 weeks; or
- out of work, have found a job and are waiting to start it in the next 2 weeks.²⁹

The methodology takes the above as the numerator and divides it by the economically active population of interest, either people aged 16 years and over or between 16 and 64 years who want to participate in the labour market as the denominator, to calculate a headline unemployment rate as seen in the chart below. It currently shows historically low unemployment, at rates last seen in the early to mid-1970s.

Figure 2: Official UK unemployment rate (seasonally adjusted, 16+ basis), 1971-2023



Unemployment rate (as per chart)	Economically active people at or over 16 not in employment All economically active people at or over 16
there is an alternative measure	
Working age unemployment rate:	<u>Economically active people not in employment aged 16-64 years</u> <i>Economically active people aged 16-64 years</i>

Source: ONS³⁰

Note these internationally recognised formulae exclude the economically inactive in denominators, which is likely due to consensus across the statistical offices of countries using it.

29 ONS, June 2020 <<https://www.ons.gov.uk/employmentandlabourmarket/peopleinwork/employmentandemployeetypes/methodologies/aguide-tolabourmarketstatistics>>

30 ONS, July 2024 <https://www.ons.gov.uk/employmentandlabourmarket/peopleinwork/employmentandemployeetypes/bulletins/uklabourmarket/july2024>,

The official employment rate

The method for measuring employment in the UK, and many other countries, is also defined by the ILO. It takes the number of people in employment aged 16 years and over or between 16 and 64 years as identified in the LFS and counts respondents who meet this international employment description. The ILO defines employed people as being those within the age ranges who said that they:

- did 1 hour or more of paid work per week; and
- had a job that they were temporarily away from (for example, because they were on holiday or off sick).

The largest categories within employment are paid employees and self-employed people; in recent years they have accounted for over 99 per cent of all people in employment. These are defined as:

- employees are those who are in employment and paid a wage by an employer for the work that they do. This type may be further sub-divided into permanent and temporary employees; and
- self-employed are those people who regard themselves this way, those who in their main employment work on their own account, whether or not they have employees themselves.

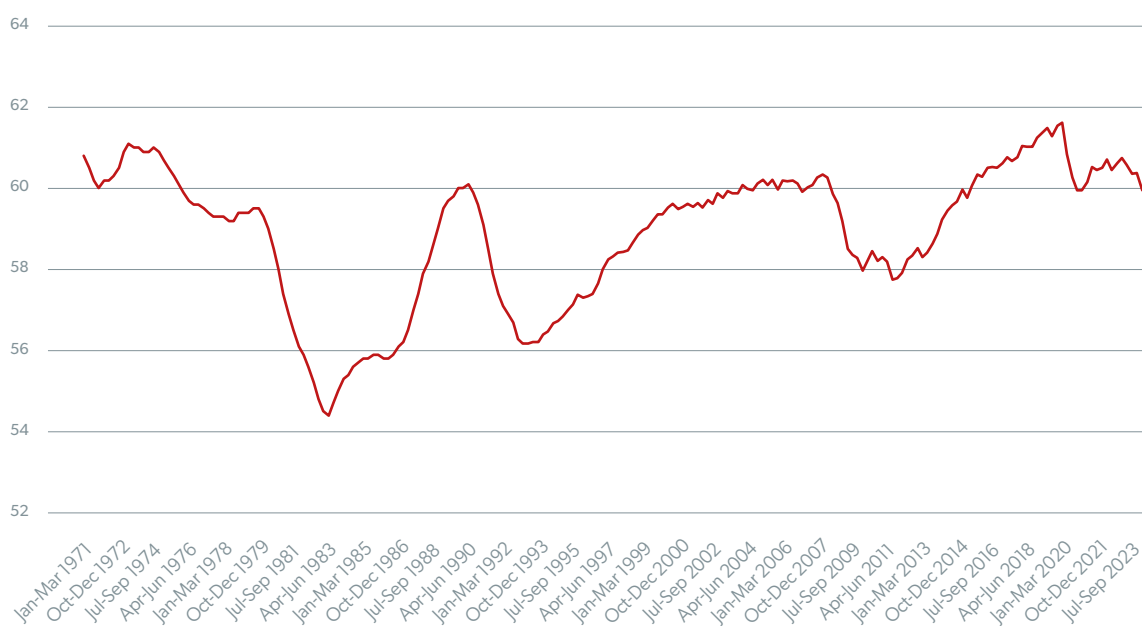
There are also minor categories which account for less than 1 per cent of all people in employment. These are:

- unpaid family workers who are those working in a family business, not including unpaid family carers – as they are not included in these employment statistics at all; and
- people on government-supported training programmes are classed as in employment only if they are engaging in any form of work, work experience or work related training, otherwise they are classified as unemployed or economically inactive.³¹

The methodology takes the above as the numerator and divides it by the population of interest, either people aged 16 years and over or between 16 and 64 years as the denominator, to calculate a headline employment rate as seen in the chart below. It shows historically high employment, higher than rates seen in the early 1970s but lower than the Covid period where it was artificially high owing to Government salary support schemes.

31 ONS, June 2020 <<https://www.ons.gov.uk/employmentandlabourmarket/peopleinwork/employmentandemployeetypes/methodologies/aguide-to-labour-market-statistics>>

Figure 3: Official UK employment rate (seasonally adjusted, 16+ basis), 1971-2023



<p>Employment rate (as per chart)</p> <p>there is an alternative measure</p> <p><i>Working age employment rate:</i></p>	<p>people at or over 16 in employment All people at or over 16</p> <p><i>People in employment aged 16-64 years People aged 16-64 years</i></p>
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Source: ONS³²

Note: these widely accepted formulae include the economically inactive in denominators.

The official economically inactive rate

The method for measuring economic inactivity in the UK, and other countries, is also defined by the ILO. It takes the number of economically inactive people aged 16 years and over or between 16 and 64 years as identified in the LFS and counts respondents who meet this internationally determined depiction. The ILO defines economically inactive people as being those within the age ranges above that:

- are without a job who have not sought work in the last 4 weeks; and/or
- are not available to start work in the next 2 weeks.

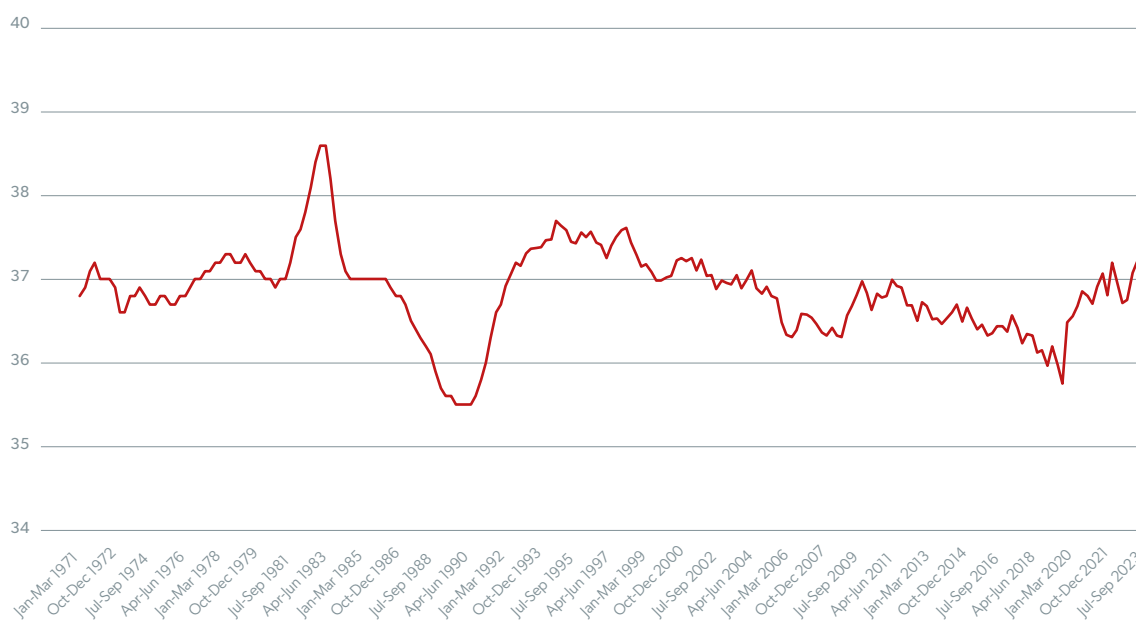
The main inactive groups are students, people looking after family and home, long-term sick and disabled, temporarily sick and disabled, discouraged workers, retired people and pensioners. The level of economic inactivity for the UK is broken into the reasons and estimates are also available for Government Office Regions (GORs) and local areas; regional estimations of inactivity come from the LFS while more disaggregated ones are from the Annual Population Survey (APS).³³

32 ONS, July 2024 <https://www.ons.gov.uk/employmentandlabourmarket/peopleinwork/employmentandemployeetypes/bulletins/uklabourmarket/july2024>,

33 ONS, June 2020 <<https://www.ons.gov.uk/employmentandlabourmarket/peopleinwork/employmentandemployeetypes/methodologies/aguide-tolabourmarketstatistics>>

The methodology takes the above as the numerator and divides it by the population of interest, people aged 16 years and over or between 16 and 64 years at national, regional and local area as the denominator, to calculate a headline inactive rate as seen in the chart below. It shows the country was approaching historically low economic inactivity, nearing rates last seen in the late 1980s until the Covid period whereafter the inactive share of the population spiked.

Figure 4: Official UK economically inactive rate (seasonally, adjusted, 16+ basis), 1971-2023



<p>Economic Inactivity rate: (as per chart)</p> <p>there is an alternative measure</p> <p><i>Working age economic Inactivity rate:</i></p>	<p>people at or over 16 not economically active All people at or over 16</p> <p><i>People not economically active aged 16-64 years</i> <i>People aged 16-64 years</i></p>
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Source: ONS³⁴

Note: these widely accepted formulae include the economically inactive in denominators.

The inconsistent nature of indicators

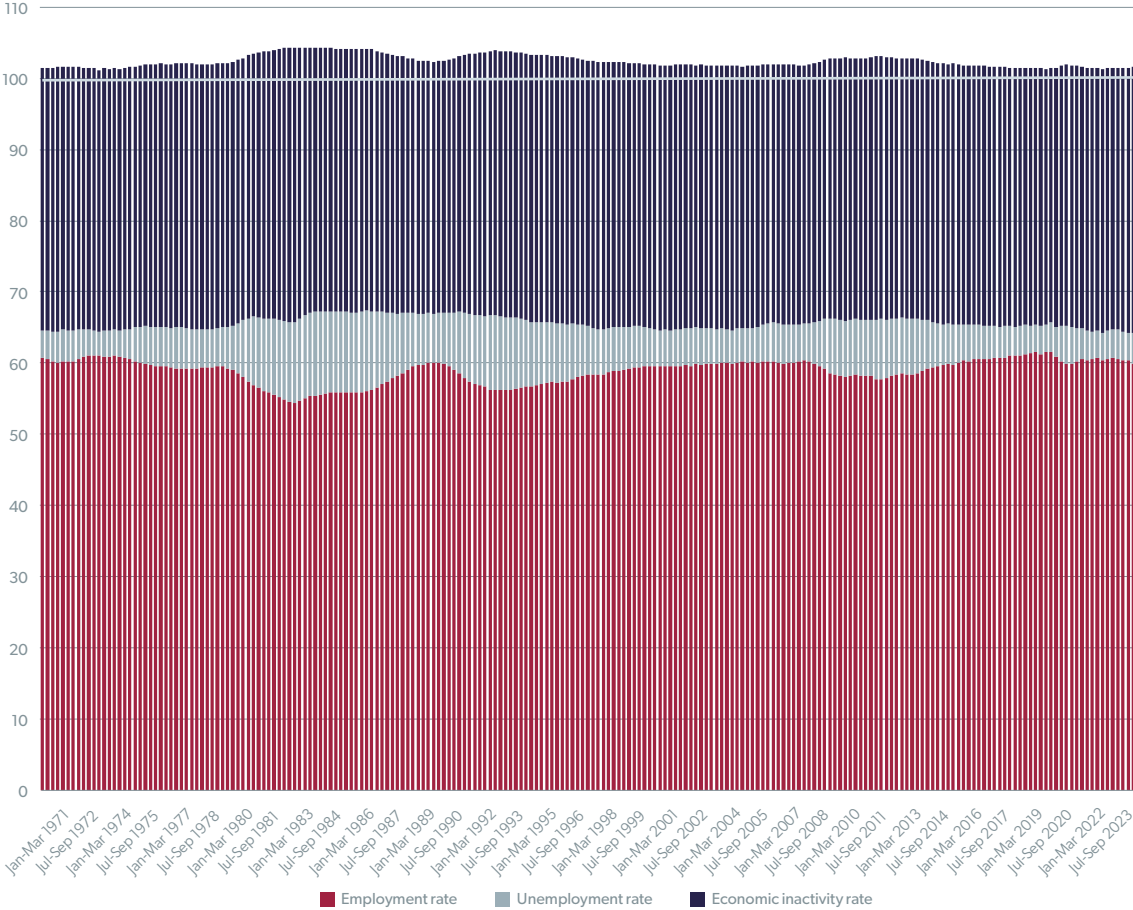
Problem with summing headline indicators

The above methods are used by most other countries' statistical offices, the Statistical Office of the European Union (Eurostat), and the OECD, but focus tends to be on the first two measures, unemployment and employment rates, as they are of most interest to the public, and to ignore the last measure, economically inactive rate. This has especially been the case in the UK wherein periods of sustained GDP growth underpinned by migration to overcome labour market tightness, not only to bring in value adding labour but workers that fill vacancies citizens could just as easily do.

34 ONS, July 2024 <https://www.ons.gov.uk/employmentandlabourmarket/peopleinwork/employmentandemployeetypes/bulletins/uklabourmarket/july2024>,

However, there is a built-in issue with these measurements that means the inactivity rate is very often ignored. That is, the three indicators are not internally consistent – the sum of the rates do not add up to 100 per cent, owing to the exclusion of economic inactivity from the unemployment rate. This can be demonstrated in the diagram below in logic terms and the chart below it with actual information from the Office for National Statistics (ONS), which shows the sum of these is always more than 100 per cent, and more so in economically difficult times as unemployed and inactive population swell.

Figure 5: Official headline rates sum product and headline rates sum product – UK (seasonally adjusted, 16+ basis), 1971-2023



Source: ONS³⁵

35 ONS, July 2024 <https://www.ons.gov.uk/employmentandlabourmarket/peopleinwork/employmentandemployeetypes/bulletins/uklabourmarket/july2024>,

The ONS would state economic activity and inactivity rates sit above the aforesaid indicators and these do sum to 100 per cent, but that would only be apparent to the experts. A way around inconsistency is to look at the Office for Budget Responsibility's (OBR's) dependency ratios. The charts below show a seemingly good story for children, but it is not so as falling fertility is storing up future troubles, and a worsening one for older people.³⁶ It means that the ever smaller working age population, as fewer young people come into it to replace bigger older cohorts, in coming decades will have to support less young but much more old(er) dependents, which is unsustainable in the long-run.

Figure 6: Dependency ratios projections, relative to UK percentage of 15-64 year olds



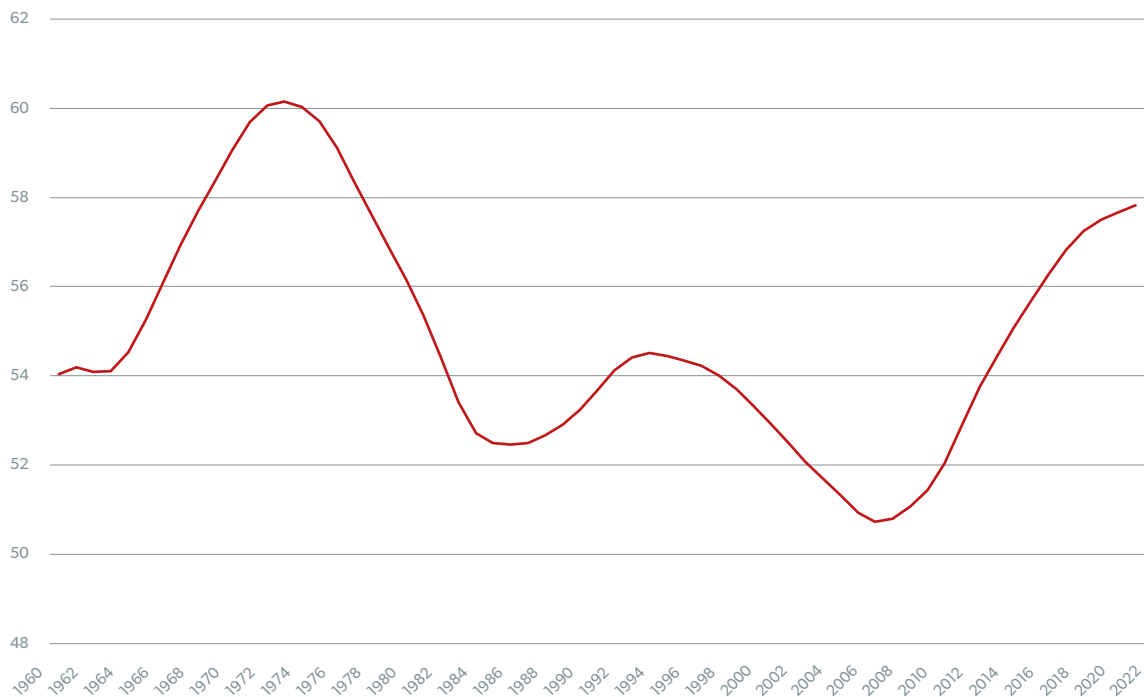
Source: OBR³⁷

A close equivalent to the above that could be constructed from existing statistics would be the number of dependent people over the number of potential workers in the economy. The chart below shows that: the children of post-war baby boomers born around the late 1960s and early 1970s and theirs in turn born in the middle of the 1990s increased the ratio, but this was momentary as they will enter working age; but latest growth in it has come without rise in younger cohorts. The point is this uptick is worrying for policymakers as it will not right itself without either a surge in fertility or migration.

36 DWP: May 2014 <<https://www.gov.uk/government/collections/pensions-bill>> and <<https://www.legislation.gov.uk/ukpga/2014/19/contents>> and OBR: Fiscal Risks and Sustainability, July 2022 <https://obr.uk/docs/dlm_uploads/Fiscal_risks_and_sustainability_2022-1.pdf>

37 OBR: Fiscal Risks and Sustainability, July 2022 <https://obr.uk/docs/dlm_uploads/Fiscal_risks_and_sustainability_2022-1.pdf>

Figure 7: UK age dependency ratio [the percentage of under 15 and over 64 to the working-age population], 1960-2022



Source: World Bank³⁸

This is where the projections of the OBR come into play as dependency is very likely to get higher with the aging population, as fewer children are being born and later coming into the labour market and more pensioners are around as large cohorts. These demographic swings are the reasons behind the pension reforms of the past decade that have seen the State Pension Age rise in staggered steps to keep more people in working age, and multiple tiers of support rolled into a Single Tier system to keep the scheme affordable.³⁹

38 World Bank, May 2023 <<https://data.worldbank.org/indicator/SP.POP.DPND?end=2022&locations=GB&start=1960&view=chart>>

39 DWP: May 2014 <<https://www.gov.uk/government/collections/pensions-bill>> and <<https://www.legislation.gov.uk/ukpga/2014/19/contents>>

1.1.4. The counts of benefit claimants from administrative data

The counting rules

Before one can understand DWP benefit claimants (in payment or not), it is important to know there are counts of out-of-work working age benefits which cannot be claimed alongside each other. Moreover, it is also important to appreciate they are all subject to some precision error because these caseloads are of those active on the count date (usually the second Thursday of the month), but for UC which is much more real-time. This means that payment or non-payment that existed in the period (usually the month or month of the quarter ending) but was not on the computer at the time of the count are excluded from the release numbers.

The convention of specific date counting is an established one and was devised when real-time information was not even an ambition. These days for UC more precise counts of payments made are used for the Fiscal Event arithmetic. There is a need to know how many claimants by groupings were paid and with what amount (usually an average payment) by them, such that sum-product of multiplications delivers an expenditure total that can be cast forward based on assumptions about the groups and base payments.⁴⁰

On the other hand, UC statistics are easier to misinterpret as they have 4 series:

Operational outturns

- Claims –those who made a new claim, not all of whom go on to start on the benefit;
- Starts –those who verify their identity and accept their claimant commitment;
- People –those claiming who verified and accepted regime; and
- *Statistical/Financial output*
- Households – the number of benefit units with a calculated entitlement for a monthly assessment period active on a count date. Statistical reports focus on households in payment defined as having a monthly award or advance more than £0.⁴¹ This is closer to volumes but not the same as that of Fiscal Events, as the point count restriction makes it different from period range summed count used for His Majesty's Treasury (HMT).

Unemployment benefit claims

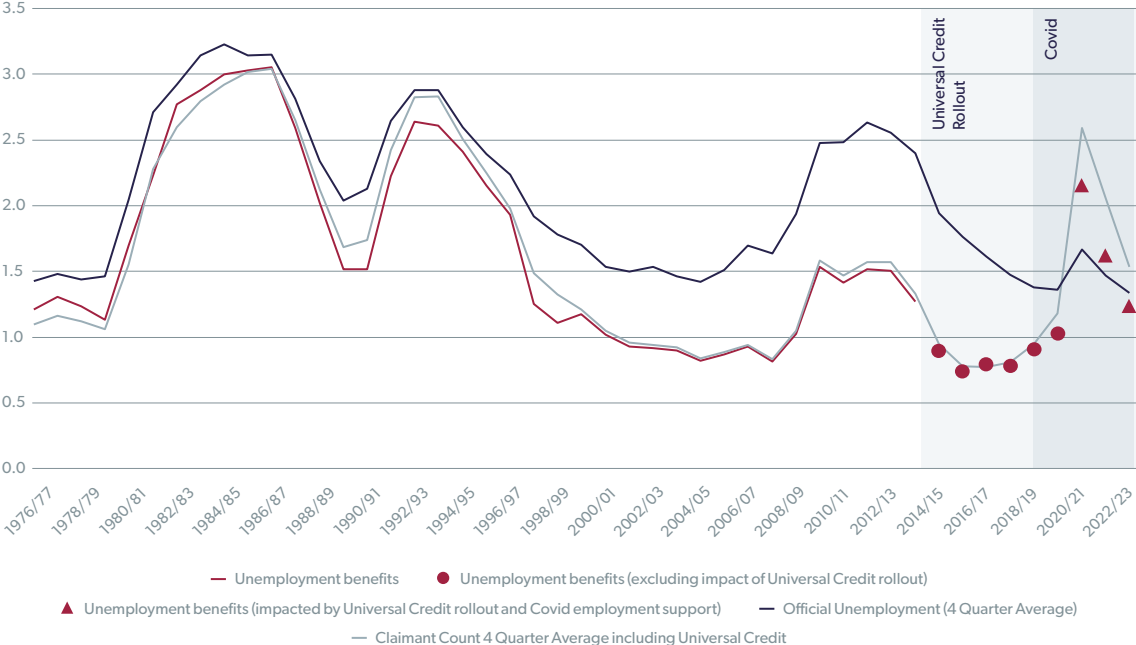
In the GB part of the UK, these were unemployment benefits (UBs) to 1996, income based Jobseekers Allowance (JSA) from then to 2017-18 albeit New Style JSA can still be claimed in specific situations (notably for contributory entitlement) and UC from 2013. The chart below shows these claimant counts commence from operationalisation years, and that unemployment lingers higher as some people are ineligible for welfare and as the redundancy and re-employ of frictional unemployment plays out. The

40 OBR, 208-2020 <https://obr.uk/docs/dlm_uploads/WelfareTrends2018cm9562.pdf> (outlining a new UC data source coming for modelling and forecasting, pp.100-101), <https://obr.uk/docs/dlm_uploads/Welfare_trends_report_December_2019.pdf> (confirms the above, p10-11, point 1.15), <https://obr.uk/docs/dlm_uploads/Welfare_trends_report_2019.pdf> (first publication where direct use of this UC admin source is cited, for example. p.14, point 35 last bullet), and <https://obr.uk/docs/EFO_March-2020_Accessible-1.pdf> (first report where the forecast is based on this UC administrative data ['actuals' as it is referred to here], p.101, 3.89 most clearly).

41 DWP, 2022 <<https://www.gov.uk/government/statistics/universal-credit-statistics-29-april-2013-to-14-april-2022/universal-credit-statistics-29-april-2013-to-14-april-2022>>

thing that should agonise decision-makers is both the management information and more refined Claimant Count even after striking out UC and Covid impacts is high(er) when unemployment is low.

Figure 8: Unemployment related benefits counts from administrative data in GB and the Official Unemployment Level in the UK, 1976/77-2022/23 (in millions)



Source: ONS⁴² and DWP⁴³

The chart above shows the unemployment benefit related claimant count (a longstanding series) that brings in new additional UC claimants who would not have claimed UB or JSA in the past or avoided it but are captured by UC owing to wider need, notably housing compared to the previously presented unemployment (albeit in rate rather than level). It tells us that in the 1980s and early 1990s the two measures closely aligned, the gap thereafter grew with unemployment greatly exceeding claimant count, then 2016 onwards the gap between them narrowed first gradually then markedly with the introduction of UC, which is largely replacing JSA which itself replaced UB.

During the epidemic the claimant count rapidly exceeded unemployment, and has remained higher since then. A recent variant on the claimant count which brings in additional UC claimants is running even higher than this. This has happened because UC expands the requirement to look for work, thereby increasing the claimant count – examples are partners of unemployed claimants who do not work, and low paid in-work claimants who would have in the past lived off a partner’s higher salary.

Key inactive benefit claims

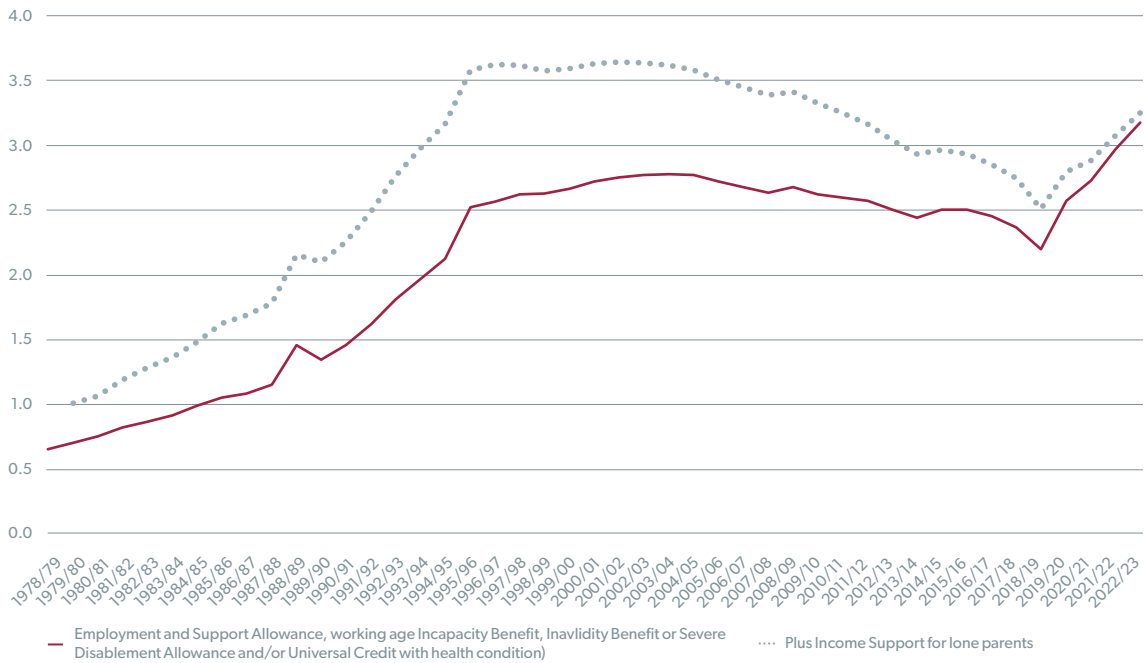
With incapacity related benefits, there are: income based Severe Disablement Allowance (SDA), Invalidity Benefit (IV), Incapacity Benefit (IB) and Employment and Support Allowance (ESA) all of which are closed to new claims albeit New Style ESA can still be claimed in specific situations (notably for contributory entitlement); and UC with element paid for Low Capability for Work (LCW) or Low Capability for Work Related Activity (LCWRA) bringing in those who claimed for incapacity. In addition,

42 ONS, July 2024 <https://www.ons.gov.uk/employmentandlabourmarket/peopleinwork/employmentandemployeetypes/bulletins/uklabourmarket/july2024>,

43 DWP, May 2024 <https://www.gov.uk/government/publications/benefit-expenditure-and-caseload-tables-2024>

for lone parenting, these were/are Income Support for lone parents (ISLP) and predecessors and UC if single claimant has an element paid and a child under 5 – approximation to previous ISLP group, albeit those with older children where included in the past. The chart below shows counts.

Figure 9: Incapacity and lone parenting related benefits counts from administrative data in GB and, 1978/79-2022/23 (in millions)



Source: DWP⁴⁴

The chart above shows the growth in incapacity and lone parenting related benefits and ensuing plateau. It tells us there was a dramatic rise in main incapacity related benefits in the 1980s and 1990s with a previous peak at over 2.5 million claimants in the early 2000s and gradual decrease until Covid outbreak whereafter it rose to a new high of over 3 million. If IS (Income Support) incapacity claimants are added, the maximum is then a high in the mid-1990s. It also tells us there has been a decline in lone parenting related benefits from the peak at around 1 million in the mid-1990s with the lowering of age threshold on the youngest child from then and more so from 2010 with drive to get people into paid work, this said with UC equivalents counted there is some stability in the metric since then. This line is dotted as there may be some low degree of overlap with incapacity counts. It is important to note, these two benefits are not the totality of the out-of-work working age benefits claimants with no work requirements. There is a third significant group which makes this inactive population even bigger and that is carers. The chart above does not show them as a commonly recognised way of separating those with responsibilities that may mean no work requirement is not readily available, thus it is not straightforward to present.

44 DWP, May 2023 <<https://www.gov.uk/government/publications/benefit-expenditure-and-caseload-tables-2023>>

Official, hidden and real unemployment

Overview of methodology

If one looks at the last two charts above side by side, the size and starting point of the growth in incapacity in the UK follows deindustrialisation and being workless trends in the 1980s and early 1990s pointing strongly to an element of what Sheffield Hallam academics are calling hidden unemployment. It is not possible to account for this expansion in health terms as this was on aggregate slowly improving over that time and there was no real-terms increase in the financial value of benefits over this era to attract in claimants. From the 1990s onwards there were reforms from both of the main parties to bring incapacity benefit numbers down without much success. This has led scholars to posit that many unemployed people picked up injuries over their working lives in heavy industry and were managing them, but as they got older the physical conditions and on top of this the mental health ones perhaps owing to worklessness or underemployment made this difficult. With reduction of those sectors, they veered into incapacity related benefits with little incentive to move off.⁴⁵ The latter explanation can apply only to those who did work for a long time in these industries. Though, it is also clear that later incapacity is directly due to or indirectly linked to this which will be explored later, and of course there is that stemming from people who make different work-life choices post-pandemic.

The interaction between unemployment and hidden unemployment in incapacity benefits was known about but was largely unnoticed in the media, surfacing periodically with only a few people beyond those who study it knowing scale. This happened because there was no accepted methodology to quantify it until a measure came into circulation over a decade ago. Professors Christina Beatty and Steve Fothergill of Sheffield Hallam have developed relatively simple measurements that work across GB's many local authority districts and unitary authorities. The university's Centre for Regional Economic and Social Research (CRESR) measures overcome the following problems:

- the labour market position of these areas that means it is difficult to know what is excess incapacity related benefits claiming; and
- the weakest labour markets will have higher incapacity related benefit claiming due to poorer health owing to unemployment or underemployment.

A practical methodology to quantify hidden and overall unemployment

CRESR's method works by taking average incapacity related benefit rate in near full employed southern England of 3.8 per cent and applies an uplift to it based on the ratio of Standardised Mortality Rates (SMR) - each area's SMR over the SMR for near full employed southern England. The point being that this ratio represents a guide to differences in the incidence of incapacitating ill-health above and beyond that for the fully employed part of southern England:

- say this is 20 per cent higher than the 3.8 per cent of southern England in a set locality, then it gives a benchmark 4.56 per cent for the set area; and
- any rate of incapacity in excess of this is thought to be hidden unemployment, and the commensurate number of excess people equates to it; thus

45 Sheffield Hallam, May 2022 <<http://shura.shu.ac.uk/30252/1/real-level-of-unemployment-2022.pdf>>

- the excess is added to unemployment related benefits to deliver the estimated real unemployment for that area.⁴⁶

Note this means rates are of the working age population between 16 and 64 years.

The table, maps and charts below show the official, hidden and real unemployment rates aggregated up to nations and regions under this definition in early 2022, and gives a national time-series on it. This is remarkably similar to that independently worked out from the Centre for Social Justice's own in-house analyses, with over 700 thousand hidden employed or as we put it over 700 thousand people on inactive benefits who want to work; the CRESR estimate is actually closer to 800 thousand so higher than our cautious one.

Figure 10: Official, hidden and real unemployment rates in early 2022

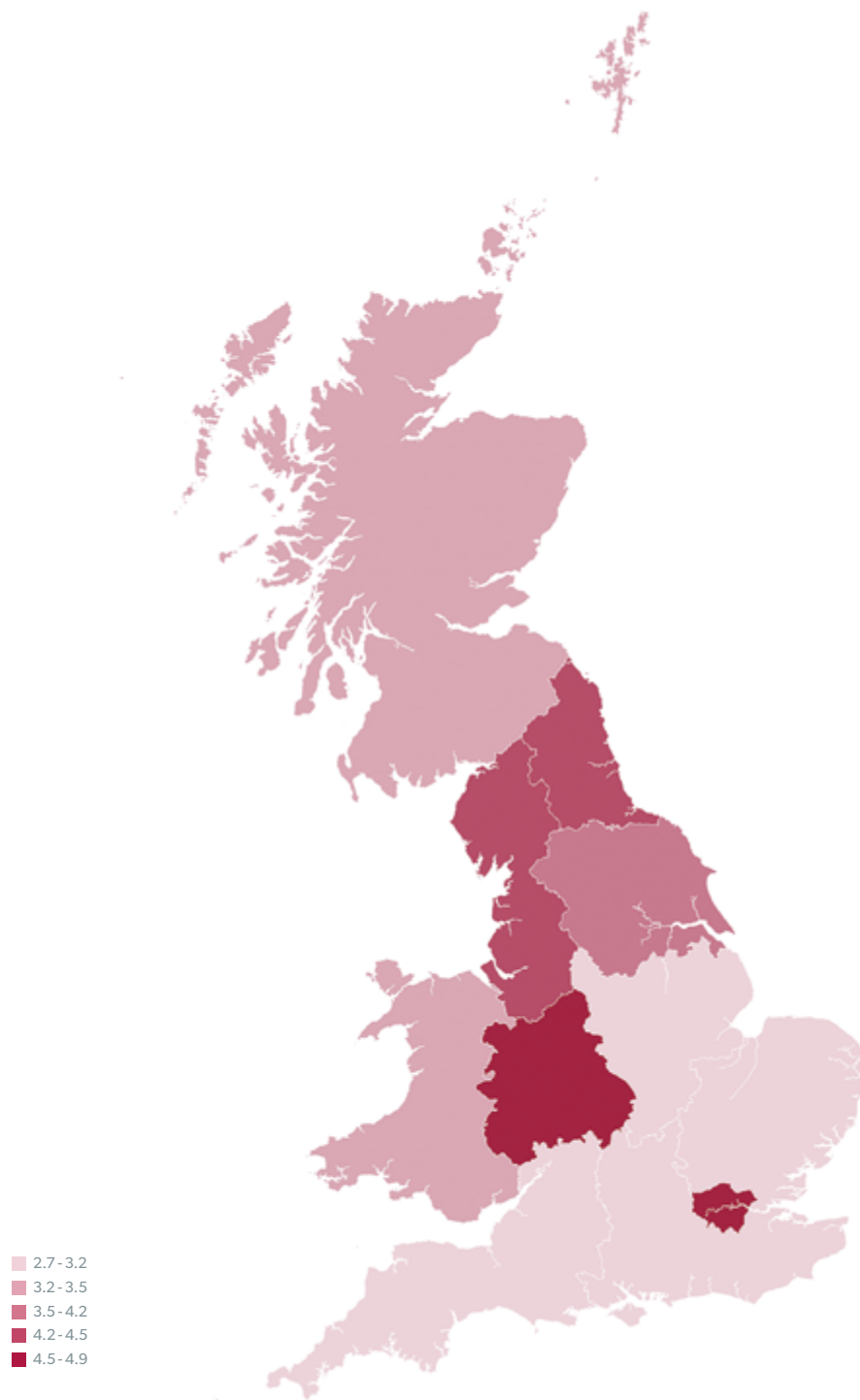
GEOGRAPHY	PER CENT OFFICIAL UNEMPLOYMENT	PER CENT HIDDEN UNEMPLOYMENT	PER CENT REAL UNEMPLOYMENT
North East	4.4	3.2	7.7
North West	4.3	3.2	7.5
Yorkshire and the Humber	4.1	2.3	6.4
East Midlands	3.2	1.6	4.9
West Midlands	4.8	1.7	6.4
East of England	3.2	1.0	4.1
London	4.9	1.2	6.1
South East	3.0	0.7	3.8
South West	2.7	1.9	4.6
Wales	3.5	4.3	7.7
Scotland	3.5	2.9	6.4
Great Britain	3.8	1.9	5.8

Source: Sheffield Hallam, CRESR⁴⁷ *subject to rounding error

46 Sheffield Hallam, June 2023 <<https://shura.shu.ac.uk/32038/>> and <<https://shura.shu.ac.uk/32038/15/Beatty-PersistenceHiddenUnemployment%28VoR%29.pdf>>

47 Sheffield Hallam, May 2022 <<http://shura.shu.ac.uk/30252/1/real-level-of-unemployment-2022.pdf>>

Figure 11: Official unemployment rate (based on all 16-64 year olds) in early 2022

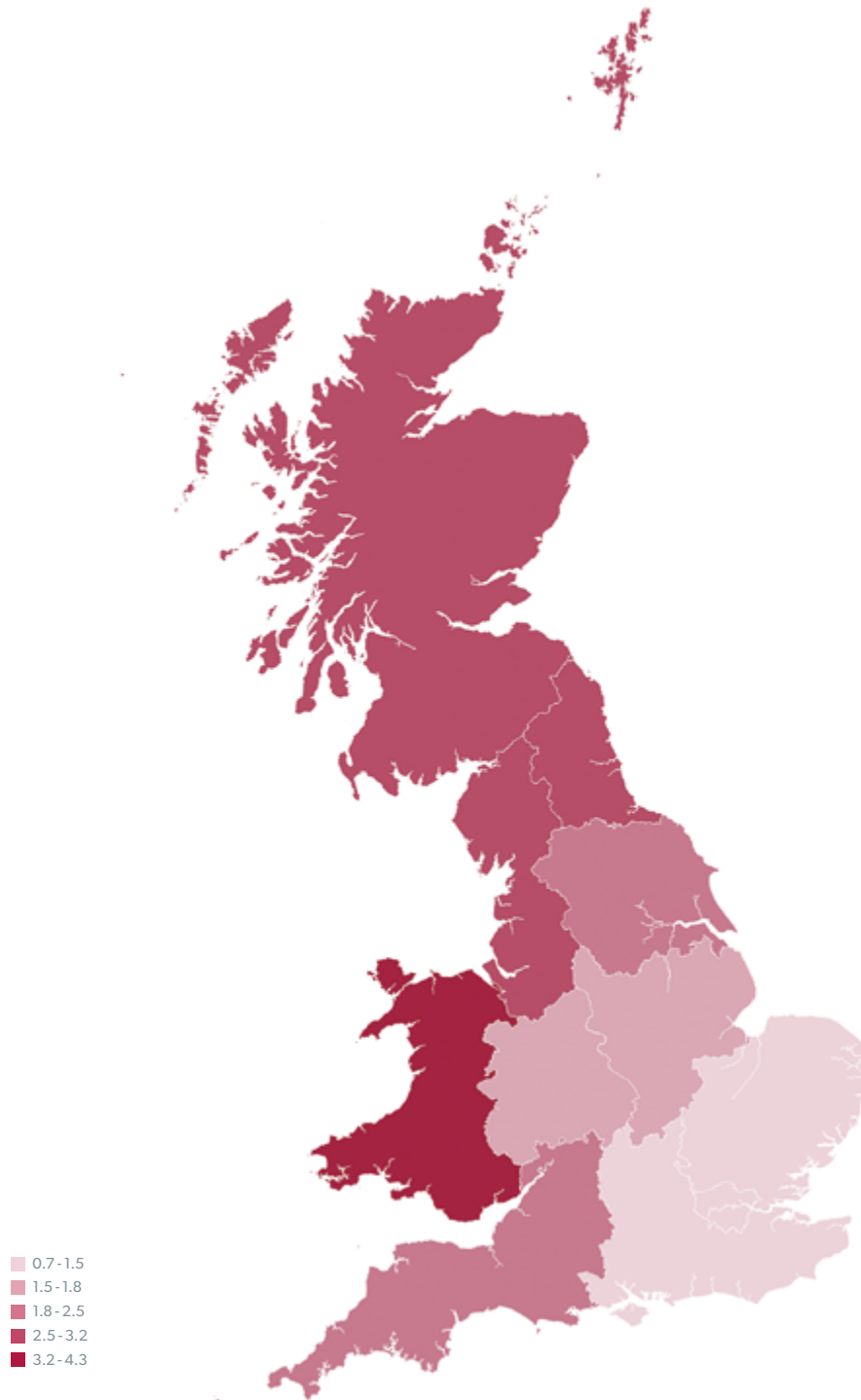


5 equal bands between minimum and maximum

Source: Sheffield Hallam, CRESR⁴⁸

48 Sheffield Hallam, May 2022 <<http://shura.shu.ac.uk/30252/1/real-level-of-unemployment-2022.pdf>>

Figure 12: Hidden unemployment rate (based on all 16-64 year olds) in early 2022

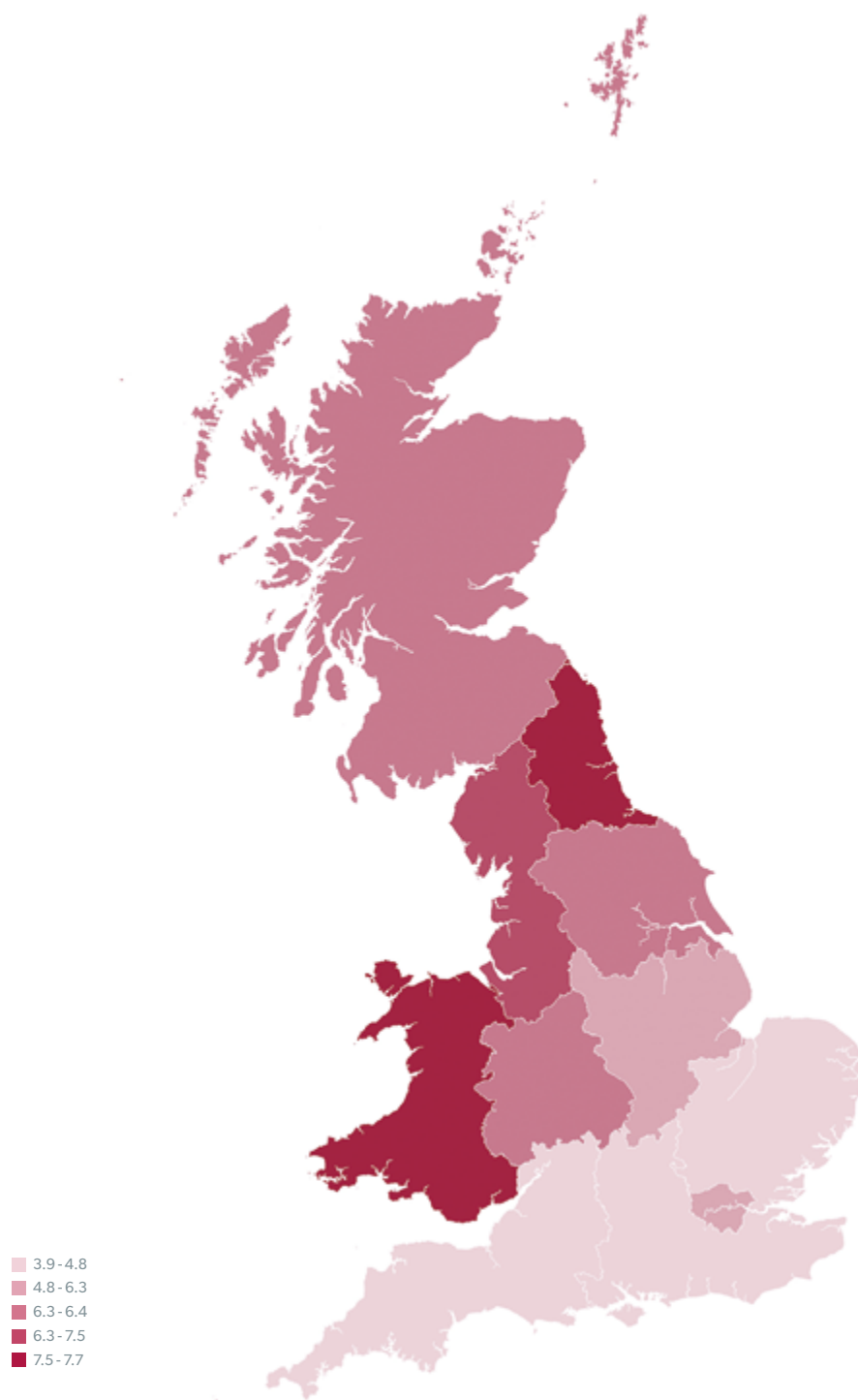


5 equal bands between minimum and maximum

Source: Sheffield Hallam, CRESR⁴⁹

49 Sheffield Hallam, May 2022 <<http://shura.shu.ac.uk/30252/1/real-level-of-unemployment-2022.pdf>>

Figure 13: Real unemployment rate (based on all 16-64 year olds) in early 2022

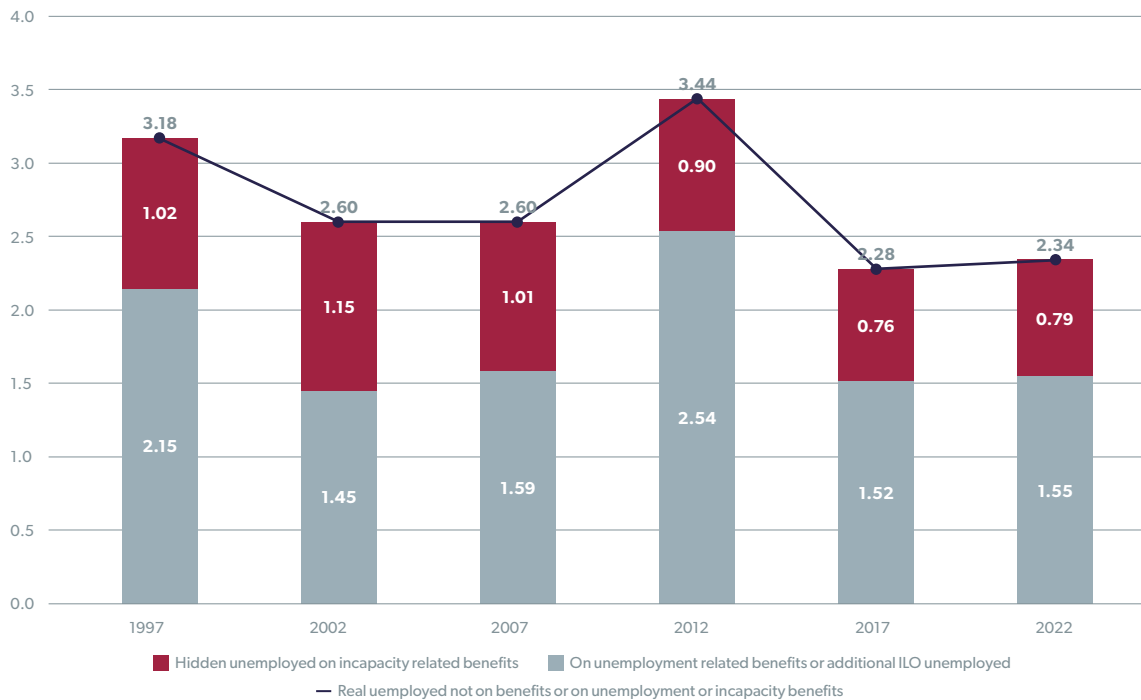


5 equal bands between minimum and maximum

Source: Sheffield Hallam, CRESR⁵⁰

50 Sheffield Hallam, May 2022 <<http://shura.shu.ac.uk/30252/1/real-level-of-unemployment-2022.pdf>>

Figure 14: The real and hidden unemployment rates in GB, early 2022 (millions of claimants)



Source: Sheffield Hallam, CRESR⁵¹

1.1.5. The places affected by high real unemployment

The real unemployment black spots

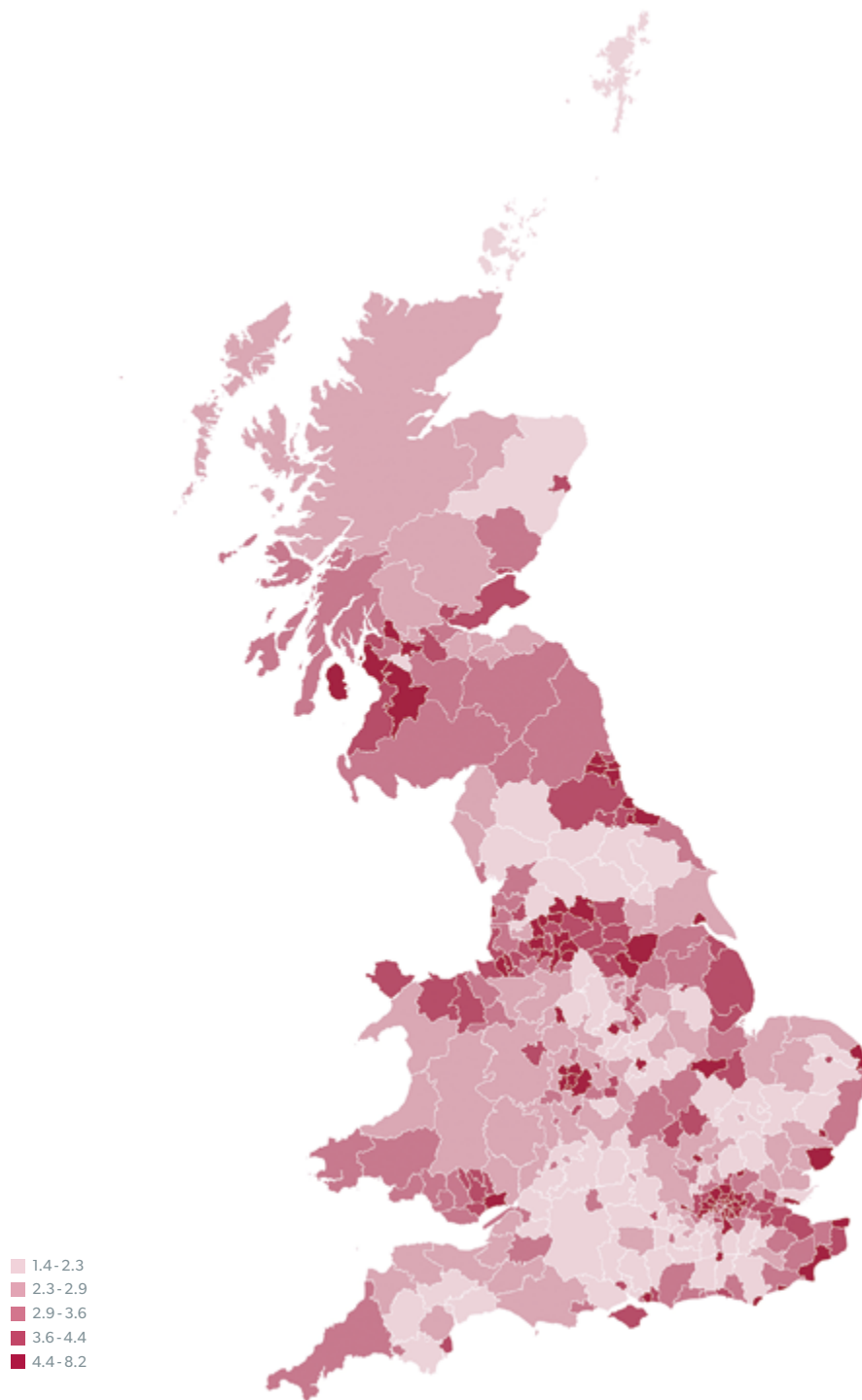
Main deindustrialisation story

The authors of the above pinpointed that the unwinding of the industrial revolution in GB from the 1960s to the 1980s has hit certain areas hard. This can be seen in the maps below where more than half of the top 20 local authorities with highest real unemployment are: in parts of South and North Wales, Central Scotland, North East England, South and West Yorkshire, and the Liverpool, Manchester and Birmingham areas also stand out as having particularly high levels of heavy production and manufacturing prior to the said period. The maps following it brings this out with these areas having real unemployment in excess of 8 per cent and in some cases above 10 per cent of the entire working age population as denoted by the darkest shade.⁵² The sustained nature of this higher real unemployment suggests that it is not just the effects of those made unemployed from heavier industries, but also an unravelling of unbroken employment status and periods of this for their children and grandchildren, hence governments of many colours have found it hard tackling it.

51 Sheffield Hallam, May 2022 <<http://shura.shu.ac.uk/30252/1/real-level-of-unemployment-2022.pdf>>

52 Ibid.

Figure 15: Official unemployment rate (based on all 16-64 year olds) in early 2022

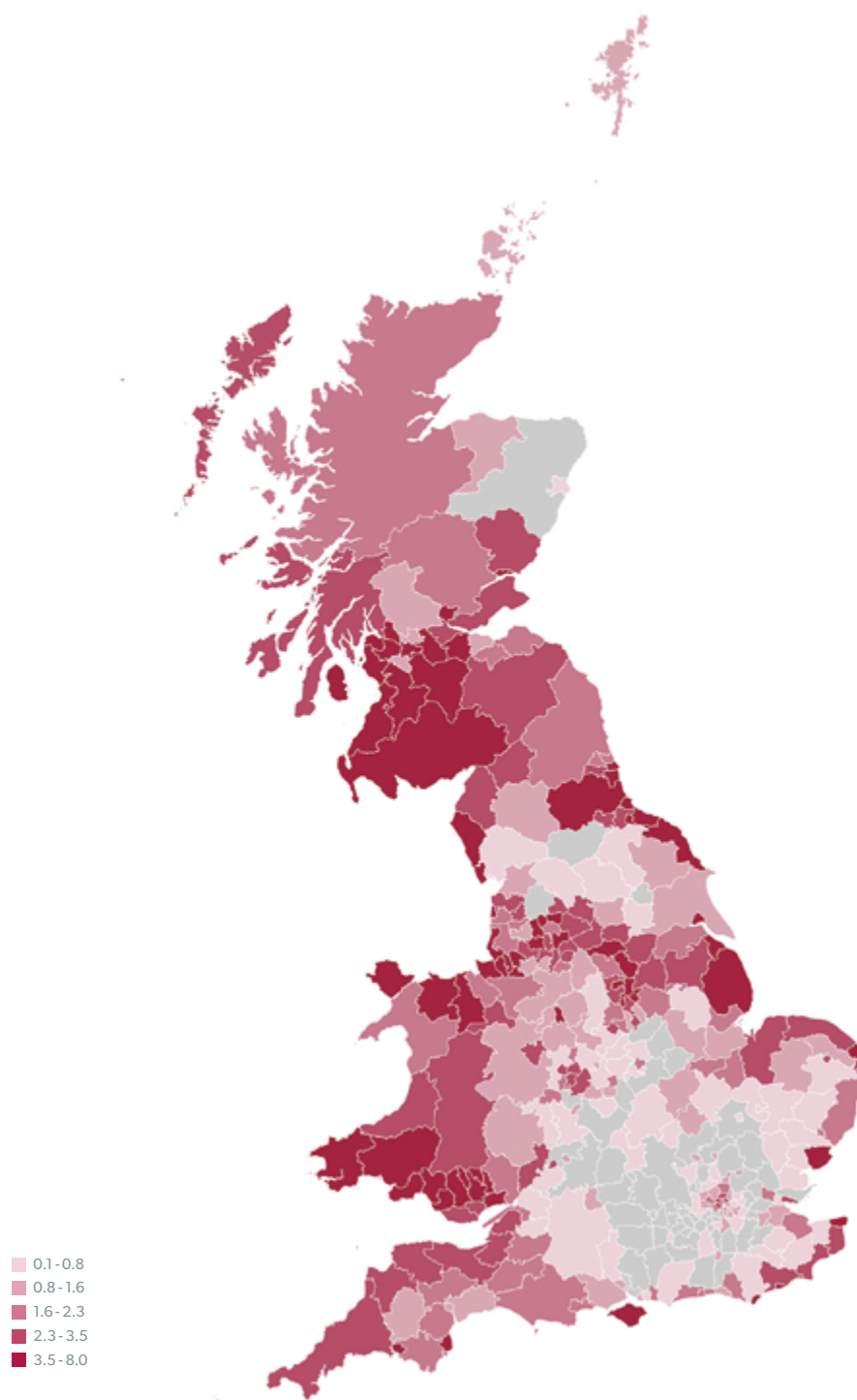


Quintiles – lower and upper rate bounds

Source: Sheffield Hallam, CRESR⁵³

53 Sheffield Hallam, May 2022 <<http://shura.shu.ac.uk/30252/1/real-level-of-unemployment-2022.pdf>>

Figure 16: Hidden unemployment rate (based on all 16-64 year olds) in early 2022

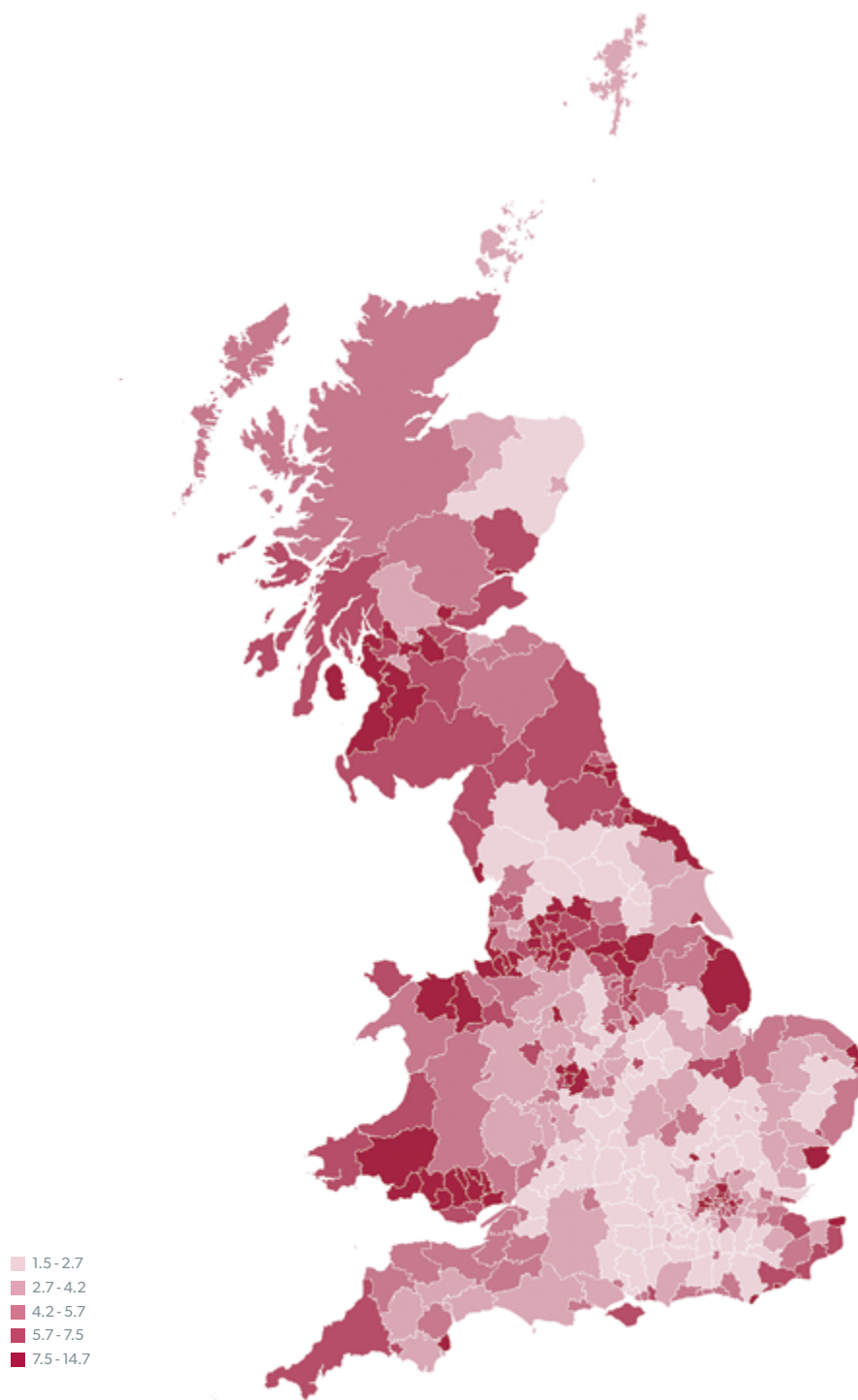


Quintiles – lower and upper rate bounds

Source: Sheffield Hallam, CRESR⁵⁴

54 Sheffield Hallam, May 2022 <<http://shura.shu.ac.uk/30252/1/real-level-of-unemployment-2022.pdf>>

Figure 17: Real unemployment rate (based on all 16-64 year olds) in early 2022



Quintiles – lower and upper rate bounds

Source: Sheffield Hallam, CRESR⁵⁵

55 Sheffield Hallam, May 2022 <<http://shura.shu.ac.uk/30252/1/real-level-of-unemployment-2022.pdf>>

Wider stories from the mapping

It is not just about deindustrialisation, another set of places that feature in the table and maps above are seaside towns; examples that feature in the 10 per cent plus group are Blackpool, Hastings, Hartlepool and Thanet. These areas have a ready availability of low-cost housing, formerly used by holiday makers before that seasonal trade became less prevalent with UK citizens more frequently choosing to go abroad. This means that they have become locations where local government and markets have tended to put recently arrived migrants and refugees as well as the unemployed owing to cost pressures; all of whom are vulnerable to becoming incapacitated. Some London, Birmingham and Manchester inner city boroughs have somewhat high real unemployment, though to a lesser extent than aforesaid former industrial heartlands and seaside towns and reflects residential segregation between rich and poor areas within big cities.⁵⁶ However, it must be said patterns have been impacted by Covid; where in urbanised areas with people living in very close proximity to each other suffered poorer health and possibly more incapacity in recent times.

The key message is that hidden and real unemployment is concentrated in the weakest districts, sub-economies, principally Britain's old industrial areas and some seaside towns. In the worst affected places, the initial impact of declining sectors was first felt by those made unemployed but this disadvantage has flowed down the generations as the retreat of employers from these areas means labour demand is lower in their economies making them weaker than full(er) employment ones. Thus, any initiative that aims to change the supply side of labour, like localised employment service, needs to be closely followed by the demand side of labour ones like regional development.

1.1.6. Argumentation behind Universal Support Unfinished Business

Genesis of the concept

Universal Support, a wrap-around personalised help programme for those most disadvantaged and those with the most chaotic and complex lives like people in deindustrialised areas, seaside towns and inner cities, implemented across the UK is not a new idea; Lord Freud who was brought into Government by the Labour Party and then served under the Conservative-Liberal Democrat Coalition put it in 2011:

*"This is a real opportunity to really change people's lives by giving them the tools they need to take control..."*⁵⁷

56 Sheffield Hallam, May 2022 <<http://shura.shu.ac.uk/30252/1/real-level-of-unemployment-2022.pdf>>.

57 CSJ, October 2020 <<https://www.centreforsocialjustice.org.uk/wp-content/uploads/2020/10/CSJJ8435-Universal-Credit-Universal-Support-201012.pdf>>

It was aimed at improving employment support programmes that were not delivering for the hardest to reach; a view backed by research that criticises standing active labour market programmes and associated schemes focused on job training and searching for putting lower skilled benefit claimants into work as both ineffective and not a worthwhile investment⁵⁸ and with outcomes which varied across OECD countries significantly.⁵⁹

Companion to earlier welfare reform

This bespoke help was intended to run alongside UC, a dynamic benefits system that combines a safety net for claimants who have no or little income with an incentive to find work and increase earnings, but owing to shifting priorities was not implemented in the mid-2010s and was withdrawn in 2018.⁶⁰ UC has proven itself as essential in responding to changes in economic cycles be it caused by inflationary forces or pandemics, stabilising earnings of the very poorest; but it alone cannot be a route out of poverty. This is especially the case for the inactive population of claimants in the aforesaid communities who have suffered long-term unemployment.

The Centre for Social Justice has called for this personalised support to offer those people more than just an income, it gives them a source of identity and structure to overturn obstacles as drawn out in our 5 Pathways – whence the original thinking behind it came.

RECOMMENDATION 1

Government should roll out nationwide a Universal Support offer based on a locally commissioned and key worker model, using examples of best practice such as the Greater Manchester Combined Authority’s Working Well programme. In Budget 2023, the last Government laid down plans to trial this approach with view of possible future roll-out.

This report will revisit the policies of the past operating under this backdrop next.

58 James J. Heckman & Jeffrey A. Smith, February 1999 <<https://www.nber.org/papers/w6983>> and <https://www.nber.org/system/files/working_papers/w6983/w6983.pdf>
59 David Card, Jochen Kluge, Andrea Weber, October 2010, <<https://academic.oup.com/ej/article-abstract/120/548/F452/5089463?redirected-From=fulltext>>
60 DWP, 2013 <<https://www.gov.uk/government/publications/universal-credit-local-support-services-update-and-trialling-plan>>

1.2. Ineffective labour market programmes and associated schemes, and employment and health support

1.2.1. Where has the focus of centralised past Government policies been over decades - there strengths and weaknesses and future challenges?

This section outlines the story of what governmental policies have been tried in the UK, how it has evolved over many decades and why it has generally not impacted the economically inactive population as much as jobseekers. Within this it will see that policy programmes have emerged largely in response to recession and low growth periods, and so have concentrated on getting easier to help jobseekers into work.

The aim of this portion of the report is to get all readers familiar with a series of schemes targeting those closer to the labour market, the recently made redundant or new entrants, and more recently ones for those further away, the disabled and ill, those with caring responsibilities for the last, children or wider family and the long-term unemployed. The Centre for Social Justice wants a nuanced debate about inactivity, and believes this cannot happen if the lessons of the past are not reflected on and considered when formulating future policies. Further parts and sections will elaborate on other countries methods for dealing with worklessness, and future policy and delivery recommendations.

Summary

During the past forty years, there has been strong focus on young domestic workers and overseas reserve labour, to maintain GDP growth. This is partly an admission in the UK and across the developed countries; as developing ones industrialised and outcompeted them on the cost of labour in the 1970s and 1980s, they have concentrated on youthful jobseekers in new sectors where they have competitive advantage. The proof of this is the many active labour market policies and similar schemes that governments of any stripes have designed to resolve worklessness in this group. Interest in this segment is valid because administrations have wanted to stop unemployment scarring; as these people will be in new value adding sectors going forward, which were thought in main unsuited for those who are economically inactive, with life events, complex circumstances and/or with them being older. However, both young and older groups need consideration in future.

Over this time, there has been crowding out of UK political bandwidth around employment support. These were mainly for youth or young adult parts of the labour market including:

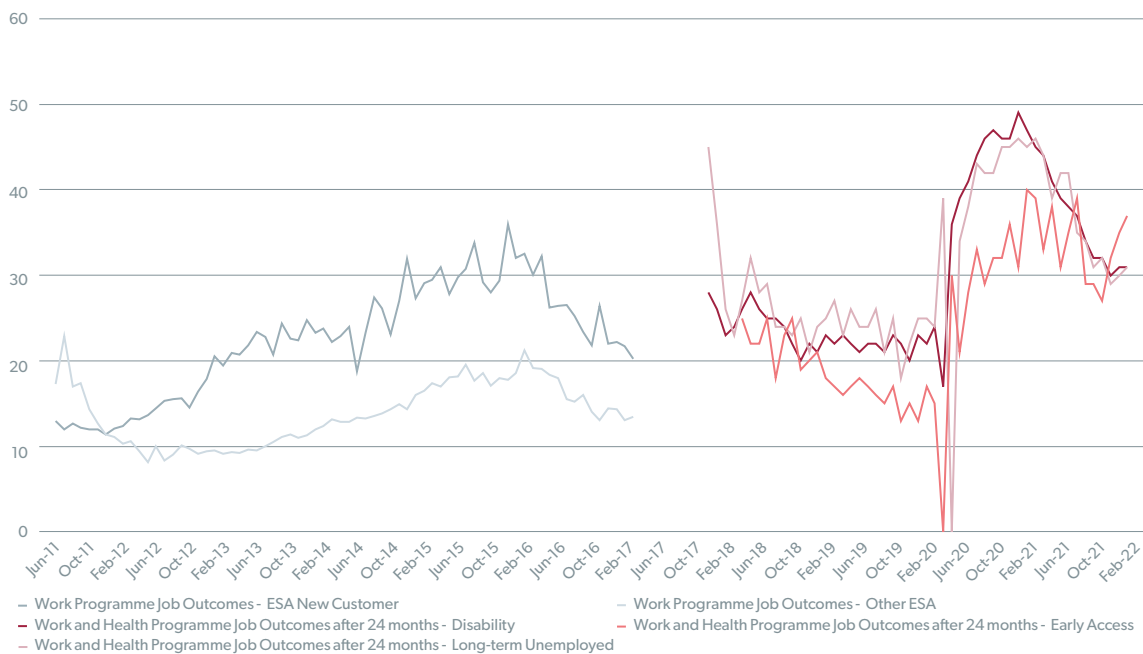
- eight departmental jobseekers orientated active labour market programmes were initiatives directed at tackling youth unemployment. The most prominent one of recent times was the Work Programme which ran from 2011 to 2017 when referrals ended, with referrals mainly being JSA claimants but also some ESA ones. It was criticised for cherry-picking people who were job ready or were near it and not helping those further away from working;
- six departmental jobseekers orientated job retention, training or assistance schemes were initiatives directed at tackling youth unemployment from the pandemic; and
- four cross-government interventions were initiatives directed at youth unemployment from 2020 when epidemic hit. These were largely direct subsidies from the Exchequer.

Those for the inactive, the disabled, those with family and caring responsibilities and the long-term unemployed (often older), can be counted on the digits of hands:

- six departmental non-jobseekers orientated programmes, of which four are specifically for the incapacitated as two are place and mentoring related. The most preeminent one for the inactive groups was/is the Work and Health Programme which has been running since 2017, which has relatively small intakes each month.

The Work and Health Programme is now clearly better than the Work Programme was for inactive claimants as contracted providers consider their needs. The chart below shows performance has returned to that before Covid struck, job outcome rates similar to its predecessor Work Programme before gradually falling before the lockdown support schemes stimulated marked rises to new higher level. However, with small throughput, it has had limited success in tackling the millions of working age inactive people.

Exhibit F: Chief programmes performance rates by select groups, 2011-22



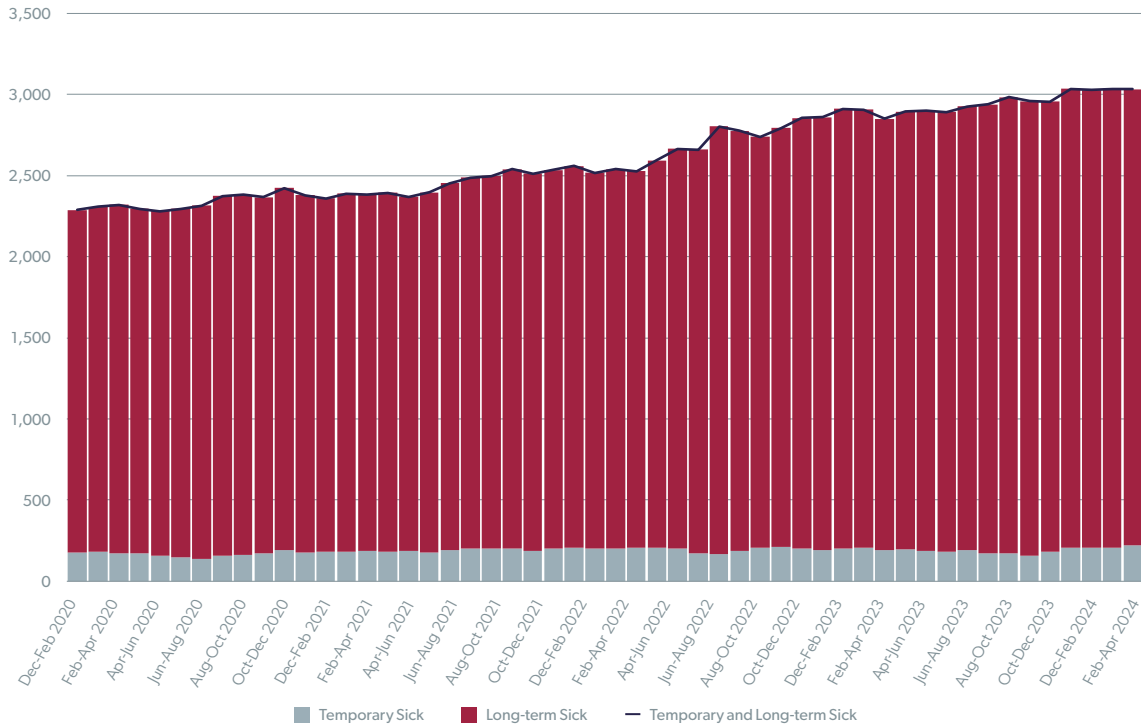
Source: DWP^{61 62}

61 DWP, July 2020 <<https://www.gov.uk/government/statistics/work-programme-statistical-summary-data-to-june-2020>>

62 DWP, May 2024 <<https://www.gov.uk/government/statistics/work-and-health-programme-statistics-to-february-2024>>

A trend emerged at decade start where large numbers of older people suffering multiple physical and mental health conditions and young persons with poor mental health have come into inactivity. The chart below shows long-term sickness has grown from 2.1 to 2.8 million since the pandemic, while temporary sickness has remained stable at around 200 thousand. This has brought the combined total to a record near 3 million sick inactive, undoing the labour market policies of all governments since the 1990s.

Exhibit G: Rise of economic inactivity related to long-term and temporary sickness in the UK since Covid (thousands of 16-64 year olds) seasonally adjusted from reason breakdown table



Source: ONS⁶³

This extremely sharp rise in long-term sickness manifests in the growth of people with: multiple health conditions, especially among the over 50s with musculoskeletal and other types; and escalation of the mental health ones, more amid the under 35s.

This loops back to offering the Centre for Social Justice’s Universal Support, personalised help to the furthest away from the labour market, with the security of return to welfare.

63 ONS, July 2024 <<https://www.ons.gov.uk/employmentandlabourmarket/peopleinwork/employmentandemployeetypes/bulletins/uklabourmarket/july2024>>

RECOMMENDATION 2

The Government should implement a set protected period for benefit claimants with No Work Requirements to move into paid employment without the risk of losing their existing benefit entitlement and right of return to the previous regime in the event the spell in work ends within short duration.

The think tank has wanted this flexibility for some time now, and others available in exemplar countries that are outlined later in this report.

1.2.2. The preoccupation with younger peoples' unemployment in the UK

Context of unemployment scarring of the young from the early 1980s

Throughout the developed world, there has been strong emphasis on dealing with youth and early core working age unemployment because of longer-term costs to the individuals. This is higher than just the immediate loss of earnings and underpins Government policies to reduce it; that is the full cost-benefit assessment of its future effects vis-à-vis regime expense of active labour market programmes and associated schemes. In the UK setting, the unemployment history of men previously in industrialised work reveals the cyclical sensitivity of re-employment when an economic upturn occurred. Hence these evaluations have shown this targeting was very cost-effective in getting these unemployed people back into work and limiting the costs to the Exchequer.⁶⁴

With the above being tied to politicians wanting to return to economic growth, as measured by quarter-to-quarter GDP growth, over at least the last four decades, this has seen them use net migration to ease labour market tightness when the supply of unemployed young people is constrained rather than deal with the economically inactive. Put simply, the extent to which they have looked at domestic labour is about getting younger people back into work, which is why the vast majority of active labour market programmes and similar schemes in these times focus on these relatively new entrants into paid employ. This can also be seen in the number of interventions that focus on the inactive being very small.

The problem is that with every period of down-swing then up-swing, there are those not in the jobseeker group not concentrated on and engaged to move into work; particularly where there is not only a closer to the labour market population but a readily available migrant workforce that is easier to get into the UK labour market and/or paid work. Thus, the UK economy has been able to grow in spells with new entrants into the workforce and that from the large reserve labour of the EU without tackling inactivity amongst the long-term unemployed, often older workers, those with family and caring responsibilities, and the disabled or incapacitated over the long- and short-term.

64 Wiji Arulampalam, Paul Gregg and Mary Gregory, November 2001 <Unemployment Scarring | The Economic Journal | Oxford Academic (oup.com)> and <<https://warwick.ac.uk/fac/soc/economics/staff/swarulampalam/publications/wagelossintrod.pdf>>

1.2.3. Programmes applied to young people over the past four decades

The jobseekers orientated active labour market programmes and similar

Historical timeline of successive and concurrent policy regimes prior to Covid

The diagram below outlines programmes targeted at young jobseekers since the 1980s; they cut across the tenures of governments of all colours and in so doing demonstrate the undeviating focus on avoiding unemployment scarring for them. The second of these has corresponding interventions looking at other subgroups within economic inactivity, but this is very much as secondary application.

Figure 18: Welfare initiatives directed at tackling youth unemployment⁶⁵

1983 - 1990	Youth Training Scheme	Training programme	This was principally about upskilling and responsibility for it lay with the Manpower Services Commission which became the Department of Employment. The training was backed by £1 billion of public money, and provided 20 weeks off the job training within a two-year programme.
1998 - 2009	New Deal for Young People (NDYP)	Multi-element programmes/ integrated offer	This brought together offers previously available across national and local governmental arms and responsibility for it sat with The Employment Service which became DWP and its frontline operations, later JCP. It is mandatory for those unemployed for 6 months or more, and offered a job/voluntary placement or else a full-time education or training place.
2009 - 11	Future Jobs Fund	Employment subsidy for employers	This was a reaction to the late 2000s financial crash. DWP and its operations made this available for all those who were out of work for 6 months. It offered a subsidy to employers and subsidised employment, training or work experience to the individual for up to 6 months at a minimum of 25 hours a week. Examples from devolved regions include Wales' Jobs Growth (2012–present) and Scotland's Employer Recruitment Incentives (2015–recently superseded by No One Left Behind).
2010	Young Person's Guarantee	Guarantee	This was a stopgap response to the above contraction. DWP and its operations offered this to those aged between 18 to 24 who had been claiming JSA for 6 months. It comprised of a job over duration, training or work experience.
2011-17	The Work Programme	Job-search assistance	This was about supporting JSA or at most risk claimants for 9 months. DWP and its operations gave contracted providers payment for results. It received some criticism for 'creaming and parking', where the job-ready were helped more than those with varied and complex needs. It referred nearly 2 million claimants and achieved 630 thousand job outcomes.

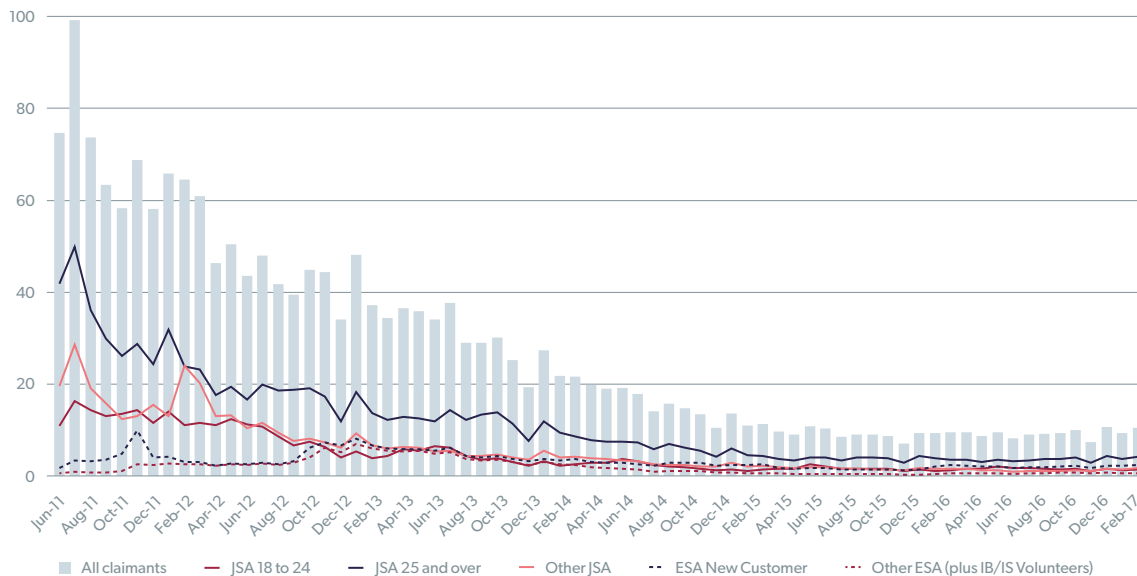
65 Parliament, 26 November 2021 <<https://publications.parliament.uk/pa/ld5802/ldselect/ldythunemp/98/9818.htm>>

2012 - 15	Youth Contract	Multi-element programme/ integrated offer	This was for those aged 18 to 24 who had been unemployed for 13 weeks. DWP and its operations gave providers payment by results for employment support/training, a job interview at a local firm, and work placements.
2014 - Present	Reinforced Youth Guarantee	Guarantee	EU commitment for those under 30 to get a good quality offer of employment, further education, apprenticeship, traineeship within 4 months of becoming unemployed/leaving education. DWP delivered it in the UK.
2017 - 20	Youth Obligation	Job-search assistance	This was about giving intensive support for those aged 18-21 claiming UC, if they were still unemployed after 6 months. DWP and its operations offered a traineeship or work placement.

The success of historic policy regimes before the pandemic

The largest relevant intervention above was the Work Programme which took referred claimants between 2011 and 2015 who had been on welfare for 9 months. It was extended by a backlog of cases to 2017. The support was delivered by providers for up to 24 months, with DWP paying contracted providers differential rates based on referred peoples' distance from the labour market; those younger and on JSA attracting lower payments than those on incapacity benefits. The chart below shows that the volumes of referrals over the programme term in operation were heavily jobseekers.

Figure 19: Work Programme referrals by payment group for intake month, 2011-17 (thousands of benefit claimants referred)

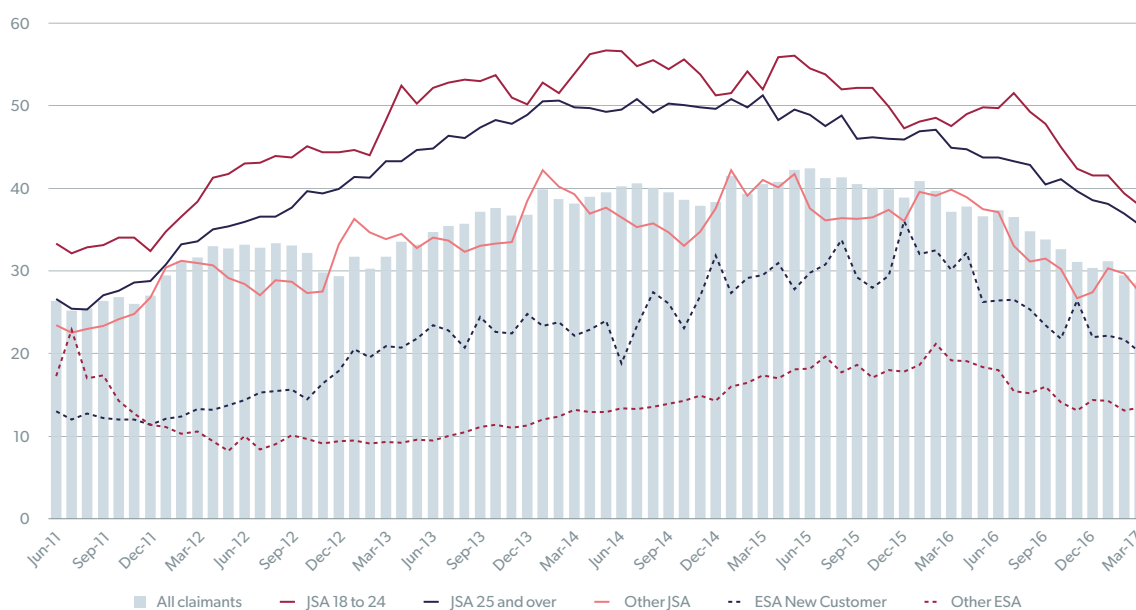


Source: DWP⁶⁶

Work Programme was better suited to the young and jobseekers as contractors did not have to tailor provision for health circumstances. DWP's payment formula was about incentivising moves into work above what is termed as 'dead weight', that which would have happened without providers. The chart below shows the effect of this stance, which meant the motivations and risk appetite of incapacity benefit claimants were not judged.

66 DWP, July 2024 <<https://stat-xplore.dwp.gov.uk/webapi/jsf/tableView/tableView.xhtml>> and DWP, July 2020 <<https://www.gov.uk/government/statistics/work-programme-statistical-summary-data-to-june-2020>>

Figure 20: Work Programme percentage job outcomes rates by intake month, 2011-17



Source: DWP⁶⁷

There has been criticism of the value for money of the Work Programme represented not least from the National Audit Office (NAO) who evaluated it in 2014 and concluded: its performance in getting people seen as easier to help into work has improved, with those claiming JSA aged 25 and over, 27 per cent who completed the programme have moved into employment lasting 6 months or longer. This is similar to previous comparable programmes but is less than the DWP's original expectation, 39 per cent, and minimum performance level, 33 per cent, and provision bidders' opening hopes, 42 per cent.⁶⁸ In the years following 2014, as time went on and beyond the 24 months horizon performance improved toward the department's and providers' starting point positions.

The Work Programme has not improved performance for groups that are furthest from labour market compared to previous schemes. DWP did not design the programme to help participants whose barriers to employment mean that it is more difficult to move into work. However, performance has been similar to past initiatives though it falls well short of the department's and bidders' expectations. Contractors reduced what they plan to spend on the hardest to help, with support for these participants lower than for those with better employment prospects.⁶⁹ This led to a successor programme to deal better with a range of inactive peoples in the welfare system.

Historical timeline of successive and concurrent policy regimes post-Covid

The diagram below outlines programmes principally targeted at younger jobseekers since the outbreak of contagion; they can consider the differential health impacts of the epidemic on existing claimants and the newly unemployed but heavily display the same longstanding focus on avoiding unemployment scarring of those early in working lives.

67 DWP, July 2020 <<https://www.gov.uk/government/statistics/work-programme-statistical-summary-data-to-june-2020>>

68 NAO, July 2014 <<https://www.nao.org.uk/reports/the-work-programme/>> and <<https://www.nao.org.uk/wp-content/uploads/2014/07/The-work-programme.pdf>>

69 Ibid.

Figure 21: DWP associated initiatives primarily directed at tackling unemployment⁷⁰

2020 - 22	Kickstart	Subsidised employment/work experience	This was primarily a response to surge in unemployment caused by the contagion. It provided employers' subsidised work placements for young people claiming UC for at least 25 hours a week for 6 months. As of 24 April 2022, 162 thousand young people had been reported as having started a placement, and a further increase is expected. During the period the scheme was open, 305 thousand job placements were approved and 235 thousand were advertised. ⁷¹
2020 - 23	Job Entry Targeted Support	Job-search assistance	This was also a reaction to the outbreak. It was only available in England and Wales, and gave employment support for unemployed people who have been claiming UC or new style JSA for at least 13 weeks. At November 2022, it was reported that 138 thousand people had been referred with over 25 thousand of them achieving job outcomes.
2020 - 25	Youth Offer	Multi-element programme with an integrated offer	<p>This is about supporting those aged 18 to 24 (extended to 16 and 17 year olds in October 2021) claiming UC in the Intensive Work Search group. It has 3 components:</p> <ul style="list-style-type: none"> • Youth Employment Programme offering 13 weeks of support with referrals (mandatory); • Youth Hubs offer support with co-located partners; and • Youth Employability Coaches up to 6 months of specialist support for those with complex barriers. <p>In March 2024, it was reported that this flagship scheme had helped over a million 16-24 year olds.⁷²</p>
2021 - Present	Sector based Work Academy Programme	Training programme	This was expanded in 2020, and is an employment support scheme for people looking to swap sectors. It is only available in England and Scotland and gives pre-employment training, work experience and a guaranteed interview to participating claimants. At November 2022, it was reported that 65 thousand people in 2020, and over 30 thousand persons were supported since April 2021.
2021 - 22	Job finding support	Job-search assistance	This was a short-run online service to help people who have been unemployed for up to 13 weeks who do not need broad support. It closed in January 2022, a concurrent Government Digital Service product is still available. At November 2022, it was reported that 30 thousand people up to the end of August 2021 were users.
2021 - 24	Restart	Job-search assistance	This is a mandatory post-referral for UC claimants in the Intensive Work Search group for over 12 months. It is only available in England and Wales over 3 years, and intends to support 1 million unemployed people back into work. Between June 2021 and October 2023, it had 630 thousand individuals referred and 530 thousand job starts. ⁷³

The diagram below outlines programmes and other things that are not just targeted at younger jobseekers but nonetheless are applicable to them during the Covid era and in lockdowns. These came into existence because of the prevailing emergency and more especially its effect on the economic fortunes of all citizens; however because they are used in political discourse and inform that dialogue it is important to document them here.

70 Parliament, November 2021 <<https://publications.parliament.uk/pa/ld5802/ldselect/ldythunemp/98/9818.htm>>

71 DWP, June 2022 <<https://commonslibrary.parliament.uk/research-briefings/cbp-8965/>>

72 DWP, March 2024, <<https://www.gov.uk/government/news/flagship-youth-employment-programme-hits-one-million-milestone#:~:text=New%20figures%20show%20DWP%20's,47%20per%20cent%20since%202010>>

73 DWP, December 2023 <<https://www.gov.uk/government/statistics/restart-scheme-statistics-to-october-2023>>

Figure 22: Government wide initiatives primarily directed at tackling unemployment⁷⁴

2020 - 22	Apprenticeship incentives	Wage subsidy	The Department for Education (DfE) gave employers £3,000 for every apprentice they hire of any age, which equates to a 35 per cent wage subsidy for an apprentice on Minimum Wage. At November 2022, it was reported that there were 101 thousand apprentices, 76 per cent aged 16 to 24.
2020 - 21	Coronavirus Job Retention 'Furlough' Scheme	Wage subsidy	HMT's response to the virus to September 2021. It was support to employers to retain and pay 80 per cent up to £2,500 gross salary for their employees. At November 2022, it was reported that 11.6 million jobs were furloughed by close.
2020 - 21	Self-Employment Income Support Scheme	Wage subsidy	This was also a HMT reaction to the infections era to September 2021. It was support to self-employed people in a similar way to the above, and enabled them to claim 80 per cent of 3 months' average trading profits, capped at £7,500, thereafter it enforced that the self-employed move to UC.
2020 - Present	Find a job Job help	Job-search assistance	These are free websites developed by the Government Digital Service. They provide fallback to job-search commercial offerings and wider advice for preparing people for application process.

1.2.4. Programmes applied to those furthest from the labour market over the decades

The non-jobseekers orientated active labour market programmes and associated

Historical timeline of successive and concurrent policy regimes pre- and post-pandemic

The diagram below outlines programmes targeted at the economically inactive, older people, the long-term unemployed, lone parents ad parents, the disabled and others since the 1990s when such schemes first started; they cut across the tenures of different governments and given the smaller number of, and later dates reveal, the degree of under attention on these groups.

74 Parliament, November 2021 <<https://publications.parliament.uk/pa/ld5802/ldselect/dythinemp/98/9818.htm>>

Figure 23: DWP initiatives directed at tackling worklessness of non-jobseekers⁷⁵

<p>1994 - Present</p>	<p>Access to Work</p>	<p>This is for disabled people and those with major health conditions. It offers grant funding for them where their needs exceed standard adjustments. All employers are required to provide it under the Equality Act 2010. At November 2022, it was reported that 350 thousand people received such a payment from April 2009 to March 2022. The Government has a target of getting one million more disabled people into work by 2027.</p>
<p>1998 - 2009</p>	<p>New Deal for those aged 25+ and 50+ (ND25+ and ND50+), Lone Parents (NDLP), and the Disabled (NDDP)</p>	<p>This was originally about the targeting of the young unemployed as outlined above, and NDYP, for the under 25s, received by far the greatest proportion of funding, £3.15 billion through to 2002.</p> <p>the New Deal programmes subsequently targeted other groups:</p> <ul style="list-style-type: none"> • ND25+ and ND50+ targeted those suffering persistent and repeated unemployment for 18 months or more. It was budgeted to the tune of £350 million up to 2002. • NDLP targeted single parents with school age children. It was budgeted to £200 million up to 2002, directly allocated to the program and not including additional assistance for childcare. • NDB targeted those with disabilities in receipt of Incapacity and similar benefits. It was budgeted to £200 million up to 2002. This was with suspension to the Work Capability Assessments, introduced in 2008. <p>There were other lesser known New Deals, including for unemployed musicians but these had little by way of budget.</p>
<p>2017 - Present</p>	<p>Work and Health Programme</p>	<p>This is the first standalone programme for non-jobseekers that targeted disabled people, the long-term unemployed, ex-carers, ex-forces etc. It offers 15 months of support and up to 5 months in-work support, using private, public, voluntary and community providers to help people get into and stay in work using coaching and action-planning. It referred 545 thousand claimants and had 316 thousand starts into jobs.</p>
<p>2017 - Present</p>	<p>Challenge areas</p>	<p>This is an intervention for Black, Asian and Minority Ethnic (BAME) young people, following the 2017 Race Disparity Audit.</p> <p>20 areas within England, Scotland and Wales with both a high minority ethnic population and a large gap between the minority ethnic and white employment rate were chosen. People receive tailored support through work coaches in their area.</p>
<p>2018 - Present</p>	<p>Mentoring Circles</p>	<p>The scheme is open to all 16-24 year olds claiming benefits. They are voluntary support groups to build employability skills, and are targeted by JCP to local needs e.g. targeting towards particular minority ethnic groups. At November 2022, it was reported that 630 circles were attended by 4,400 people from July 2019 to January 2020.</p>
<p>2019 - 23</p>	<p>Intensive Personalised Employment Support</p>	<p>This is for disabled people and those with complex barriers to overcome in order to work. It provides up to 21 months support and 6 months intensive in-work support. It is due to run until November 2023 having launched in December 2019. At November 2022, it was reported that 3,100 people were on it at February 2021.</p>

75 Parliament, November 2021 <<https://publications.parliament.uk/pa/ld5802/ldselect/ldythunemp/98/9818.htm>>

There have only ever been four initiatives directed at the inactive populations of those further away from the labour market, the disabled as well as lone parents and the long-term unemployed (who are often older). Moreover, of these, the first was only grant funding for reasonable adjustments and the second was an adjunct to the New Deal for Young People.

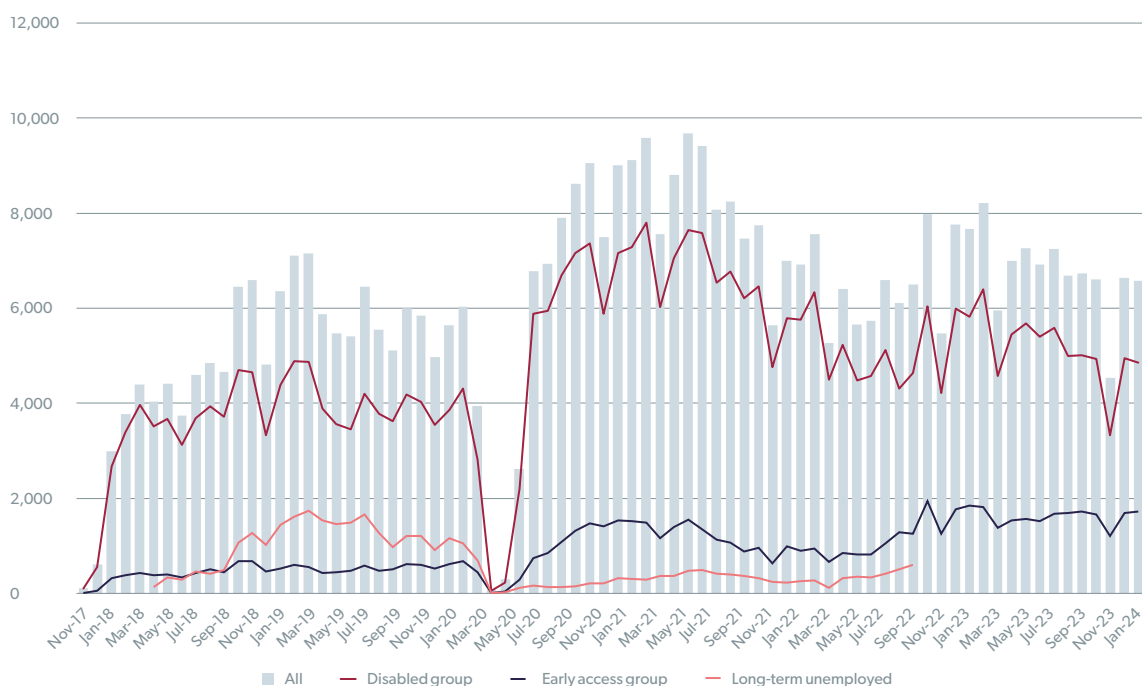
The success of current policy regimes before and after the pandemic

This leaves the Work and Health Programme as the only integrated initiative that took and still takes referred furthest from work inactive claimants as well as jobseekers; It is available to the following eligibility groups:

- the Disability group – voluntary for disabled people as defined in the Equality Act 2010, which is the main group that the scheme is aimed at getting into paid employment;
- the Early Access group – voluntary and aimed at people who may need support to move into employment and are in one of a number of priority groups (for example traditional customers like parents of young children and lone parents, and newer clients such as the homeless, ex-armed forces, care leavers, refugees); and
- the Long-term Unemployed group – mandatory for JSA or UC claimants who have reached 24 months of unemployment.

The Work and Health Programme provides up to 15 months of job matching and search support and 5 months in work support delivered by contractors, with DWP contracted providers getting differential rates based on distance from the labour market. The chart below shows that of referrals over the term of the programme have a dramatic reduction during the start of the Covid outbreak and was predominantly for inactive groups rather than long-term unemployed claimants.

Figure 24: Work and Health Programme referrals by intake month, 2017-24



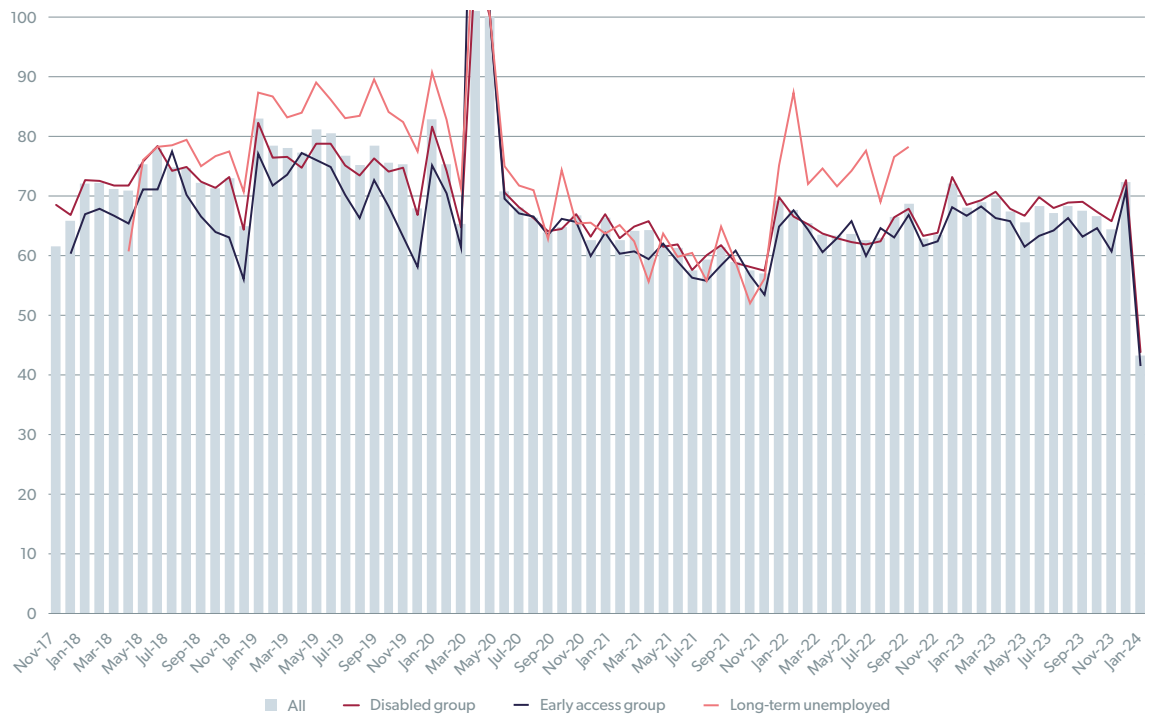
Source: DWP⁷⁶

The Work and Health Programme has a through-put issue, as can be observed from the small cohort caseloads above. On top of this, those taking up the intensive support does not transfer to every individual referred into a start on the scheme. The chart below shows the percentage of referrals that are converted into starts over the term of the programme, which has a marked peak during the start of epidemic, has been on the decline from a high before 2019 and this is in the main true for all of the eligibility groups; but for the long-term unemployed claimants who peaked between 2018 and 2019 and then turned the other way between 2020 and 2022. It shows how the fewer claimants have been benefiting from this concentrated help.

The Work and Health Programme starts are recorded when a participant attends the initial face-to-face meeting with the provider and agrees to participate. Most of these starts should take place within 15 working days of referral and if they fall outside this window the participant may still partake within another intake; thus the size and backlog are further constrained by DWP' operational frontline to providers' pipeline.

76 DWP, May 2024 <<https://www.gov.uk/government/statistics/work-and-health-programme-statistics-to-february-2024>>

Figure 25: Work and Health Programme referred individuals converted into starts percentages by intake month, 2017-24

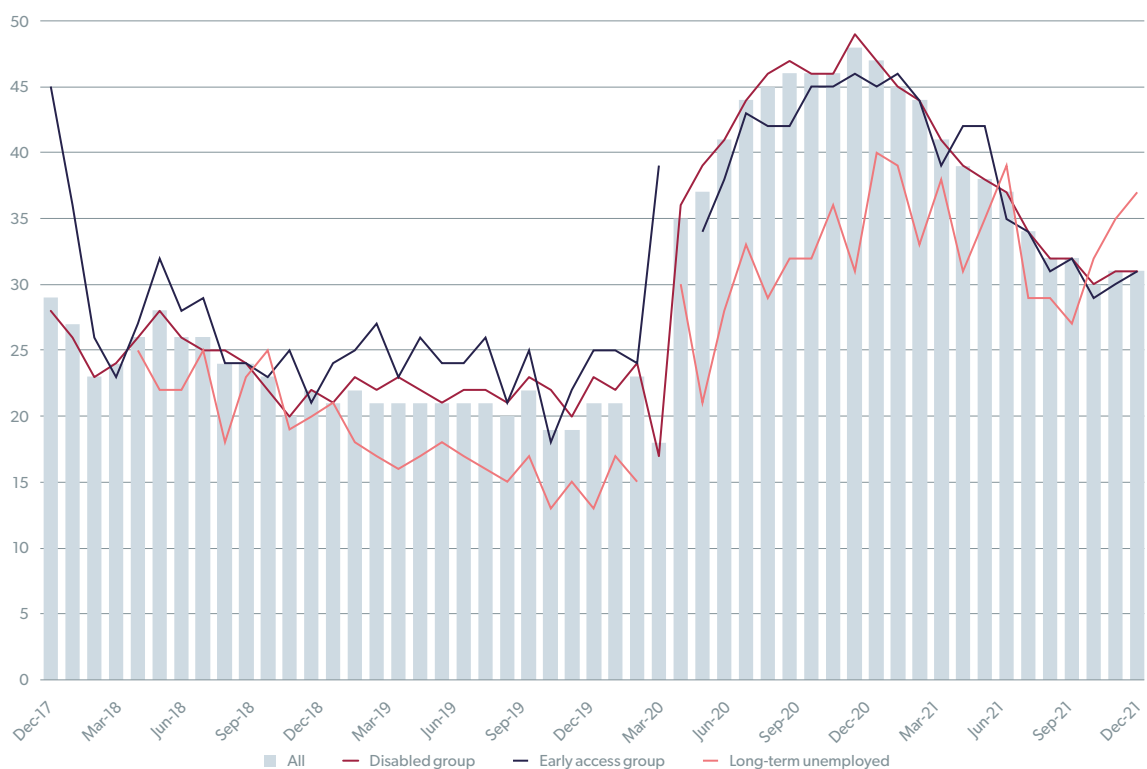
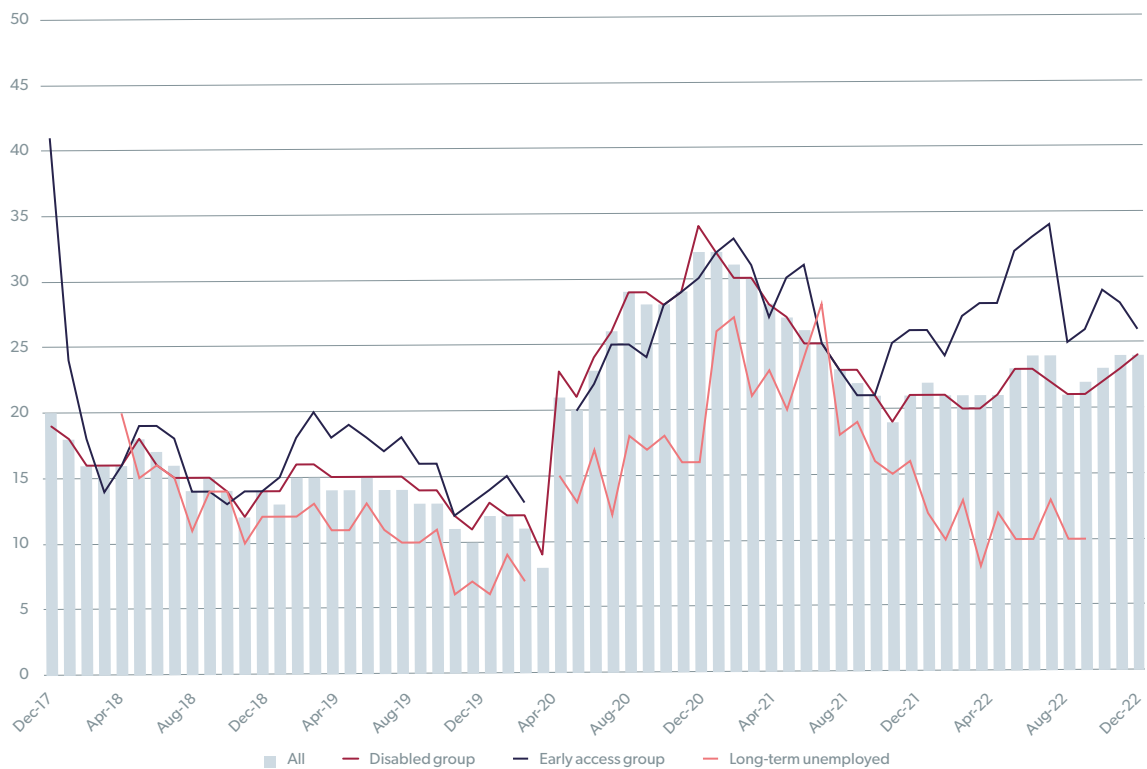


Source: DWP⁷⁷

The Work and Health Programme was and is clearly better for inactive claimants as contracted providers consider their needs. The charts below show the overall effect of this with results being higher from these further from the labour market groups than the long-term unemployed. However, one should be cautious of the relatively recent uptick in the 24 months performance as these are peak cohorts in 12 months results of a year back and subsequent intakes have performed worse, back to near historic rates, at that juncture, and as the conversion of referred individuals into starts means these highs are more likely to be around a third after 24 months if the baseline was referred individuals.

77 DWP, May 2024 <<https://www.gov.uk/government/statistics/work-and-health-programme-statistics-to-february-2024>>

Figure 26: Work and Health Programme percentage job outcome for starts by intake month, at 12 months and 24 months from start, 2017-24



Source: DWP⁷⁸

78 DWP, May 2024 <<https://www.gov.uk/government/statistics/work-and-health-programme-statistics-to-february-2024>>

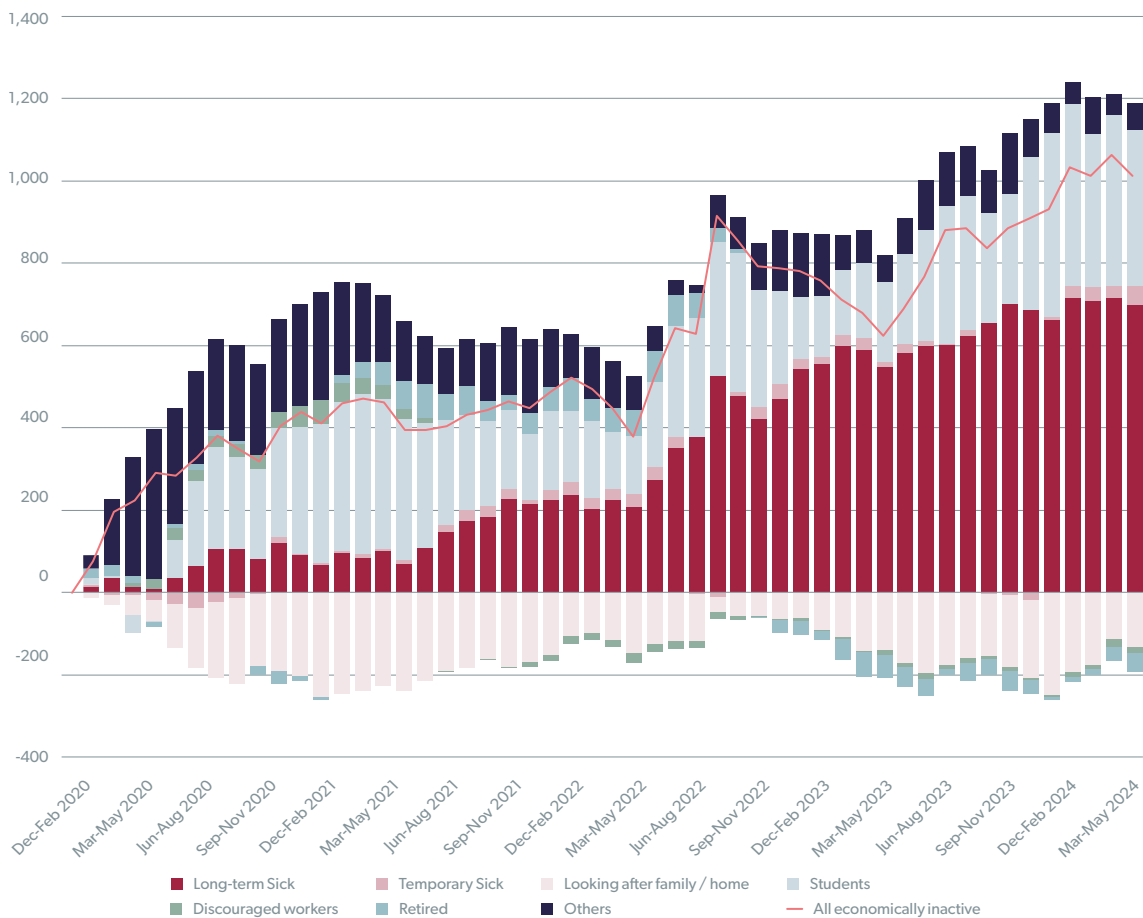
1.2.5. The degree of challenge has changed since Covid

The worsening health of many in the working age

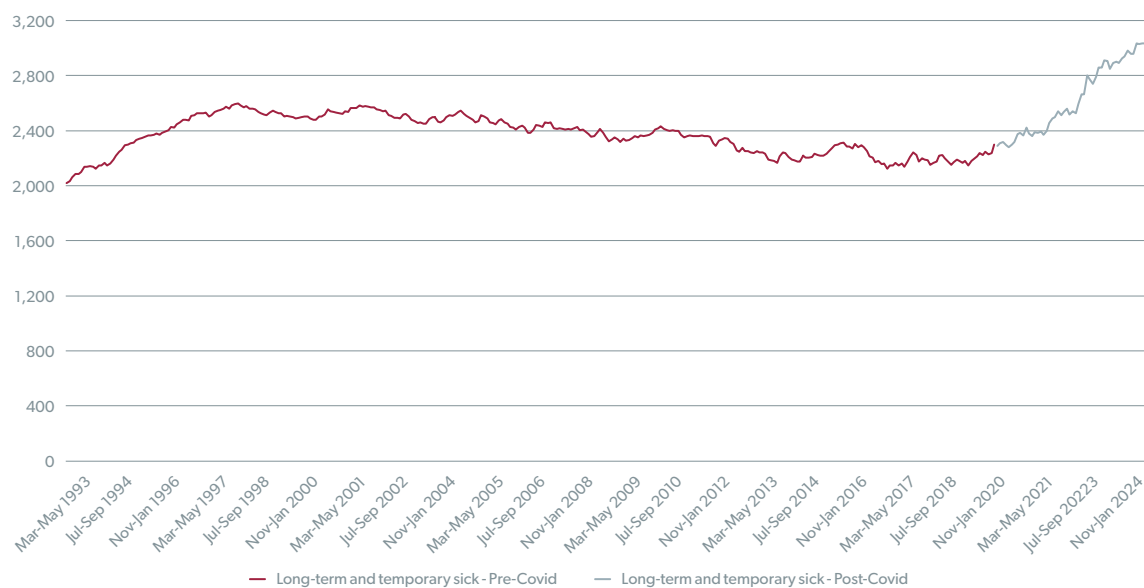
The fluctuation of the inactive and increase of long-term sickness populations

The post-pandemic UK labour market has been very tight and one of the reasons for that is the number of working age people that are economically inactive. The first chart below shows that non-sickness related inactivity has been more stable relative to early 2020 when Covid struck. This has happened with those looking after others, students and others inactives rising relative to quarter ending February 2020. However, it is the sickness related inactives being higher driven by the long-term sick group which is the story. Indeed, the number of inactive working age people due to long-term sickness is nearer 700 thousand more than in early 2020, out of a total rise of around a million. This recent growth in the working age long-term sick actually started before in early 2019, but accelerated since and remains stubbornly high since; with commentators putting this down to a mixture of causes from people suffering more illness owing to longevity to medical systems' diagnosis changes, to the NHS backlogs partially due to pandemic. The second chart shows the incline in long-term sickness is now above levels last seen in the mid-1990s, with the total recently breaching 3 million which is a new high.

Figure 27: rise and fall in economic inactivity in the UK by reasons, 2020-24 – relative to UK in December-February 2020 (thousands of 16-64 year olds) from reason table



And recent rise of economic inactivity related long-term sickness in the UK, (thousands of 16-64 year olds), seasonally adjusted from reason breakdown table



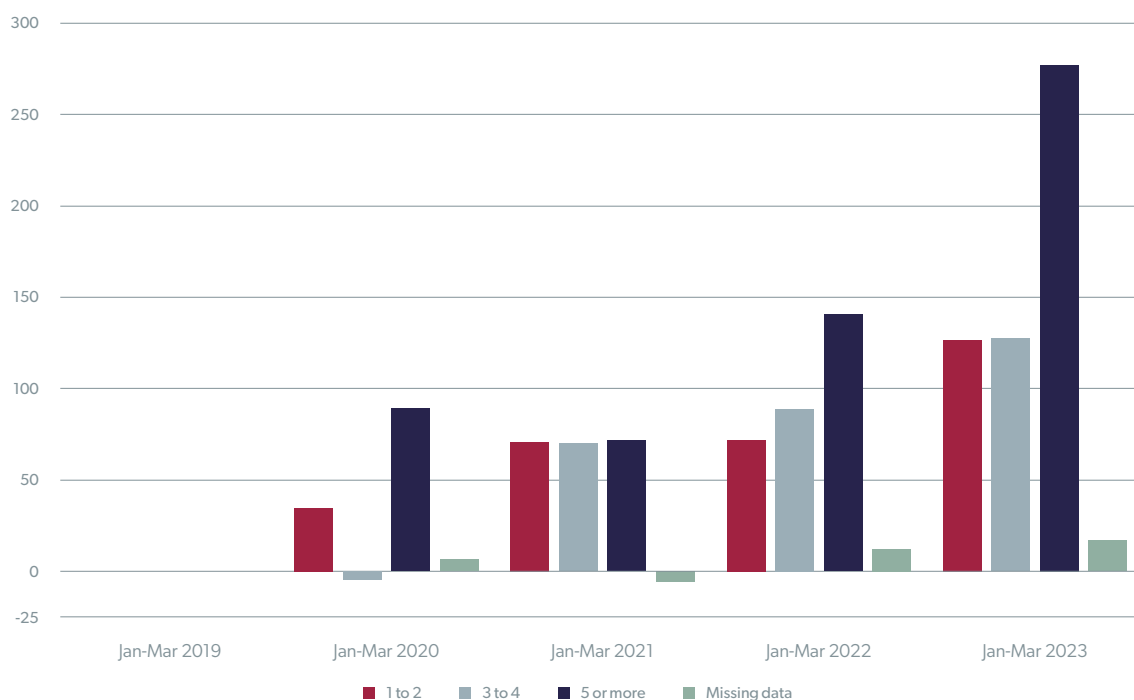
Source: ONS⁷⁹

The drivers of increase in the long-term sick group

A key feature of the above growth in long-term sickness is that inactive working age people are getting more health conditions at the same time. The first chart below from the latest statistical release shows the number of health conditions for them from first quarter 2019 to first quarter 2023, with substantial increase on the former being observed two years hence and the most in the final year of the time-series. Indeed, those reporting five or more health conditions rose over a quarter of a million over the years, and those reporting one or two, and three or four conditions were raised by over 100 thousand. This strongly suggests that those who are inactive due to long-term sickness have been and are likely to continue experiencing increasingly complex health issues. These days this means the majority of them have more than one health barrier for returning to the labour market. This trend in inactive working age people's long-term sickness varies across age bands and leads to the prevalence of certain main conditions. The next charts below from current statistical report show: first, relative change in number of health conditions over years above but split by age groups, with big rises in five or more conditions in the 50-64 year olds and usually uplifts in one or two and five or more conditions in the 16-34 year olds; and second, relative change in main higher-level health conditions over these years, with the non-specific group being raised the most but there are still noteworthy upticks in musculoskeletal, cardiovascular and mental health cases.

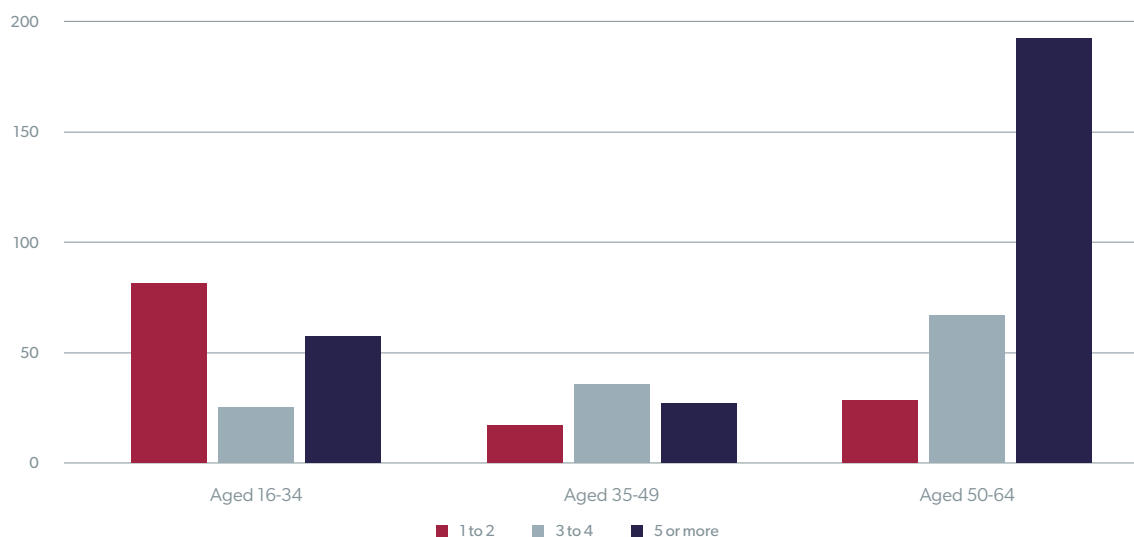
⁷⁹ ONS, July 2024 <<https://www.ons.gov.uk/employmentandlabourmarket/peopleinwork/employmentandemployeetypes/bulletins/uklabourmarket/july2024>>

Figure 28: Rise and fall in economic inactivity reporting different numbers of health conditions – relative to Q1 2019 (thousands of long-term sick)

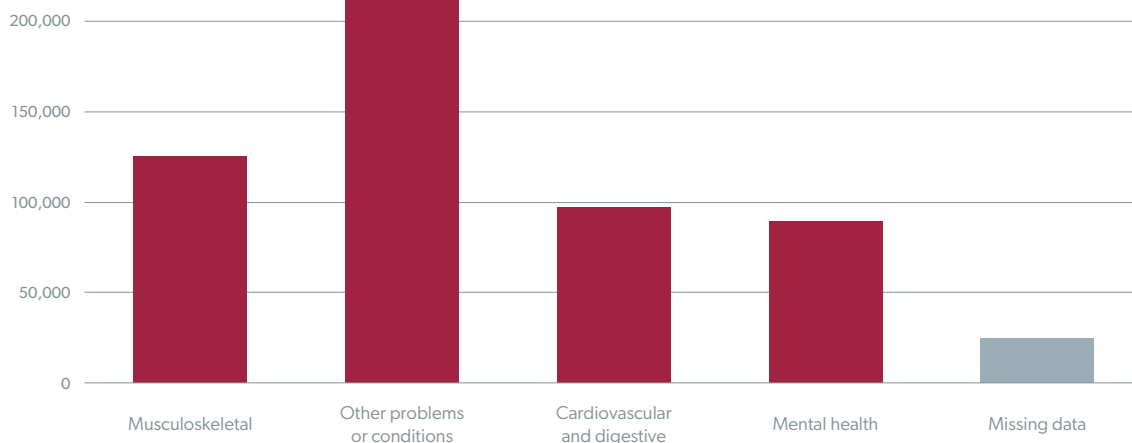


Source: DWP⁸⁰

Figure 29: Rise in economic inactivity reporting different numbers of health conditions by age band and main higher-level health conditions – Q1 2023 relative to Q1 2019 (thousands of long-term sick)



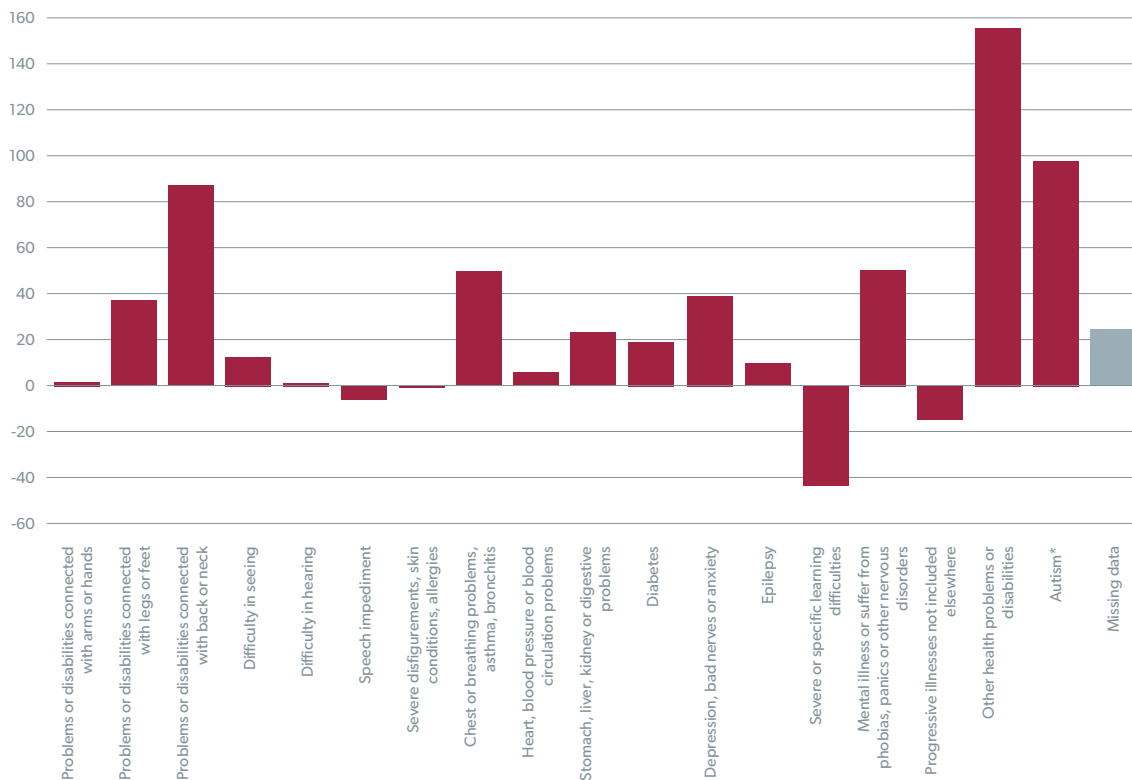
80 DWP, July 2023 <<https://www.ons.gov.uk/employmentandlabourmarket/peoplenotinwork/economicinactivity/articles/risingillhealthandeconomicinactivitybecauseoflongtermsicknessuk/2019to2023>>



Source: DWP⁸¹

Patterns in the long-term sickness of inactive working age peoples' main health condition can be looked at in detail. The chart below from newest statistical summary shows a similar finding in that non-specific conditions rose the most, but also lets it be seen that there are large increases in the volumes related to back or neck and legs or feet, chest or breathing, and mental health, depression and autism (a new category not present in 2019).

Figure 30: Rise and fall in economic inactivity reporting lower-level health conditions – Q1 2023 relative to Q1 2019 (thousands of long-term sick)



Source: DWP⁸²

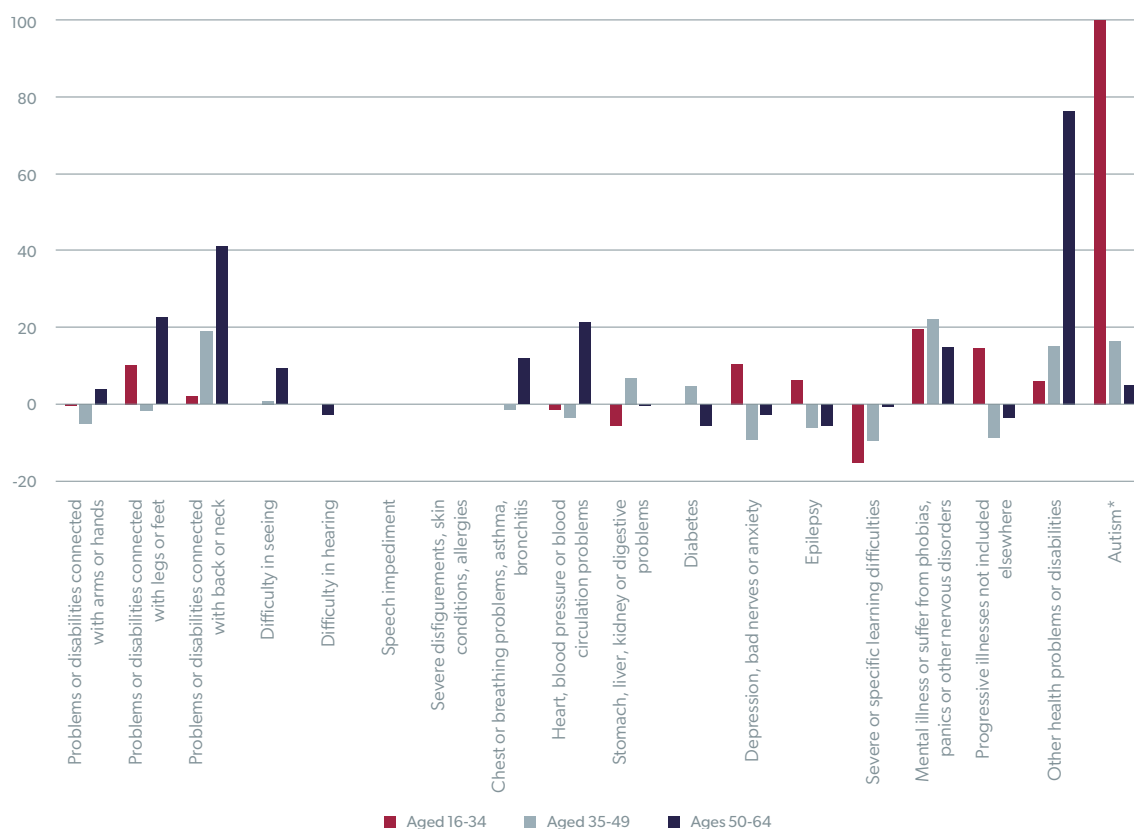
81 DWP, July 2023 <<https://www.ons.gov.uk/employmentandlabourmarket/peoplenotinwork/economicinactivity/articles/risingillhealthandeconomicinactivitybecauseoflongtermsicknessuk/2019to2023>>.

82 Ibid.

The story in the long-term sickness of inactive working age peoples' main health condition can be looked at in even more detail through breaking down by age bands. The chart below from a previous statistical release, which although does not represent the current picture does show trends consistent with the above. It shows: much of the growth in non-specific conditions, back or neck and legs or feet and chest or breathing and indeed blood related cases were driven by the 50-64 year olds; rises in mental health cases pushed by all age groups but with surprising numbers from the 16-34 and 35-49 year old groups; and surges in depression and autism (a new category not present in 2019) caused in large part by 16-34 year olds which is a new aspect of the sickness inactivity landscape.

In this earlier study, the ONS separated out health and age effects on economic inactivity among working age people from 2019 to 2022; they explored relations between population age structures and work-limiting health conditions, and growth in inactive population. If probability of inactivity by age and health stayed at 2019 values, the rise in prevalence of work-limiting health would have raised inactivity by 0.63 percentage points and that for age structure would have raised it by 0.29 percentage points. Alongside these influences, unobserved/unassigned structural and behavioural changes would have brought down inactivity by 0.46 percentage points; the fact health and age together are twice as large as all else illustrates impact.⁸³

Figure 31: Rise and fall in economic inactivity reporting main lower-level health conditions by age band – Q2 2022 relative to Q2 2019 (thousands of long-term sick)



Source: DWP⁸⁴

83 DWP, May 2023 <<https://www.ons.gov.uk/employmentandlabourmarket/peopleinwork/economicinactivity/articles/healthdemographicandlabourmarketinfluencesoneconomicinactivityuk2019to2022/2023-05-19>>

84 Ibid.

1.2.6. Argumentation behind Universal Support extended to more claimants

Unfinished Business

Reforming the frontline business

The Government's first priority was dealing with the fallout from the Covid epidemic, but since then it has been and should continue to be about helping the country get back on track to completing the welfare reform revolution that started in 2012. The first part of this was UC which has been a success in creating a more flexible and dynamic benefit payments system that better incentivises people to re-enter work. The second part that was held back owing to circumstance is about implementing Universal Support, helping the economically inactive including the disabled back into employment with tailored support. This was the initiative pilot announced by the then Chancellor of the Exchequer in Budget 2023:

"Today, I am going further by announcing that, after listening to representations from the Centre for Social Justice and others, in England and Wales we will fund a new programme called Universal Support. This is a new, voluntary employment scheme for disabled people..."⁸⁵

Universal Support also featured heavily in the Health and Disability White Paper on the same day as Budget 2023.

Companion to earlier welfare reform

The point of Universal Support is to charge delivery partners with helping some of the most vulnerable and disadvantaged people in society, and aim to help them tackle complex and multiple challenges, including physical, mental and emotional health, substance abuse, housing and relationship, employability and skills (including digital skills), debt and budgeting support.

The Centre for Social Justice has been calling for this personalised support to offer people more than just an income, giving them a source of identity and structure to overcome issues holding them back as outlined in our 5 Pathways. This should happen within a safe period where the claimant can try work but retain their benefits' rights in the event it does not work out for them.

RECOMMENDATION 2

The Government should implement a set protected period for benefit claimants with No Work Requirements to move into paid employment without the risk of losing their existing benefit entitlement and right of return to the previous regime in the event the spell in work ends within short duration.

This report will come back to this after showcasing what happens in other countries next.

⁸⁵ Hansard, March 2023 <<https://hansard.parliament.uk/commons/2023-03-15/debates/5603C6A5-C487-4D37-8658-F6403BF9E5A5/Financial-StatementAndBudgetReport>>

1.3. International comparisons of spend, size, generosity and strictness of welfare

1.3.1. Alike or not from other countries, and positioning right for the future?

This section lays out the shape of UK welfare for the active and inactive and the strength of its public employment support compared to that of other countries. This is in order to dispel misconceptions about its place relatively speaking and to narrow down to peers, both those similar and ones that are different but there might be reason to aspire to be like. It provides the internationally recognised metrics to contextualise the domestic offer and inform relative assertions on them.

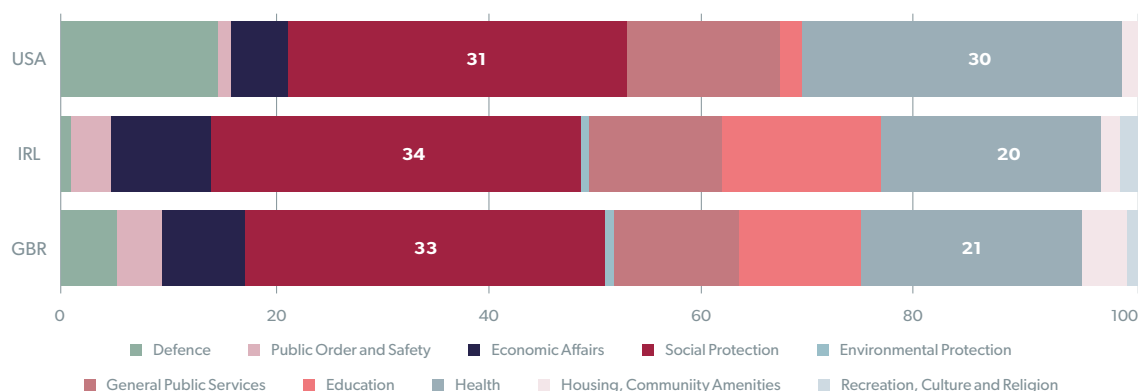
The aim of this portion of the report is to get readers to a point where they have an idea of scope for future policy change; such that non-experts can judge how realistic the policies are, espoused by political actors are. The Centre for Social Justice wants a nuanced debate about economic inactivity, and believes this does not happen if the range of possibilities are not considered within the boundaries of feasibility. Further parts and sections will elaborate on exemplar countries reducing worklessness, and financing of policy and delivery recommendations.

Summary

Over many decades, the UK has become poorer with less activity per person; this conundrum is seen in GDP per hour closer to southern rather than northern Europe. The political dialogue is about improving productivity via quality rises and that is the right end goal, better jobs with higher pay which this report will come to in Part Two Section Four, but it is difficult to pin down what this will come from and has therefore proven elusive and is looked at as part of future industrial strategy. While this is in flux, policymakers may want to raise quantity which is easier to specify; but if net migration is not the conduit then returning national fertility to replacement rate to equilibrium must be. These are not an either or, but one cannot wholly detach lower growth from demographics.

Working from available data, the country has similar employment to competitors, but higher economic inactivity to them. Incomes are lower here than many states with those earning below two thirds of the median earnings being very much higher in the UK and the Anglo-Saxon world and Ireland, which can make living on benefits look appealing as the gap may not be so large between that and being in low paid work. Different benefit amounts have a very different disincentive effect here, with those on inactive ones and/or in certain locations are better off on welfare than in work or close to it. For clarity this is an argument for lifting pay not reducing awards, given the proportion below two thirds of median earnings. While it is hard to make comparisons on national spending by functions, it is clear that the UK is more similar to its ethnographical peers. The chart below shows the United States and Ireland are the best match to the UK, with similar public spending on social protections [welfare] and health accounting for more than 50 per cent.

Exhibit H: Functions as percentage of government spending in three OECD countries, pre-Covid in 2019



Source: OECD⁸⁶ - please see standard OECD country codes in the annex

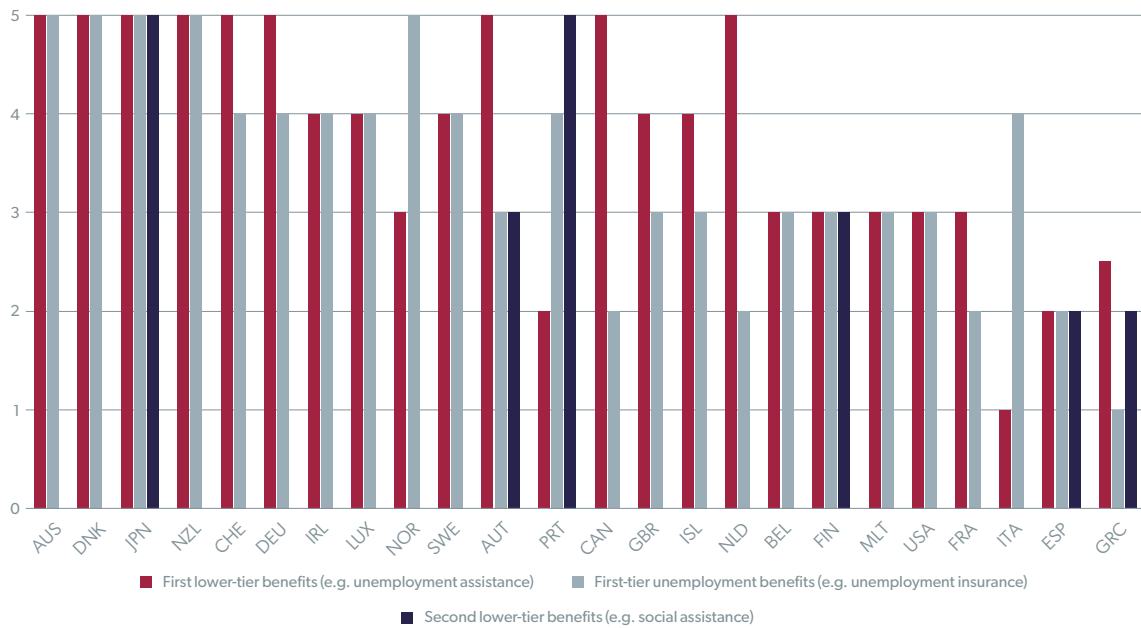
Assessment of unemployment benefits coverage, generosity and wider features are substantively complicated by there being at least two system types: Bismarkian insurance based models and Beveridgian universal ones – both bear the name of the person under whom they came into existence in newly unified Germany and inter- and post-war Britain respectively. The UK’s unemployment offer is universal above low eligibility and contribution bars meaning coverage is amongst the higher end of the range, partly because of the bar to entry of the insurance based systems of many European countries. It is also of low generosity as a percentage of previous income compared to others, as one might expect from a universal system, which is by in large true for the Anglo-Saxon world and Ireland. However, the UK has especially low rates on this metric, indeed only the United States has lower rates but that is only after the first year has elapsed.

Judgement on whether step up in replacement rates from unemployment benefits to inactive ones as incentive to not work is hard to measure. If there is a substantial difference or even on a gradient disparity then claimants at the margin have a strong incentive to stay out of work and live on them, particularly for those in depressed areas and with higher living costs and lower wages. There was such a panel study in the mid-2010s that aimed to get at this, but it had a limited number of European countries in it, and some were not those the UK would readily be compared with. What it revealed was that the UK had marginal incentive to claim for disability as maximum pay-off is a high positive difference. While others like two Scandinavian countries had this finding as well, they imposed penalties for minimal disability claims. Moving beyond replacement rates, there are other reasons for being on inactive benefits; the most obvious of which is the lack of state support to compensate for additional childcare costs.

The strictness of UK benefit and support regime is robust, but not the most severe as is often reported. It is preoccupied with job search and sanctions; these are not or not much relevant to the inactive. Others around restricting availability where claimant’s lack of flexibility on occupational and geographical mobility are not so strictly followed through. The chart below shows the country is middle of the pack compared with usual comparators on an average score basis across types of benefit or support for occupational mobility.

86 OECD, August 2024 <<https://www.oecd.org/en/data/indicators/central-government-spending.html#indicator-chart>>

Exhibit I: 5-point strictness on occupational mobility item in set of OECD countries, post-Covid in 2022



Source: OECD⁸⁷ - please see standard OECD country codes in the annex

There needs to be a great deal of thought going into policymaking around calibrating coverage, generosity and strictness of regime; therefore there is a need to look into the best practice exemplars in the Nordics. These countries are recognised as having the most success in getting and keeping people in employment, while balancing the health and care facets of state, regional and local authorities.

This interacts with the Centre for Social Justice’s proposal, which personalises support to those with varied and difficult obstacles before them in order to give them identity, purpose and structure. This should be available to both the unemployed and inactive people.

RECOMMENDATION 3

The Government should allow localised differences in delivery of support to inactive benefit claimants within national strategy to give those able and wanting to enter employment help and reassurance. This means letting local leaders make more decisions on provision and incentives, be that in current centralised or future devolved employment service.

We want this flexibility to be formulated locally, as the best examples are that way in core Scandinavia and adjoining countries that are case studied in this report.

87 OECD, August 2023 <<https://stats.oecd.org/Index.aspx?DataSetCode=SBE>>

1.3.2. The economic model supporting welfare spending across countries

The size of economies and demographic trends

There is a tendency to think about welfare and labour market policy spending and therein size, generosity and strictness, without relating back to economic activity. This is driven by the number or the projected number of people in a state engaging in productive work driven by the working age population creating value over a time horizon. The start point for the UK is not a strong one, as it is not as wealthy as many would think if GDP per capita is the yardstick which constrains its spend. This is observable in the chart below; here economic output per head is lower than everywhere but for southern European countries, New Zealand and Japan and is similar to that of Canada. Though, it has to be said that the outliers of Ireland and Luxembourg benefit on this measure from value created elsewhere but headquartered in their jurisdiction and Norway from a large sovereign wealth fund effectively doing the same.

Figure 32: GDP per capita in set OECD countries, pre- and post-Covid in 2019 and 2022 – thousands of US dollars (2008 USD, System of National Accounts)



Source: OECD⁸⁸ - please see standard OECD country codes in the annex

88 OECD, August 2023 <<https://data.oecd.org/gdp/gross-domestic-product-gdp.htm>> now <https://stats.oecd.org/Index.aspx?DataSetCode=S-NA_TABLE1_SNA93>

The amount of activity a state has in GDP terms is derived in part from the quality aspect of productivity, as indicated through comparing the above and below. The chart below shows that it has not improved on this from before Covid against traditional comparators. The UK fares even worse when hours worked are used instead of per capita. The gap between faintly better performing countries like France is growing and that from slightly worse operating ones like Italy is shrinking. However, it ought to be pointed out others have also stagnated, and France has even regressed over the past few years. As per the previous, the outliers of Ireland and Luxembourg benefit on this measurement too from value created elsewhere and Norway from large sovereign wealth doing the same again.

Figure 33: GDP per hour worked in set OECD countries, pre- and post-Covid in 2019 and 2022 – US dollars (2008, USD, System of National Accounts)

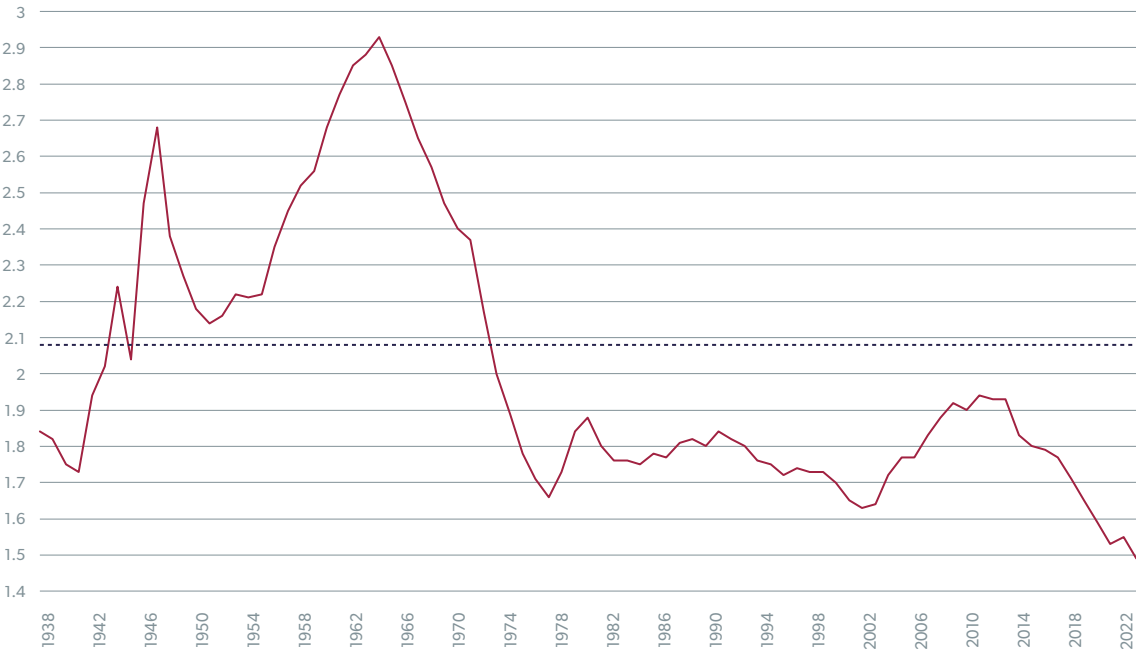


Source: OECD⁸⁹ - please see standard OECD country codes in the annex

The other way activity in GDP terms is derived is from the quantity of work. On that, the UK has much to be worried about as the working age population will without immigration fall in coming years because the fertility rate is below the 2.08 children per woman needed for cohorts to replace themselves. The chart below shows the last time of that mark was 1972; thus the unsaid policy of past governments since then might have been to get the inactive to move into work to allow fertility to recover over time, as implied by rhetoric, or to have some inward migration to fill gaps in the labour market. The challenge of reversing inactivity and optimising productivity is now a national emergency.

89 OECD, August 2023 <<https://data.oecd.org/lprdy/gdp-per-hour-worked.htm>> now <https://stats.oecd.org/Index.aspx?DataSetCode=SNA_TABLE1_SNA93>

Figure 34: Total Fertility Rate in England and Wales, 1938-2022



Source: ONS⁹⁰

1.3.3. The UK labour force and welfare system against comparator countries

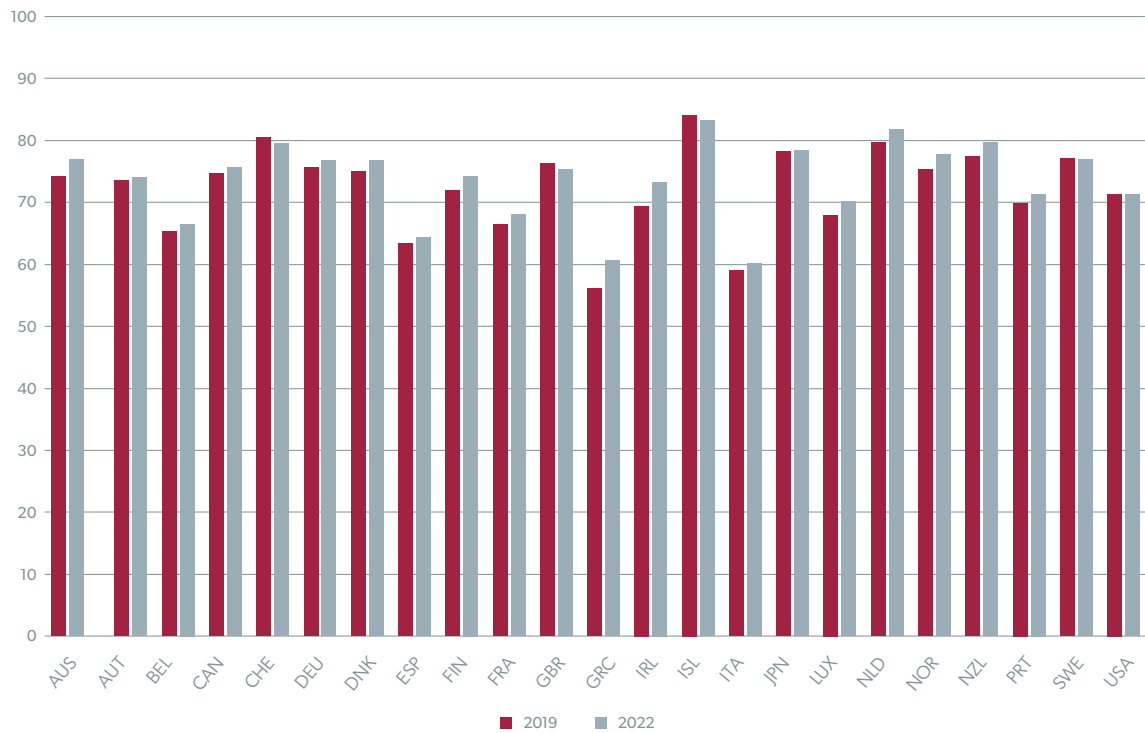
International labour market statistics

Economic activity and inactivity

The UK has similar levels of employment as the majority of these other states, so this alone cannot be the source of lower GDP. The chart below shows that it has not improved on this from before the pandemic against set barometer countries but that is also true for most. Whilst this is the case, there are others in north-central Europe and Scandinavia that fare much better on this before and after the outbreak. The inverse of the measure is those not in employment, the unemployed and economically inactive in the working age population. Here in the UK, this is a little less than a quarter of 15/16-64 year olds not contributing to productivity. If more of those not in employment in the UK compared to elsewhere were seeking work, then this need not be a problem; however this is not the case as was uncovered in the labour market and benefit receipt statistics in Part One Section One. The inactive in the working age population is higher here than other places.

90 ONS, February 2024 <[78](https://www.ons.gov.uk/peoplepopulationandcommunity/birthsdeathsandmarriages/livebirths/bulletins/birthsummarytablesenglandandwales/2022refreshedpopulations#:~:text=There%20were%20605%2C479%20live%20births,(COVID%2D19)%20pandemic.>></p>
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Figure 35: Employment rate [percentage of the employed among working age people] in set OECD countries, pre- and post-Covid in 2019 and 2022



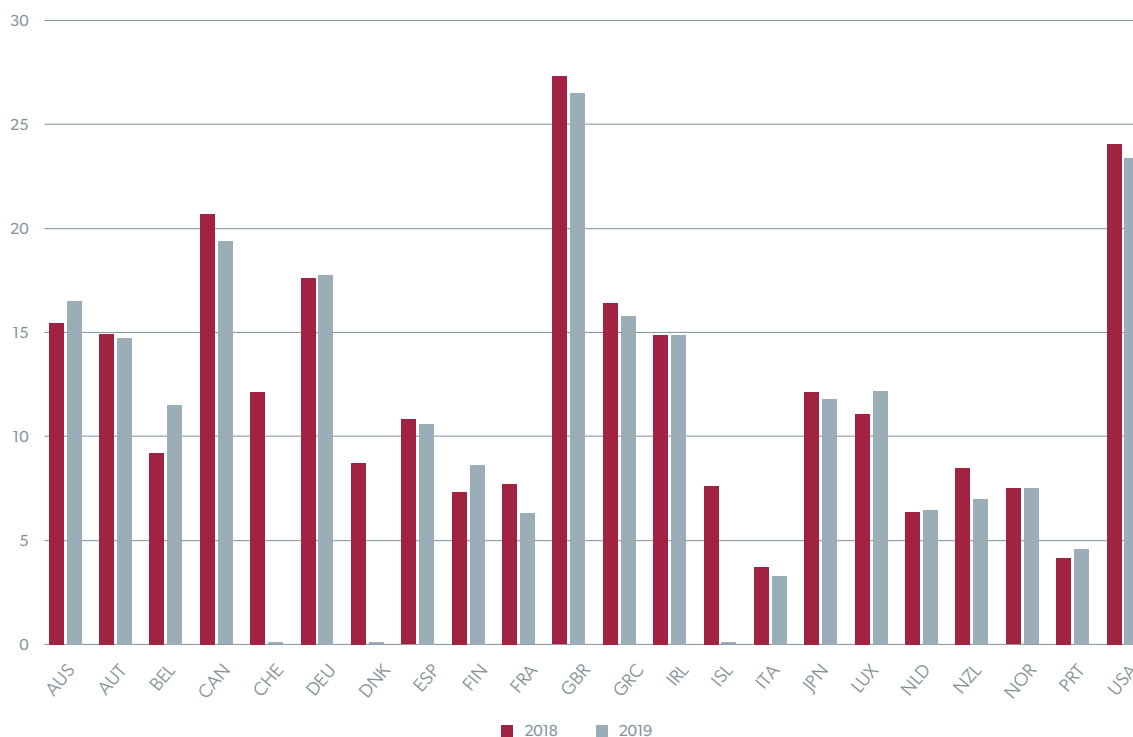
Source: OECD⁹¹ - please see standard OECD country codes in the annex

Compensation to labour

The reasons for UK working age peoples' inactivity are mostly due to disability and wider health-related incapacity, and somewhat owing to life events like parenting or caring. However, the work of academics outlined in Part One Section One suggests a sizeable chunk of these are people who should be classed as unemployed, in other words those who would want work if that were available and sufficient to provide for their living costs. The problem is for a large share of the working age population this is not the case, and these people are not evenly spread across the UK. As the scholars outlined a large number of them are in deindustrialised areas, seaside towns and inner cities. The chart below shows that the UK has the highest proportion of workers in low pay, which to be consistent is higher in the Anglo-Saxon world and Ireland. This is in stark contrast with the Low Countries and Scandinavia; therefore it could be said inactivity and living on benefits might be financially rational for some at the lower end of the earning spectrum.

91 OECD, August 2024 <<https://www.oecd.org/en/data/indicators/employment-rate.html>>

Figure 36: Percentage earning less than two thirds median earnings of the employed in set OECD countries, pre- and post-Covid in 2019 and 2022



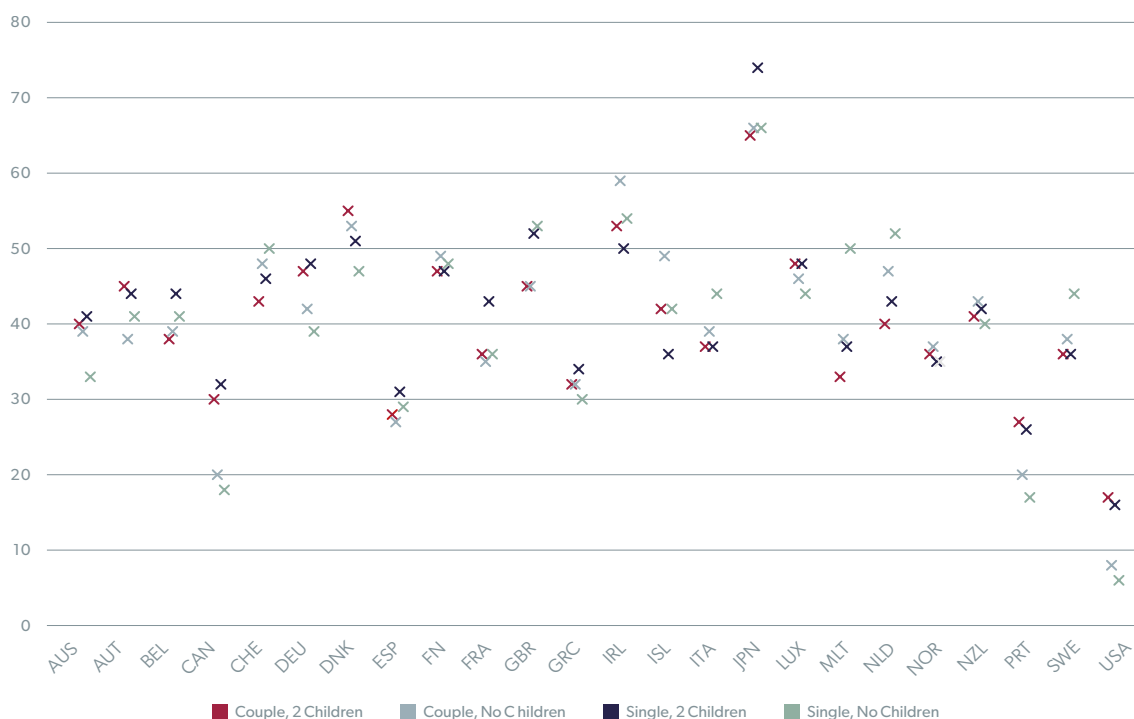
Source: OECD⁹² - please see standard OECD country codes in the annex

Minimum guarantees of benefit income

Adequacy of minimum income benefits has a role in UK working age peoples' inactivity; because it serves as disincentive to move into work. The difficulty is floors like this are uniform across the state, they provide the same irrespective of if the worker is in a low or higher pay area or they provide higher sums if the worker has ailment or life event; thus it is more a disincentive in depressed areas. The chart below shows that the income of jobless families, including inactive ones, can rely on relative to typical disposable income in countries, including housing supplements subject to eligibility. The UK's position is high on this basis, as high as or higher than Scandinavia, particularly for single people. Clearly, this must be higher in low pay areas compared to median disposable incomes as their residents are likely below national median earnings and even higher for inactive groups, whether they are lone parents with dependent children and/or single people in ill health, as their minimum income from benefits is higher. It could be said that marginal incentive to move into work is lower in many parts of the UK and for certain groups. Though, it should be said this is an argument for raising wages in said places over the long-term not cutting benefits.

92 OECD, August 2024 <<https://www.oecd.org/en/data/indicators/incidence-of-low-and-high-pay.html>>

Figure 37: Percentage of guaranteed minimum income benefits as a percentage of the median disposable income in set OECD countries, post-Covid in 2022



Source: OECD⁹³ - please see standard OECD country codes in the annex

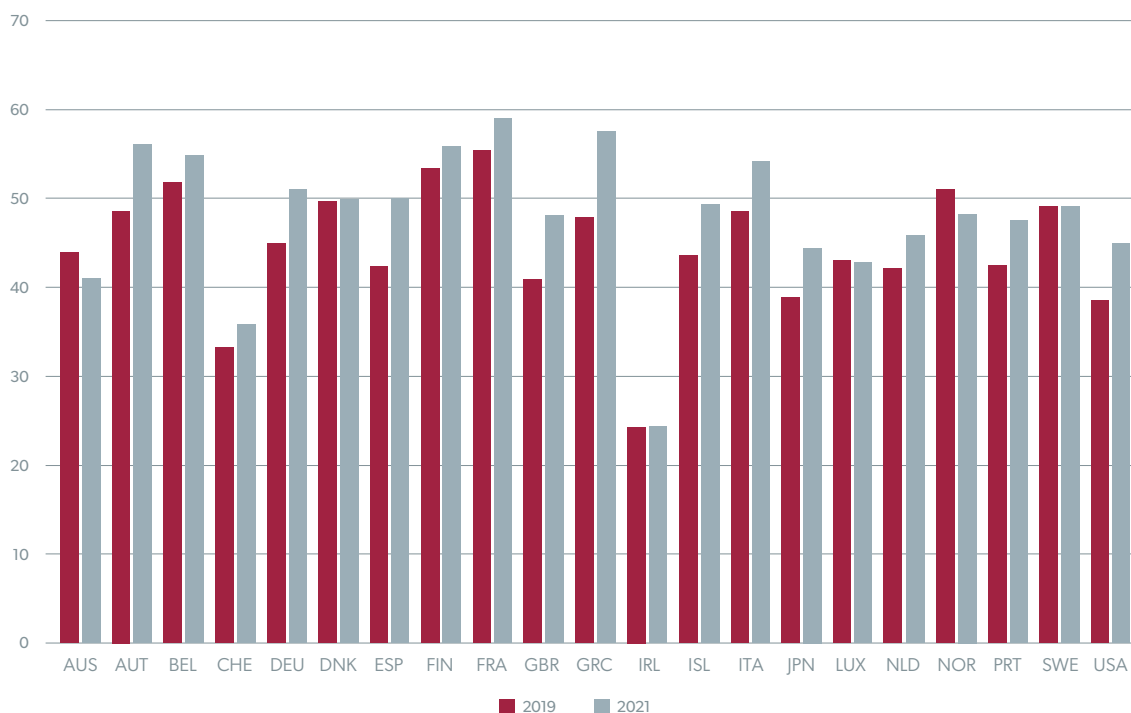
Government expenditure totals

Spending as a share of the economy

The amount the state spends on functions varies and is hard to compare across them as some have more or less of a mixed economy, more or less of public and private sector provision. It is accepted that comparison between Anglo-Saxon and Scandinavian, and some north-central European countries like the Netherlands are more secure; this is because free markets have been in place for longer here and similar health, education and other aspects are available privately. The chart below shows that UK outlay is comparable to those nations and on the low side, but has grown more than all in percentage points, similarly to the United States, Austria and Italy being the only ones with similar rises. The reasons for expansion are mainly energy costs subsidies due to the Russia-Ukraine War; but also slower GDP recovery here, more labour market inactivity directly caused by long Covid and worse mental health indirectly impacted by it, and size of health and other public sector pay settlements.

93 OECD, August 2024 <<https://www.oecd.org/en/data/indicators/adequacy-of-minimum-income-benefits.html>>

Figure 38: Government spending as a percentage of GDP [economic output] in set OECD countries, pre- and post-Covid in 2019 and 2021



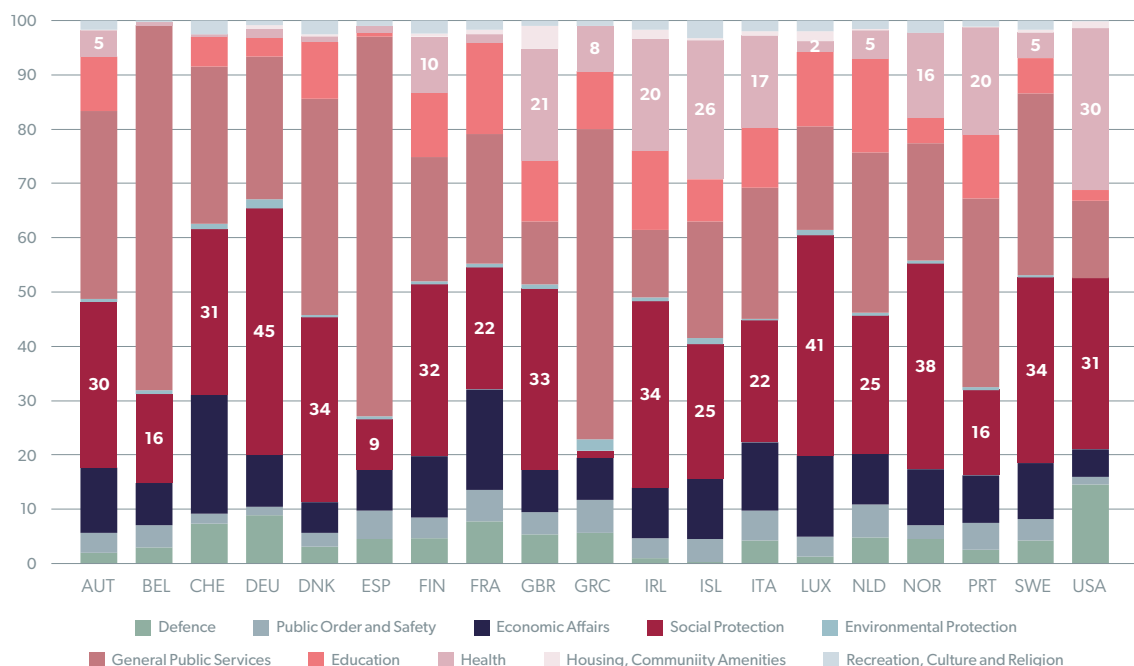
Source: OECD⁹⁴ - please see standard OECD country codes in the annex

Government spending by functions

The UK has amongst the highest use of taxpayer money across social protections, the welfare system, and health, the public healthcare system. This is primarily because of its ageing population but also because of the aforesaid inactivity issue. Although, once again, it is hard to compare here as states often use different functions to administer either of the aforementioned; usually if this does happen, say with social care which can obviously cross definitions, then these are partly within general public services. Broadly, the convention is to compare between Anglo-Saxon countries and Ireland as they were or still are organised along the same or very similar operational lines because of their shared roots. The chart below shows that UK expenditure across both is comparable to the selected countries, with the UK and Ireland spend being very similar in proportional terms but that of the United States being much greater. These three along with one orbiting the Scandinavian states have over 50 per cent of the spending falling under the two categories, which is the highest share across the select case study examples. This must be caveated with the fact that there may be higher percentage terms spenders but definitions make it impossible to know with any certainty.

94 OECD, August 2024 <<https://www.oecd.org/en/data/indicators/general-government-spending.html#indicator-chart>>

Figure 39: Functions as a percentage of Central government spending in selected OECD countries, pre-Covid in 2019



Source: OECD⁹⁵ - please see standard OECD country codes in the annex

1.3.4. The UK welfare benefit payments against comparator countries

The size and scale of welfare

Coverage of unemployment benefits and repercussions for economic inactivity

The overall coverage of unemployment benefits is hard to get at because some countries have a universal above eligibility criteria access rule, established and largely still operated in the UK and its Commonwealth; others an insurance paid in rights, pioneered and run in north-central European countries and Scandinavia, and others still, applying notably in Germany but with many other examples. This makes counting beneficiaries and assessing their portion of those with and without employment complicated, and add to that in some cases recipients in separate official figures for each type overlap and cannot easily be reconciled. To enable some kind of comparison the leading international bodies have produced a pseudo coverage indicator which counts insurance first and then universal assistance with states over 100 percent being classed as having overlap between types. The chart below shows that UK accessibility is high and largely universal, albeit not as high as some on the European continent. Notice that high bars for support rights are somewhat associated with wholly or mainly insurance approaches in northern Europe, Scandinavia and southern Europe respectively. Therefore, in the UK it cannot be said that eligibility restrictions are incentivising claiming inactive benefits over joblessness payments.

95 OECD, August 2024 <<https://www.oecd.org/en/data/indicators/central-government-spending.html#indicator-chart>>

Figure 40: Pseudo coverage rates of employment benefits in selected OECD countries, pre-Covid in 2018



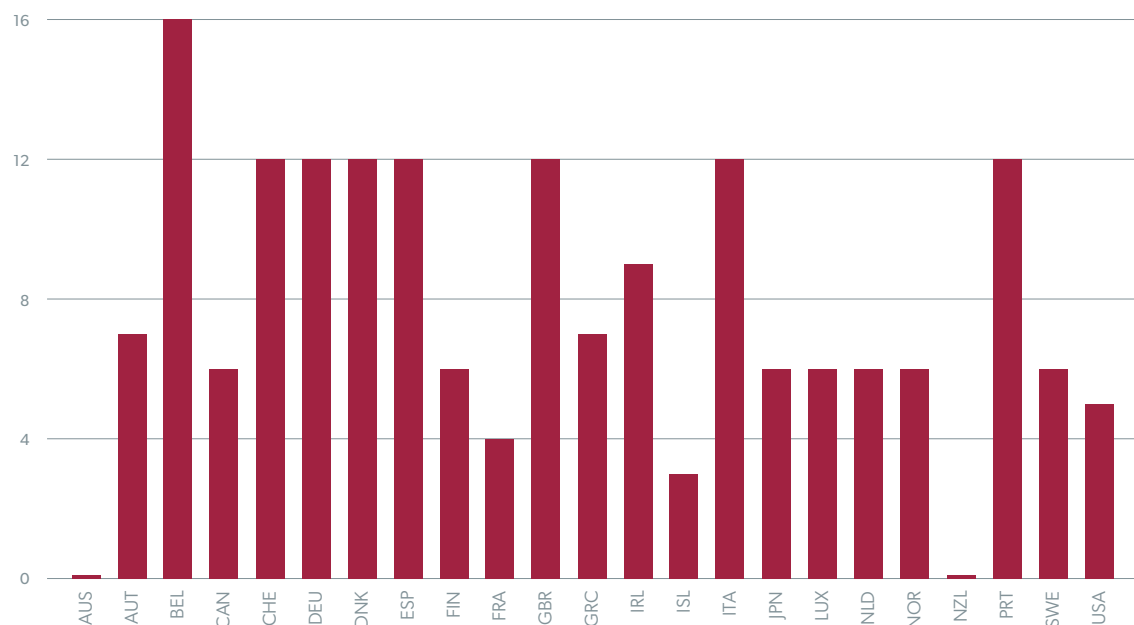
Source: ILO, OECD⁹⁶ - please see standard OECD country codes in the annex

Regime for unemployment benefits and implications for economic inactivity.

The wait for unemployment benefit is often erroneously asserted as a possible reason for claiming inactivity benefits, especially as it relates to overseas nationals owing to the habitual residency test. However, the UK does not in general have a lower bar than other states as it relates to unemployment insurance/assistance. With universal employment assistance there is no effect of wait as payments are backdated. The chart below shows the unemployment insurance/assistance period it has is the same as or higher than all but one other country.

96 ILO, OECD, October 2018 paper <https://www.ilo.org/wcmsp5/groups/public/---dgreports/---inst/documents/publication/wcms_723778.pdf>, data <<https://doi.org/10.1787/888933778459>>, update of that cited in <https://www.oecd-ilibrary.org/employment/oecd-employment-outlook-2018_empl_outlook-2018-en>

Figure 41: Minimum employment or contribution length opening entitlement to unemployment insurance in selected OECD countries (in months), pre-Covid in 2018



Source: ILO, OECD⁹⁷ - please see standard OECD country codes in the annex

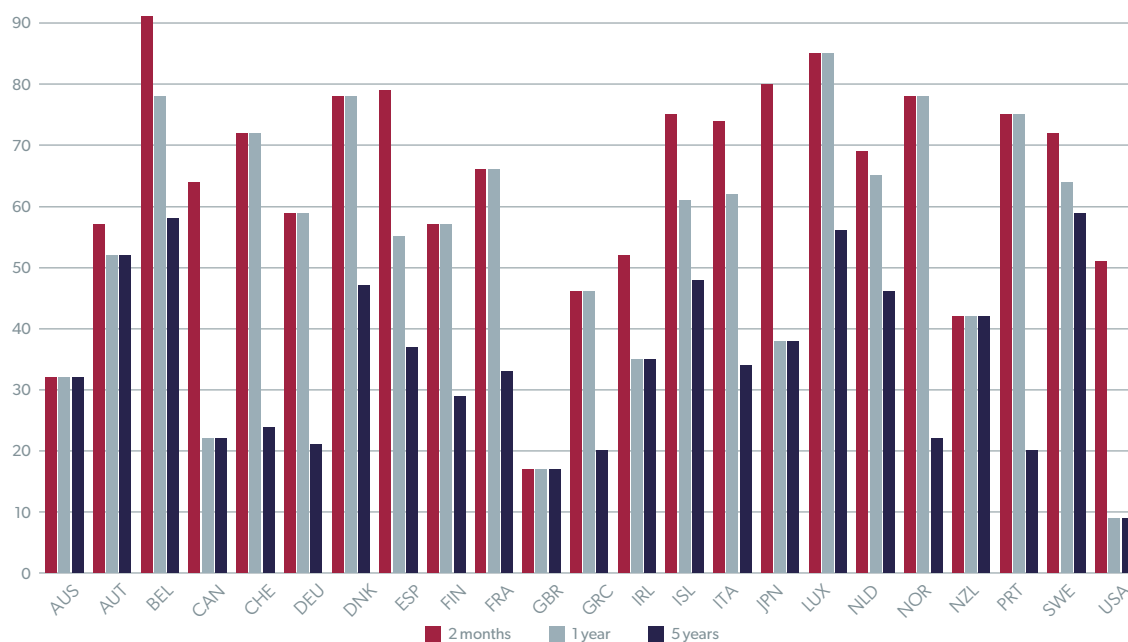
The generosity of welfare

Replacement rates of unemployment and inactivity benefits and viable behavioural effects

Generosity of benefit in unemployment is not straightforward to assess across states because it changes over time owing to how much each wants to pay out at set intervals. There are a few ways of looking at this, such as considering past incomings, though this fluctuates most year to year in line with economic conditions, and relating to average wages, this changes less over time but still moves with the economy. The first chart below shows income replacement benefits alone as share of previous income in the UK is very low and held at that level over time. Indeed, only the United States falls below it and that after being more generous initially. The second chart below shows income replacement and wider social and housing assistance as portion of average wage in the UK is still lower than most; but now not the lowest as the United States is now less generous and Australia similarly so. Both metrics below suggest that if inactivity related benefits yielded higher replacement by the state, then in the UK at least there should be an incentive to want to claim them where there is any basis to do so and eligibility and process allows for it; this would be less in countries where either over the full term of or part of the time rates were higher, even with gradually lowered rates. Hence, it seems highly likely that claimants at margin between capacity and incapacity would rationally opt for inactivity; this direction of disincentive to take work means the onus is on the UK's medical assessment to determine correct cases.

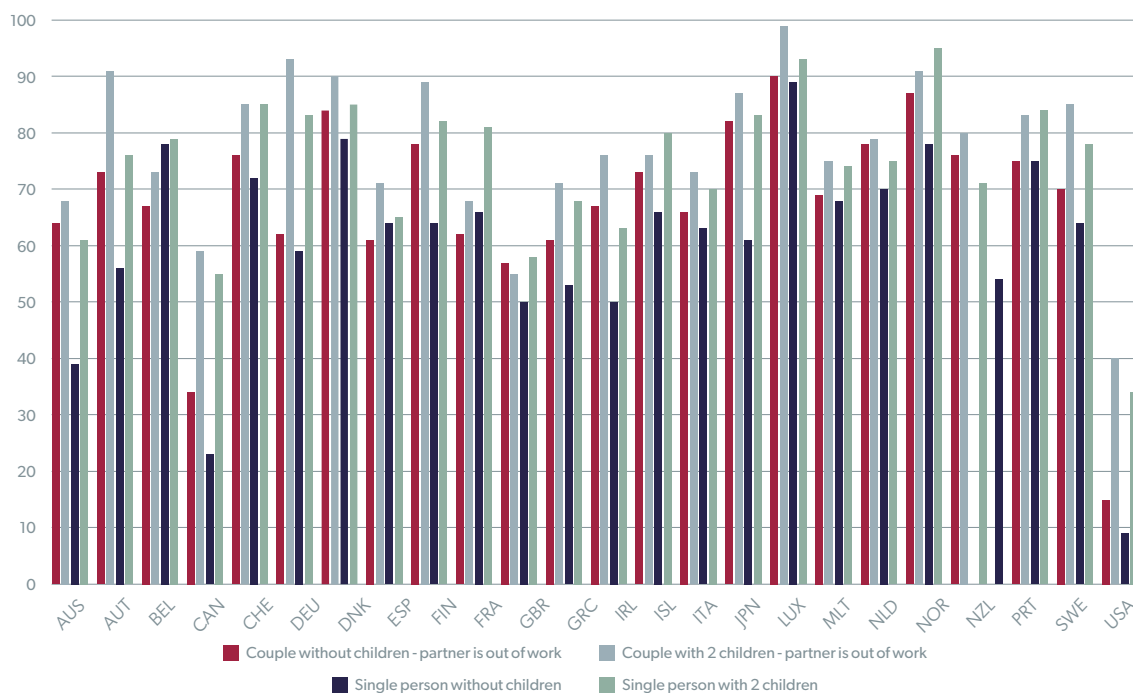
97 ILO, OECD, October 2018 paper <https://www.ilo.org/wcmsp5/groups/public/---dgreports/---inst/documents/publication/wcms_723778.pdf> and <https://www.oecd-ilibrary.org/employment/oecd-employment-outlook-2018_empl_outlook-2018-en>, data <<http://dx.doi.org/10.1787/888933778516>>

Figure 42: Benefits in unemployment as a percentage of claimants' previous income in set OECD countries, post-Covid in 2022



Source: OECD⁹⁸ - please see standard OECD country codes in the annex

Figure 43: Net replacement rate in unemployment (benefits rates in first 12 months) as a percentage of average wage in set OECD countries, post-Covid in 2022



Source: OECD⁹⁹ - please see standard OECD country codes in the annex

* This includes top-ups for social and housing assistance

98 OECD, August 2024 <<https://www.oecd.org/en/data/indicators/benefits-in-unemployment-share-of-previous-income.html>>

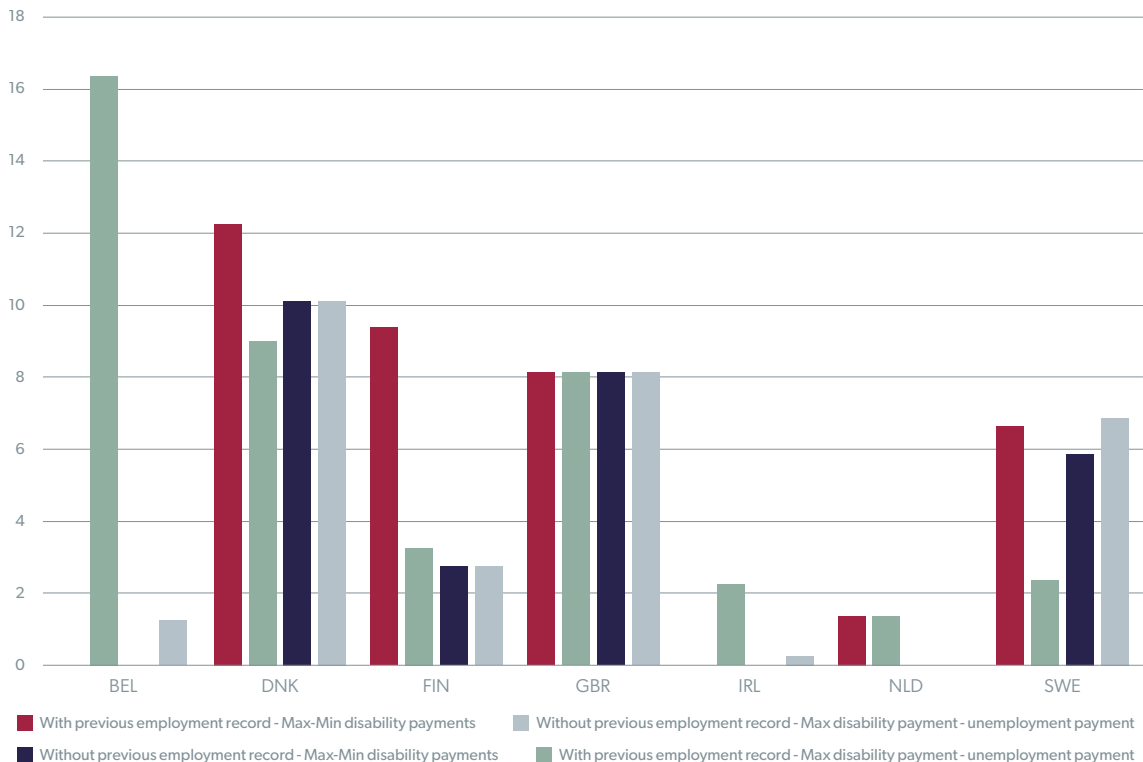
99 OECD, August 2024 <[https://data-explorer.oecd.org/vis?df\[ds\]=dsDisseminateFinalDMZ&df\[id\]=DSD_TAXBEN%40DF_NRR&df\[ag\]=OECD.ELS.JAI&df\[vs\]=1.0](https://data-explorer.oecd.org/vis?df[ds]=dsDisseminateFinalDMZ&df[id]=DSD_TAXBEN%40DF_NRR&df[ag]=OECD.ELS.JAI&df[vs]=1.0)>

Replacement rates of inactivity related benefits

Getting a handle on the generosity of benefits for those with disability vis-à-vis that for those in unemployment across states is very hard. However, there was such a panel study in the mid-2010s; this had a limited number of European countries in it, and some were not those the UK would readily be compared with so these have been removed. The chart below shows the net replacement rate at maximum end of the spectrum for the disabled against minimum end for the disabled and against those non-disabled as comparators; it implies there is a substantial incentive to claim disability in the UK if at the margin as expressed earlier whether claimants had an employment history or not as the maximum pay-off is a high positive difference. Others like those in Scandinavia had the same finding, but had penalties for minimal disability claims made at the margin, and Belgium had an even higher incentive than the UK to claim disability benefits at the margin but only for those with an employment record and relative to unemployment benefit.

Though, the quasi academic review is dated, it speaks to the likeliest reason why some of the long-term jobless, who may have been discouraged to look for work in the past, are on inactivity related benefits in the UK. Note, the differential outlined in the chart below is calculated on national averages, and therefore it is to be expected the premium for being inactive is higher still in low pay areas.

Figure 44: Differentials in average net replacement rate for maximum disability benefits payment relative to either that for minimum disability payment or unemployment benefit payment in set OECD countries, pre-Covid in 2016



Source: OECD¹⁰⁰ - please see standard OECD country codes in the annex

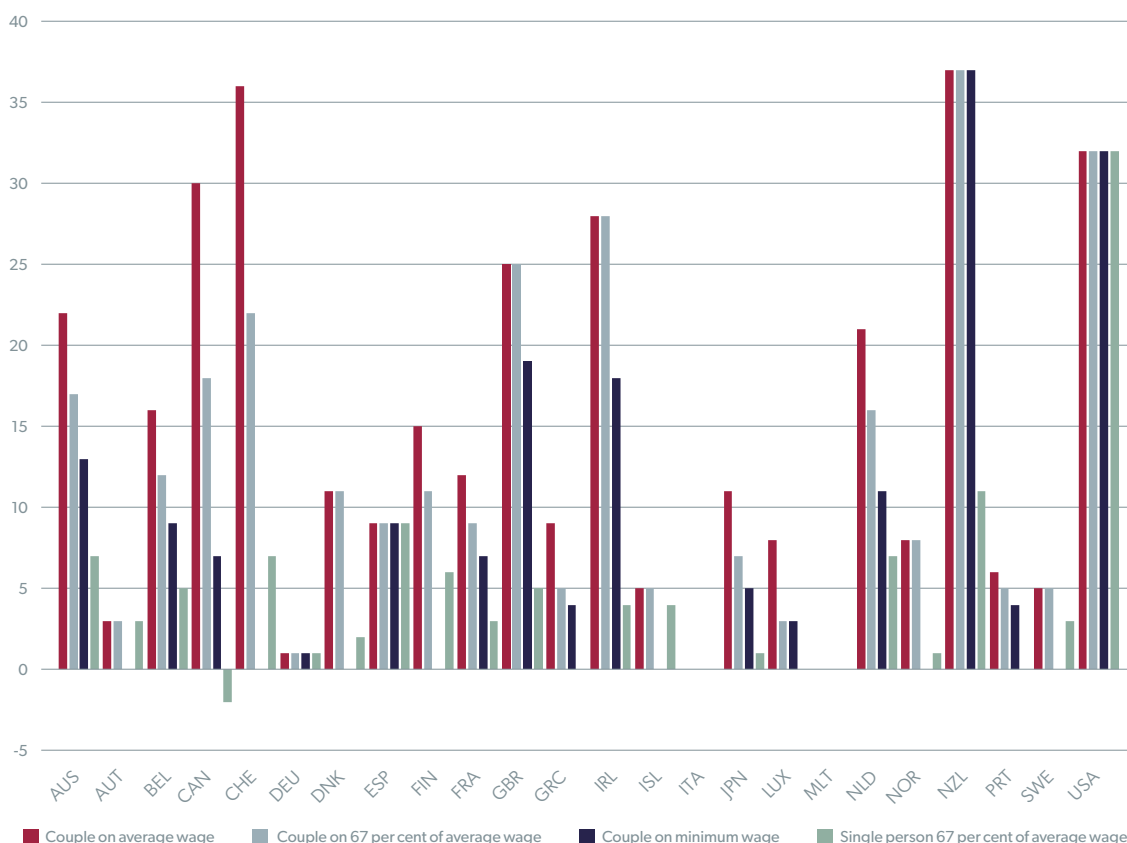
100 OECD, July 2018 <<https://taxben.oecd.org/tax-ben-resources/Benefit-generosity-and-work-incentives-for-disability-benefit-recipients.pdf>>, data <<https://www.dropbox.com/s/f89z0s3yqkpg5sj/Benefit%20generosity%20and%20work%20incentives%20for%20disability%20benefit%20recipients.xlsx?dl=1>>

Beyond replacement rates - reasons for staying on inactivity related benefits

A further issue can be a lack of state support to compensate for additional childcare costs; this can have a very real impact on movements into work for those temporarily economically inactive. The chart below shows the net childcare costs, extra cost less government subsidies, for couples and single person on a variety of wages across comparison states. Here, as a share of earnings, the UK has some of the highest proportional costs, at between 1 in 4 and 1 in 5 pounds point for richer and poorer couples, and even about 1 in 20 pounds for single person on average wage.¹⁰¹ The Anglo-Saxon countries and Ireland have similar patterns, but others in north-central Europe and Scandinavia have much lower costs owing to subsidised provision.

Large childcare cost serves as a disincentive for those on inactive benefits to return to the labour market sooner, and may mean some in higher pay areas resist returning to work as gains in household income may be partially or wholly lost. This is likely to be most acute in the big cities where competing for limited childcare provision means cost is bided-up. The UK may well have parents staying on inactive benefits because work does not pay enough to make the transition before the welfare system insists on it.

Figure 45: Net childcare costs as a percentage of standard income barometers in selected OECD countries, post-Covid in 2022



Source: OECD¹⁰² - please see standard OECD country codes in the annex

101 OECD, August 2024 <<https://www.oecd.org/en/data/indicators/net-childcare-costs.html>>

102 Ibid.

1.3.5. The UK welfare and employment support regime against comparator countries

The strictness of benefits and support regimes

The strictness of parameters affecting eligibility to out-of-work benefits and systems is something that academia has been interested in for decades, here this principally means that for unemployment related but can also be for economic inactivity. Historically, this has been framed as what, at the margin, determined better labour market outcomes, which is usually gauged through the prism of reductions in duration on benefits, moves off them and into work or sustained employment. The first widely recognised attempt to model this was undertaken by the Danish Finance Ministry, and further pioneered by senior academics Danielle Venn and David Grubb then of the OECD in the early 2000s; their work compiled criteria categories and in them items of strictness impacting outcomes across states.

The aforesaid OECD analysis established overall and set of sub-indicators under the overall strictness of activation requirements one, which is just a refinement of the above modelling; this covers job search, sanctions and availability requirements category averages which are reviewed in this report, and item indicators under them which are referenced where they offer insight into the UK's regime. The modelled items are assessed on a 1-5 likert scale, least to most strict, and category averages are based on items under them and weighted to reflect relative importance to labour market outcome. There is construction judgement and weighting subjectivity, which is justified by quantitative analyses and consultation with experts across borders in the study. The size of category averages after weights are applied gives a sense of importance to outcome.¹⁰³

Overall strictness of activation of unemployment support

The UK's lead measure is that for first lower tier service as it has a largely universal benefits and unemployment system as do other Anglo-Saxon countries and Ireland either fully or in part. Whereas European ones' chief measure may be first tier unemployment benefits related as payments and support is contingent on claimant's employment history and insurance pay-ins. While there is less interest in second lower tier social assistance as it applies to a limited number of states. The chart below shows in terms of overall strictness of regime the UK appears to have a strict regime, with only the smaller states of Malta, Luxembourg, Switzerland and Portugal having bigger or similar scores. Countries associated in public discourse with more successful arrangements in Scandinavia and north-central Europe are seemingly less strict. However, this may or may not be so as the weighting might be better fitted to some over others. The remainder of the section breaks down categories and some items strictness to draw out insights of consequence to enabling the inactive, the disabled, those with caring responsibilities and lone parents, to get back into work, some of which will apply to jobseekers more generally.

103 OECD, January 2012 'Eligibility Criteria for Unemployment Benefits: Quantitative Indicators for OECD and EU Countries' <<https://www.oecd-ilibrary.org/docserver/5k9h43kgkvr4-en.pdf?expires=1693989363&id=id&accname=guest&checksum=AFFD067393CB5CF-B8299163A134067FE>>

Figure 46: 5-point strictness of activation requirements (overall score) in set of OECD countries, post-Covid in 2022



Source: OECD¹⁰⁴ - please see standard OECD country codes in the annex

Job search requirements strictness

The first thing to know when translating this category indicator score is that it is weighted. This has reduced the item indicators, Item 5 – frequency of job-search activities and Item 6 – documenting these actions, signifying this might have less impact on outcome in the year of interest; the base likert scale for each of the items was 5-point. The chart below shows in terms of overall strictness of the job searching ask the UK is strict, with only Malta having a bigger average score though a range of states have similar scores. Other countries seen as having more successful processes in Scandinavia and north-central Europe are actually less strict on this, and some by a large order of magnitude.

In the UK, the takeaway for those in inactivity owing to their personal circumstance is that job search might need to be relaxed to a greater or lesser extent depending on incapacity, time and family constraints. In fact, the challenge may be to de-risk not only on the decision for these claimants to look for work but also to actively facilitate it and not put too much burden on them. The current situation is that there is no expectation on such people to get into employment, so the fact the UK scores high on this category is of no or little relevance. However, future administrations or local employment services may want to change the robustness of incentives in these items.

104 OECD, August 2023 <<https://stats.oecd.org/Index.aspx?DataSetCode=SBE>>

Figure 47: 5-point strictness of job search set score in set of OECD countries, post-Covid in 2022



Source: OECD¹⁰⁵ - please see standard OECD country codes in the annex

Sanctions propensity strictness

Once more when decoding this category indicator score it is worth knowing it is weighted. Here this has shrunk the item indicators, Item 7 – sanctions for voluntary job resignation, Item 8 – sanctions for refusals of (initial) job offers, Item 9 – sanctions for repeated refusals of job offers, Item 10 – sanctions for refusals to participate in active labour market policies and Item 11 – sanctions for repeated refusals to participate in programmes, indicating this might have less impact on outcome in year shown. The base likert scale for each of the items was 5-point. The chart below shows in terms of overall strictness of sanctioning the UK is the middle of the range, with southern European states like Italy, Spain and Portugal having larger average scores. It tends to operate like some Scandinavian countries and north-central European countries, Sweden and the Netherlands in respects of sanctions.

In the UK, for those inactive sanctioning is contingent on context. The challenge might be to de-risk and remove sanctions on refusal and repeated refusal to take job offers, items where it's strictness is middle of the road, because some positions will be incompatible with this groups capacity. There may be scope to increase participation in help schemes, items where the UK is less strict than most; and penalise on basis of resignations from posts negotiated under reasonable adjustment without deterioration in health or other change, though the judgment here is key. Presently, there is no expectation on these persons to get into work, so the UK score on this category is not relevant; though future administrations or local employment services might want to change the incentives in this set of items.

105 OECD, August 2023 <<https://stats.oecd.org/Index.aspx?DataSetCode=SBE>>

Figure 48: 5-point strictness of sanctions set score in set of OECD countries, post-Covid in 2022



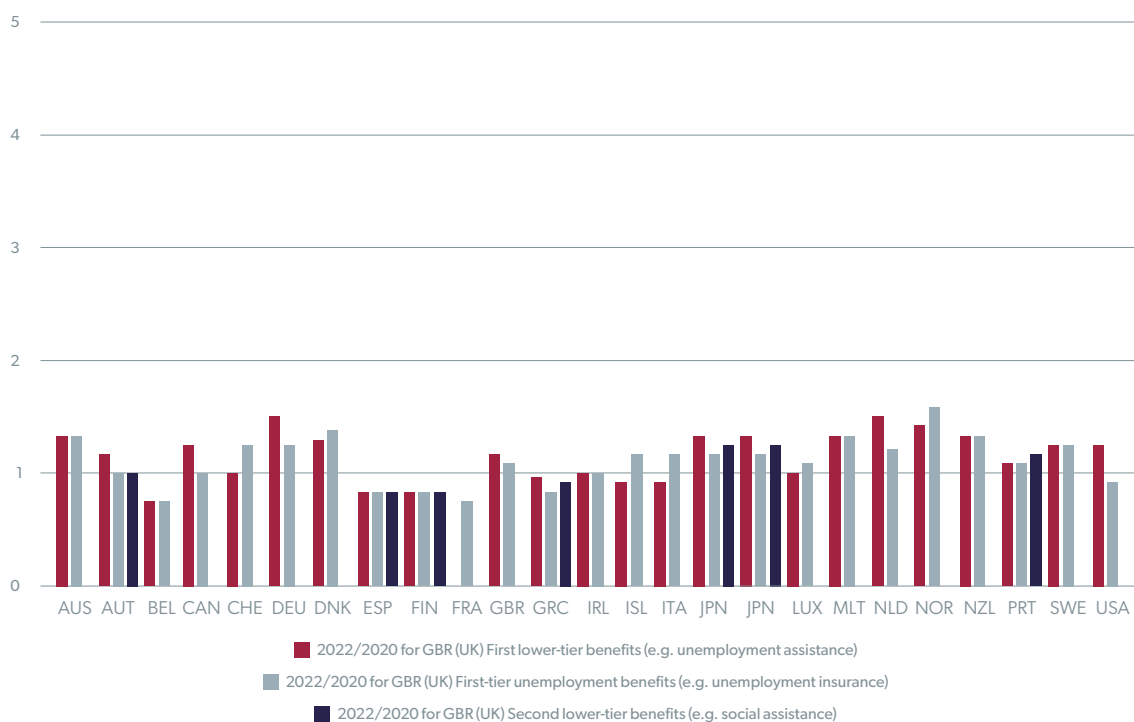
Source: OECD¹⁰⁶ - please see standard OECD country codes in the annex

Availability requirements strictness

A final time the key thing to know when deciphering this category indicator score is that it is weighted, which has shrunk the item indicators. Here this has decreased the item indicators, Item 1 – lack of availability for active labour market policies (programmes) participation, Item 2 – lack of availability for occupational sectors mobility, Item 3 – (lack of) availability for geographical mobility, and Item 4 – lack of availability for any other reasons in year reported; the base likert scale for each of the items was 5-point. The chart below shows, in terms of overall strictness on availability conditions, the UK is at a mid-level of strict, with some Scandinavian states, Denmark and Norway, placing greater imposition and another, Sweden, similar amounts. Some north-central European ones, the Netherlands and Germany, put more demands on mobility shown through having higher average scores. It leans toward the operations of other Anglo-Saxon countries and Ireland in relation to availability requirements, which are not the strictest.

106 OECD, August 2023 <<https://stats.oecd.org/Index.aspx?DataSetCode=SBE>>

Figure 49: 5-point strictness on availability set score in set of OECD countries, post-Covid in 2022



Source: OECD¹⁰⁷ - please see standard OECD country codes in the annex

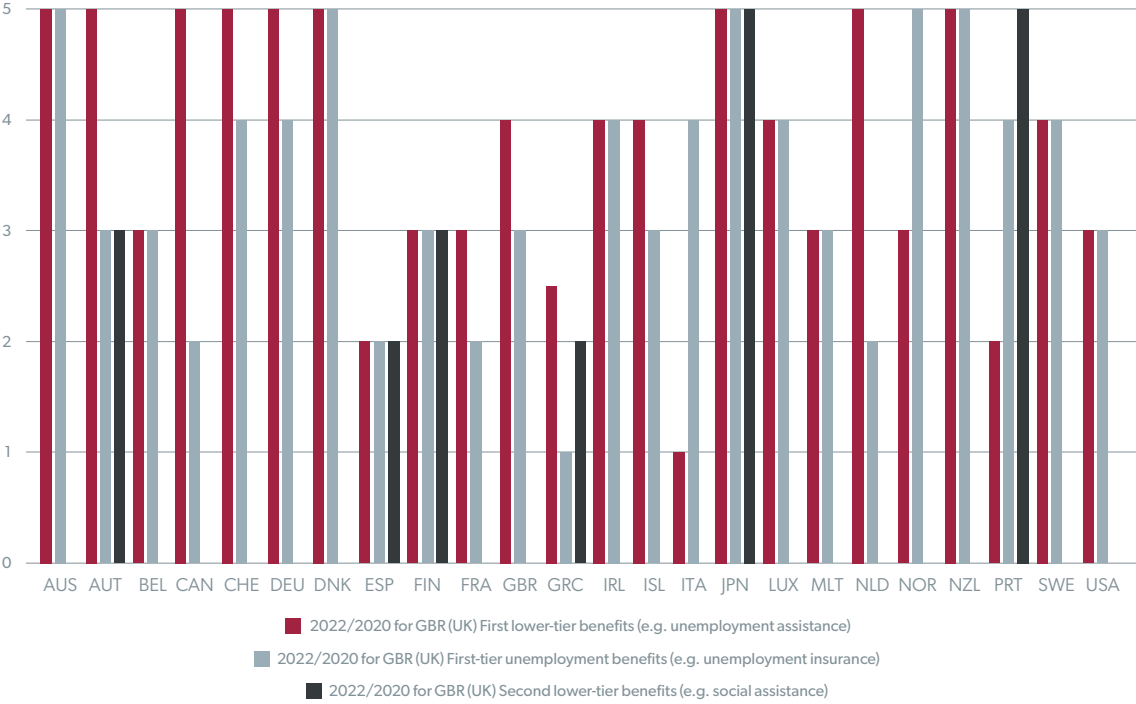
In the UK, the story for those in inactivity is more complicated around availability because the item indicators are more distinct things, rather than that for job search and sanctions; for that reason the insights relating to these are split out here:

- on occupational mobility, the sub-category chart below shows there are many comparator countries that insist on claimants having greater flexibility on different types of employment, not just preferred sectors. Recently the DWP has gone down this route reducing the period of narrow job search from 3 months to 4 weeks¹⁰⁸ but this is still not as strict as elsewhere. For some inactive people, this might be an opportunity with change in the place of work and medium of communication meaning the barriers of travel to work, office environments and special adjustments are lessened or even in some cases eliminated. This may be especially so for public sector administration which has historically employed a greater number of traditional jobseekers with disability, and can now be opened up to such on out-of-work benefits;

107 OECD, August 2023 <<https://stats.oecd.org/Index.aspx?DataSetCode=SBE>>

108 DWP, February 2022 <<https://www.gov.uk/government/news/jobseekers-have-four-weeks-to-find-work-before-widening-their-search>>

Figure 50: 5-point strictness on occupational mobility item score in set of OECD countries, post-Covid in 2022



Source: OECD¹⁰⁹ - please see standard OECD country codes in the annex

- On geographic mobility, the sub-category chart below shows there are a few countries, Scandinavian ones such as Denmark, Norway and Iceland and north-central European ones like the Netherlands and Germany, that insist on more claimant flexibility on location of employment, not leaving this to the individual to decide but having this joint decision be accompanied by tools to overcome their complex life challenges. While the DWP does have a travel to work time rule of 3 hours a day on commutes combined travel time each way¹¹⁰, this is not as imaginative as rules in other parts of the developed world. For other inactive persons, this existing physical time ruling might be relaxed in favour of hybrid and teleworking with days elongated to fit around life; say for parents of young children, be they single or in couples, or carers who need to be available at set times for caring in residential setting. Thus, forward thinking places are already making trade-offs between travel time and face time to work for all; and

109 OECD, August 2023 <<https://stats.oecd.org/Index.aspx?DataSetCode=SBE>>

110 DWP, February 2022 <<https://www.mirror.co.uk/news/politics/dwp-crackdown-forces-jobseekers-commute-26313437>>

Figure 51: 5-point strictness on geographic mobility item score in set of OECD countries, post-Covid in 2022



Source: OECD¹¹¹ - please see standard OECD country codes in the annex

- On other item indicators within the availability category, that for active labour market policy (programmes) and other miscellaneous, it is unclear in what way the UK could change because it is middle of the class and in any case enforcing activities on the inactive is an at the margin thing to do; thus the task is to generally de-risk these claimants' choices by helping them to be available for upskilling activity but only within acceptable limits. Currently, there is no expectation on them to get into employment, so whatever the scores are has little or no relevance; however future administrations or local employment services may want to change incentive structures in these items.

Wider aspects in regime strictness

There are key trends across exemplar states; first digitalisation is more widespread in northern Europe and Scandinavia, allowing online teaching, monitoring and working; second an unabashed attitude to subsidising those further away from the labour market, the long-term unemployed and economically inactive, to take courses and fill occupational shortages;¹¹² and third using tenure in social housing to reward those willing to work.¹¹³ All exist in one Scandinavian country, Denmark, and two in many; their municipal delivery takes the view that some differential treatments by locality, as long as it is not discriminatory is tolerable to agilely grow economies. These places are case studied in the next section.

111 OECD, August 2023 <<https://stats.oecd.org/Index.aspx?DataSetCode=SBE>>

112 OECD, March 2023 'Nordic Lessons for an Inclusive Recovery? Responses to the Impact of COVID-19 on the Labour Market' <<https://www.oecd-ilibrary.org/docserver/2aa7bcc1-en.pdf?expires=1721837660&id=id&accname=guest&checksum=D30195DF58CCC4391DAABAA-2C280545A>>

113 OECD, January 2012 'Eligibility Criteria for Unemployment Benefits: Quantitative Indicators for OECD and EU Countries' <<https://www.oecd-ilibrary.org/docserver/5k9h43kgkvr4-en.pdf?expires=1693989363&id=id&accname=guest&checksum=AFD067393CB5CF-B8299163A134067FE>>

1.3.6. Argumentation behind Universal Support extended to more claimants

Unfinished Business

Reinventing frontline delivery

As the UK moves into recovery phase after the epidemic the Government's priority must be to get the country to healthy economic growth, though this has not been helped by geopolitical and structural headwinds; this has led to calls for extending reforms to enable the economically inactive to participate more in the labour market. The incentivising of this was always part of UC design, with claimants being able to keep more of every additional pound earned, but delays in implementing Universal Support, personalised support for those less work ready, has held this back. This was the initiative pilot announced by the then Chancellor of the Exchequer in Budget 2023.

Universal Support featured heavily in the Health and Disability White Paper on the same day as this Budget –

Ms. Karen Buck MP (Labour) stated:

"people's lives do not fit neatly into a binary system of work or no work."

"However, disabled people and those with serious health issues want and deserve support and reassurance in work and out of it, and what people fear, understandably, is that under the guise of reform their lives will be made harder and vital financial support might disappear."¹¹⁴

Rt. Hon. Sir Iain Duncan Smith MP (Conservative) later outlined:

"Its [Universal Credit's] purpose was to intervene and help to change people's lives, which was what was missing for all those years and needs to be there now."

"It was intended to replace what has been a very difficult benefit, originally introduced by Labour along with the work capability assessment. Throughout that time, I wanted to see Universal Credit together with Universal Support to help people get over their difficulties."

"According to a recent survey on sickness benefit, 700,000 people want to find work, but the limits to what they can do seem so difficult that they fear losing their benefit."¹¹⁵

114 Hansard, 16 March 2023 <<https://hansard.parliament.uk/commons/2023-03-16/debates/24AAE2C3-D38F-4009-81C6-40623E31009C/HealthAndDisabilityWhitePaper>>

115 Hansard, 16 March 2023 <<https://hansard.parliament.uk/commons/2023-03-16/debates/24AAE2C3-D38F-4009-81C6-40623E31009C/HealthAndDisabilityWhitePaper>> *Note: Sir Iain Duncan Smith refers to Centre for Social Justice calculation based of DWP survey result applied to benefits data.

Companion to earlier welfare reform

Universal Support is the means by which the inactive, be they disabled, caring for vulnerable persons or parenting children, find their way back to work. It was always about tailoring offers, and can be delivered by current centralised or centrally procured delivery or by more local delivery partners. It aims to help these groups and many others tackle barriers to moving into employment and challenges faced in day to day lives.

Personalised support offers the above groups more than just an income, it gives them identity and structure to overcome obstacles of the Centre for Social Justice's 5 Pathways. This can be organised in such a way that both unemployed and inactive peoples' differential needs are recognised in any tweaking of coverage, generosity and strictness at local area level.

RECOMMENDATION 3

The Government should allow localised differences in delivery of support to inactive benefit claimants within national strategy to give those able and wanting to enter employment help and reassurance. This means letting local leaders make more decisions on provision and incentives, be that in current centralised or future devolved employment service.

This report will go into Nordic country examples in much greater detail next.

1.4. Lessons from Scandinavia since the Covid era

1.4.1. Things to be learnt from other countries that have had more success?

This section plots the pandemic story in countries that generally withstood the outbreak well and its lockdown trends better, used a mix of central and local policy changes and more localised delivery ones, and built on them in the opening up phase. The core Scandinavian states and satellites were the first to return to the new normal. It outlines actions that have been tested and worked in those societies, which are not too different to our own.

The aim of this portion of the report is to give the readership an impression of what good looks like; so that non-experts can understand the range of policy and delivery choices. The Centre for Social Justice wants government to make firm decisions about economic inactivity, and believes this will not occur if the range of possibilities are not narrowed down to practical solutions. Further part and sections will elaborate on the future policy governance and financing of, systems and models and delivery recommendations.

Summary

There is much that can be learnt from Nordic countries in the societal space, but here the focus is on how they did during the Covid period and how their history helped with this. They also saw their economies reframed by the outbreak but for them growth sectors have been sustained, youth and low-educated employment recovered or is recovering, younger people were put more into education and training, and employers have adapted to teleworking practices. As everywhere, the last, use of communication technologies, was most beneficial to those already established in the labour market but their success in getting particularly young and low-educated peoples' employment rates back up suggest it also helped more widely.

Scandinavian and adjoining countries successfully kept their populations together like the UK and others during pandemic but to a greater degree, and has done so in recovery. They already had generous income replacement benefits to start with, so in crisis they were starting from a high base and widened access and durations. These states seamlessly brought in social partners at national and local levels to agilely modify benefits, and specific active labour market policy upskilling from already high educational standards such that economic inactivity owing to incapacity and discouragement to work remained low in their core countries. There seems to be careful calibration around effort and disadvantage, propensity to seek benefits vis-à-vis work, and promoting of flexible and frictionless labour markets here.

In Scandinavia and its adjuncts, they do not believe in using subsidies to employers to take employees in and out of lockdowns, they do so as a last resort and even then very sparingly. They did not overuse job retention schemes, which subsidise employment and may cause displacement of those not eligible. Where these were used by them more of the cost for this was put on business like mainland Europe and unlike the UK, and were as generous as European equivalents. The chart below shows usage in core countries was at the height of the crisis nearer the UK's in normal operating conditions,

and a third of its in the emergency. It is as though they know only the retooling and upskilling of the above groupings is the long-term remedy, and so why throw good money into short-termism. Given their national cultures, they prefer to change and localise employment support services while upholding investment in human capital; that is their workers' aggregate skillsets in various sectors.

Exhibit J: Ratio of job retention scheme support jobs to all dependent employment, post-Covid in 2022 and the peak of the outbreak



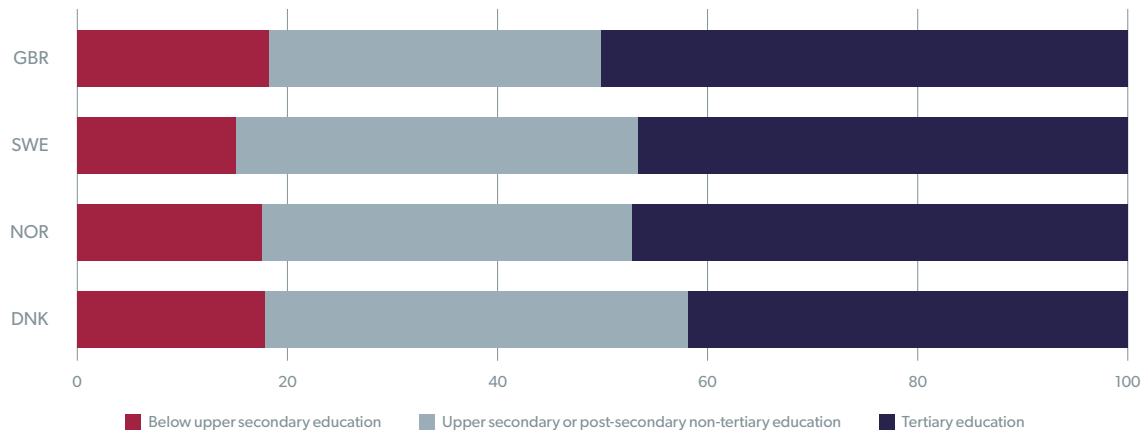
Source: OECD¹¹⁶ - please see standard OECD country codes in the annex

Scandinavian and associated states were agile in delivering active labour market policies, after the waves of disease. This was because of their states' national, regional and local levels of governance, use of agencies, partners and contractors, and willingness to accept decentralisation and diffusion in diagnosis and prescription to local peoples' needs. In doing this human capital is maintained and even advanced, such that these countries bounced back in the recovery from contagion with strong economic growth.

Recovery was especially strong in the Nordics because pre-existing human capital was balanced between academic, vocational and other skills unlike in the UK. They, along with others, have for many decades resisted the developed world's obsession with sending more and more young people into tertiary education, seeing that a sound upper secondary sector can secure livelihoods and underpin the wider economy. The first chart below shows that, comparatively speaking, their core countries have a more balanced spread of potential workers across educational levels and the UK has a squeezed middle layer, meaning their skill shortages are less acute. These states drew on a diverse range of providers to grow the adult education sector and engagement in it is high. The second chart below shows their core states also have higher participation in continuous professional development, so it seems the lifelong learning agenda has taken deep roots there. Denmark has even piloted radical direct intensive upskilling and greater than 100 per cent of usual benefit rates on the basis that the participants take jobs that are in skills shortage areas.

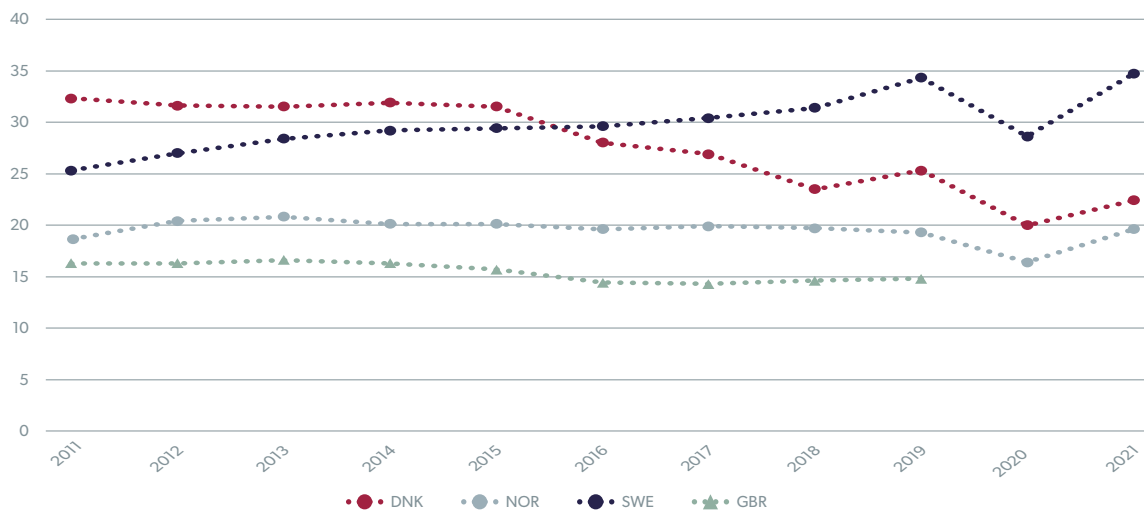
116 OECD, March 2023 <<https://stat.link/rx9m41>>

Exhibit K: Share of 25-64 population by educational qualification level in 2021



Source: OECD¹¹⁷ - please see standard OECD country codes in the annex

Exhibit L: Participation in adult education of 25-64 year olds, 2011-21



Source: OECD¹¹⁸ - please see standard OECD country codes in the annex

The Centre for Social Justice believes there is much for UK policymakers to consider in the broader Scandinavian experience. Though it seems fair to say some of their agility comes from being able to do things at different levels of national and local government.

117 OECD, March 2023 <<https://stat.link/s83lvq>>

118 OECD, March 2023 <<https://stat.link/ysazwt>>

RECOMMENDATION 4

The Government should implement regional International Territory Level 1 Industrial Strategic Councils, above the local authority and perhaps at combined authorities or in mayoralities where these levels exist, to act as regional convening hubs for business and industry, educational providers and workers and people. This means control of employment and associated services falls within the jurisdictions of local leadership(s) in order for them to develop their local economies.

We want this flexibility to be local but accountable to both national strategy and local development needs, so the governance, financing and connections are the next aspects to go into in this report.

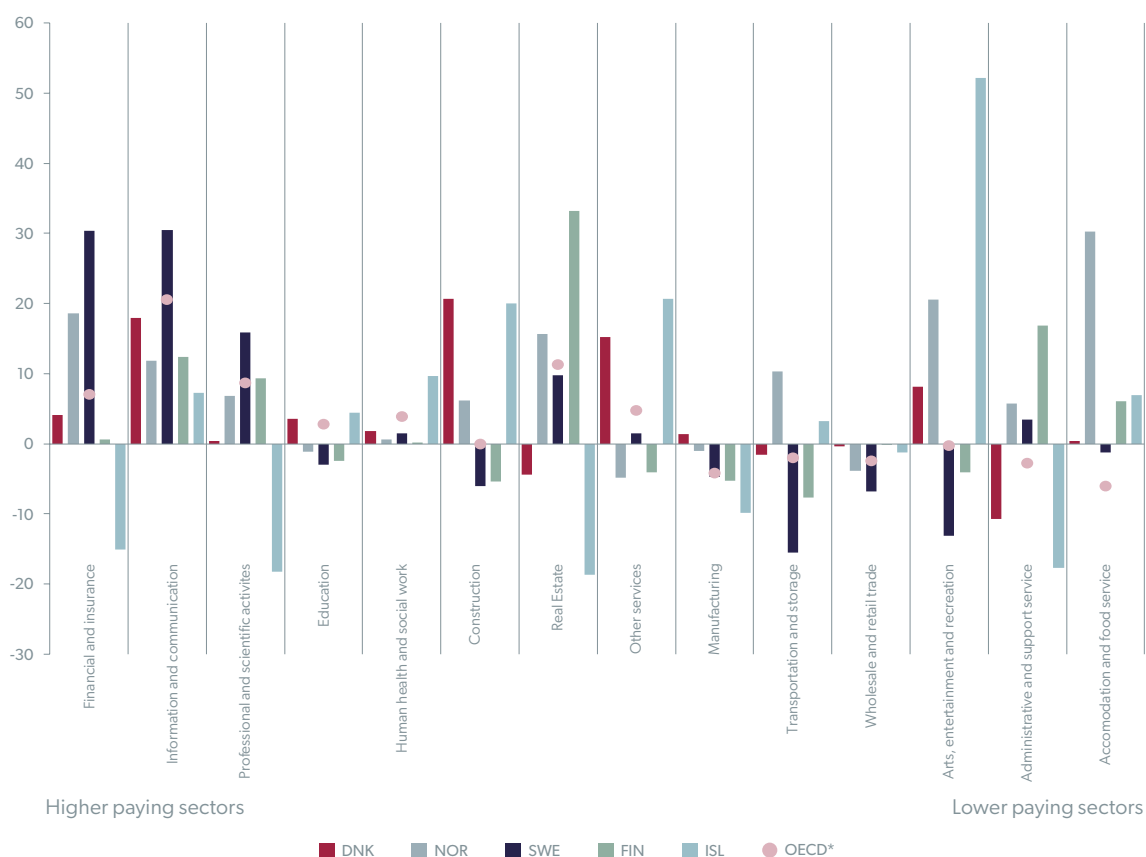
1.4.2. The scale of effects of Covid on the economy

The relative impact on the economy

Key changes for commerce and people

The Nordics saw the same features of Covid as the UK, with lower paying industrial categories' work having bigger employment reductions than higher paying ones. The chart below shows the stories, excluding industries that were either highly affected because they operate intensively in the outside environment or those largely unaffected as they are core activity not locked down. The situation in these countries was much like that in the UK's economy in that the falls in employment were larger than the OECD average in low wage sectors such as accommodation, food services, the arts and transportation and storage; this differential impact was felt by different groups of workers in different places. The recovery of these states has been stronger than anywhere in the developed world but that has mostly been driven by high wage segments like construction and manufacturing, which makes them different from and more successful than the UK.

Figure 52: Shifts in percentage in employment by sectors, 2022 Q2 relative to 2019 Q2



Source: OECD¹¹⁹ - please see standard OECD country codes in the annex
 Note: OECD calculations based on a subset of country statistics offices

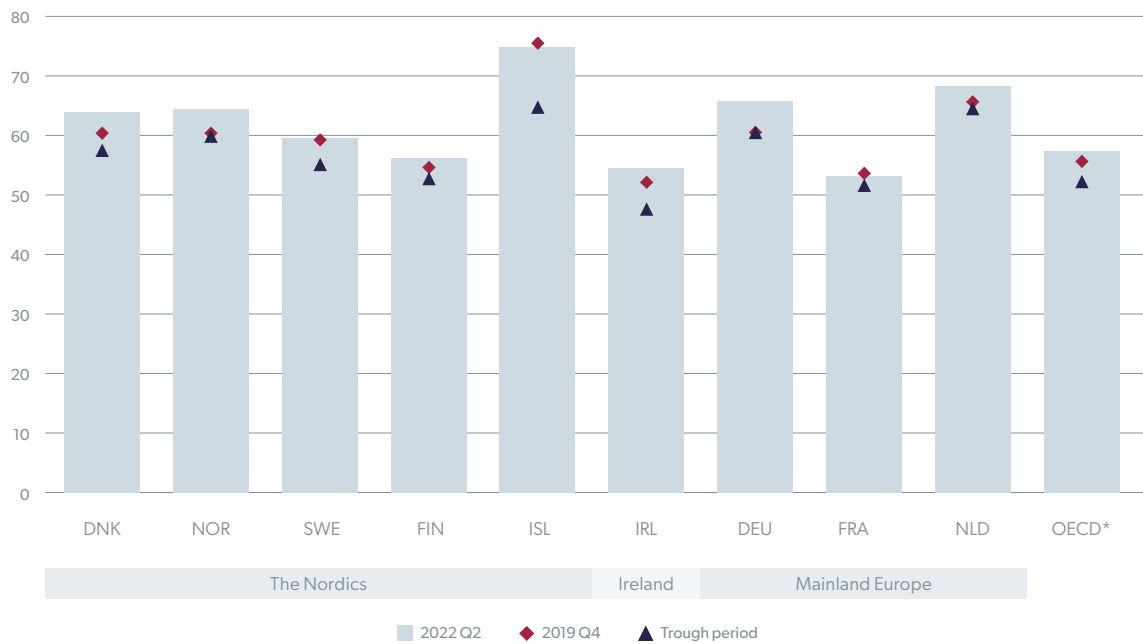
The effects of the uneven regaining of lost ground across Scandinavia and in other states has impacted young people, the low-educated and migrant workers the most. The charts below show these countries did not suffer in the medium-term as falls in younger peoples' employment have returned to pre-pandemic rates if not higher, whereas UK and others have not done so. Like other countries they saw initial falls in employment for those without tertiary qualifications, but here recovery has been better than comparators; and as with all countries, there were marked falls in migrant employment which have since returned more so to rates prior to disease spread.

119 OECD, March 2023 <<https://stat.link/5qm306>>

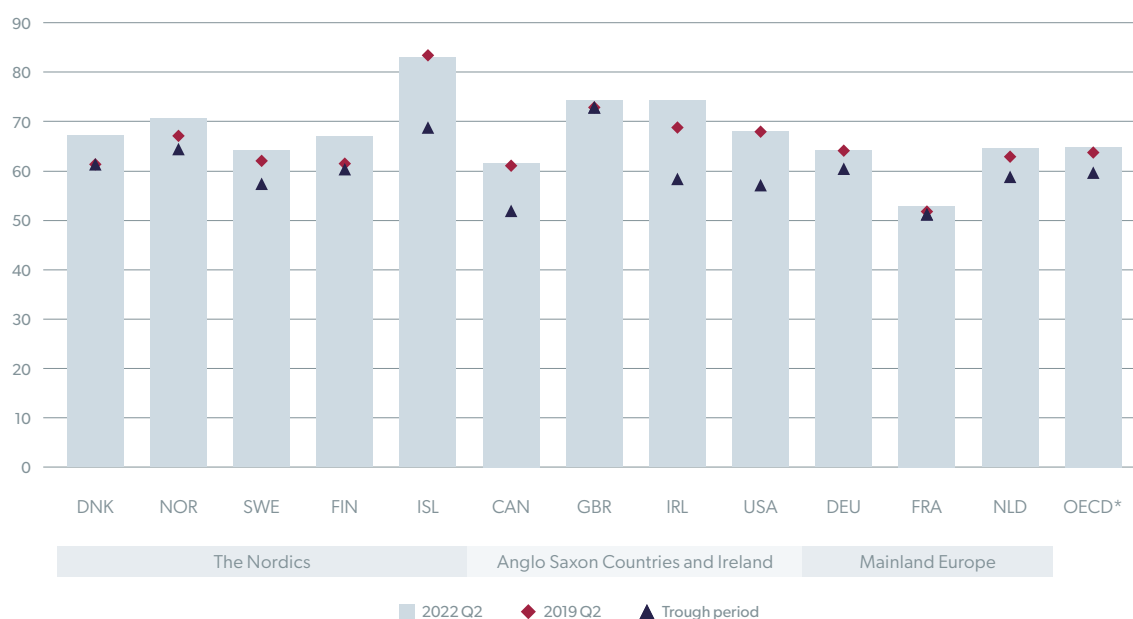
Figure 53: Shifts in percentage of 15-24 year olds employment, 2019 Q4 - 2022 Q2



And in low-educated employment, 2019 Q4 - 2022 Q2



And for migrant employment, 2019 Q2 - 2022 Q2



Source: OECD¹²⁰ - please see standard OECD country codes in the annex

Note: (i) OECD calculations based on Panel A subset of country statistics offices; (ii) OECD calculations based on Eurostat Dataset: Employment by educational attainment level - quarterly data; and (iii) OECD calculations based on a subset of country statistics offices

The worst impacts on youth unemployment were avoided in Scandinavia and adjuncts; these states have lowered 'Not in employment, education and training' (NEET) now below the level before the public health crisis and the trough of it. They used the emergency to reset putting young people into said categories, more in education and training given the chart above.¹²¹ The negative effects on the lower educated and migrant workforce were, as everywhere, more pronounced but were comparatively shorter-lived. Recovery was strong for those with lower qualifications but not quite as robust for the migrated workforce.

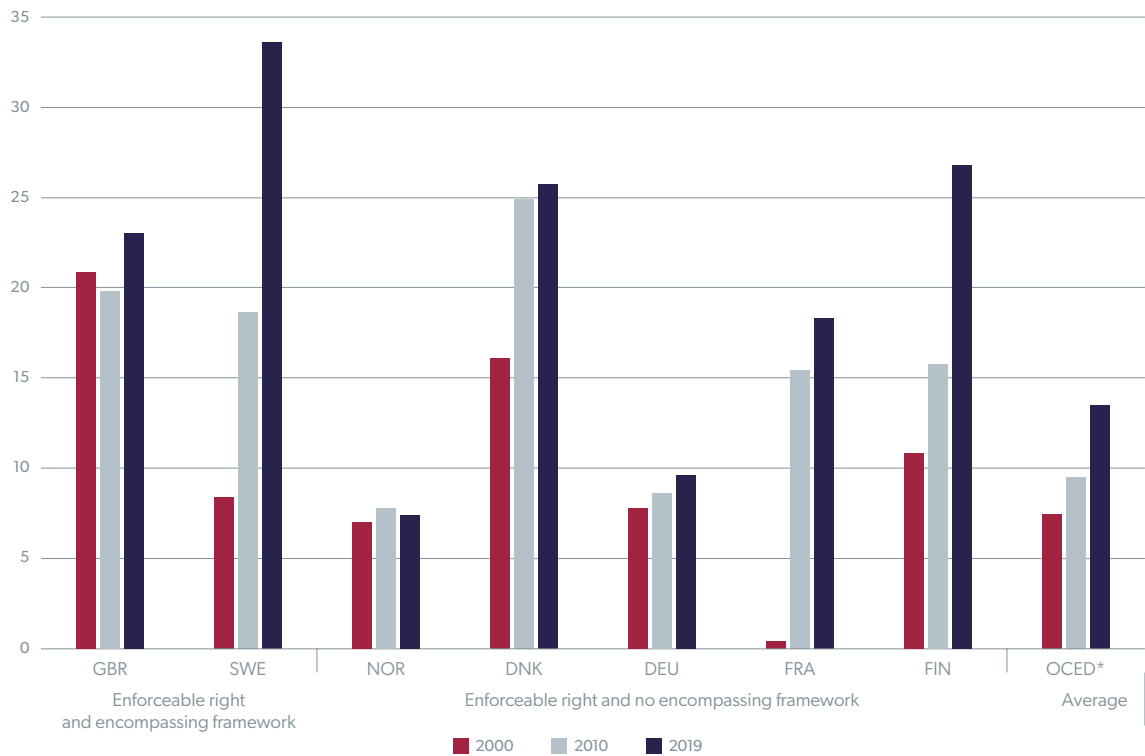
Main reaction of the state and enterprise

The reason for differential impacts described above was in part due to the facility to use online platforms to work unhindered or less hindered than in the UK. Here, Scandinavian states and adjoining ones aside from Norway benefited from higher use of flexible working from home and using virtual applications, referred to as teleworking. The charts below show this dramatically grew since the outset of the millennium, owing to enforceable rights and request to use, which was cordially negotiated between employees and employers.

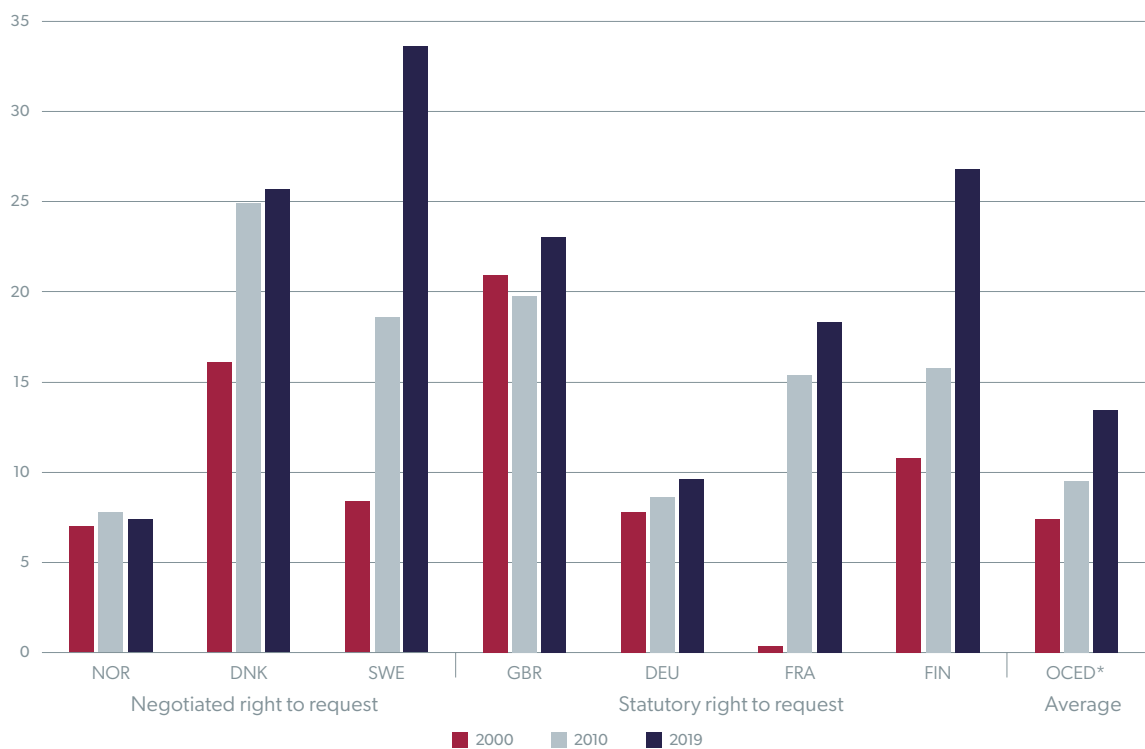
120 OECD, March 2023 <<https://stat.link/1onc6v>>, <<https://stat.link/c9q54w>> and <<https://stat.link/aqd72j>>

121 OECD, March 2023 'Nordic Lessons for an Inclusive Recovery? Responses to the Impact of COVID-19 on the Labour Market' <https://read.oecd-ilibrary.org/employment/nordic-lessons-for-an-inclusive-recovery-responses-to-the-impact-of-covid-19-on-the-labour-market_2aa7bcc1-en#page1>

Figure 54: Percentage use of teleworking by governance type, 2000, 2010 and 2019



And use of teleworking by right to access, 2000, 2010 and 2019



Source: OECD¹²² - please see standard OECD country codes in the annex

Note: OECD calculations based on unweighted averages of 24 European member countries

122 OECD, March 2023 <<https://stat.link/umdf00>>

In the Nordic countries, net outcomes of this new facility coming onstream was felt more by those established in the labour market, which is why new and marginal participants suffered with first falls and then second gradual returns to higher employment rates. The respective governments in consort with business pushed use of these mediums and this advantaged the strategically placed the most. Overall, these countries have similar labour markets, employment services and technological positions as the UK, but fared better in the crisis and now in recovery, so it seems only sensible to draw out lessons from them.

1.4.3. Responses of these national governments vis-à-vis international comparators

Relationships with the workless and wider labour force

Instilling confidence and working with social partners

Nordic states already had some of the most generous replacement rates for those on joblessness benefits, though these are more so in the near-term, and this gave them a head start in respect of recipients believing government was on their side. The UK and the United States stand out as having least valuable amounts among Anglo-Saxon countries and Ireland and core European ones who have somewhat lower replacement rates. The chart below shows during the Covid period there was little scope for the Nordics to increase this, whereas others including the UK did to protect those without work; thus confidence is partly related to generosity and long-term this narrows across comparators.

Figure 55: Benefits in unemployment as a percentage of previous income, 2019-22



Source: OECD¹²³ - please see standard OECD country codes in the annex
 Note: OECD calculations based on a subset of country statistics offices

123 OECD, August 2023 <<https://data.oecd.org/benwage/benefits-in-unemployment-share-of-previous-income.htm>>

Alongside payment generosity, though this narrows over time, the Nordics also changed worklessness benefits more wholly in the face of the pandemic. The table below shows all, but Denmark and Iceland increased access albeit it is difficult to do that in a largely insurance based system. All but Denmark raised amounts, though it does have the highest initial replacement rates; and all, except Iceland, extended durations.

Figure 56: Benefits in unemployment changes, 2019-22¹²⁴

	IMPROVED ACCESS	EXTENDED BENEFIT DURATION	RAISED BENEFIT GENEROSITY
Denmark		In two periods, duration limits were suspended; these dead periods (lockdowns) are not included in continuous usage of this benefit. Unemployed people who lost rights in these periods had it extended by 2 months or had status paused if related to seniority. These extensions could be used until June 2022.	
Norway	Temporarily reduced minimum eligibility for this benefit by multiples of National Insurance scheme basic amounts over 12 or 36 months in the 25 months from March 2020. In the periods, the minimum reduction in working hours to be eligible for this went down from 50 per cent to 40 per cent, and the 3 days waiting period was abolished for applications granted from early 2021 to the end of financial year 2021/22.	Benefit duration was extended to the end of March 2022 for claimants whose entitlement would have ended from the outset of the crisis or during it.	For applications granted in 25 months from March 2020, the replacement rate was raised from 62.4 per cent to 80 per cent for incomes up to three times National Insurance scheme basic amounts. For the first 22 of these months, those who applied could get a pre-payment of 60 per cent on this calculation basis. The pre-paid amount would be deducted from this benefit. For partly temporary layoffs, the pre-payment was reduced proportionally.
Sweden	In crisis, work requirements were reduced, going down to at least 60 hours per month over 6 months from the usual 80 hours over the 12 previous months; alternatively, recipients need at least 420 hours instead of the normal 480 hours during 6 consecutive months and have performed this work for at least 40 hours instead of the 50 hours per month. The waiting period was abolished from 2021 to end of financial year 2021/22.		From crisis, there were increases in minimum and maximum benefit amounts by circa 40 per cent and 32 per cent respectively. Maximum payment covered by the basic insurance raised to Kr510 per day from Kr365 per day, and maximum for people covered by the income loss insurance lifted to Kr1,200 per day from Kr910 per day. Minimum payment for both is Kr255 per day for part-time employees with low working hours.

124 OECD, March 2023 'Nordic Lessons for an Inclusive Recovery? Responses to the Impact of COVID-19 on the Labour Market' <https://read.oecd-ilibrary.org/employment/nordic-lessons-for-an-inclusive-recovery-responses-to-the-impact-of-covid-19-on-the-labour-market_2aa7bcc1-en#page1>

	IMPROVED ACCESS	EXTENDED BENEFIT DURATION	RAISED BENEFIT GENEROSITY
Finland	Minimum work requirement for the earning related payments was shortened from 26 to 13 weeks in two periods. The labour market subsidy was made more easily accessible for the self-employed till February 2022. The 5 days waiting period was abolished, smoothing the way after redundancy.	Any income related payment of this benefit within the two periods did not count towards the maximum benefit payment period.	Before crisis, this benefit was decreased by 50 per cent of gross income exceeding the disregard of €300 per month. From first period, there was an increase in the earning disregard for claimants combining work income and benefits to €500. Provision remained in place in 2021.
Iceland			Flat amount and minimum benefit increased by 6.2 per cent, with the maximum increased by 3.6 per cent. In 2022, the flat amount, minimum benefit and child supplement increased by 2 per cent and maximum amount increased by 5 per cent. The overall amount over the whole spell was effectively increased by extending from 3 to 6 months over which the claimant can receive this income related benefit. The elevated payments were abolished in February 2022.

There is a tradition of bringing in all social partners in Scandinavia and surrounding, not just trade unions but municipal administrations, educational organisations, trade associations and the business community, which was intensified in the pandemic period. The table below shows all, and especially Denmark, take this consultative approach, and this moderates the self-interest of any group in favour of an affordable compromise.

Figure 57: Social partnerships in designing, implementing and monitoring unemployment provisions, 2019-22¹²⁵

	DESIGN AND READJUSTMENT	IMPLEMENTATION	MONITORING
Denmark	Formal involvement for social partners in stable tripartite bodies connected to the policy making process.	Unions have strong links with some of the funds that administer benefits, and wider social partners are formally involved in councils and committees dealing with employment policies.	Involvement explicitly targeted at benefit provision via assessment activities by the Danish Agency for Labour Market and Recruitment (and includes all social partners).
Sweden	Informal involvement in information and consultation practices for social partners.	Unions have strong links with some of the funds that administer benefits.	Involvement of social partners explicitly targeted at benefit provision via activities of the Unemployment Insurance Union.
Norway	Informal involvement in information and consultation practices for social partners.	No formal involvement, but social partners are involved in the negotiation of temporary lay-offs at the firm level.	No involvement, but social partners may notify the authorities if members experience problems.

¹²⁵ OECD, March 2023 'Nordic Lessons for an Inclusive Recovery? Responses to the Impact of COVID-19 on the Labour Market' <https://read.oecd-ilibrary.org/employment/nordic-lessons-for-an-inclusive-recovery-responses-to-the-impact-of-covid-19-on-the-labour-market_2aa7bcc1-en#page1>

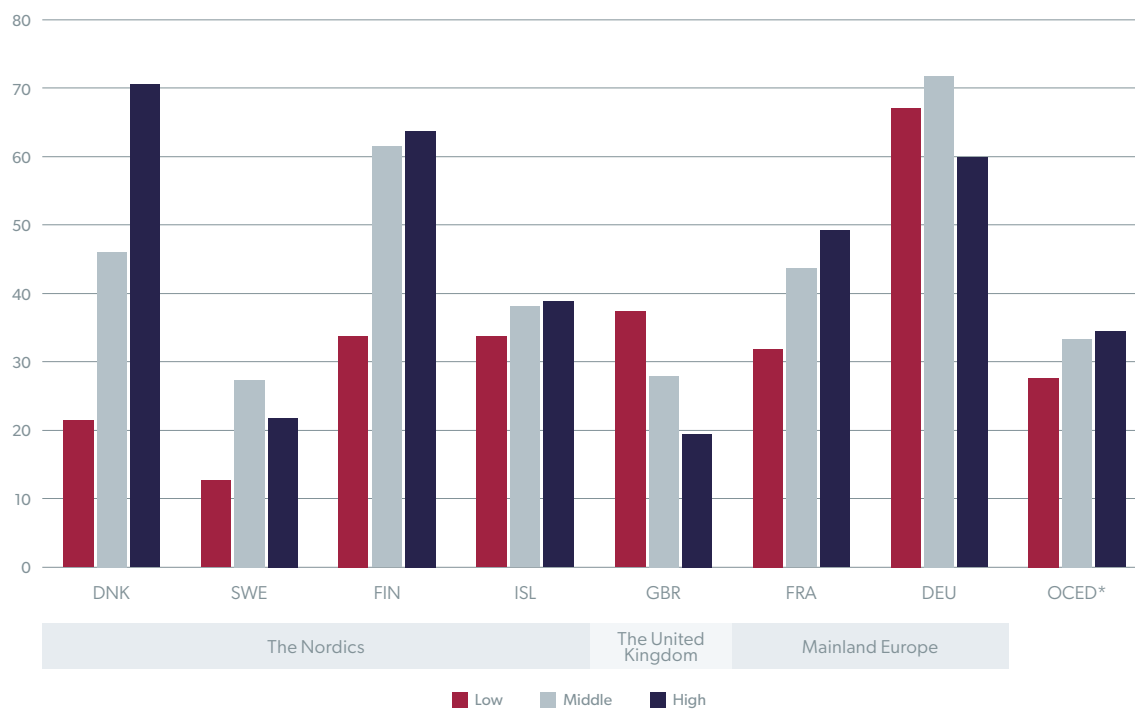
	DESIGN AND READJUSTMENT	IMPLEMENTATION	MONITORING
Finland	Formal involvement for social partners in both bi- and tripartite ad hoc committees set up by government to intervene in the benefits system.	Unions have strong links with some of the funds that administer benefits; wider social partners are formally involved in councils and committees dealing with the broader benefits system.	Involvement of social partners generally targeted at employment policies through tripartite roundtable on productivity.
Iceland	Formal involvement for social partners in tripartite ad hoc committees set up by government.	Social partners are formally involved in councils and committees dealing with employment policies.	Involvement of social partners generally targeted at employment policies through tripartite councils and committees.

The result of Scandinavia and its adjuncts' generosity, adjustment and cooperation is that they can agilely change big levers of benefit amount and duration, and even access to an extent. Accessibility is more restricted because the countries operate an insurance based system, which means many cannot get more than subsistence relief even in crises. Indeed, one of the reasons they, but for Finland, can be more generous is that they can restrict access substantially below the UK's as shown in Part One Section Three to those with past employment records. This said, the key factor seems to be the multi-party relationships that allows modification of benefits without any social partner being overly self-interested. The overriding goal is to sustain people within fiscal envelope, which is negotiated only at the margins. These countries have very different outlooks on public good and since they fared better in the crisis and in recovery, it appears lessons can be gleaned from them.

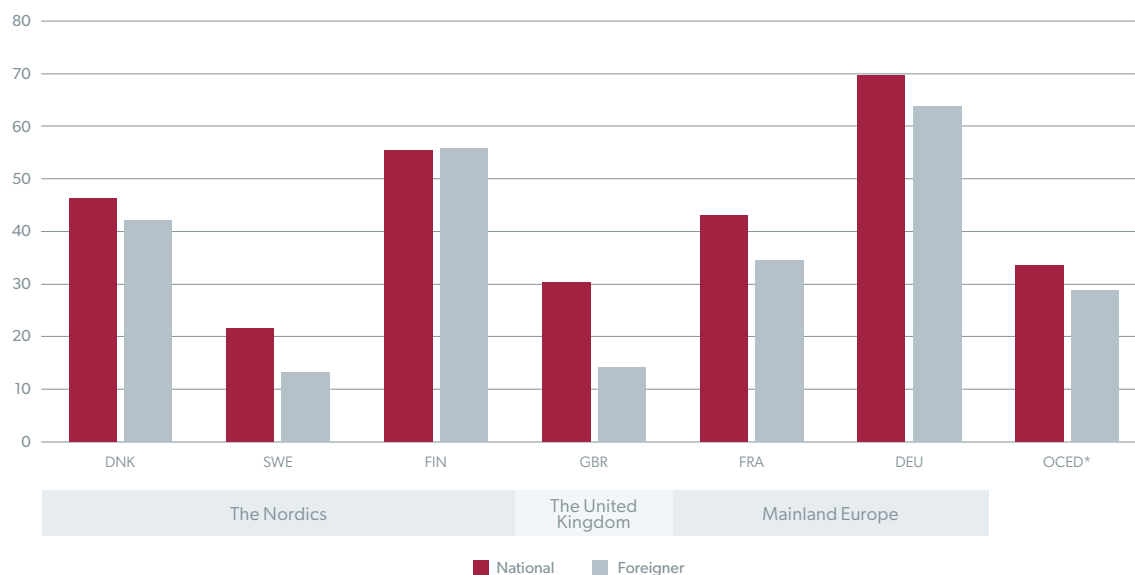
Having the trust of vulnerable constituencies

Scandinavian and associated states have over decades signalled effort based support and at the same time maintained fairness for new entrants. While this is no doubt unfair at the margin in cases where, through no fault but for circumstances of birth, resources and nurture, mean they are less established it does mean the incentive to work is high. The UK by contrast does the opposite and focuses support where there is disadvantage, which means it needs to have more frequent, if not stronger penalties for when these groups resist moves off benefits in normal conditions. The first chart below shows those with successively higher qualifications in these countries are covered by both benefits and upskilling provision. The pattern of low-educated earners receiving lower benefits is seen in most countries. Sweden is an outlier that has low coverage, while Germany and France though to a lesser extent have higher coverage. In the UK, the reverse is true as it offers most support to the lowest qualified then successively to higher qualified groups. This may, mean those who could work in the lower-educated groups are disincentivised to do so. The second chart below shows the foreign born workless are more similarly covered by benefits and upskilling provision than is the case in other places including the UK; this might mean new entrants are incentivised after receiving support to move into work.

Figure 58: percentage coverage of jobless benefits receipt and active labour market policy provision by educational level, 2019



And of jobless benefits receipt and active labour market policy provision by nationality, 2019



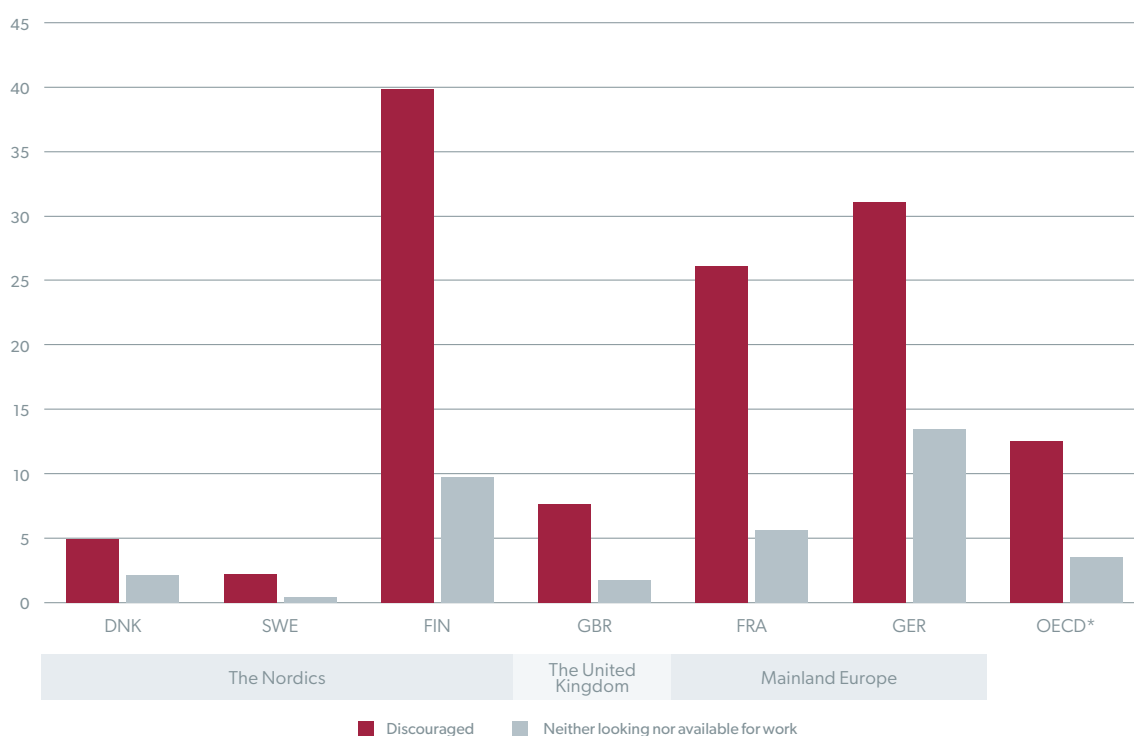
Source: OECD¹²⁶ - please see standard OECD country codes in the annex

Note: OECD calculations based on unweighted average of the countries in each panel

126 OECD, March 2023 <<https://stat.link/tkl4cn>>

Looking further at disincentives, the Scandinavian countries and adjoining ones are firm on discouragement to work and on economic inactivity; they are some of the very few places with a more assertive regime than the UK's system. The chart below shows the proportion not seeking unemployment benefits who could do, as they have an underlying eligibility, by inactivity status. Thus, this likely shows the degree to which these countries empower those with health-related inactivity to look for or be in some form of work. It appears the two most core states, Denmark and Sweden, much like the UK have very low participation in the labour market of those in ill health; which might seem progressive at first sight, but as shown in Part One Section One there is a large population not eligible for unemployment benefits and support as they are on inactive ones. Finland is an example of a state where more of the incapacity group are encouraged to look for some participation in the labour market, as demonstrated by a large gap between the discouraged bar and the not looking for or available for work one. Although not the focus of this section France and Germany also demonstrate this trend. The logic being if they are not seeking unemployment benefits despite underlying entitlement and are not so incapacitated, then there must be some disabled or unhealthy amongst them that can work with support. There may well be normalisation of the expectation to work, be it limited in scope, environment and hours in these places more so than others, including the UK – though it must be said not to a greater extent than others.

Figure 59: Percentage accessible for receipt of jobless benefits who are not in receipt and/or economically inactive, 2019



Source: OECD¹²⁷ - please see standard OECD country codes in the annex

Note: OECD calculations based on unweighted average of the 23 European countries

127 OECD, March 2023 <<https://stat.link/v57ose>>

With regard to other disincentives, this can be more systemic such as type of employment conferring differential access to support, here Scandinavia and orbiters compare favourably to others in treatment of the self-employed. Their social protections systems are mature, keeping the frictions of moving in and out of activity to a minimum. The table below shows that three Scandinavian states have much the same rights for the employed and self-employed and potentially another in Finland with this through voluntary opt-in, with only Norway standing out with no access for the self-employed; they are more so equal in their conduct than the Anglo-Saxon and European countries, but it is true that the UK, owing to UC, and Australia have the same degree of care for those self-employed.

Figure 60: Self-employed access to jobless benefits in selected OECD countries, 2019¹²⁸

	NO ACCESS	VOLUNTARY	PARTIAL ACCESS	SAME AS EMPLOYEES
Denmark				X
Norway	X			
Sweden				X
Finland		X		
Iceland				X
Australia				X
Canada	X			
United Kingdom				X
Ireland			X	
United States	X			
France			X	
Germany		X		
Netherlands	X			

In the Nordics, incentives and disincentives are carefully calibrated around effort and disadvantage, propensity to seek benefits vis-à-vis work and promoting of flexible and frictionless labour markets. This has been about rewarding those who seek higher qualifications while shielding those new entrants that could not have got certificates, encouraging all those who can work even a little to do so and being equal in terms of the safeguards for income loss across types of employment. The thrust of these finely tuned benefit coverage and access policies is about being pro-work; that is they are risk-intense in taking steps, even if that means at the margin there is some unfairness rather than being risk-averse and not taking them. These countries see it as kinder to put people into work, even by marginal hours, and raise at least a degree of self-reliance alongside income, and since they performed better in the crisis and in recovery, say in terms of GDP growth but seemingly true more widely, it looks like there are lessons to be learned from them.

128 OECD, March 2023 'Nordic Lessons for an Inclusive Recovery? Responses to the Impact of COVID-19 on the Labour Market' <https://read.oecd-ilibrary.org/employment/nordic-lessons-for-an-inclusive-recovery-responses-to-the-impact-of-covid-19-on-the-labour-market_2aa7bcc1-en#page1>

1.4.4. Responses of these national governments vis-à-vis the UK

Actions for the workless and wider labour force

Targeted job retention schemes

During the Covid period, the Nordics used subsidies to employers to maintain or create jobs much less than others, choosing instead to support the laid off with benefits and upskilling. The extent to which they did this was with:

- Denmark, Norway and Finland used pre-existing short-time schemes for the unemployed which they modified. Denmark also introduced a scheme, as did Iceland and Sweden;
- they all extended eligibility to other types of employees, outside the paid permanent category, for example to some temporary workers and through the relaxation of benefits rules different classes of labour came into them, and simplified the applications process to expedite cases through the system; and
- they were different from the UK, but not so from other countries, in that some of the costs were borne by employers with some of the highest contributions being in them.

The strength of the benefits changes outlined above meant though labour market support here followed the same formula as elsewhere, the usage of subsidies was very low.¹²⁹

The epidemic response in the UK was:

Primarily, the kickstart scheme –

- from September 2020 to December 2022, this was a subsidised employment work place for 16-24 year olds claiming UC who may be at serious risk of long-term unemployment, and 16-29 year olds claiming UC at that risk in certain areas. This eligibility meant it could somewhat disproportionately contain groups further from the labour market;
- it provided work placements for them at least 25 hours a week for 6 months, where the employer was obliged to pay National Minimum or Living Wage or higher and provide in work coaching to the young person employed. The employer was funded £1,500 for each such person they took on, which was to cover start-up and training costs, so the logic was that there is no cost of taking the work experience candidate(s); and
- it had limited oversight and has been extensively criticised, partly because the budgeted £1.9 billion was not fully spent, and also as the additionality for vulnerable groups of and scale of displacement for others from it, will not be known until the DWP undertakes a full rather than process evaluation.¹³⁰

129 OECD, March 2023 'Nordic Lessons for an Inclusive Recovery? Responses to the Impact of COVID-19 on the Labour Market' <https://read.oecd-ilibrary.org/employment/nordic-lessons-for-an-inclusive-recovery-responses-to-the-impact-of-covid-19-on-the-labour-market_2aa7bcc1-en#page1>

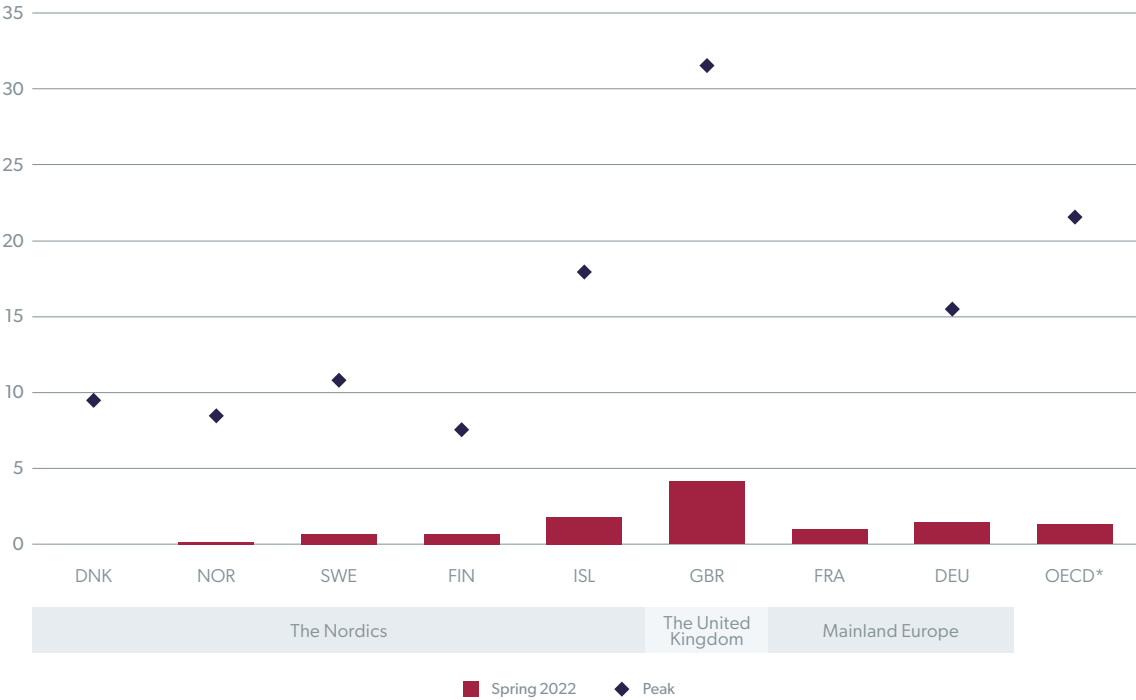
130 NAO, November 2021 <<https://www.nao.org.uk/reports/employment-support-the-kickstart-scheme/#report-conclusions>>

Secondarily, Job Entry Targeted Support scheme –

- from October 2020 to September 2022, this was job search assistance for UC and New Style JSA claimants over 18 years who were unemployed for at least 13 weeks. The eligibility criteria means it could even more so have had disproportionate entrants from the disabled, caring and parenting or lone parenting groups further from work;
- it provides up to 6 months of light-touch personalised support to help participants effectively re-engage with the labour market and focus on job searching by building on providers’ links with local employers. Support includes help with Curriculum Vitae (CVs), interviewing and consideration of different employment routes and sectors; and
- it was launched as part of a Jobs package that invested £238 million in the first year.¹³¹

The chart below shows that the Scandinavian countries and their satellites at the height of the crisis were not using job retention schemes so much, and still have very low usage compared to others in Europe at spring 2022. But for Iceland, their usage of this was at near maximum a third of the UK’s and at close were even less than that relatively speaking.

Figure 61: Ratio of job retention scheme support jobs to all dependent employment, post-Covid relative to the peak of the outbreak

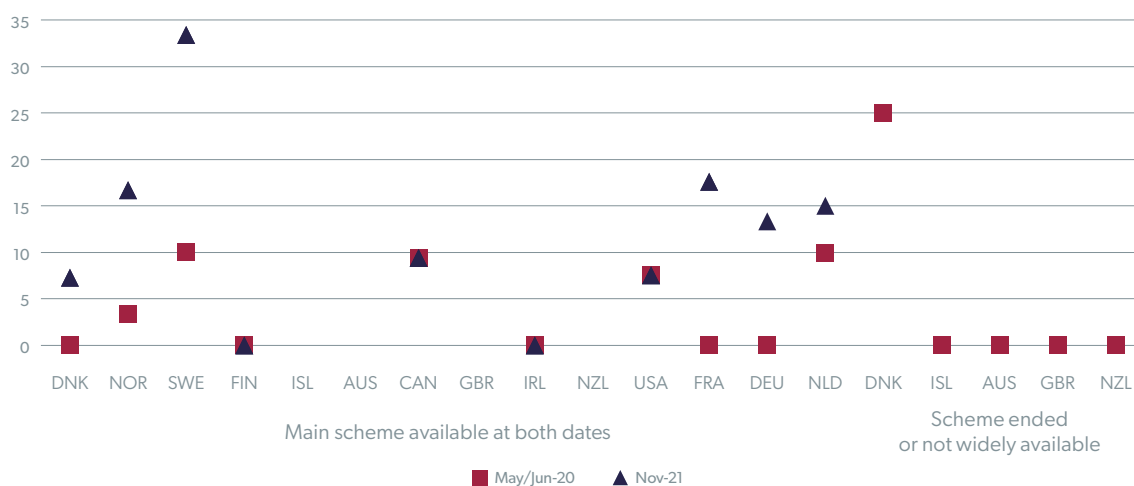


Source: OECD¹³² - please see standard OECD country codes in the annex
 Note: OECD calculations based on unweighted average of the 13 European countries

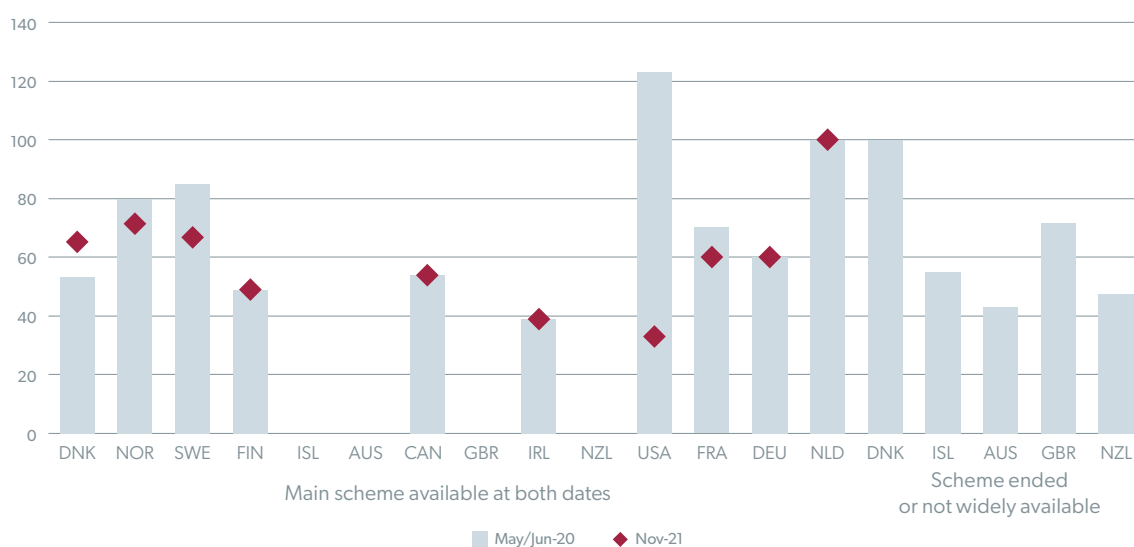
131 NAO, November 2021 <<https://www.nao.org.uk/reports/employment-support-the-kickstart-scheme/#report-conclusions>>
 132 OECD, March 2023 <<https://stat.link/rx9m41>>

The charts below show that in Scandinavia and their adjuncts' firms bore more cost, and workers on job retention schemes had higher replacement wage compared to other states. They compare the middle of 2020 when such schemes first came in to late 2021 where they had reached a critical mass. The first shows that the cost put on business for participation in schemes was high in Sweden and in Norway similar to mainland Europe. Denmark has a main scheme that has little contribution from enterprise and another targeted one with almost as high take from employers participating. Finland and Iceland, much like the UK, have no co-financing. In all places, with joint funding, the asks were higher at the later date/closure of the scheme. The second shows the compensation relative to national average wage for participants in schemes was amongst the highest in Scandinavian countries at the early date and remained high to the later one. The United States was an outlier with very high starting point wage replacement which fell roughly four-fold; this is the case when alternative to being on these schemes is also a very generous benefit receipt.

Figure 62: Percentage of labour cost met by employers in finance of job retention schemes, mid-2020 and November 2021



And replacement rate for those on job retention schemes relative to average wage, mid-2020 and November 2021



Source: OECD¹³³ - please see standard OECD country codes in the annex

133 OECD, March 2023 <<https://stat.link/rb8ija>>

The net effect of both aforesaid generous benefits, and higher cost to commerce of the part financing and high compensation to partakers on job retention schemes in the Nordics is that such variants of active labour market policies were less used. The thinking was to keep people in employment or out of it in various forms of tutoring, with the view being in the long-term this would better prepare them for the recovery phase. The UK went the other way and intervened, particularly for the most vulnerable groups, but whether this was a suitable experience for the participants and gave a sustainable impact is uncertain. Since it is now known that these Scandinavian countries had amongst the strongest return to GDP growth per capita and per hour worked from Part One Section Three, perhaps there are lessons that can be taken from them, in terms of what they did instead of employment subsidy especially as it relates to the traditionally considered inactive groups.

Employment Service landscape

The Scandinavian states have always had a good degree of agility when delivering active labour market policies, which was largely recognised as a strength during Covid years.

The extent to which they demonstrated this was with:

- Denmark, seen as the exemplar during this time, as they implemented specific programmes using their subnational public employment service within a strategy of its national coordinating agency, with the private employment service sector being negligible. This organisational regionalisation optimises schemes given regulatory setting up was/is done in an immediate way to meet challenges of different labour markets, which is beneficial not only in the pandemic but also recessionary periods;
- Norway and Sweden also have the ability to move quickly, although these were delivered via a national level agency managed by their ministries meaning solutions were and are very tailored to localities because of very high levels of contracting out to private employment service without regulation to keep the offerings uniform. This is a kind of decentralisation, often case studied through the Netherlands although not in Scandinavia, effectively does the same as the last, but with the private sector fitting service to market conditions; and
- Finland and Iceland move less quickly because they have national level agency overseen by ministry or tripartite body of social partners, but nonetheless are somewhat reactive to local area needs, as they have high levels of contracting out to private employment services, albeit with regulation in the first. This model of devolution by proxy only happens if the private sector agents respond, so is dependent on government relations with them.¹³⁴

The strength of the diffused employment service systems and industry outlined above meant although policies followed here were the same as elsewhere, the deployment of them was more effective where most needed.

This agility seen in Scandinavian and adjoining states is possible because social partners, municipalities, educational establishments, trade and human resource (HR) associations, the business community and trade unions, play a role in setting up active labour market policies. This happens within:

- Denmark and Iceland with them having places on advisory boards in ministries and on advisory and supervisory boards of public employment service; and
- Norway Sweden and Finland with these brought in as needed for consultative purposes.

¹³⁴ OECD, September 2021 <https://www.oecd-ilibrary.org/social-issues-migration-health/institutional-set-up-of-active-labour-market-policy-provision-in-oecd-and-eu-countries_9f2cbaa5-en> and <<https://www.oecd-ilibrary.org/docserver/9f2cbaa5-en.pdf?expires=1695483471&id=id&ac-name=guest&checksum=368217EA538AB19EE1D1A988F0706336>>, or than in <https://read.oecd-ilibrary.org/employment/nordic-lessons-for-an-inclusive-recovery-responses-to-the-impact-of-covid-19-on-the-labour-market_2aa7bcc1-en#page1>

The point is that arrangements are longstanding and normalised with partners showing restraint in working together to overcome challenges, and not to take adversarial sides.¹³⁵

The UK's actions after the outbreak were different:

- From summer 2021, there has been a concerted effort to have something like a personalised public employment service through the Youth Offer, supporting those aged 18-24 claiming UC in the Intensive Work Search group, extended to 16-17 year olds in October 2021. Its Youth Employment Programme offers 13 weeks of support with mandatory referrals to providers, in Youth Hubs co-located with partners¹³⁶ and aided by Youth Employability Coaches for up to 6 months of specialist assistance for those young people with multiple disadvantages.¹³⁷

Dialogues with the Centre for Social Justice Alliance's charities about Kickstart suggests:

- over half of participants are young adults and a third of those helped this way have health conditions that restricted ability to work. This is corroborated by the DWP's own process evaluation of it where 50 per cent of all starters were aged between 18 and 21 and a further 46 per cent were aged between 22 and 24. This social research was also substantiated by showing that 30 per cent of starters had a health condition or illness they expected to last for at least 12 months, and 22 per cent or 74 per cent of those with a health condition or illness expected to last for at least 12 months that limited ability to carry out day-to-day activities;¹³⁸
- disabled partakers receiving assistance delivered in hubs views on support varies by contracted work and health providers use of specialist Disability Employment Advisers, who are sometimes work psychologists and other times not. The offer to vulnerable persons depends on a health assessment passport being in place and up to date, thus efforts designed in to negotiate adjustments with employers may not always have been put into practice, especially if benefit claims were not fully processed and information was not on the system;
- disabled leavers were more likely to be dissatisfied. The same sources as above recorded this group at 7 months was more displeased than others, with 32 per cent being unhappy in work placement compared to 18% of those without a long-term health condition. This was markedly so for disabled leavers who had at least 12 months of prior experience of working, with 25 per cent being unhappy compared to 18 per cent without this track record, and disabled leavers who had Level 4 plus qualifications, with 24 per cent being unhappy compared to 19 per cent with no or low qualifications;¹³⁹ and

135 OECD, March 2023 'Nordic Lessons for an Inclusive Recovery? Responses to the Impact of COVID-19 on the Labour Market' <https://read.oecd-ilibrary.org/employment/nordic-lessons-for-an-inclusive-recovery-responses-to-the-impact-of-covid-19-on-the-labour-market_2aa7bcc1-en#page1>

136 DWP, June 2021 <<https://www.gov.uk/government/news/over-110-new-youth-hubs-offer-job-help>>

137 DWP, April 2021 <<https://www.gov.uk/government/news/specialist-job-coaches-to-help-young-people-onto-the-jobs-ladder>>

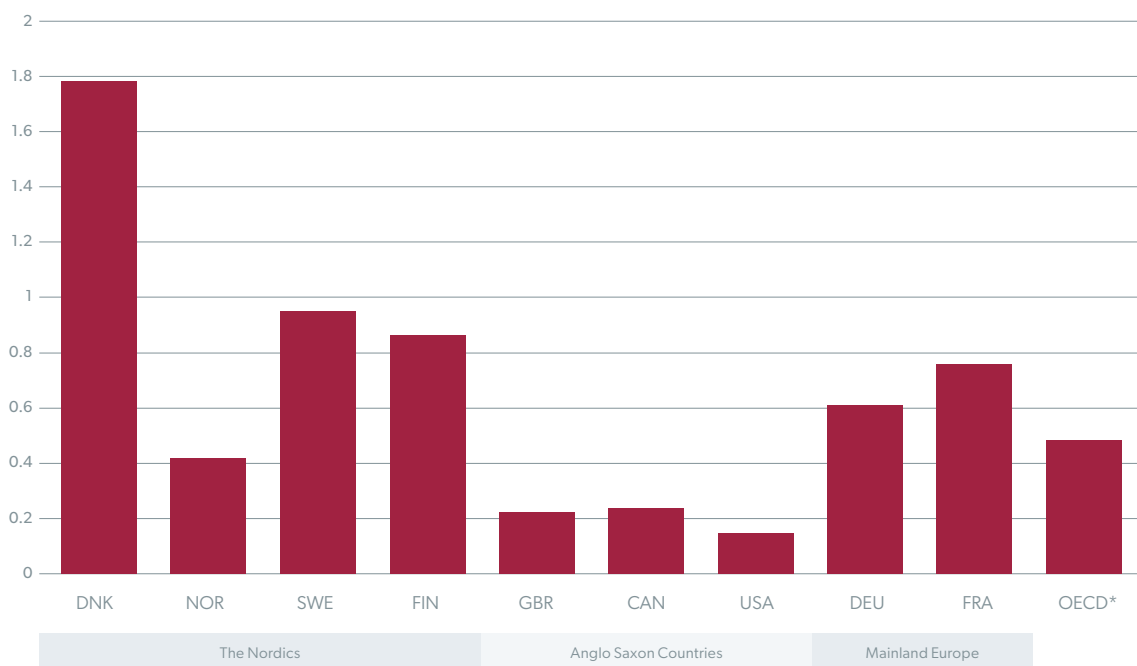
138 DWP, July 2023 <<https://assets.publishing.service.gov.uk/media/64ae8a56c033c100108060f2/kickstart-evaluation-process-evaluation.pdf>>

139 Ibid.

- there were real issues with Kickstart, and maybe there still are with Restart and hub support more generally, that lead to high dissatisfaction rates of the disabled compared with the non-disabled as their experiences were more affected by hubs' readiness, which then associates with lower confidence and having to manage feelings during the process or when in scheme organised placements. This can be seen in the rather striking finding from the said source that starters with a health condition that substantially impacted their daily life recorded relatively high levels of dissatisfaction with their Kickstart job – more than twice as many were unhappy compared to those without a long-term health condition, and more than twice as many also left the work early with younger disabled people citing lack of support as an issue that impacted daily life substantially.¹⁴⁰

The chart below shows spending on active labour market policies is comparatively high but for Norway, and most of all in Denmark; this means that they are very likely investing in human capital, aggregate skillset across all citizens, more so than the Anglo-Saxon countries with this being true prior to and during this era. Economic literature suggests that over a prolonged period productivity per head and national and regional development will benefit; the former is borne out by actual GDP growth in Part One Section Three.

Figure 63: Expenditure on all active labour market policies as a percentage of GDP, 2020 and 2011 for the UK



Source: OECD¹⁴¹ - please see standard OECD country codes in the annex

Note: OECD calculations based on unweighted average for the different types published in OECD/EC Labour Market Programme Database

140 DWP, July 2023 <<https://assets.publishing.service.gov.uk/media/64ae8a56c033c100108060f2/kickstart-evaluation-process-evaluation.pdf>>

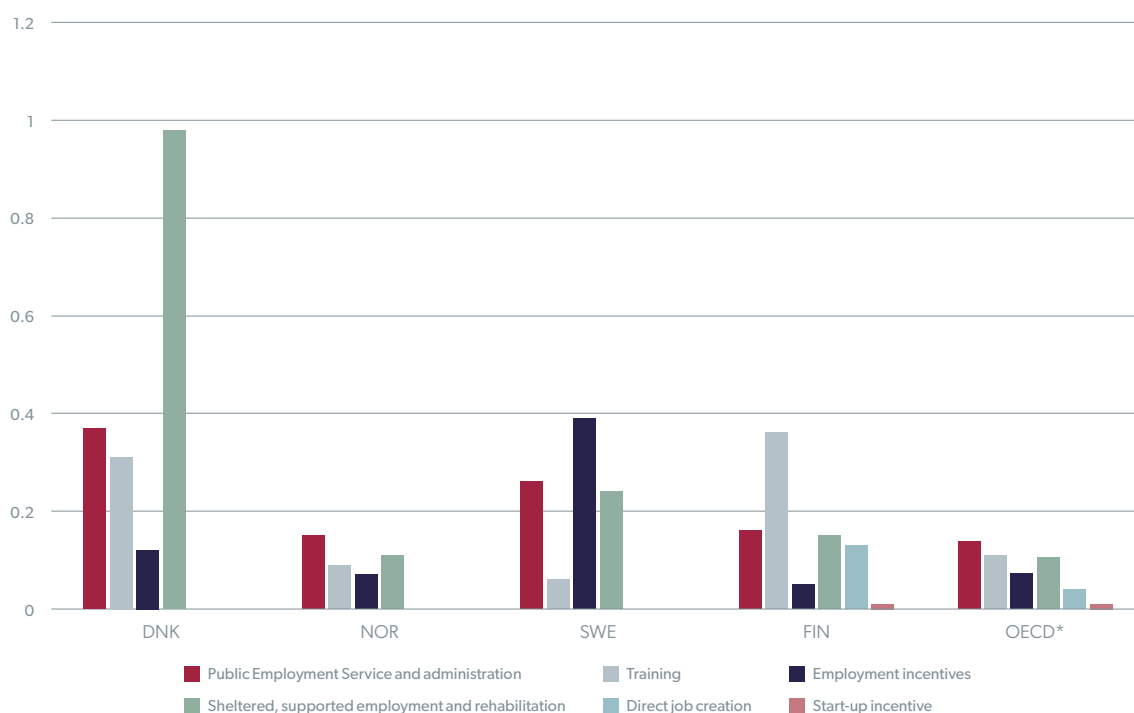
141 OECD, March 2023 <<https://stat.link/82sv9o>>

The influence of agile collaborative setting up means that the high investment in human capital is fitted to their individual needs. Norway is the exception whose spending is like the OECD as a whole. The chart below shows that:

- Denmark has put a lot of funding towards integrating vulnerable groups with a high degree of inactivity into the labour market, and in that sense is a good example for the UK in dealing with its inactive population. Sweden too has higher than OECD average expenditure on this aspect;
- Denmark and Finland also devote higher than OECD average resource on training, which tends to enable the disabled, carers and parents to move into sustainable work, as it does often for the unemployed addressing skills mismatch and staff shortages;
- all of them do not have big budgets for employment incentives, job retention schemes rather than active labour market policies, perhaps because of the short-term nature of them and as they may displace other workers; and
- Finland has gone away from the other countries, in that it has engaged in direct support to the labour market, job creation to assist the long-term unemployed into work and start-ups to give them alternative routes.¹⁴²

Note that some spend is dual or multiple assigned so the sum of these bars does not add up to the previous chart.

Figure 64: Expenditure on active labour market policies components as a percentage of GDP in the Nordic region, 2020



Source: OECD¹⁴³ - please see standard OECD country codes in the annex

Note: OECD calculations based on unweighted average for the different types published in OECD/EC Labour Market Programme Database

142 OECD, March 2023 'Nordic Lessons for an Inclusive Recovery? Responses to the Impact of COVID-19 on the Labour Market' <https://read.oecd-ilibrary.org/employment/nordic-lessons-for-an-inclusive-recovery-responses-to-the-impact-of-covid-19-on-the-labour-market_2aa7bcc1-en#page1>

143 OECD, March 2023 <<https://stat.link/t6do05>>

The agility is underpinned by strong digital foundations in the Nordic countries compared to almost all other OECD members before the contagion, which they scaled-up to enable:

- roll-out of interactive or active online provision from remote counselling to webinars;
- static or passive online self-serve process, via information sharing and processing;
- advertising and opt-in to developments using online platform, retaining opportunities for own nationals; and
- adapting information technology (IT) to on-board new, sometimes local, initiatives.¹⁴⁴

These sped up labour market interventions in this region in the crisis.

The overall impact of this agile posture, due to subnational contribution to design, advisory and implementation, investment in human capital and targeting at vulnerable groups more likely to be economically inactive, is that the Nordics have weathered the outbreak and are very well placed for recovery. The UK does not have the same kind of structural flexibility, although it has tried to replicate some of it through the very embryonic hub strategy described above, and so may not have given the most at risk of worklessness the same extent of sustained support. As it is now known these countries had among the strongest return to GDP growth per capita and per hour worked from Part One Section Three, there must be lessons for these shores, in terms of longer-run building up of fast deployment at multiple national and regional geographic areas.

1.4.5. Recovery of these countries vis-à-vis the UK and other countries

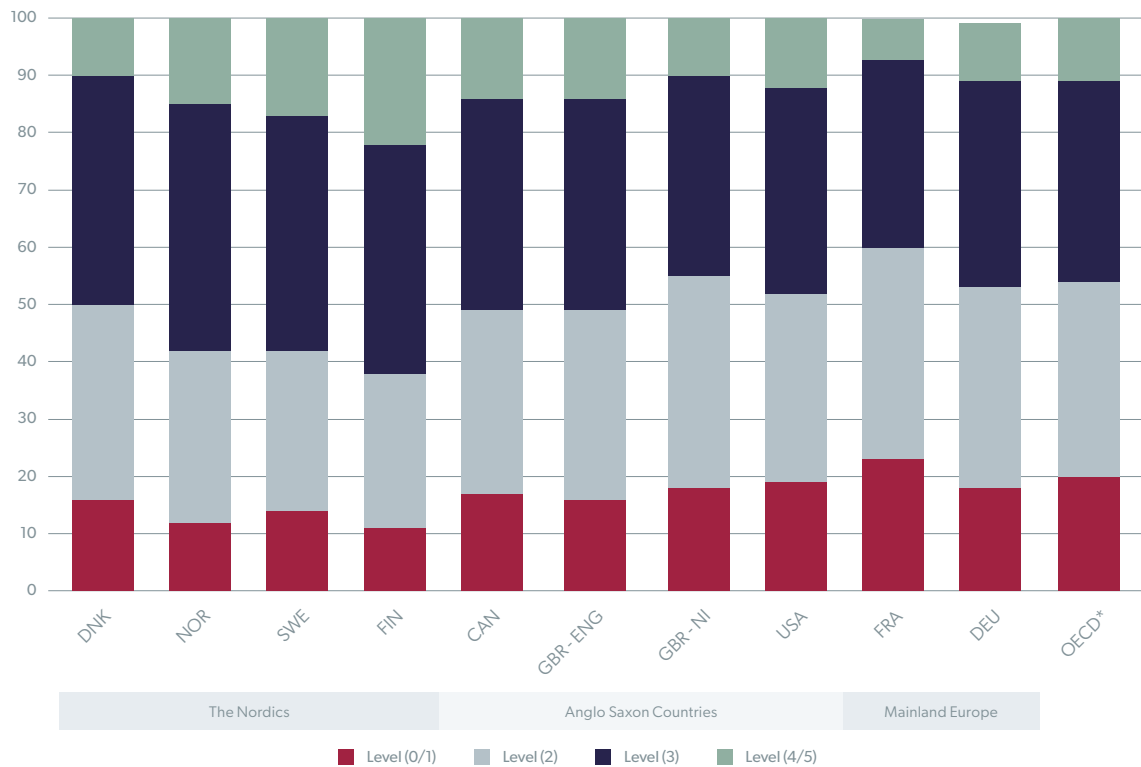
Manpower planning

Starting point access to employment

Scandinavian and surrounding states have among the highest levels of foundational skills, with a highly literate populace; this is because they had compulsory education across a large portion of their populations for as long as Anglo-Saxon and northern European ones. The key aspect here is about communicating effectively, and not having the ability to do this excludes groups from the labour market. The chart below shows that although Level 4/5 high literacy and Level 2/3 medium literacy in these countries is similar to these comparators, they have a very low share of adults that cannot access employment because of literacy skills at Level 0/1. While within the UK, England can say they have similar or a little higher share in this lower language proficiency group, other parts of the country, reported or unreported, have/may have higher portion of core adults at Level 0-2, which can create accessing employment problems.

¹⁴⁴ OECD, March 2023 'Nordic Lessons for an Inclusive Recovery? Responses to the Impact of COVID-19 on the Labour Market' <https://read.oecd-ilibrary.org/employment/nordic-lessons-for-an-inclusive-recovery-responses-to-the-impact-of-covid-19-on-the-labour-market_2aa7bcc1-en#page1>

Figure 65: Share of adults, aged 25-64, by literacy proficiency level, 2012

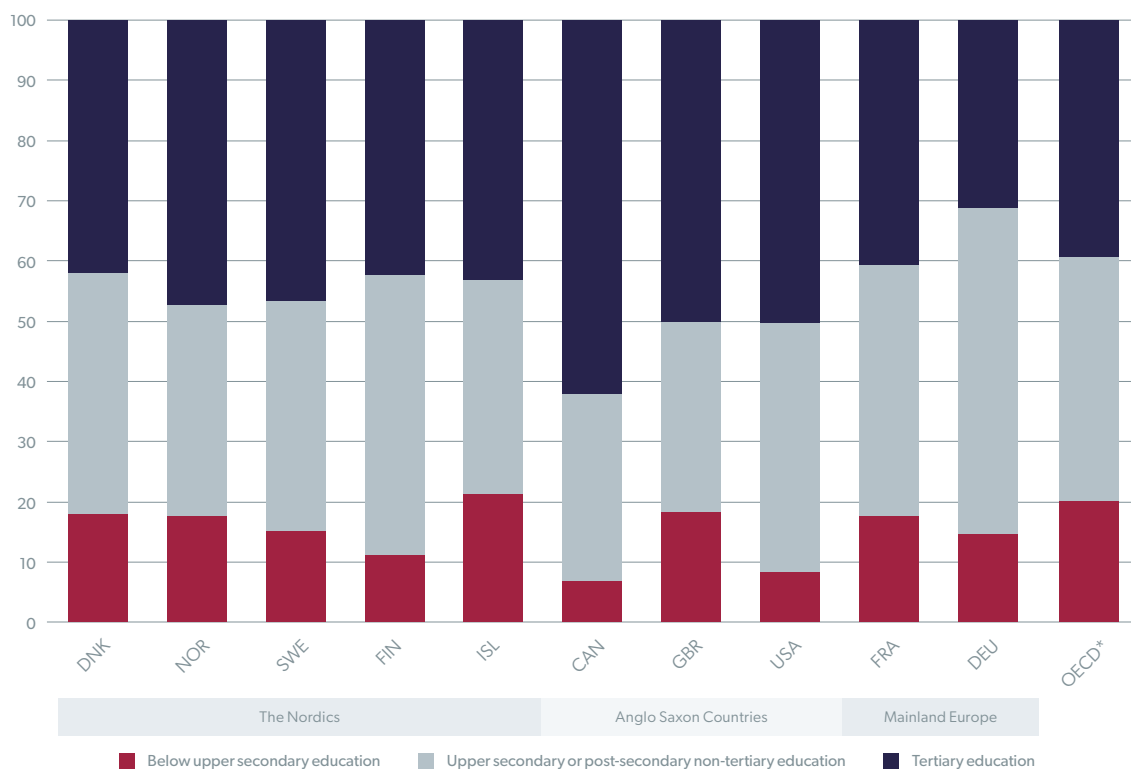


Source: OECD¹⁴⁵ - please see standard OECD country codes in the annex
 Note: OECD calculations based on a subset of country statistics offices

Scandinavian and adjunct countries have not followed the path of others in sending more and more young people on to higher education, choosing instead to have a sizeable number in other further education; the share going to each are regulated by the needs of employers rather than just the desire of future employees. The chart below shows they have a healthy middle tier of workforce, those who studied at secondary school but did not enter higher education. This is not to say they do not have sufficient higher performers, just that the skillset mix is much more balanced than the UK and Canada who have half or more than half of all adults with university qualifications. In the case of the UK, the middle layer is further squeezed by there being amongst the highest portion of school leavers with only compulsory education, and this does not take into account the possible difference in the quality of compulsory education. All of this means that there are not enough domestic workers for entry level but nonetheless qualified positions and too many that do not have access to good work.

145 OECD, March 2023 <<https://stat.link/cgbeij>>

Figure 66: Share of adults, aged 25-64, by educational qualification level, 2021



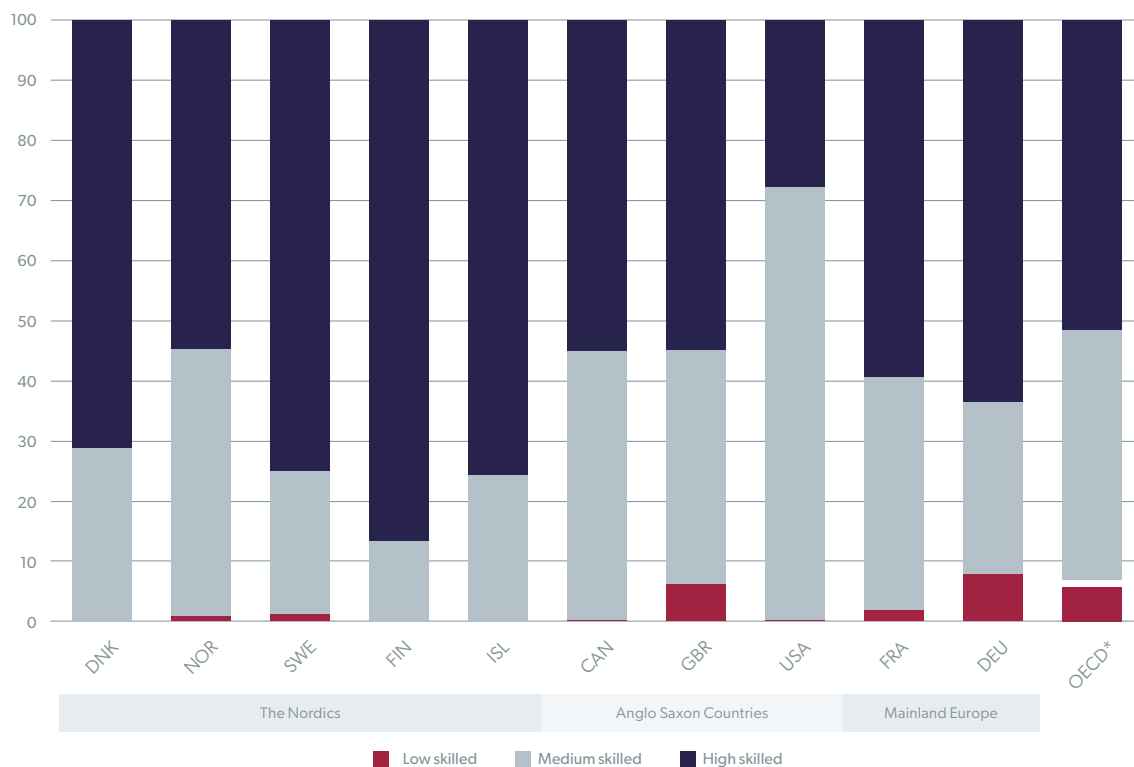
Source: OECD¹⁴⁶ - please see standard OECD country codes in the annex

Note: OECD calculations based on a subset of country statistics offices, all numbers based on the ISCED 2011 classification

In Scandinavia and adjoining states, the spread of qualifications across adults means where there are skills shortages needed by commerce then it is almost always at the high-end. They like others require some middling skilled employees and almost do not need low skilled ones. The chart below shows these countries have a smaller requirement for medium skilled employees than mainland Europe and North America, which helps with social cohesion; this latter point is more present in the UK and Germany and very much so in Canada where low skill migration is somewhat and high respectively. In Scandinavian nations, as with the UK, some of this shortage in middle range occupations is construction, trades and crafts, manufacturing, engineering and sciences, but that specific to Iceland and the UK is in wholesale and retail, transportation, food services and hospitality. In the UK, this has meant reliance on low and medium skilled migrants which has happened when homegrown inactivity has been high for decades. As shown in Part One Section One there is a large population on inactive benefits; this can cause strain on the social contract.

146 OECD, March 2023 <<https://stat.link/s83lvq>>

Figure 67: Share of employment in occupations with shortages by skill, 2019



Source: OECD¹⁴⁷ - please see standard OECD country codes in the annex

Note: OECD calculations based on a subset of country statistics offices, and groups on ISCO occupational groups 1 to 3, 4 to 8 and 9

The consensus is that efforts made in the Nordics to have highly literate, appropriately educated and matched workforce, means most think they can weather economic storms. This may be why recoveries there have been strong, while the UK does not have a refined workforce plan. The UK's position is much worse in terms of having the right number of people ready to take jobs and careers in a range of areas. This said all states have vacancy to unemployed mismatch, it is just that in the UK it is not overtly targeted because of sensitivities. Scandinavian countries and their orbiters had amongst the strongest return to GDP growth per capita and per hour worked from Part One Section Three, there ought to be lessons for these islands, in terms of long-term planning for future success.

Adult education and responsiveness to labour markets

The adult education systems

Scandinavia and its satellite states have various providers of employment supports, making use of public, private, regional, specific and specialised provision. This is because they have sought to make basic, general, vocational and adult education available through market providers. It makes them different from the UK, which devolved administrations aside, does not have employment services open to all irrespective of economic activity status; here support for the unemployed comes via claiming benefits and being referred to providers and is otherwise patchy across locations. The table below shows that there are at least a dozen routes across Scandinavia and this without including support of compulsory schooling and higher education. This gives access to: base literacy, numeracy and IT, alternative general qualifications that can be equivalent to further and higher education; a range of complex vocational qualifications taught in classrooms and on the job; and non-formal adult education to strengthen foundational, democratic and leisure/cultural base.

147 OECD, March 2023 <<https://stat.link/0i7dbg>>

Figure 68: Providers of adult education offers in Scandinavia, 2019-22¹⁴⁸

	BASIC EDUCATION	GENERAL EDUCATION	VOCATIONAL EDUCATION	NON-FORMAL ADULT EDUCATION
Adult Education Centres	DNK, SWE, NOR, FIN		DNK, SWE	FIN
Adult Education / Study Associations	NOR			DNK, NOR
Regional Lifelong Learning Centres / Schools	ISL			ISL
Labour Market Training Centres			DNK	
Vocational Colleges / Institutions	DNK, NOR, SWE, FIN			FIN
Private Vocational Providers			DNK, SWE, FIN, ISL	
Private and Public Enterprise	NOR		DNK, NOR, FIN	
Specialist Schools for Adults	FIN			
Evening Schools				DNK
Folk High Schools	DNK, SWE, FIN	SWE, FIN		DNK, NOR, SWE, FIN, ISL
Folk Universities				DNK, NOR
Distance Education Institutions		NOR		

Note: (i) excludes higher education universities, university colleges, business academies, applied sciences institutions, and folk schools and universities, and upper secondary educations as these pitched too high or low for many adults or else are inappropriate for them; and (ii) please see standard OECD country codes in the annex

In Scandinavian and surrounding countries there is a much higher level of participation in continuous professional development than the rest of the European continent. This has been consistent over a very long period of time and so even when trends fluctuate downwards it is coming from a very high point. The chart below shows they, Norway aside in some years, have consistent partaking in adult education or training above 1 in 5 persons at any one time; trends are stable and upward, but for Denmark where after a long period of high participation there is a distinct downward trend. Most of these countries have had higher and in the case of Denmark half a decade ago or so it had double the adult learning than seen in the UK, and even more still than that across the EU average for 27 member states.

148 OECD, March 2023 'Nordic Lessons for an Inclusive Recovery? Responses to the Impact of COVID-19 on the Labour Market' <https://read.oecd-ilibrary.org/employment/nordic-lessons-for-an-inclusive-recovery-responses-to-the-impact-of-covid-19-on-the-labour-market_2aa7bcc1-en#page1>

Figure 69: Participation in adult education among 25-64 year olds in the last 4 weeks, 2011-21

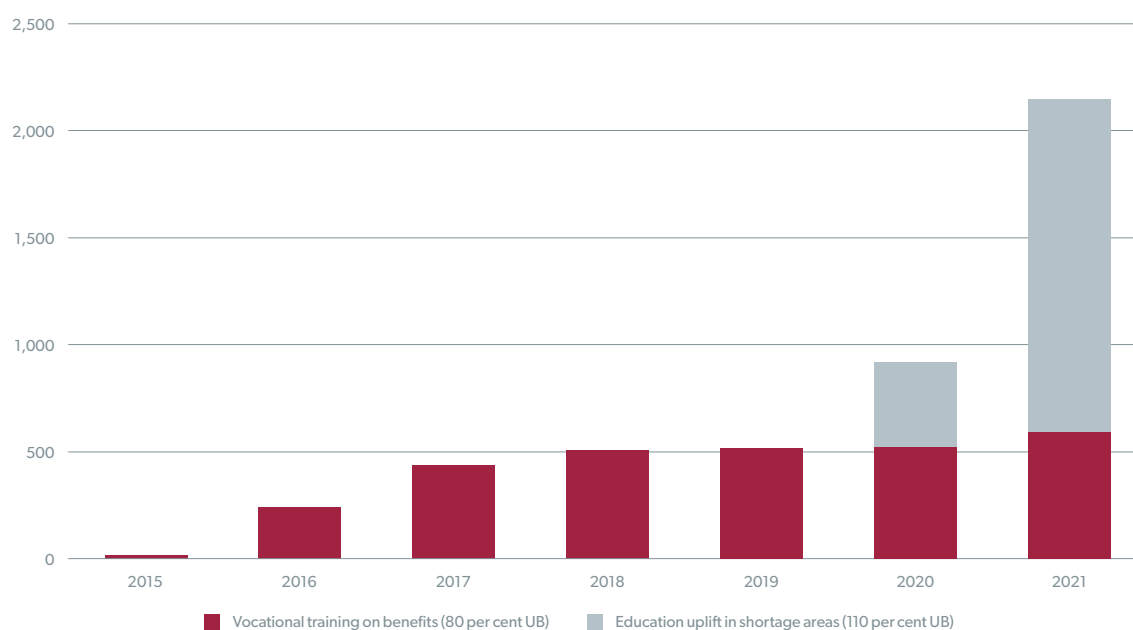


Source: OECD¹⁴⁹ - please see standard OECD country codes in the annex

In Scandinavia, there is an appetite for taking radical steps from funding municipalities, educational centres or digital equipments to direct action. With the latter Denmark has gone furthest in incentivising direct movement of the unemployed aged 30 or over with outdated vocational qualifications into sectors with skills shortages through intensive upskilling whilst on benefits delivered through employment services. The chart below shows how they trialled first slightly reduced benefits and free training, and then uplifted benefits and free training to get key roles filled in set locations. The occupations that count as being in shortage are carefully calibrated with skills in high demand and in particular those vocations related to green and digital transition in a merit list; albeit other traditional ones were also wrapped up into this intervention.

149 OECD, March 2023 <<https://stat.link/ysazwt>>

Figure 70: Take-up of Education Lift in shortage areas within Denmark, 2015-21



Source: OECD¹⁵⁰

The accessibility of active participation in and targeting around provision in the Nordics has meant that theirs is a more inclusive and flexible system, with good coverage and clever alignment to labour markets and skill shortage challenges. This is underpinned by well financed providers, supported by online training materials and capability building from the state and enterprise which means they can better regain ground after turbulence than most other nations, which is why their recoveries have been the strongest. The UK does not have this labour market infrastructure, which it needs at a localised level as different parts of the country operate differently; this means it is less able to transfer people from unemployed and especially economic inactive status to the world of sustained work. As the Scandinavians and their relations were amidst the sharpest return to GDP growth per capita and per hour worked from Part One Section Three, there must be lessons for us in their examples of provisions based career progression.

150 OECD, March 2023 <<https://stat.link/h3lw4i>>

1.4.6. Argumentation for devolving Universal Support to better fit local conditions

Unfinished Business

Designing localised delivery architecture

The Centre for Social Justice have very consistently and over many years argued for employment service, in the form of Universal Support, to be managed between DWP and the Ministry of Housing, Communities and Local Government (MHCLG), previously Department for Levelling Up, Housing and Communities (DLUHC); with a Senior Responsible Owner reporting to a combined Board; we were always for more localism, but the taking root of mayoralities and combined authorities, particularly in the North West, Midlands and Yorkshire, has led us to an evolved model.

Our view is that:

- a central secretariat is needed at department level to own overall national strategy, hold local areas accountable with jointly agreed performance frameworks, set funding within pre-agreed formulas and have take-back powers in the event of failures. Alongside this, an independent best practice and evaluation system under the NAO is required to support HMT, and OBR and Better Regulation Executive and Social Security Advisory Board in scrutinising both central and local parties' accounts and actions; and
- a higher level of local partner, perhaps based loosely around nations and regions or some configuration of combined authorities under regional mayors and devolved first ministers, is necessary to deliver an employment service that fits their labour markets. Within this, consortia led by larger third sector organisations, possibly national charities with experience of putting business cases to Cabinet Office (CO) being advised by various local social partners from educational organisations to the business community, contracting out partners, either local public authorities, smaller charities or even in some cases the private sector.

This resembles many features of the Scandinavian model where overall planning to objectives are owned at national and higher local area levels but the devices of this are run by local delivery partners. The two are designed such that local provision adheres to departmental guidance on delivery aspects, as adjudicated on by the central secretariat.

Companion to earlier welfare reform

To the think tank, Universal Support is the means that the economically inactive due to health, caring and life events can find their way back to work; it was always about tailoring offers, and appears from the evidence of the Nordic countries to be best delivered by local delivery partners. It aims to help these vulnerable groups tackle barriers to moving into employment and the many challenges of difficult lives. The aforesaid form of localism is not a new idea at all, as Matthew Taylor, the then Chief Executive Officer of the Royal Society of the Arts put it in a 2012 speech:

*"I will say that more local control is better for responsiveness and accountability, while also recognising complications like the competing forms of public engagement. The issues of equity and universality have also to be addressed. My view is that central control doesn't necessarily mean more consistency of local practice than local control but that, in a country as economically unbalanced as the UK, it is important to maintain some redistribution to avoid a feedback loop in which the most privately affluent places also inevitably end up as the ones with the best services, which in turn makes them even more attractive to investment."*¹⁵¹

Personalised support offers the above groups more than just an income, it gives them native identity and local structure, as is the case in Scandinavian municipalities, to overcome obstacles of the Centre for Social Justice's 5 Pathways and do ethical good. Mathew Taylor touched upon this as well:

*"There is an ethical argument for localism in that we want people to have the scope to exercise judgement and fulfil their potential to do the right thing. The more devolved the system, the more scope there is for people to make choices adding the hidden wealth of creativity, commitment and good intentions to the more tangible resources of service delivery. The counter to this is the need for systems which help to identify bad choices. It was probably the case that the central inspection system overseen. Despite limited resources it is important ... peak organisations try to fill this evidence gap. The virtue of greater local control lies not only in making authorities and services more responsive but also in developing a more reciprocal conversation between agencies and citizens. The goal here is to blur the boundaries between state and civic action so that social outcomes (for example, improved care for older people, safer streets, better educated children) are explicitly seen as the consequences of the combined efforts of public agencies, individuals and families, and communities."*¹⁵²

151 RSA 'Virtual Localism', March 2012 <<https://www.thersa.org/blog/matthew-taylor/2012/03/virtual-localism>>

152 Ibid.

This report revisits and adds to this through the following asks of Government in ever increasing detail, using the many examples of this section on the success of the Nordics to insert the financial case for greater devolution with the recommendation at the foot. Mathew Taylor spoke to this in 2012 as well:

*"I will argue that localism is about history, culture and economics as well as governance arrangements. Yesterday Radio 4 broadcast an Analysis programme I made about the interest amongst politicians in the Labour Party - and also the other parties - about the recent success of Germany. Visiting Hamburg for the programme it was clear to me that one of the strengths of Germany – ironically the consequence of the post-war structure imposed by Britain and other allies – is geographical. As well as strong regions it feels like financial, political and cultural resources are much better distributed than in South East dominated England. Localism relies, among other things, on regions outside the South East being able to hold on to their talent and being able to have an independent relationship ... the power of local influence is in the end as much about horizontal collaboration as vertical devolution. Cities, towns and citizens can be given scope to shape their own destinies but that promise is only likely to be fulfilled if local leaders built powerful and creative partnerships."*¹⁵³

The kinds of central and local systems deployed in core Scandinavia took time to develop, but it has help them to agilely navigate through the various trials and tribulations. If the UK wants to follow their example then it needs to think through funding, rulebook and management processes.

RECOMMENDATION 4

The Government should implement regional International Territory Level 1 Industrial Strategic Councils, above the local authority and perhaps at combined authorities or in mayoralities where these exist, to act as regional convening hubs for business and industry, educational providers and workers and people. This means control of employment services falls within the jurisdictions of local leadership(s) in order for them to develop their local economies.

This report will speak to the pathway from current national to future local diffusion of powers and allocation of monies next.

153 RSA 'Virtual Localism', March 2012 <<https://www.thersa.org/blog/matthew-taylor/2012/03/virtual-localism>>.

A woman with glasses and braids is smiling and holding a white mug. The image has a pink overlay. The text '2. THE SOLUTIONS WE SHOULD ADOPT' is written in white, bold, uppercase letters across the bottom half of the image.

2. THE SOLUTIONS WE SHOULD ADOPT

2.1. Proof of concept and funding for devolved employment services

2.1.1. Things that can go to devolved regional or subregional units?

This section relays the views of those invited to participate in our roundtables – from combined authorities, international bodies, educational institutions and associations, national and local charities and businesses and their organisations, an example of a neighbouring country that successfully devolved employment services and breakdowns of where financing could come from within this state.

The aim of this portion of the report is to give the audience an idea of where practitioners and associates' thinking has got to and of funding streams; so that non-technocrats can understand the policy shifts and budgets in this space. The Centre for Social Justice wants government to make judgements on economic inactivity, and believes this will never happen until it listens to the ground and works up a pragmatic plan. Further part and sections will elaborate on delivery, cooperation and development recommendations.

Summary

The participants in Centre for Social Justice roundtables consulted on devolving employment and adult education services said:

- the UK has a work-first rather than a human capital strategy, which is less good at getting people into sustained employment. If it wants devolved employment services then it needs division of benefit administration and employment support, and consideration of geographic units' governance and finance, relationships and negotiations, partnerships and cooperation and management;
- devolution of above is desirable within a national manpower planning strategy and where it leads to co-location. However, pathways for places with differing maturity need to be staged because standards must be maintained and evaluated over a long-run;
- funding needs to be relevant to local employment, transferred from existing pots and subject to stocktake, outcomes accurately counted and performance frames simplified. There may also be opportunity to diversify the pool of monies available; and
- to support periodical reassessment of performance and contingency at centre, and to reform business cases for contracting out data sharing is needed.

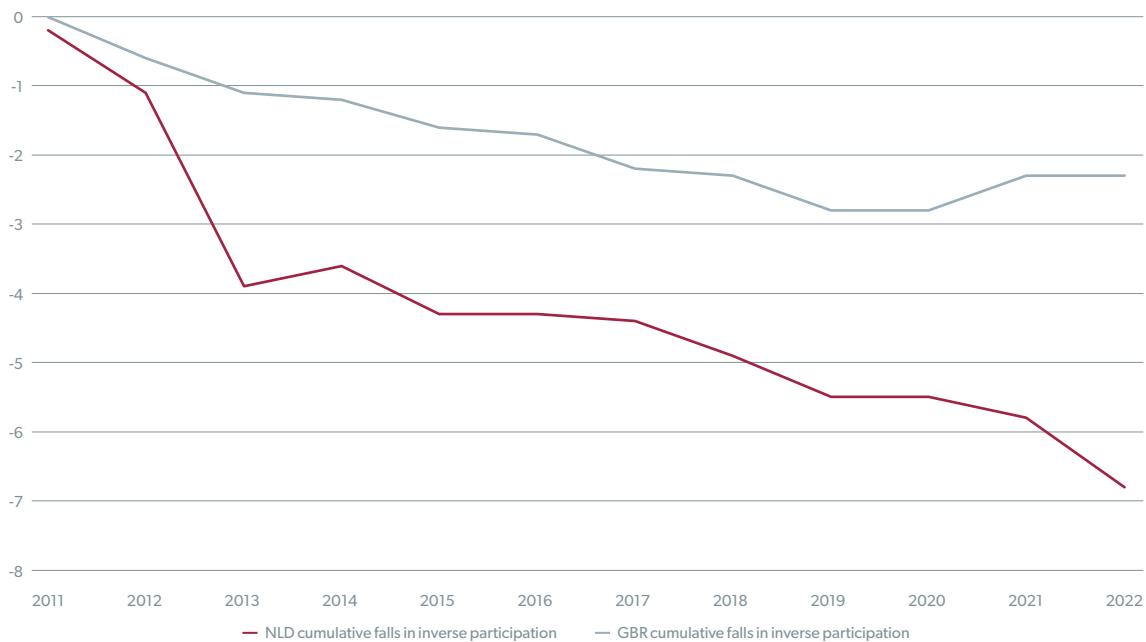
The Netherlands successfully devolved employment and adult education services but this required legislation from the mid-2010s. It split out roles and responsibilities:

- overall framework, insurance systems and platforms, and evolution at state level;
- the national agency doing payments, handling labour markets and service levels, and segmenting clients;

- provinces performing cooperation, partnership and critical friend functions as well as citizen advisory, geographic mobility and emergency management; and
- the vast majority of activities like doing payments, handling labour markets and service levels, segmenting, managing and incentivising clients back into work, and focusing on the vulnerable and programmes for them, using and spreading best practice, and developing co-located service hubs happen at the municipal level.

The chart below shows that the Dutch saw impacts most in their economic inactive populations with inverse participation rates falling close to three times as much in percentage point terms as that of the UK over a decade or so. They have not stopped reforming and reviewing to improve the performance of institutions since. If this kind of reduction had been seen in this country then it would very likely constitute a reduction of billions of pounds sterling off the national benefits bill.

Exhibit M: Cumulative change in 15-64 year old inverse participation rate, 2011-22



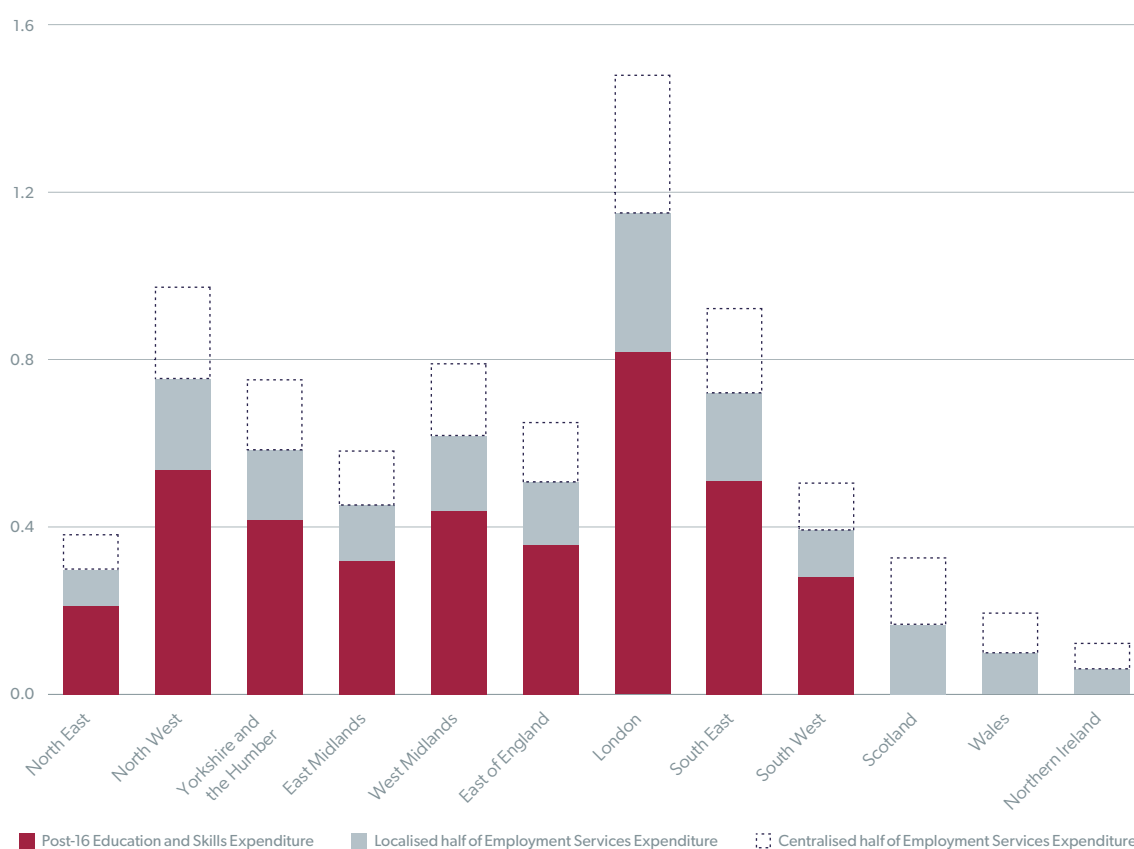
* The approximation is based on OECD participation rates.
 Source: OECD¹⁵⁴ - please see standard OECD country codes in the annex

This UK reform package for devolving employment and adult education services is supposed to be cost-neutral or minimal outlay, with any welfare savings accrued going back into the public sector. Monies spent on both of these are presently done by departments for the UK and England respectively; with employment support expenditure seeming to have loose relations with economic performance and labour market trends. Most of the cost side is transfers of existing expenditure within £7.7 billion in 2022/23.

154 OECD, August 2024 <<https://www.oecd.org/en/data/indicators/labour-force-participation-rate.html>>

The Centre for Social Justice’s experimental analysis distributes £5.8 billion of the above supposed 2022/23 spend based on labour market indicators. It comprising half of employment support spending, which marries up with Government’s hypothecated analysis, and that for all of post-16 education, which tallies with devolved settlements with combined authorities. With the latter, it is envisaged employers can still drive if not determine the apprenticeships funded, and with half the former left at the centre, it can cover economic shocks. Overall our simple analysis provides a way to get at the range of possibilities for the size of pots to the regions. The chart below gives just that on the combined unemployment and inactivity populations basis, see the main body for all variations. There is also in low hundreds of millions of pounds further funds for England, which perhaps can be part of this Machinery of Government Change – so the start-up costs are also covered off.

Exhibit N: Experimental division of the public expenditure for only the English post-16 adult education and skills and half of economic affairs – employment policies by region in billions of £s, based on unemployment and economic inactivity, 2022/23



Source: HMT¹⁵⁵ and HMG¹⁵⁶

* Note Scotland and Wales do not have post-16 educational allocation because that is already devolved.

155 HMT, December 2023 <<https://www.gov.uk/government/statistics/country-and-regional-analysis-2023>>

* Centre for Social Justice has applied 12 months to June 2023 average headline labour market indicators under a methodology that has volumes/sum of volumes for a region over the national total, the percentage share is then applied to the official national expenditure or half of it to give a range of estimates for each region.

156 HMG or derived from HMG department and agency sources originally; latest or most relevant sources comparable to PESA and CRA <<https://www.gov.uk/government/collections/dfc-annual-reports>> , <<https://www.efsa.europa.eu/en/corporate-pubs/annual-reports>> , <https://assets.publishing.service.gov.uk/media/609d33878fa8f56a32f91cb3/CP_S31_Letter_2021-22_Financial_Year.pdf> , <<https://ifs.org.uk/sites/default/files/2022-12/Annual-report-on-education-spending%20in-England-2022-Institute-for-Fiscal-Studies.pdf>> and <<https://www.gov.uk/government/statistics/gdp-deflators-at-market-prices-and-money-gdp-june-2023-quarterly-national-accounts>>.

* Centre for Social Justice has applied 12 months to June 2023 average headline labour market indicators under a methodology that has volumes/sum of volumes for a region over the national total, the percentage share is then applied to the official national expenditure or half of it to give a range of estimates for each region.

The Centre for Social Justice implores any government to decentralise employment and adult education services giving local leaders the chance to do Dutch style devolution to reduce differentials in economic performance without large extra cost to the Exchequer.

RECOMMENDATION 5

The Government should devolve employment support and adult education and skills associated services to a subnational geographic unit closer to the people who need to be helped back into work and require wider support. This can be a regional unit, and under them combined and local authorities depending on the task. It is for national and local elected leaders, perhaps mayors, to negotiate the terms of this decentralisation, but this report provides them with practitioner opinions and proof of concept from a similar Western developed country.

RECOMMENDATION 6

The Government should provide funding commensurate with the devolution of the functions set out in the last recommendation to the subnational unit, whatever that might be in the end. The only monies held back in the centre should be for ongoing management of non-core labour market segments and contingency on economic shocks in the labour market, which is often lagged from recession and ongoing cyclical effects of that can exist some years after the event. It is for national and local elected leaders to negotiate share of the economic affairs – employment policies line to be kept centrally and distributed to units, the shares in the charts of this report are just for illustrative example to start off that debate.

The think tank suggests different trajectories for places with differing maturity in devolution and baseline for funding to start this agenda, with the next sections of this report being about relational and partnership' aspects and then strategic development.

2.1.2. The listening exercise – roundtables’ findings

The roundtables based on survey questions

The configuration of interviews

The Centre for Social Justice ran a series of roundtables in autumn 2023 with intention of soliciting opinions from those directly involved in the current employment support and associated educational arenas. Those invited were aware that political actors would not be present and their submits would be suitably anonymised in reporting so they had confidence in speaking truth to power.

The survey was developed after an initial sounding out questionnaire was conducted to confirm whether or not some form of devolution was sought by participants. Those with responses in either direction were selected for the roundtables, but there was a groundswell in favour. In some cases, there have been follow on interviews with same participants to add to and give further nuance to their evidence, and these have sometimes led to secondary interviewing of others not at the roundtables in subsequent months but these were few in number.

The Structure of interviewing

The sessions were chaired and facilitated by think tank staff and recorded and auto-transcribed with quotes checked afterwards with the sources.

The key questions from the list relating to this section were:

[8] How could devolved UK employment services best be delivered and what is the right geographic unit? How would this interact with existing infrastructure?

[9] Can local and national employment services work together? If they come into conflict what would be the correct boundaries?

[10] What is the best source of financing new devolved employment services?

[11] Is separation of benefit administration and sanctioning essential to the success of devolved employment services? If so, how can this be ensured?

Further questions that yielded information relevant to this section were:

[5] Could work be made more attractive in the UK, and are any features of the UK employment services currently unhelpful in encouraging people into work?

[7] What could be the benefits of devolving the UK’s employment services, and would this be a win-win for all stakeholders?

[8] How could devolved UK employment services best be delivered and what is the right geographic unit? How would this interact with existing infrastructure?

The roundtables' evidence on the system

The construction of devolved employment services

It became obvious from the questionnaire submits that those in the environment felt wider, more universal, employment services like that in other northern European countries is something needed in the UK as well; therefore this is referred to as employment services from here on in this document. The main findings from these conferences frame the initial paragraphs of the following and are written around the Centre for Social Justice's policy narrative in order to get to possible solutions.

Figure 71: Quote from Senior OECD Official¹⁵⁷

"The UK has a work-first approach rather than a human capital one (which is used by other developed countries to which it compares itself) – this means it does a good job of getting people into work fast. But the revolving door issue is not really addressed.

The UK system is less good at getting jobseekers into sustainable work from a quality (fulfilment and salary) perspective, and this leads to skills and sectoral (staff) shortages. These aspects are subject to political and societal preferences."

The think tank would agree with the quote above as this is the starting point problem. As stated in Part One Section Two, there has been criticism from the NAO on the value for money that the Work Programme represented. They evaluated it in 2014 and came to the conclusion its performance in getting people seen as easier to help into work has improved and is now similar to previous comparable programmes, but is less than DWP's original expectation.¹⁵⁸ In the years following 2014, as time went on and beyond the 24 months horizon, performance improved to department's and providers' starting satisfaction.

The said UK auditing authority examined programmes and found that the impact of the said and other interventions have net benefits to the wider economy, and later ones like the Work and Health Programme have improved contracts and guidance to work coaches. This includes Covid job retention schemes – Kickstart, the Job Entry Target Scheme and Restart – those claimants it is most suitable within eligibility requirements it has set. Its report of 2022 suggests for disabled claimants that the Work Programme and Work and Health Programme have similar actual work outcomes, the latter slightly better. It also implies that aforesaid schemes had similar to somewhat higher job outcomes, substantially varying unit costs so the highest cost balanced out the lowest; though as there was high demand for places owing to the epidemic and employer selection, it might be expected that those chosen may have been closer to the labour market.¹⁵⁹

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158 NAO, July 2014 <<https://www.nao.org.uk/reports/the-work-programme/>> and <<https://www.nao.org.uk/wp-content/uploads/2014/07/The-work-programme.pdf>>

159 NAO, December 2022 <<https://www.nao.org.uk/wp-content/uploads/2022/12/the-restart-scheme-for-longterm-unemployed-people.pdf>>

Figure 72: Quote from Senior OECD Official¹⁶⁰

“There are many different models – national, regional or local, so the country needs to decide whether this is about:

- just departmental spending on programmes and capital lines (Department Expenditure Limits); or*
- benefit payments (Annually Managed Expenditure); or*
- both, where savings on benefits can be offset/invested into services.”*

Roundtable discussions around above quotes led to an assessment of opportunities and challenges of devolving employment services meant for successors to or separating out of JCP to the regions; these centred on geography and infrastructure arguments:

- optimal geographic unit – synergy and fragmentation trade-off within labour markets. The consensus was that the main unit needs to build around a genuine labour market which took the form of the regions or associations of combined authorities because of the need to instruct and negotiate with commerce around strategic development, but that subregional units could sit under that for areas with interest in education, health and micro-area rejuvenation to be a vehicle to improve local integration of services;
- key partners – managing political, administrative and business jurisdictions. The view was that part of JCP needs to be reallocated and report to these regional units, be they expanded mayoralities or assembly of combined authorities, and to bring in adult education at the minimum to have locally accountable delivery;
- cooperation within and across units – ensuring the interconnection of the operation. There was some steering in exchange but after consideration, the position was that a central secretariat needs to remain in DWP to author a rulebook and control region units activities against it, with the purpose being to negotiate funding agreements, performance monitoring and contesting relative to economic conditions, incentivise or penalise on performance and put regions into special measures or take back powers. If there is dispute then, as with nations, the NAO and OBR should adjudicate on the value for money of contracts and credibility of business plans respectively; and
- management chains – checks and balances with government and other funders, procurement providers and community collaborators. There was good understanding here, so unanimity came around attaching powers to capacity and capabilities of the regional units as they will have different levels of maturity. The thinking was that different places could be on different trajectories, staged timelines, to full devolution.

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Figure 73: Quotes from Senior Manager at West Midlands Combined Authority¹⁶¹

“Two things make a devolved employment service challenging:

- first, there is no consistent pattern of devolution in the UK (and within England) – it would be easy if everywhere had a combined authority and to get everywhere there means, accepting differing levels of maturity; and*
- second, we have not had a for all employment service in the UK, there are those in devolved nations – only benefit claimants get mandatory support in England.”*

“We need to pull back and say what would a devolved employment service do; in the West Midlands we are negotiating a Trailblazer devolution deal; one of the things to work through here was integrated employment and skills. There is both opportunities to (help people) find work, to find better work, to find different work and also develop skills to do these; increasingly we are thinking about the sort of business support and health services to connect into that to provide something more holistic. I think if you are going to do something like this then we are mature enough (to be a testing ground).”

“We have the sort of scale to be able to make investments and think about people moving across an area, but also where those communities with real challenges are – particularly around economic inactivity. I believe we have done some work around place-based support and evaluated a programme delivering much more localised service, taking away some of those restrictions about whether you are unemployed and inactive, bringing different services together and making sure they are accessible.”

Figure 74: Quote from Senior Leader at Careers Development Institute¹⁶²

“There does have to be a clear remit between what the national and local will do; the national must set more the framework, because the issue with devolving is always the variability of support where it falls below a good basic minimum, but the local does the day-to-day running, as it is able to tailor to the area.”

Roundtables’ discourse surrounding above quotes went on to implementation pay-offs of devolved employment services in set regional units; these focused on:

- manpower planning – balancing financial costs to geographic development benefits, notwithstanding any possible fragmentation. The point of accord here was that this enables the national bureaucrats to take ownership of the overall strategic direction and local government administrators, academia and enterprise control of regional growth. There was frustration amongst participants that there was still scepticism in Whitehall even when there is some maturity in capability and capacity towards designing and delivering programmes at local levels. They felt that unit costs would not be too different as the main geography is the regional unit and that fragmentation exists now between places and across services so would be no different under decentralisation;

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162 Ibid.

- potential win-win – fitting national strategy and local government policies. The sense was that the regional unit model had much to offer, particularly in hub strategy where some combined authorities are getting closer to offering one-stop shop delivery, with employment, education and health services co-located and/or integrated to provide smoother processing and/or better outcomes. There was weight put on how much this assisted vulnerable groups with complex home lives and work situations who have to tackle extra barriers to move into employment. There were also concerns around arrangements if something unforeseen or out of local hands like recession or pandemic happened, where it was thought central response was needed but all competences when it is business as usual can return to the regional unit to do ongoing delivery; and
- building on local strength – growing local and sectoral knowledge-base. The feeling was that the degree of complexity of worklessness had incrementally grown, with the children of the habitually unemployed or inactive and those in economically depressed areas showing greater ill health. This was specifically mental health which is most acute with the youngest, and proliferation of troubled families over the times of belt-tightening which meant regional and local areas are best placed to help. There was dissatisfaction that Westminster remained unyielding on different learning depending on localised employers' requirements. They thought those seeking employment did not care about if it was mainstream provision or not, as long as it met minimum standards.

The legitimacy of devolved employment service

The initial questionnaire forms made it clear that those in the field felt any devolved employment services need to be rooted in community; hence stakeholder management is essential. The main findings from these hearings shape the following and are written around the Centre for Social Justice's policy lines to get to possible answers.

*Figure 75: Quotes from Senior Leadership Team Member at the British Association for Supported Employment*¹⁶³

"An absolutely key part of the supportive employment model is about understanding the local labour market needs and then being able to complete a vocational profile, which is building up a really rich picture of who that individual is, and then going out and completing a job analysis, which is a really rich picture of who that business is and what their needs are, and then you match the two together."

"We've seen through the DfE's Internship Works programme that all 153 local authorities engaged around Supported Internships through the local supported employment trailblazer, demonstrating there is great interest at regional and combined authority levels, but they just have not got the funding to mobilise at the moment."

*Figure 76: Quote from Programme Manager at an Alliance Charity, CatZero*¹⁶⁴

"Coming at this as a provider, it is about dealing with underlying issues; so it must be about giving the jobseekers co-design – make them want to get more out of life."

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164 Ibid.

Figure 77: Quote from Portfolio Manager at Greater Manchester Combined Authority¹⁶⁵

"In relation to the Work and Health space, key partners should include Local Authorities, Local Health Partners and a range of multi-disciplinary contributors across housing, skills and community [Voluntary, Community and Social Enterprises services]. It's also important to recognise the role of local employers and prospective participants/service users."

Figure 78: Quote from Senior Manager at Greater Manchester Combined Authority¹⁶⁶

"The length of budget periods is important, provisions or investments are often short-term, and this does not drive confidence with partners/collaborators – from the business community to medical practitioners; once they become aware an offer is only running for a set period, they will often decline involvement – it takes time and resource to set things up and embed, there needs to be adequate time for sizable return."

Roundtables' dialogues ensuing from above quotes headed into the greater good of devolved employment services at regional unit level; it was highly concentrated around:

- the democratic deficit – local communities and government should be at the heart of helping themselves. The substance lay in the appropriateness of the local design and delivery of services having greater legitimacy than national programmes. This was particularly when they were to have controversial features, as greater insight on the things that work from tailoring to nearby businesses need to pool information, practices and budgets to get the connections prerequisite to facilitate growth;
- the partnerships – knowing the local practitioners to leverage and get the best results. The essence of the point was about engaging the public and private health institutions, the councils and contract providers of training. The thinking was those closest to the prospective jobseeker could better integrate services, which was believed to be more for vulnerable groups – the disabled, lone parents or just parents of young children and others to get outcomes, whether they be part- or full-time job start or changes in hours; and
- the long-term compact – not expecting quick returns. The thought process was that getting people, and especially those furthest from the labour market listed above, into employment is harder than getting claimants into any job, which was held to be the current approach. This was rationalised by the fact it took many years and some decades to get that far removed from working, so getting them into well-matched and sustainable jobs is a slower burn and the results for evaluation are seen after many years not one or two years.

165 CSJ Roundtables – September 2023 and subsequent interviews from September 2023 to March 2024

166 Ibid.

The roundtables' evidence on the finance

The funding of a devolved employment service

It became clear from the initial questionnaire proforma that those people involved in the supply-chain around employment and associated services believe that budgetary settlements have not been adequate at local level and much of the monies are doubled-funded to a select set of bigger providers. Thus, this issue is explored in detail hereafter in this resource document. The main findings from these gatherings are defined on the following and written with the Centre for Social Justice's policy narrative about it in order to get to possible resolutions.

Figure 79: Quotes from Programme Manager at an Alliance Charity, CatZero¹⁶⁷

"Coming at this as a provider of past programmes to Jobcentre Plus, I think dividing the central pots would provide equality, but it would be great to open it out to ask businesses what they want taught in a local area with central core and donor funding."

"The local Jobcentre and Combined Authority are happy to take our products that are funded by donors or philanthropists so there is a track record of doing this kind of thing."

Figure 80: Quote from Senior Leader at an Alliance Charity, Zink¹⁶⁸

"There were/are sort of national and local employment services, ones funded by the DWP and ones funded by the Local Enterprise Partnerships, but they did not work together and when a local person gets into a job or more hours both claim an outcome. That will be one of the issues, double-funding!"

Roundtables' debates across the above quotes took us into the strengths and weaknesses of various financing models for devolved employment services and combinations of them. Some of the argumentation was about better use of current streams of monies:

- dividing programme pots– current spend on employment support and adult education. The consensus was that the former is easier to redistribute than the latter as it was hypothecated in Government statistical analyses to regional units because it is based on claimants of varying kinds, jobseekers and inactive ones owing to disability, lone parenting or parental responsibility for young children and wider caring responsibility. This was only argued against in respects of economic shocks, down-swings caused by disease or recessionary forces, where additional funding perhaps managed centrally would be necessary, thus it was agreed a residual should stay with the centre;

167 CSJ Roundtables – September 2023 and subsequent interviews from September 2023 to March 2024

168 Ibid.

- splitting standing pots – capital spending on estates, equipments and shared staff at present employed by central Government. The determination was this is more difficult to reallocate – first as the asset is located in one location and second as non-divisible or common people cannot be easily redeployed to the regional units. This is compounded by the fact some regions are not at maturity level to take employees anyway – parts of the country without mayoralty and/or combined authority. Here, sites will have to be wholly or partly divested, kit and supplies allotted and human resource reorganised in the centre initially before posts are sent to the regions with natural churn. There is the possibility to move high-paying roles out of London and save on the pay weighting cost, rebalance away from managers towards workers and revisit the back office to frontline ratio given the units will already have HR and administrative cores; and
- periodic stocktake – settling annual or multi-year budgets. The verdict was this would have to be mostly needs based with some performance related element to incentivise alignment with national strategy – a reward rather than penalty system. This is because otherwise baseline poverty reduction and progress toward lower welfare caseloads may not be achieved, and important investments may not be made that are in the national interest. For example, the green energy and economy agenda may be at risk, if regions do not equip future workers with skillsets to support these imperatives.

Figure 81: Quotes from Senior OECD Official¹⁶⁹

“Countries legislate for benefit amounts and employment support, financing of benefit systems and the level of government responsible for paying benefits and providing employment support. Hence, changes to these systems usually have required major legislative changes in other OECD countries.”

“First-tier benefit systems in western and northern Europe are typically contribution based; this also implies a different relationship with clients. It would be a rather large change for the UK to go down that route, as it’s fundamentally different from the UK welfare system.”

Figure 82: Quote from Senior Manager at Greater Manchester Combined Authority¹⁷⁰

“It is an entrenched problem where you’ve got too many overlapped funding streams with duplicating or conflicting ambitions ... Greater Manchester Combined Authority are trying to simplify the system and its approach but rigid/inflexible and centralised funding streams complicate matters.”

Roundtables’ points in above quotes entered a new legal paradigm and then considered alternative sources of money for devolved employment and associated services and combinations of these together. Some of the argumentation was about growing monies available via gifting from the private sector, as is seen in North America:

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170 Ibid.

- passing bills through Parliament – other mainland European countries have legislated to build a framework to allow subnational governments to take donations. The view is there could be additional funding from this stream for regional units, but the corporate donors are a safer bet than private individuals, and that central government must remain final guarantor of base provision. This passage to an act may well be needed to give the regional units wider powers and may give those less mature time to become so, and in any case the Machinery of Government change described in the previous paragraphs will take time;
- widening money pool – from corporate or philanthropy which will need a vetting service. The intent was to find a way where monies are taken by regional units in business plans years ahead of expenditure based on it, allowing for renegeing on sums promised which happens in the private sector sometimes due to financial misfortune, thus the interval allows for shortfalls to be filled by reaching out to others. There is a side benefit to this activity which is with the supervision of independent boards, employers can guide the provision of the service to be more real-world and applicable to jobs thereby reducing skill shortages; and
- expanding financial rigour – from having business leaders on oversight boards. The idea was to have better accounting for funds, value for money and performance, such as removing double-counting outcomes, on an ongoing basis for regional units rather than just formal evaluations of cost efficiency and effectiveness at set juncture by the NAO. This guards against the spate of Section 114 notices, bankruptcies by another name, issued by local authorities, and reduces the possibility of the Secretary of State for Work and Pensions having to take back powers from the regions.

Figure 83: Quotes from Programme Manager at Centre for Ageing Better UK¹⁷¹

“Some employers want to offer employment services themselves, so there is a case for getting them a structure and safeguarding in place; there are risks around quality. Moreover, the bigger risk is related to length of funding for any (public, public-private partnership or wholly private) service because the certainty for planning is not there.”

“It depends, but the problem is with bidding as it benefits people who understand the system already, and excludes new entrants; it takes away the innovation of the training marketplace and means a lot of big providers at the top give back funds because their supply-chains cannot do it (as through-put is too large), so flexibility is needed to bring in the specialist third sector.”

Figure 84: Quote from Senior Manager at an Alliance Charity, Rush House¹⁷²

“Third sector organisations need recognition, but also joining-up and core funding.”

171 CSJ Roundtables – September 2023 and subsequent interviews from September 2023 to March 2024

172 Ibid.

Roundtables' contentions in and around above quotes refer to the demands of systems architecture around financing of small- to medium-sized players. Some of the lines of reasoning here are to do with division of activities, while others relate to having a bigger marketplace and being open to more and new entrants:

- downloading and dashboarding – handling and accounting information for operations. The assessment was that because there is a strong preference for ringfencing employment services from benefit administration, with the potential for mandating and sanctioning, the regional units need to be able to download data. This is about taking from the centre's data warehouse to segment and profile jobseekers, be they active or inactive ones, and these clients need to be able to use the central digital platform, matching tools, training apps and journals to communicate with the welfare system, and the departments and regulators need data from the regions in the form of records for investigations and dashboards summaries for performance star chambers;
- contingency on service failure – providing alternatives in the private and third sectors. The concern is not about full market failure and take-back of powers from regional units as described above, but rather smaller scale failings where set customer groups were underserved. This directed thinking to barriers to entry for the employers and third-party providers, lack of knowledge on construction of learning and protections against unethical and exclusive behaviours and/or unawareness on legal duties; and
- business cases – accepting that the CO's imposition on charitable organisations and DWP's processes and obligations on contracted providers are high. The follow on from this was that the regional market really needed to bring in more and different participants without removing necessary safeguards, where the conception of a consortia contracting model for bidding was floated. This is where for example a large charity with legal and analytical capabilities leads a contract bid, but capacity is provided by say a suite of local third sector providers. Here this allows genuine innovation as actors who could not demonstrate performance in the past can come into play.

2.1.3. The proof of concept – The Netherlands

Decentralising employment services

The Centre for Social Justice looked for a country with a similar historical path to contemporary society and modern cultural norms in its population that had successfully devolved employment services. The obvious example, the Netherlands, is only a short distance away but took the leap for much the same reasons as are facing the UK. They had also faced the deindustrialisation of the Western developed world's workshops owing to the labour cost advantages of the East during the 1970s and 1980s, causing loss of manual and semi-skilled jobs in heavy industries; and deaths of seaside towns as freer movement within the EEC and then the EU made holidaying in southern Europe affordable, triggering loss of hospitality and related jobs. These trends were also accompanied by economic shocks of past oil embargoes, conflicts and energy and those of cyclical recessions, which like in the UK meant reform of labour markets to be as flexible and competitive as possible but notwithstanding this have seen job losses in deprived communities and inner cities.

It was in the above context the Netherlands' took the jump to fuller devolution of employment services. It did however have one thing the UK does not owing to the historic merging of its Dutch and French speaking parts, which until recent times were petty kingdoms and meant municipalities were not unknown to them. They already had limited municipal and social legislation dating back to 1848, and wanted to expand that in 2011 when an agreement was reached on decentralisation

culminating in the Participation, Youth and (new) Social Support Acts. This was about devolving economic development, nature and spatial planning and transportation policymaking to the regions, and part of youth and long-term (adult and disabled) care and income support responsibilities to municipalities. However, this report focuses on employment support and educational functions with little reference to other aspects; so it is the first two pieces of legislation that are of most interest. These created a new social contract between the state and its citizens, one where the national Government ensured the integrated approach. The devolved units closer to communities organised services around local peoples' needs and citizens were expected to be more self-reliant and regulate own, family and friends' responsibilities.¹⁷³

The new laws or amendment to existing ones

The role of the Netherlands' Ministry of Interior Affairs from 2011 was to plan and manage what would be known in the UK as a Machinery of Government change; it was vital that it had strong bipartisan support since there were governmental and social cohesion implications of transformation. Those related to employment support and educational aspects are summarised within Acts before the Dutch Parliament in the table below.

Figure 85: Legislative changes underpinning devolution in the Netherlands^{174 175}

ACT	ACTORS	PURPOSES
Participation Act, 2015	National Agency (Institute for Employee Insurance)	The ambition was to merge and decentralise support in the Disability and the Work and Social Assistance Acts. The municipalities took responsibilities and budgets for some part of assistance (but for simple cases) and most of sheltered employment (of protected groups).
	Municipalities	They are to: help citizens stay in work, specifically the young and the old with and without limitations in the labour market; and continue active support under their own preexisting remits.
Youth Act, 2015	Municipalities	The aspiration was to have prime responsibility for all youth care go to the most local level. The municipalities were by nature coherent because they fully understood their residents' lives, and over the long-term were more efficient and effective as they focused on prevention leading to sustainable outcomes. They transformed the system by dealing with problems of: imbalanced focus on priorities; jurisdictional fragmentation across previous national bodies; prevailing practice of referring clients to others; ever increasing use of social care; and the unmanageability of the bureaucracy.

173 OECD, 2003 <<https://www.oecd.org/regional/regional-policy/Netherlands-experience.pdf>> this link now redirects to regional development section, but there is similar information in <<https://www.arl-international.com/knowledge/country-profiles/netherlands->>, <<https://www.oecd.org/en/countries/netherlands.html>>, <https://www.oecd-ilibrary.org/employment/managing-decentralisation_9789264104716-en> and <<https://www.slideshare.net/slideshow/oecd-presentationmentalhealthandworknetherlands42209001#1>>

174 Ibid.

175 OECD, 2023 <<https://www.oecd-ilibrary.org/sites/33f20d9a-en/index.html?itemId=/content/component/33f20d9a-en>> now in <<https://www.oecd-ilibrary.org/docserver/33f20d9a-en.pdf?expires=1703688971&id=id&accname=guest&checksum=CFA7439093B9C14AEB-C5E033F67B4FDA>>

ACT	ACTORS	PURPOSES
Social Support Act, 2015 (Amendment)	Provinces Municipalities	The intention was to have responsibility for supporting self-reliance go to lower levels of governance. This is principally the municipalities with support from bigger regional units. They are to do this cultural shift as the foundation stone of optimising participation in the labour market, to a level that those with physical and mental health limitations can undertake work. The higher unit supports this where the negotiating is with employers or there is need to harmonise activities across boundaries. With both, it is the urban environment, domestic and workplace help and adaption and daytime activities that are the end results.

The said Ministry introduced several new laws, setting up or drawing on established superregional, regional and subregional units, and implemented a new public service model, delivering through directorates and teams that eventually moved to the regions and cities. The following tables below describe the essential elements of each of them in turn.

Devolving employment and other services

National strategy

The overall aim is to get as close as possible to full employment as can be with limited elements sitting at the centre; that is those seeking work but for frictional unemployment, working age people moving between states and/or jobs in quick succession, and little persistent unemployment is controllable with a devolved system. The table below shows things the Dutch kept centrally through having a strong legally underpinned framework that in normal times gives autonomy with suitable incentives to follow the national plan; steadfastness on benefits entitlement through keeping administration largely centralised; assertiveness re-envisioning the responsibilities of different geographically related units; and good evidence-base on citizens especially ones claiming and using services.

Figure 86: Main elements reserved for the national government in the Netherlands¹⁷⁶

ELEMENT	POWERS	DESCRIPTION
Framework	Autonomy with backstop	Government has sole control of national laws on benefits, participation and assistance and can change the terms as necessary, thus autonomy is bound within the legislations' boundaries; and in principle has take-back and intervention powers, which it seldom uses choosing instead to rely on the local budgetary incentives to drive toward full/fuller employment.
Social insurance payments system	Principle function	It is a national responsibility to maintain the integrity of the insurance system, as all paid workers are obliged to pay into the system; this means only those who pay in get generous unemployment awards and the rest get lower relief payments but for those with life events, for example for the disabled, who are covered elsewhere in welfare.

176 OECD, 2023 <<https://www.oecd-ilibrary.org/sites/33f20d9a-en/index.html?itemId=/content/component/33f20d9a-en>> now in <<https://www.oecd-ilibrary.org/docserver/33f20d9a-en.pdf?expires=1703688971&id=id&accname=guest&checksum=CFA7439093B9C14AEB-C5E033F67B4FDA>>

ELEMENT	POWERS	DESCRIPTION
Evolution	Assigning responsibilities	The state takes the lead role of shaping the ever-evolving landscape and stakeholder management of national agency, provinces and municipalities. For example, it was the case that skills training was something that happened in firms or within sectors, but over the decade plus since decentralisation and with encouragement from the centre adult learning has become something municipalities do more of with support from social partners.
National story	Nationally representative	Samples from the administrative data are taken regularly to run national panel surveys, which feeds the official statistics and econometric modelling that informs policymakers at the state level and within its Government, Parliament and national agency.

National agency

There are other competencies kept close to elected politicians and those pertain to the smooth running of the labour market and therefore the economy as a whole. These are controlled by the national agency, the Institute for Employee Insurance, which originally came into being to administer benefits and still performs that function. The table below shows elements which the agency has to control centrally: generosity, terms and rules around benefits entitlement and the things needed to recognise those people with rights; functional job matching to expediate movements of labour into vacancies and underpin that with modern digital platform; delivering of baseline tasks and services; and warehousing data to segment recipients of awards and users of services.

Figure 87: Main elements for the national agency in the Netherlands¹⁷⁷

ELEMENT	POWERS	DESCRIPTION
Compensation to the unemployed and economically inactive	Benefit Administration	The national agency delivers the main insurance based unemployment and incapacity benefits to various recipients. These are means-tested social assistance, which the agency is responsible for activating and supporting through baseline tasks and services.
Managing flexible labour markets	Job matching – labour with vacancies	Alongside the primary role in administering benefits, the national agency provides information and tools through a digital platform so jobseekers can apply for jobs. With the infrastructure for benefits administration and job searching on the same systems this is also frictionless data harvesting from employers and potential employees, and allows matching to other government datasets.
Service Level Agreement	Baseline tasks and services	Central duties include: digital skills to navigate the agency's own platform and wider online facilities; distributing the bulk of benefits while keeping the state and personal transaction costs down; and strong emphasis on serving jobseekers, though additional help for the youth and elderly clients is offered at the margin.
Client group segmentation	Statistics based profiling	Using aforementioned data warehousing to measure typology, spells of unemployment and distance from the labour market to group. This may guide one-to-one conversations about circumstances and obligations.

177 OECD, 2023 <<https://www.oecd-ilibrary.org/sites/33f20d9a-en/index.html?itemId=/content/component/33f20d9a-en>> now in <<https://www.oecd-ilibrary.org/docserver/33f20d9a-en.pdf?expires=1703688971&id=id&accname=guest&checksum=CFA7439093B9C14AEB-C5E033F67B4FDA>>

Provinces or association of municipalities unit

Below the apex, there are technocratic proficiencies that are best performed at an intermediate geographic unit level; these share a need for scale to be successfully dispatched, which is not readily available below the regional level. The table below shows elements which provinces and associations of municipalities hold to positively influence: manage communication flows up and down the vertical structure and horizontally with businesses large and small; collaborate with social partners on labour market issues that smaller units would find difficult to impact; bring financing from, take the views of and be critical friend to the business community; provide citizenry with lifelong learning services and openings; accelerate transfer of workers across sectors and places and do the last but in times of economic instability. The worth of this level was seen most visibly in recent economic crashes and worldwide health crises.

Figure 88: Main elements for provinces and associations in the Netherlands¹⁷⁸

ELEMENT	POWERS	DESCRIPTION
Cooperation role	Intermediary facilitation	The size of these intermediate units means they play a crucial role in influencing national authorities and big business on the one hand and persuading and reassuring local areas on the direction of travel of overall strategy. There are a dozen provinces but hundreds of municipalities, so they are funnelling communication of ideas back and forth.
Social partnerships	Network formulation	There is encouragement for combinations of areas to collaborate with national and local entities, and innovate with new partners in educational organisations, third and charity sectors, trade associations, the business community and other social partners. The initiative is designed around the idea of better regional integration and mobility.
Independent and critical friend	Advisory to partners	The scope of these intermediate units allows them to corral the private sector in joint job creation ventures to get commitments on growing jobs in set locations. One example of doing this was the launch of the regional work companies which was mostly financed by business and gave them a way into influencing manpower planning – future skillsets needed and volumes in particular places. Another example wholly funded by commerce was employers service centres to help them adapt to hire those with incapacity, caring responsibility and wider barriers to work.
Citizens' Advice	Lifelong learning	Both provide free labour market advice to residents either online or face-to-face, particularly on reschooling and education opportunities for adults. The exemplar for this was the introduction of learn-work offices which are part public and private funded and provided/ provide careers advice, competency assessment and written application and interview preparation in non-institutional setting.
Regional mobility	Transferals	This is a varying intensity bit of the regional offer, where embedded teams coach those at most risk of unemployment or those seeking another occupation to move across sectoral or geographic borders.
Re-integration	Emergency packages	This came to the fore in the aftermath of the 2008 financial crisis and during the Covid era, where bundles of monies targeted help at those under risk of or in the state of unemployment to switch occupations and/or sectors.

178 OECD, 2023 <<https://www.oecd-ilibrary.org/sites/33f20d9a-en/index.html?itemId=/content/component/33f20d9a-en>> now in <<https://www.oecd-ilibrary.org/docserver/33f20d9a-en.pdf?expires=1703688971&id=id&accname=guest&checksum=CFA7439093B9C14AEB-C5E033F67B4FDA>>

Municipal unit

At the base, there are delivery elements that are much better executed by local areas. These are things well done by those with an intimate knowledge of potential employees, their households, possible employers and/or tend to be ongoing services. The table below shows elements which municipalities have: limited generosity, terms and rules on easement about reliefs and data required from the centre to identify people; access to functional job matching on the central digital platform to advise on movements of users into jobs and signpost employment support and educational services and sometimes instruct them; duties to manage the value for money of the said; using nationally devised client groups to personalise services; ensuring moves into work are sustainable; holding evidence on residents to design future policies; focusing on the vulnerable and innovating programmes for those with vulnerabilities; using and spreading best practices from evaluations and co-locating services in a deepening or deeply entrenched hub strategy.

Figure 89: Main elements for municipalities in the Netherlands¹⁷⁹

ELEMENT	POWERS	DESCRIPTION
Compensation to the unemployed and economically inactive	Benefit Administration	This is lower relief payments made by local areas to the most vulnerable groups, particularly the disabled or old and their carers, those with childcare responsibilities especially for young children, the long-term unemployed the young and others distant from working. These are a much smaller part of welfare than that delivered by the national agency.
Managing flexible labour markets	Employment services	Although the national agency owns the digital platform for job matching, its information and tools are used in the local public services. There is integration of personal and employment support and education and training services here, with locally implemented active labour market policies; the easements, upskilling and job brokering and matching outside the digital platform is largely done by local staff, as they can adjust for area conditions.
Service Level Agreement	Tailored services	Local area duties include: wherever possible to anticipate and respond to their labour market, through better understanding of residents and closeness to employers; and drive efficiency and effectiveness, via getting people into sustainable jobs and thereby reducing welfare costs.
Client group management	Counselling services	Based on the national agency's client group segments, local areas provide personal counselling and support relative to the individual's situation and/or that of their household and the state of the local labour market. This personalised service is based on focus and innovation. Experimental evidence from a randomised control trial in six municipalities suggests where this was highly personalised this had an effect on movement into the labour market.
Incentivising sustainable work	Allocation by caseload and results	The central funding formula takes account of benefit claimant populations and workless households and projections of these metrics going forwards, and incentivises local areas to reduce these by stipulating that any unspent allocation in-period is retained locally if it is needed elsewhere within remit.

179 OECD, 2023 <<https://www.oecd-ilibrary.org/sites/33f20d9a-en/index.html?itemId=/content/component/33f20d9a-en>> now in <<https://www.oecd-ilibrary.org/docserver/33f20d9a-en.pdf?expires=1703688971&id=id&accname=guest&checksum=CFA7439093B9C14AEB-C5E033F67B4FDA>>

ELEMENT	POWERS	DESCRIPTION
Local story	Locally representative	Sub-samples from administrative data periodically to run local surveys, because breakdown from the national one does not always give enough granularity and/or accuracy, which informs areas' policies on occupations and sectors, small groups and the recruiting and retaining of staff.
Focused support	Specific targets	There is challenge from the centre on the local areas' focus around those furthest from labour market, those with vulnerabilities. Chiefly, on whether integration of these inactive groups is happening, or whether it is occurring in sufficiently high volumes to justify finance.
Innovative schemes	Specialised programmes	A strong expectation is there from the central authorities that local areas put services around people. They cannot simply administer payments and rebrand initiatives, instead the quid pro quo is they work with partners to evolve active labour market policies for the vulnerable, where it is suitable for them to be in some form of work. This is essentially their added value.
Best practice	Evaluations	Growth in capabilities in testing and learning from pilots and full evaluation of intervention is being seen because of central oversight from regulators of the local areas. They are developing tools to run cursory and detail impact assessments on single or multiple changes during start-up to monitor progress and after implementation to evaluate net outcome.
Hub strategy	Co-location and/or integration of different services	Local areas help residents irrespective of whether they are eligible for insurance based or means-tested benefits and have income above any limit. They host a range of traditional services: job matching, careers advice, counselling, upskilling and work placements. However, with some facing multiple barriers beyond what the conventional offer can deal with, they are increasingly hosting other services: physical and mental health and caring, wider Dutch languages, literacy and culture and personal finance courses.

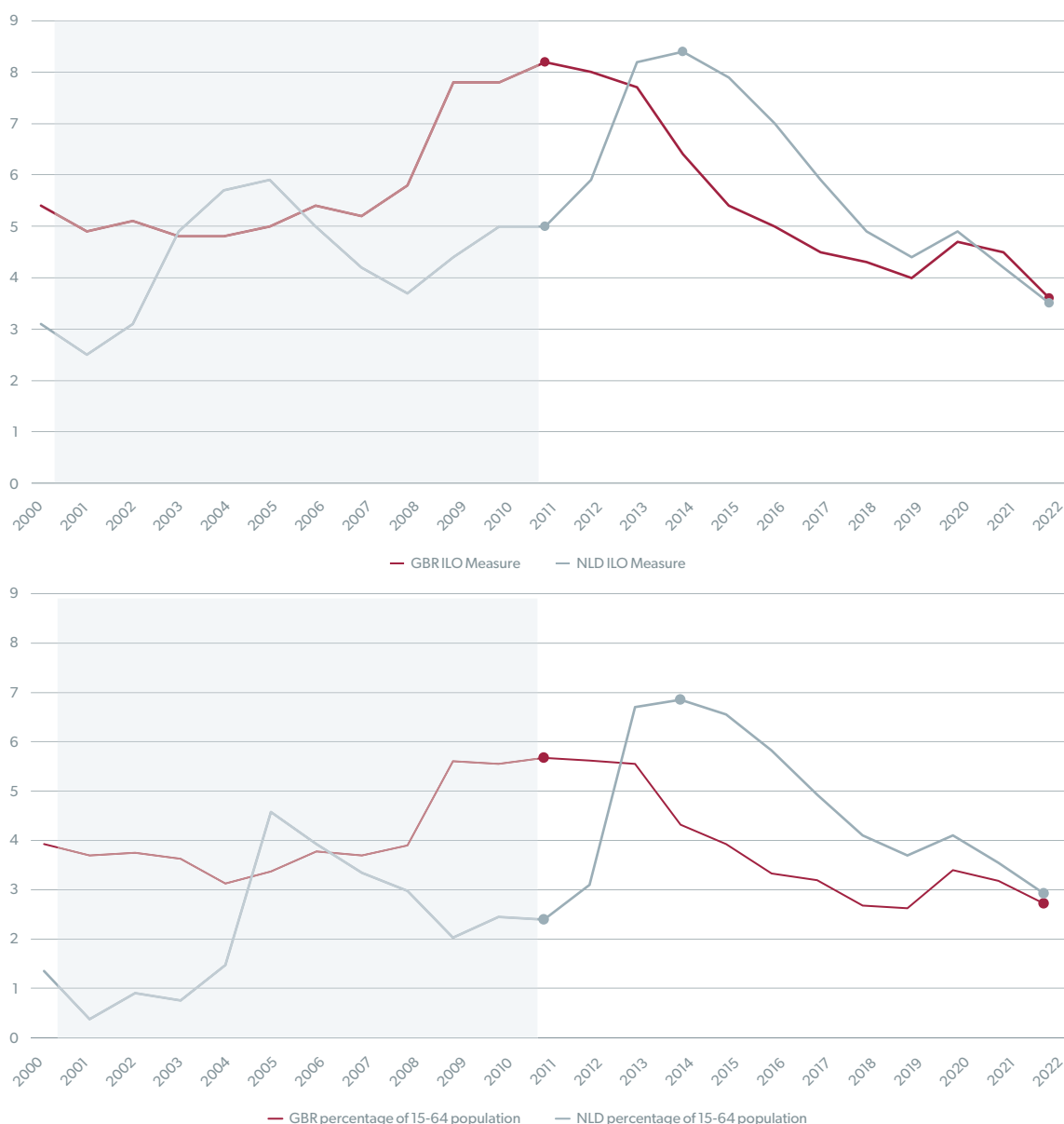
Assessing devolution a decade plus on

Overall impact of reforms

The Netherlands own Institute for Social Research published an evaluation of changes derived chiefly by the Participation Act and found effects limited at the time of their study in 2019. The modest but positive impact was felt most in the employment of economically inactive people in working age, mainly those with health-related incapacity. However, there is reason to believe if they had reported in 2022 instead the result would have been different; both in terms of the full picture around possible effect on unemployment and particularly around inactivity, as this inactive population that has taken many decades to build-up in the Western developed countries will take some time to turnaround.

With regard to worklessness, the charts below show that both the Dutch and the UK saw unemployment fall decidedly by the official ILO measurement or as a share of the working age population after 2011 when the Dutch devolved their employment and other services. In both countries rates more than halved but it was just that mainland Europe's lagged effect of the post-2008 financial crisis recession manifested itself in their labour markets later than in the UK. Thus, it is difficult to say whether any or what part of falls were as a result of reforms rather than the cyclical reverse after downturn interventions by each government.

Figure 90: Annual unemployment rates, ILO measure and approximated percent of working age population* (based on 15-64 year olds), 2000-22



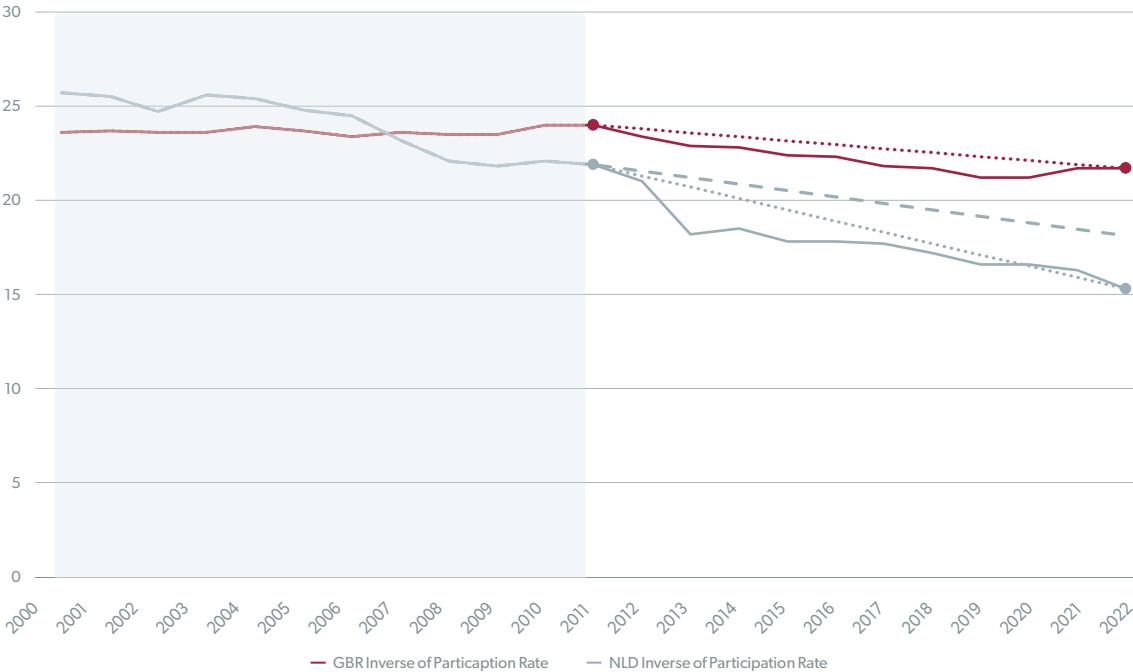
* The approximation is based on OECD unemployment rates.
 Source: OECD¹⁸⁰ - please see standard OECD country codes in the annex

With respect to inactivity, the chart below shows from the early 2010s, when the Dutch devolved their employment and other services, both they and the UK saw economic inactivity, or the inverse of participation rates as European statistical offices put it, drop. The Netherlands drop was close to three times the size of the UK's, which is deeper than the prior trend with most 15-64 year olds going to employment; that is over 80 per cent now. The rate decrease in the UK is calculated differently on a working age population only basis here and therefore is different to that of an earlier chart in Part One Section One which includes those over 64 years. This time-series shows a decade of stability in UK working age inactivity until 2011 and thereafter year-on-year reductions until 2020, where after Covid there was an uptick.

180 OECD, August 2024 <<https://www.oecd.org/en/data/indicators/labour-force-participation-rate.html>>, <<https://www.oecd.org/en/data/indicators/employment-rate.html>> and <<https://www.oecd.org/en/data/indicators/unemployment-rate.html>>

This story is consistent with the previous chart, but that shows it at higher rates owing to the population difference and with uplift being sharper as older people were more likely to be made inactive in the pandemic. The decrease the Dutch saw is part of a longer-term trend as benefits generosity changed but the rate of decline sped-up so that it was twice as much after the decentralisation; a full third of these reductions happen post-2019 when the aforesaid evaluation was issued. Thus, it is reasonable to conclude devolving may well have had a noticeable impact in the state where it has been applied to the greatest degree as it relates to the most vulnerable of its citizens, the disabled and their carers, those with caring responsibilities for younger children including lone parents and so on. Some will point to other benefit rate changes as a driver, but the UK also saw removal of the rate for the secondary incapacity group over this time. The fact that two neighbouring nation states have crossed over and the sheer size of the gap in inactivity rates and decline in them, in the Netherlands favour, is a cause for reflection.

Figure 91: Annual 15-64 year old inverse of participation in the labour market rates, 2000-22



* The approximation is based on OECD participation rates.
 Source: OECD¹⁸¹ - please see standard OECD country codes in the annex

It is clear from Part One Section One, the UK has a big inactive population in working age, much of which is dependent on welfare to cover living costs and which it wants to move into some hours of work. Thus, there looks to be something to take from the Netherlands’ success with devolution of employment and other services down to region and local areas. Indeed, the tables above have the majority of elements and particularly things that require practical on the ground coordination and human interactions now residing at those levels.

181 OECD, August 2024 <<https://www.oecd.org/en/data/indicators/labour-force-participation-rate.html>>

The Borstlap Commission, 2018-20

On the back of the initial impact assessment of the decentralisation of employment and other services in the Netherlands, principally driven by the Participation Act, an independent review was initiated. The purpose of this was to gather lessons learned and prepare advice to better align labour market institutions. The commission report puts forward four criteria to improve performance in a changing world:

- Adaptability – puts the onus on workers to upskill to respond to economic cycles, keep up technological advancements and stay ahead of long-term developments, such as digital skills and green transition;
- Clarity – puts the issue of differential tax and cost on the state to reduce this to disincentivise preference or erroneous self-employment and non-standard contracts statuses of companies and individuals. These have a knock-on effect to the welfare state in terms of rights, benefits and services expenditure;
- Resilience – puts the need for flexibility on workers to take responsibility for their own continuous development of knowledge and skills but with agents and policies of national and local governments facilitating it, and to transition job-to-job and across sectors and geographies to prevent long-term unemployment; and
- Reciprocity – puts the legal enforcement of and ethical commitment to contribute to the insurance based unemployment and incapacity benefits system on the state and workers respectively, and the responsibility to provide all services to integrate or reintegrate the workless back into the labour market.¹⁸²

These lessons learned by the Dutch on their journey with devolution are to be seen in a favourable light. If they had a positive outcome and there was room for improvement, then there is scope to improve further the first time if the UK goes down this road.

182 OECD, January 2023 <<https://www.oecd-ilibrary.org/sites/33f20d9a-en/index.html?itemId=/content/component/33f20d9a-en>> now in <<https://www.oecd-ilibrary.org/docserver/33f20d9a-en.pdf?expires=1703688971&id=id&accname=guest&checksum=CFA7439093B9C14AEB-C5E033F67B4FDA>>

2.1.4. The funding for potential devolved labour market services

The cost-neutral or cost little approach

The Centre for Social Justice is advocating for the devolving out of employment and other associated services at an appropriate geographic unit. This means parts of departments responsible for labour market policies and operational frontlines facing the workless delivering them as well as contracted current programmes and estates and equipment capital spending going to lower levels, either regions or assembly of combined authorities. Any welfare saving made owing to improved labour market performance, fewer people on benefits, are wholly or partly to be retained in local areas to incentivise this outcome; the initial right employment results for the locality should feed through into other national priorities delivered by these subunits, for example that of adult social care which not only is very much in need of investment but reinforces the first. This deliberate design implies that the transformation is intended to be cost-neutral, or if there are upfront costs they will be kept to a minimum and offset by future social security savings; for this reason budgets will be subject to periodic stocktakes where such savings can in part be reinvested into services, building up human capital everywhere in the country, or in part taken for other priorities like transport connectivity, digital inclusion and green energy which serves all.

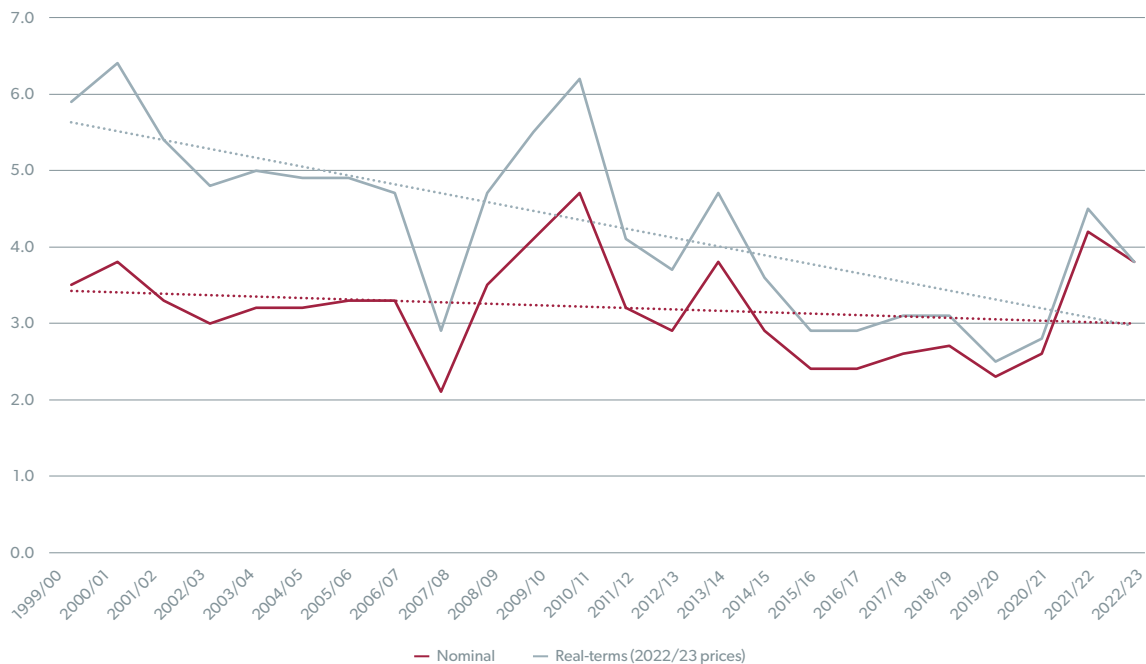
The following assumes the geographic unit is regions, because of convenience in finding relevant expenditure lines; this was favoured by participants of the roundtables outlined at the outset of this section and provides those with interest a guide where monies could come from. Nor is this saying it is the case the full sums in the ensuing analyses are to be taken from the centre and reallocated to the localities, a reserve will need to be kept back to enable the state to cope with economic shocks. Those who attended interview sessions suggested this would be wise and the experience of the Netherlands is that a corrective mechanism at the national level was necessary after fallout from the financial crisis and during the epidemic.

Employment policies

Historic national outgoings on employment support

Expenditure on employment services has really been falling ever since recovery from the mid-1990s recession; this represents a move away from a planned human capital, investment in citizens, approach in favour of letting market actors, mainly business, take on responsibility for it. This shift has been successful in some sectors and not others, and this feeds through into differential effects in contrasting performance in geographies. The chart below shows overall real outlay has oscillated in a downward direction under governments of all colours and combinations over the past two decades and more; the rises above the real-terms trend line are at recessionary, downturn or pandemic periods. The reason this point is often forgotten by commentators is that the nominal, without consideration for inflation, cost has fluctuated similarly around a flat trend line. The proposition of this national account line being subdivided into regional pots is complicated by some monies needing to be retained centrally to allow for economic shocks. Moreover division is impeded by HMT or Departmental jurisdictional controls; the fact some is in current, more liquid, and others capital, illiquid, forms; and as parts are assigned to already devolved administrations of the nations. Nonetheless this report will seek to inform on possibilities for financing decentralisation within existing budgets.

Figure 92: Public sector expenditure on economic affairs – employment policies in billions of £s, 1999-2023

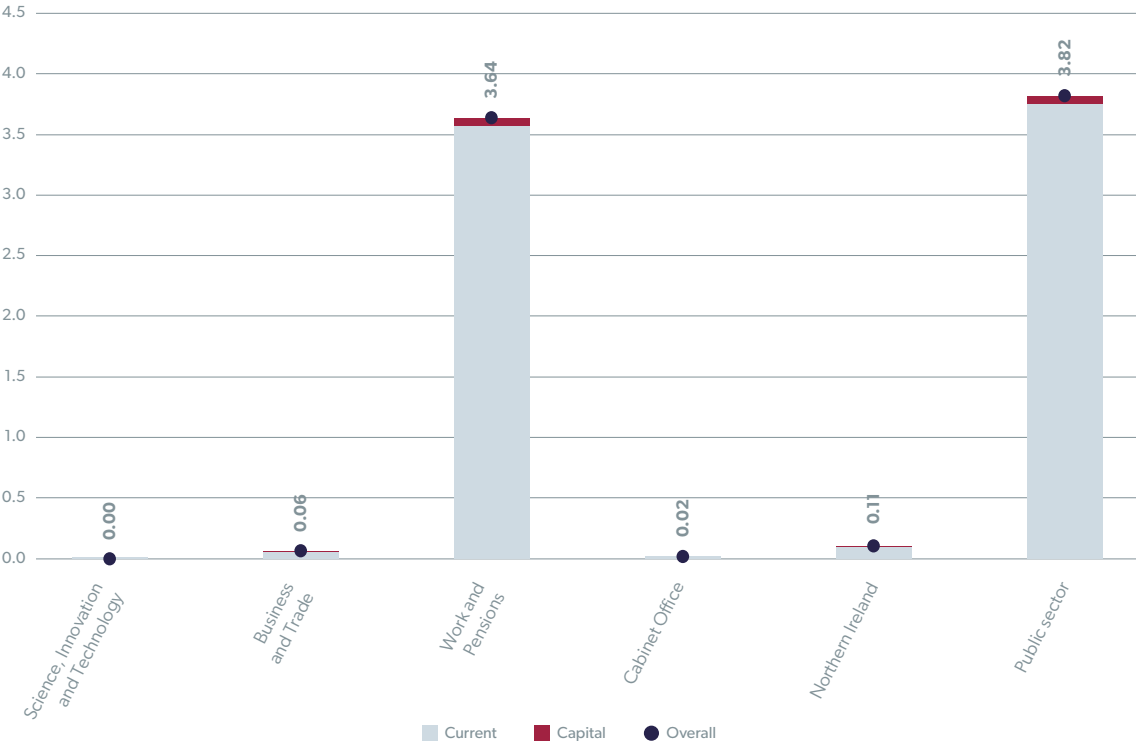


Source: HMT¹⁸³ -

Almost all of the expenditure on employment services over decades has been spent by DWP across the UK; the only substantive deviation from this is Northern Ireland which has always had its own social security system. Other departments, notably Department for Business, Energy and Industrial Strategy (BEIS) and CO, have very small budgets under this classification of function of government. The chart below shows the splits of the spending of £3.8 billion in 2022/23 by portfolios and administrations and current terms, where majority of funds reside, and capital terms, where resources and assets are held. Note that these figures will not be found in the annual reports of these departments, as they tend to present in that which is known as departmental expenditure limit totals and separate out under their own corporate and business arm categories. For example, DWP's end of year report has £8-9 billion of this total resource in recent years but only circa £800 million on employment programmes which is quite different from the chart below. This is because of their own classification boundaries being different to that of national accounts, with much of the full spend below being within the core department line or perhaps others rather than the employment one. This department is not unique in this reporting difference from the statistical system, all of them use their own basis which can lead to confusion and suspicion of obfuscation in the minds of non-experts. The justification for representing their own ways is that a lot of total resource is people, facilities and places used across purposes, in DWP's case chiefly where employment support and benefit administration intersect, and there is of course other bits like pensions, health and safety and other arm's length bodies as well.

183 HMT, July 2023 <<https://www.gov.uk/government/statistics/public-expenditure-statistical-analyses-2023>>

Figure 93: Public sector expenditure on economic affairs – employment policies by departmental portfolios and administrations in billions of £s, 2022/23



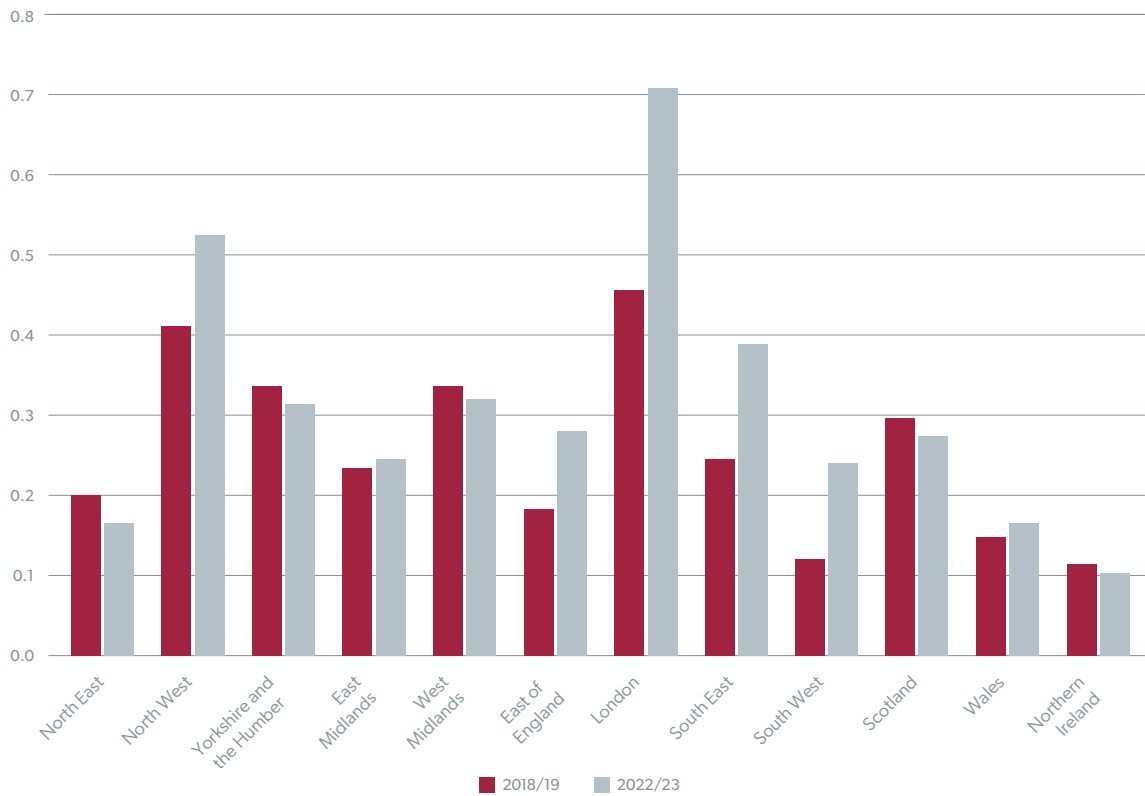
Source: HMT¹⁸⁴

Regional share of outgoings on employment support pre- and post-Covid

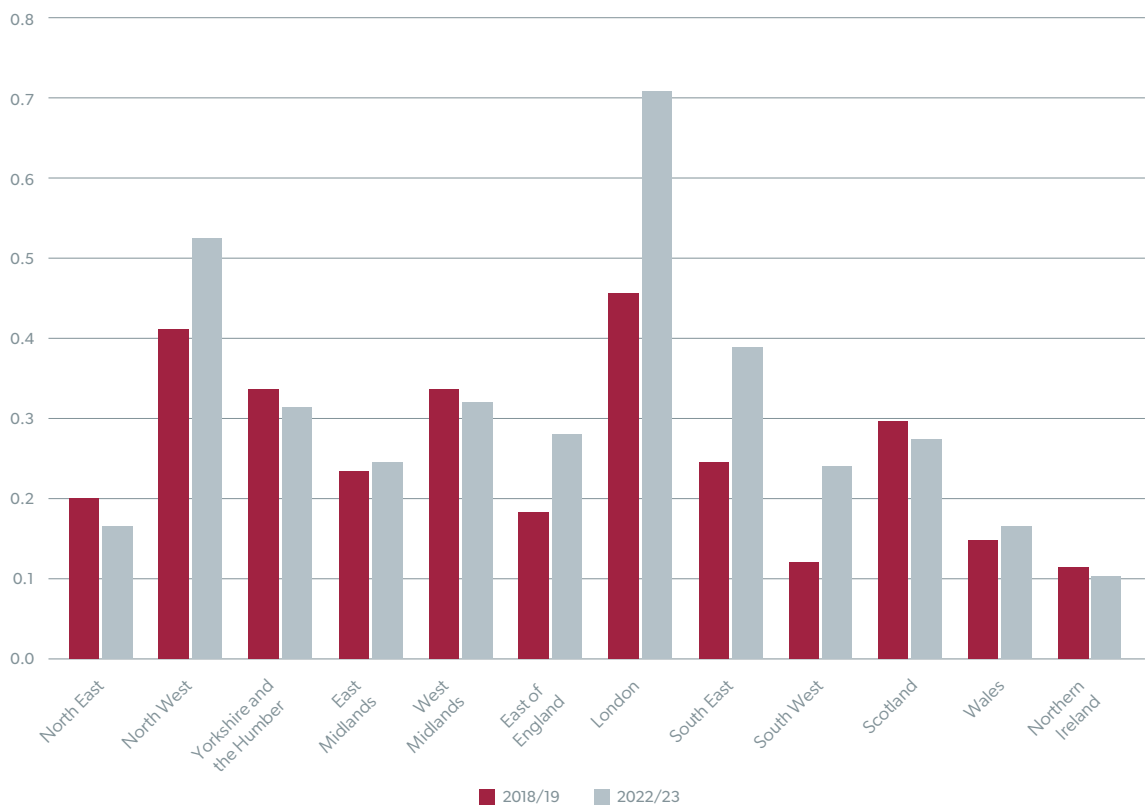
Expenditure on employment services is higher now than before the pandemic, but amounts were not evenly spread across the country. This is largely owing to economic recovery trajectories being different place to place with some parts seeing very strong private sector bounce-back. The charts below show the above latest amounts in 2022/23 and that for 2018/19 before the epidemic broken down into the regions in consistent prices. These allow us to see where the increases have been highest and lowest. The first and second charts below show overall public sector outlay and that classified as current spending; where the South West share has more than doubled and that for the South East, London and East of the country have risen by substantial proportion in the order listed high to low, while the North East in particular has seen a large fall. Scotland and Northern Ireland have also seen decreases but are proportionally smaller than that experienced in the North East. These patterns are the same because current spend drives that overall, as shown above; this fact is beneficial for the proposal of devolution in this space, in the sense that these easier to cash funding streams can be divided into pots for the regions perhaps as hypothecated in these charts. The third chart below has a lot less monies in it and shows capital sums for the same years in constant prices; where again the South West share has seen the most growth, even more so than on the current side, and a similar gradation but with less variance in proportional shares for regions in the middle, while only the North East stands out as a region seeing a cut in real-terms. This last category of monies is more problematic to split to the regions as some part will be fixed assets and sunken costs.

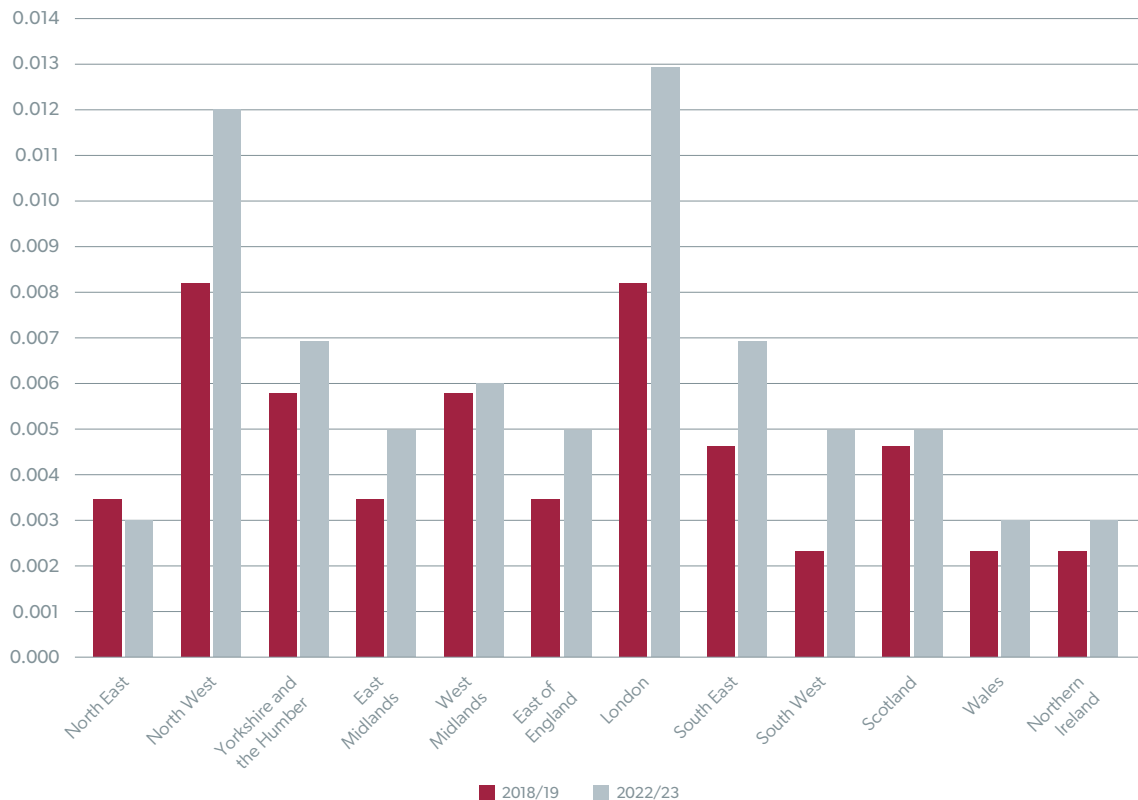
184 HMT, July 2023 <<https://www.gov.uk/government/statistics/public-expenditure-statistical-analyses-2023>>

Figure 94: Public sector expenditure on economic affairs – employment policies by region in billions of £s, 2018/19 and 2022/23 (in 2022/23 prices)



And that for current and capital spending by region





Source: HMT¹⁸⁵

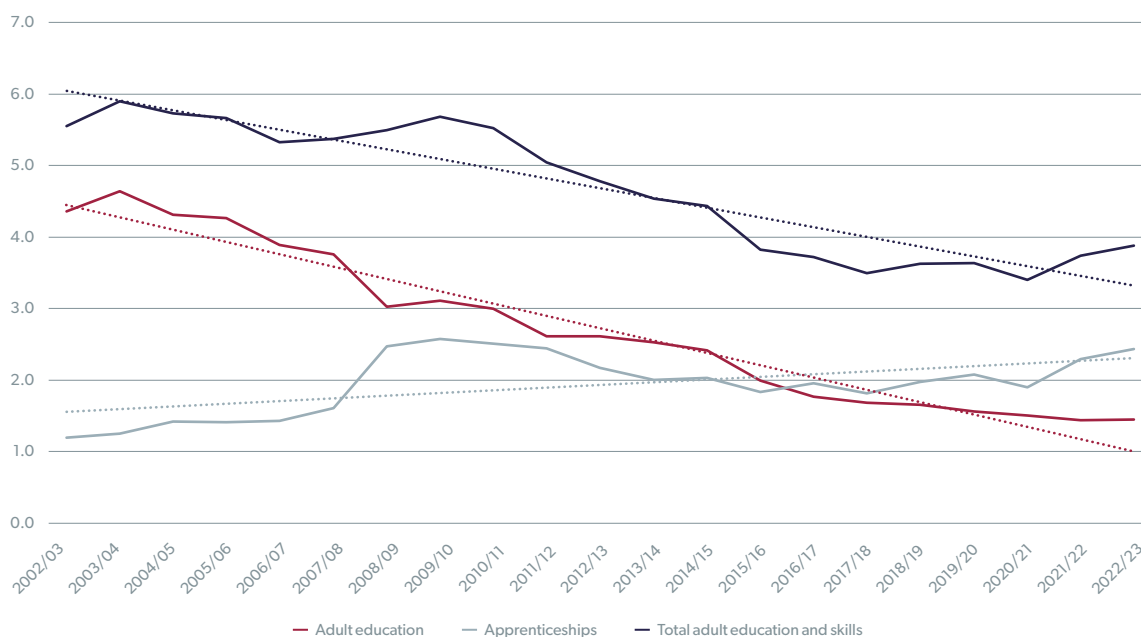
Adult education policies in England

Historic national outgoings on post-16 education

Expenditure on post-16 education in England has been falling since the early 2000s and now stands at £3.9 billion in 2022/23; this represents a move away from a planned approach in favour of letting the marketplace take on assignment. This shift has been sufficient in some places and not others, and leads to disparity in performance of geographies. The chart below shows overall real outlay has oscillated in a downward direction under governments of all colours and mixes over the past two decades or more; the rises above its trend line correspond to recessions or epidemics. The figures for adult education follow overall story, but with less dramatic peaks above the trendline. The apprenticeships outturns show a different story, with spending since 2008/09 rising to a new level which after something of a fall-away has returned to the high. This divergence to whatever is happening in adult education is driven by Government focus on international competitiveness, skills shortages and development, taking in the Science, Technology, Engineering and Mathematics (STEM) strategy. The proposition of subdividing these monies into regional pots is made even more complex by some monies under the adult education part already being devolved to combined authorities, which of course do not cover all of England just those places in the vanguard of devolution, and any hypothecated totals with England being separated from equivalent ones in already devolved administrations. Nevertheless, this report will seek to appraise on options for financing further devolution within present budgets.

185 HMT, December 2023 <<https://www.gov.uk/government/statistics/country-and-regional-analysis-2023>>

Figure 95: Public sector expenditure on post-16 education and skills in England only, in billions of £s, 2002-23 (in 2022/23 prices)



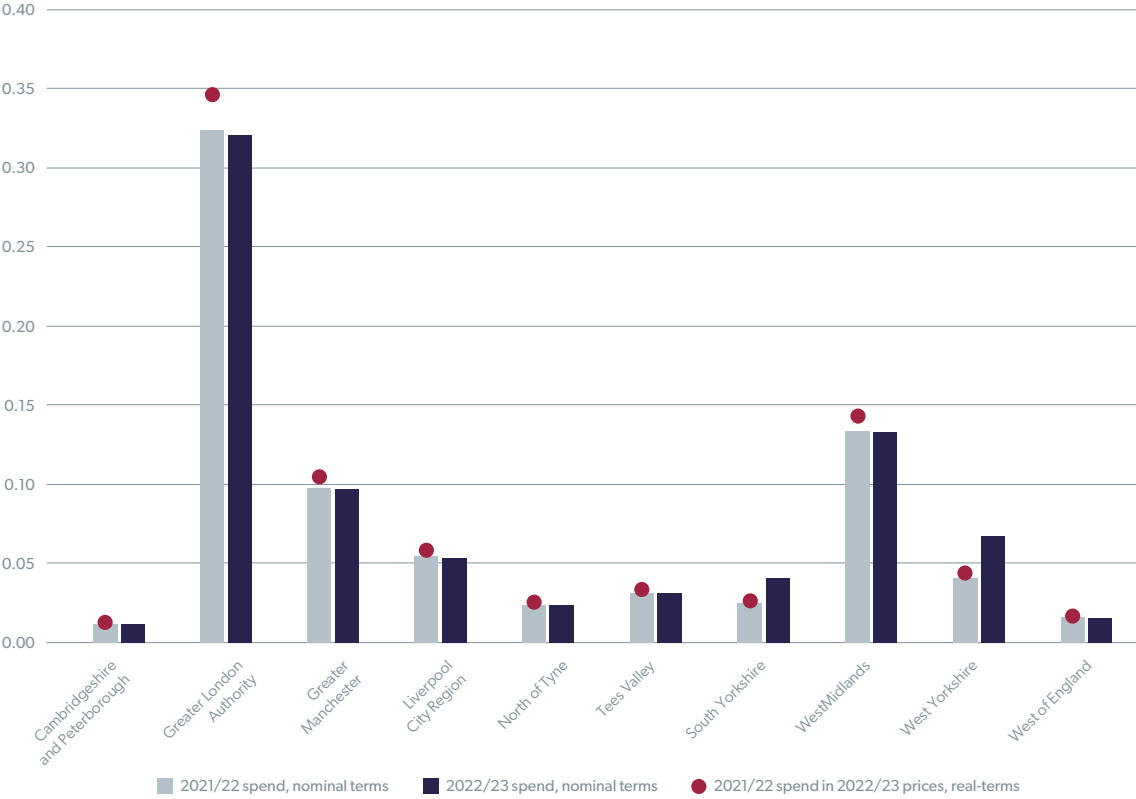
Source: HMG¹⁸⁶

Regional share of outgoings on post-16 adult education

Expenditure on post-16 education in England since the emergence of combined authorities taking control of devolved money bundles has reduced. The chart below shows post-16 spending in 2022/23 and the previous year 2021/22 in nominal and real-terms in 2022/23 prices; these allow us to see where the increases have been highest and lowest. Note, there is stability here as only South and West Yorkshire have seen substantive rises, and that as they were devolved partial pots in 2021/22. There are no hypothecated regional summary numbers for this adult education in HMT’s analyses, as it is buried inside wider educational lines; thus it is not possible to compare these combined authority totals with those, which in the case of London and West Midlands in particular would be interesting to know as they are both a region and combined authority answerable to a mayor. This would also be interesting in the case of bigger combined authorities, like Manchester plus Liverpool and others, as the regions’ amount should be close to that of the combined authorities. It is this part of the monies future devolved units will have most say on, as the apprenticeships funding is still envisaged to be driven if not determined by employers.

186 HMG or derived from HMG department and agency sources originally; latest or most relevant sources comparable to PESA and CRA <<https://www.gov.uk/government/collections/dfes-annual-reports>>, <<https://www.efsa.europa.eu/en/corporate-pubs/annual-reports>>, <https://assets.publishing.service.gov.uk/media/609d33878fa8f56a32f91cb3/CP_S31_Letter_2021-22_Financial_Year.pdf>, <https://assets.publishing.service.gov.uk/media/6436c99287741001368d8bb/Greater_London_Authority_S39a_adult_education_budget_for_2022_to_2023_-_additional_funding.pdf>, <https://assets.publishing.service.gov.uk/media/642d560f7de82b001231366e/Mayoral_Combined_Authorities_S31_AEB_for_2023_to_2024.pdf>, <<https://ifs.org.uk/sites/default/files/2022-12/Annual-report-on-education-spending%20-in-England-2022-Institute-for-Fiscal-Studies.pdf>> and <<https://www.gov.uk/government/statistics/gdp-deflators-at-market-prices-and-money-gdp-june-2023-quarterly-national-accounts>>

Figure 96: Expenditure on post-16 adult education only devolved out to the English combined authorities in billions of £s, 2021/22 and 2022/23 (in nominal and real-terms)



Source: DfE¹⁸⁷

187 HMG Letters <https://assets.publishing.service.gov.uk/media/609d33878fa8f56a32f91cb3/CP_S31_Letter_2021-22_Financial_Year.pdf>, <https://assets.publishing.service.gov.uk/media/6436c992877741001368d8bb/Greater_London_Authority_S39a_adult_education_budget_for_2022_to_2023_-_additional_funding.pdf>, <https://assets.publishing.service.gov.uk/media/642d560f7de82b001231366e/Mayoral_Combined_Authorities_S31_AEB_for_2023_to_2024.pdf> and <<https://www.gov.uk/government/statistics/gdp-deflators-at-market-prices-and-money-gdp-june-2023-quarterly-national-accounts>>

2.1.5. An experiment to test funding settlements in devolved places

Experimental approach to keeping devolution cost-neutral

The Centre for Social Justice is pushing for devolving of a slice of employment support because some of the former has to be held back for economic shocks as well as all of the post-16 education money lines. However, there is no simple way to attest if today's spend is proportionally right without unpicking departmental funding formulae, and that requires access to lower levels of data than is readily available. It is known that DWP allocates on basis of labour market circumstance which may focus on areas with high unemployment and deprivation which targets areas with high unemployment and economic inactivity; however exact calculations are filled with myriads of complexities. The DfE allots on disadvantage, as measured by the index of multiple deprivation affecting children and other metrics, and uplifts, fractional increments, for places with much more expensive learning provision.

As the starting point is to keep spending broadly cost-neutral, and accepting start-up costs which may be covered by savings from rolled up bodies or recouped when future savings come in through lower worklessness; for those seeking jobs who are active or inactive in the labour market, the think tank supposes this should be a good proxy basis for estimations. Given various allocation formulae are loosely base around distributions by unemployed and/or inactive populations, it is worth seeing whether known hypothecated regional totals can be ballpark matched within range estimates. The following assumes geographic units are regions; it investigates the divisions of monies as described in the above, and provides interested parties with some barometer by which to sense check, but it is not the only way one might want to consider arrangements.

Experimental distribution of monies

Spreading employment support outgoings across regions

With expenditure on employment services being half way between nominal and real-terms average over the last quarter of a century or so, the 2022/23 total seems a reasonable one to distribute across regions for illustrative purposes; this represents the absolute maximum spread of monies, but it may be better to share a lower fraction out. The first chart below shows full dispersal with experimental analysis; this is done by weighting shares by unemployed, inactive and unemployed and inactive persons in regions. It is assumed economically inactive people are unable to work, owing to illness being evenly spread; though furthering this simple method can be attempted in future. It is clear from breakdown that:

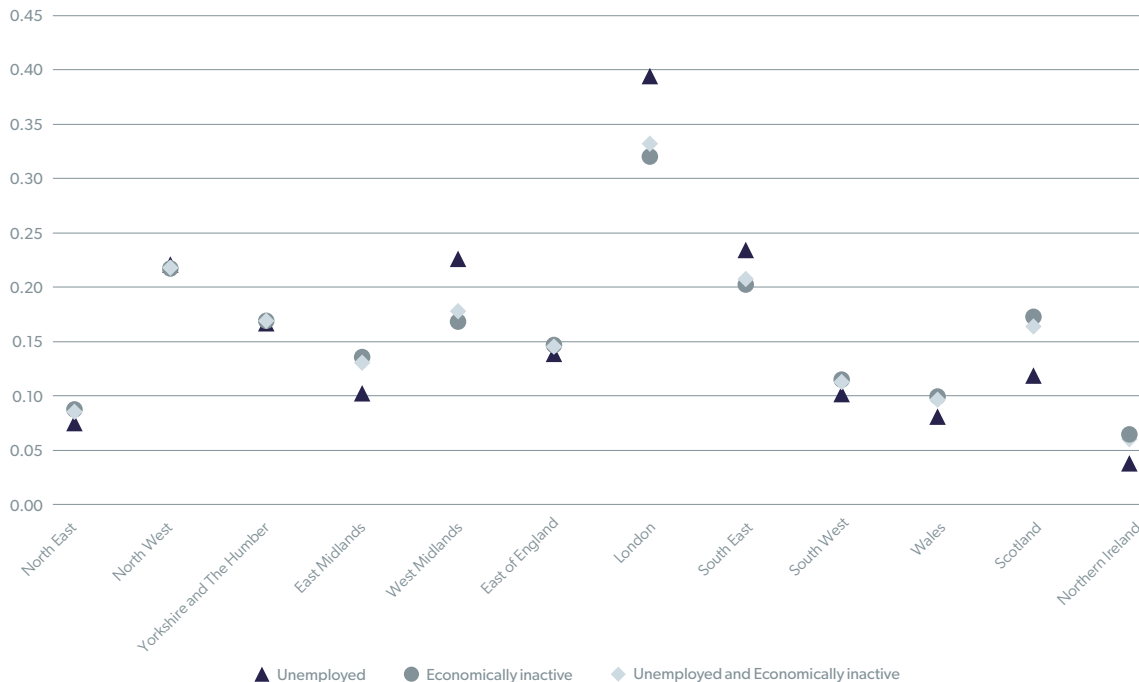
- seven regions, the North East, East Midlands, East of England, London, Wales, Scotland and Northern Ireland, have hypothecated shares in official analysis that fall within the range of estimates in this analysis;
- three regions have official hypothecated shares below the lower bound of the range of this analysis, Yorkshire and the Humber, West Midlands and the South East; and
- two regions have hypothecated shares above the higher bound of the range of this experimental analysis, the North West and South West.

The second chart below shows half spread of present spend; using the same methodology; this may be the accommodation between the regions and centre for managing shocks.

Figure 97: Experimental division of all and half of the public sector expenditure total on economic affairs – employment policies by region in billions of £s, based on labour market indicators of the legend for the 16-49 year old population, 2022/23



And if only half the above was devolved



Source: HMT¹⁸⁸

188 HMT, December 2023 <<https://www.gov.uk/government/statistics/country-and-regional-analysis-2023>>

* Centre for Social Justice has applied 12 months to June 2023 average headline labour market indicators under a methodology that has volumes/sum of volumes for a region over the national total, the percentage share is then applied to the official national expenditure or half of it to give a range of estimates for each region.

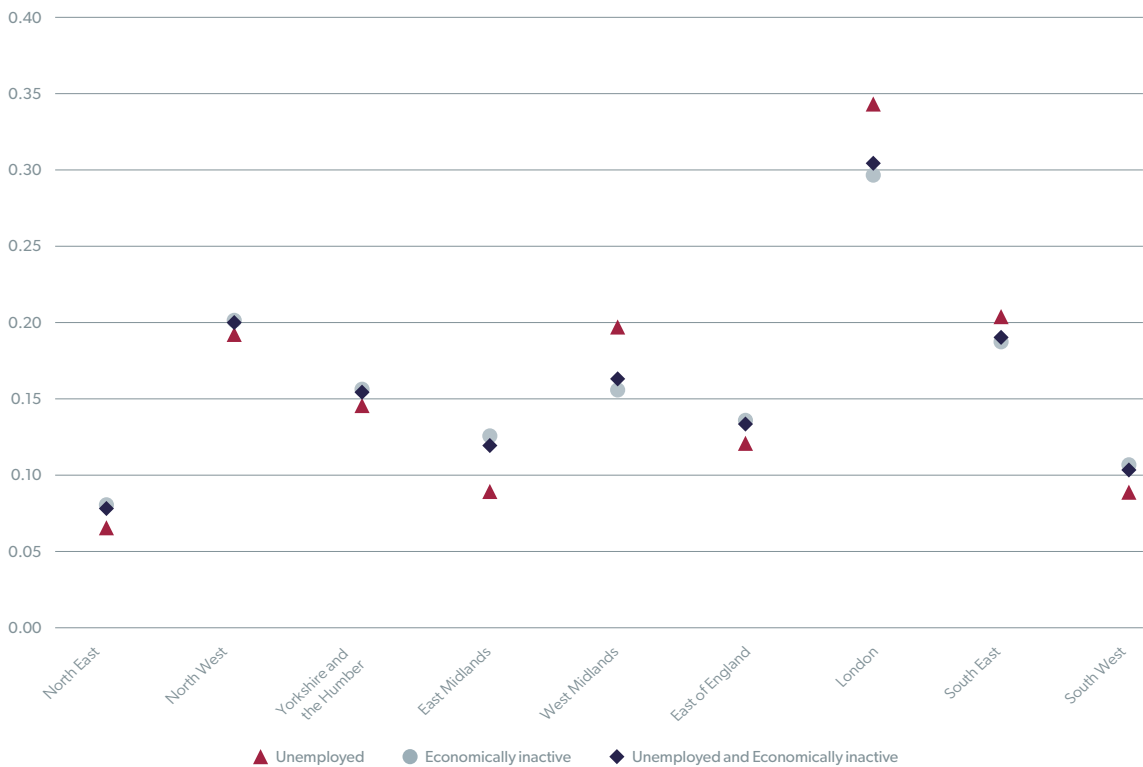
Spreading adult education outgoings across regions

As expenditure on post-16 education spend in England is at a low, the 2022/23 total(s) seems a rational one to distribute across regions for illustrative purposes; using the aforesaid simple method that represents the maximum spread, to serve as test on whether similar totals as those devolved to combined authorities can be reached, and then the whole of this education and skill spending, bring in apprenticeships monies, is spread. The first chart below shows just adult education budget dispersed; this is done by weighting shares by dependent person types in each region. It is observable from this depiction that:

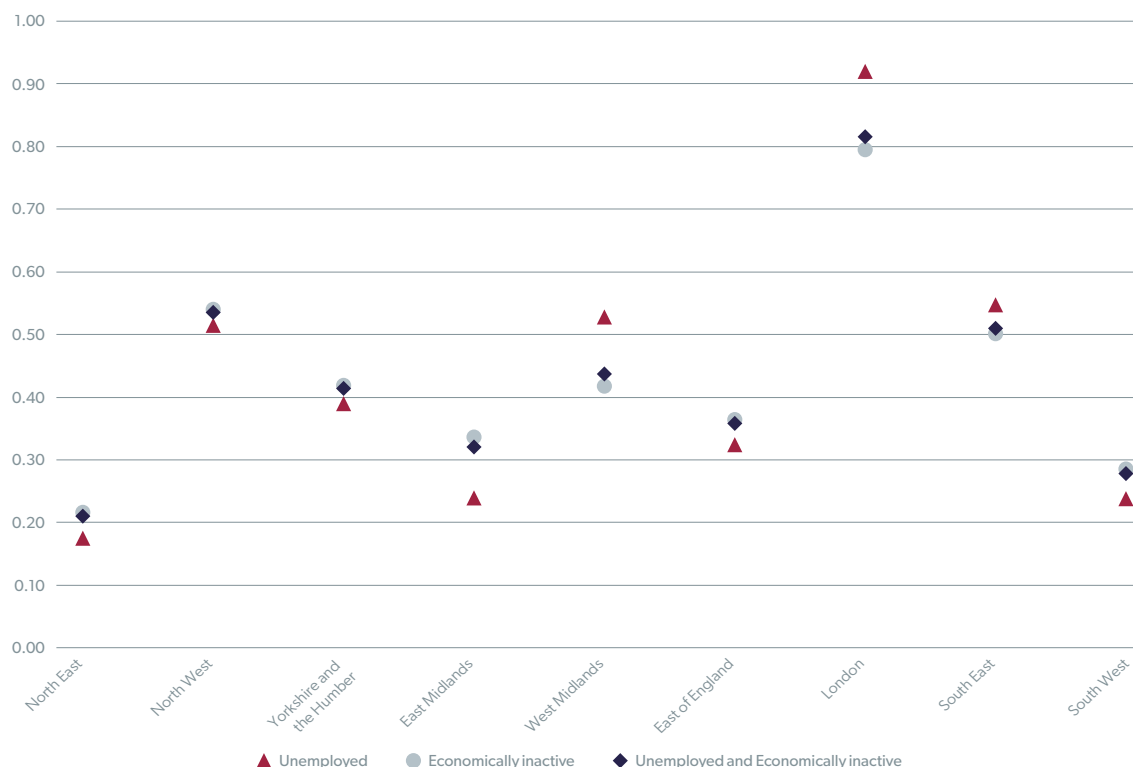
- London which is both a region and combined authority in an earlier chart has a devolved share that falls within the range of estimates in this experimental analysis;
- West Midlands which is also both a region and combined authority in said chart has a devolved settlement below the lower bound of the range of this experimental analysis, this may be because the combined authority does not cover all of the region; and
- combined authorities in said chart, such as North Tyne and Tees in the North East, Manchester and Liverpool in the North West and South and West Yorkshire in Yorkshire and the Humber have devolved settlements below the lower bound of the range in this experimental analysis, presumably as they are less than the full jurisdictions.

The second chart below shows all of the adult education and skills funding spread by the same methodology; this is the end result of decentralisation here.

Figure 98: Experimental division of the public sector expenditure subtotal for the post-16 adult education line by region in billions of £s, based on labour market indicators for the 16-49 year olds, 2022/23



And that for total adult education and skills (including apprenticeships) lines together by region in billions of £s, based on labour market indicators for the 16-49 year olds, 2022/23



Source: HMG¹⁸⁹

Spreading employment support and education outgoings across regions

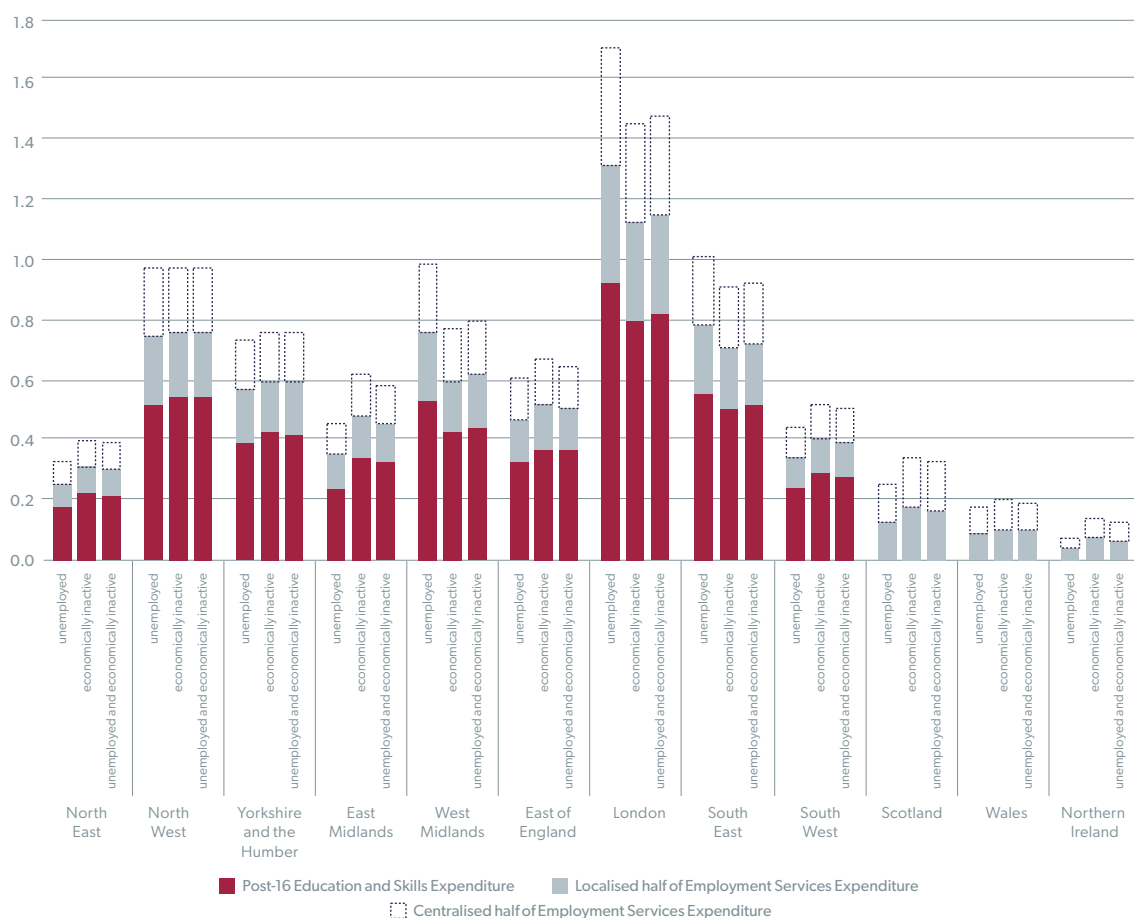
For those concerned about this experimental apportionment impact on segments that are not part of the core labour market function: business legal and regulation programmes, the arbitration organisations, Low Pay Commission and Health and Safety Executive, these account for less than one tenth of the economic affairs – employment policies monies. Thus, the fact there is a proposed allocation change that leaves a sizeable amount still at the centre means this is thought of. The vast majority of this line refers to labour market functions, corporate centre, operational delivery and services, employment programmes and services including one directly managed by HMT and European Social fund. This experimental analysis separates out this reserved amount above and that brought together below are fundamentally sensible approximations, but this is not to say a more sophisticated analysis done by the Government’s own analysts could not further advance the debate on shares. Note, under any methodology portions will vary periodically, as the fortunes of regions result in different levels of worklessness and economic inactivity. Thus, the central authority will need to undertake stocktakes to change the bundles of money devolved to them, in an open way underpinned by transparent reporting of it.

189 HMG or derived from HMG department and agency sources originally; latest or most relevant sources comparable to PESA and CRA <<https://www.gov.uk/government/collections/dfe-annual-reports>> , <<https://www.efsa.europa.eu/en/corporate-pubs/annual-reports>> , <https://assets.publishing.service.gov.uk/media/609d33878fa8f56a32f91cb3/CP_S31_Letter_2021-22_Financial_Year.pdf> , <<https://ifs.org.uk/sites/default/files/2022-12/Annual-report-on-education-spending%20in-England-2022-Institute-for-Fiscal-Studies.pdf>> and <<https://www.gov.uk/government/statistics/gdp-deflators-at-market-prices-and-money-gdp-june-2023-quarterly-national-accounts>>

* Centre for Social Justice has applied 12 months to June 2023 average headline labour market indicators under a methodology that has volumes/sum of volumes for a region over the national total, the percentage share is then applied to the official national expenditure or half of it to give a range of estimates for each region.

Combined expenditures on post-16 education and employment services are summed to £7.7 billion in 2022/23. However, the illustrative analysis assumes only half the latter spending is distributed locally meaning £5.8 billion is the supposed level of transferal from the centre to the regions. The chart below shows just the overall range of estimates for budget dispersal under all three of the labour market indicators based methods already described; this gives interested parties and regions and combined authorities a starting point basis for future negotiations with the UK Government, the choice of half is purely notional and serves the illustration but national and local negotiators may want to revisit this split.

Figure 99: Experimental division of the public sector expenditure total for only the English post-16 adult education and skills and half of the economic affairs – employment policies lines by region in billions of £s, based on labour market indicators for 16-49 year olds, 2022/23



Source: HMT¹⁹⁰ and HMG¹⁹¹

190 HMT, December 2023 <<https://www.gov.uk/government/statistics/country-and-regional-analysis-2023>>

* Centre for Social Justice has applied 12 months to June 2023 average headline labour market indicators under a methodology that has volumes/sum of volumes for a region over the national total, the percentage share is then applied to the official national expenditure or half of it to give a range of estimates for each region.

191 HMG or derived from HMG department and agency sources originally; latest or most relevant sources comparable to PESA and CRA <<https://www.gov.uk/government/collections/dfes-annual-reports>> , <<https://www.efsa.europa.eu/en/corporate-pubs/annual-reports>> , <https://assets.publishing.service.gov.uk/media/609d33878fa8f56a32f91cb3/CP_S31_Letter_2021-22_Financial_Year.pdf> , <<https://ifs.org.uk/sites/default/files/2022-12/Annual-report-on-education-spending%20in-England-2022-Institute-for-Fiscal-Studies.pdf>> and <<https://www.gov.uk/government/statistics/gdp-deflators-at-market-prices-and-money-gdp-june-2023-quarterly-national-accounts>>

* Centre for Social Justice has applied 12 months to June 2023 average headline labour market indicators under a methodology that has volumes/sum of volumes for a region over the national total, the percentage share is then applied to the official national expenditure or half of it to give a range of estimates for each region.

Additional monies not in experimental analysis

There are other expenditure lines of interest but for the purpose of having a straightforward to understand proposal these have been kept out of scope. However, were the devolved employment and educational services to offer citizenship, careers and training advisory, then perhaps these following funds could be sub-consumed or used for start-up of this Machinery of Government Change in England:

- £72 million of net expenditure in 2022/23 for the National Citizens Service;¹⁹²
- £21 million of Covid response support funding in 2021/22 for the National Careers Service.¹⁹³ Note this is not the funding total here just the top-up for pandemic response, but does suggest that there is a larger amount of money;
- £29 million of grants to the Careers and Enterprise Company in 2022/23;¹⁹⁴ and
- £5 million of grants for Lifelong Learning Entitlement in 2025.¹⁹⁵

Scotland and Wales have devolved funds and Local Enterprise Pathways ones are left out.

2.1.6. Argumentation for devolving Employment Services and Adult Education

Unfinished Business

Decentralising localised delivery architecture

The Centre for Social Justice has for many years consistently advocated for employment services, in the form of Universal Support, to be managed between the central DWP and MHCLG, previously DLUHC; with a Senior Responsible Owner reporting to a combined Board; we were always for more localism, but with the maturity of some mayoralities and combined authorities and capacity and capability building in others has led us to an evolved model.

Our view is that:

- a secretariat in a central department owns national strategy, holds local areas accountable within a performance framework, sets funding and has take-back powers. Alongside this, an independent best practice and evaluation system run by regulators is put in place to scrutinise both central and local actions; and

192 National Citizen Service, December 2023 <https://assets.publishing.service.gov.uk/media/6572e6c233b7f20012b720c6/E03008536_National_Citizen_Service_Trust_ARA_22-23_Web_Accessible.pdf>

193 National Careers Service, March 2023 <https://assets.publishing.service.gov.uk/media/64b13d979959000013002ad7/ESFA_Annual_report_and_accounts_2022-23.pdf>

194 Careers and Enterprise Company, April 2022 <https://www.careersandenterprise.co.uk/media/wezngpzf/cec-gfa-2022-23_final.pdf>

195 DfE, July 2023 <https://assets.publishing.service.gov.uk/media/64b6978861adff001301b284/Department_for_Education_Consolidated_annual_report_and_accounts_2023.pdf>

- a lower-level local unit perhaps based on combined authorities under regional mayors and devolved first ministers, is necessary to deliver employment services and adult education that fits their labour markets.

This resembles many features of the Dutch and Scandinavian models where overall planning objectives are owned at national and higher local area levels but the devices of this are run by local delivery areas. The two are constructed such that local provision adheres to departmental guidance, as adjudicated on by the central secretariat.

Companion to earlier welfare reform

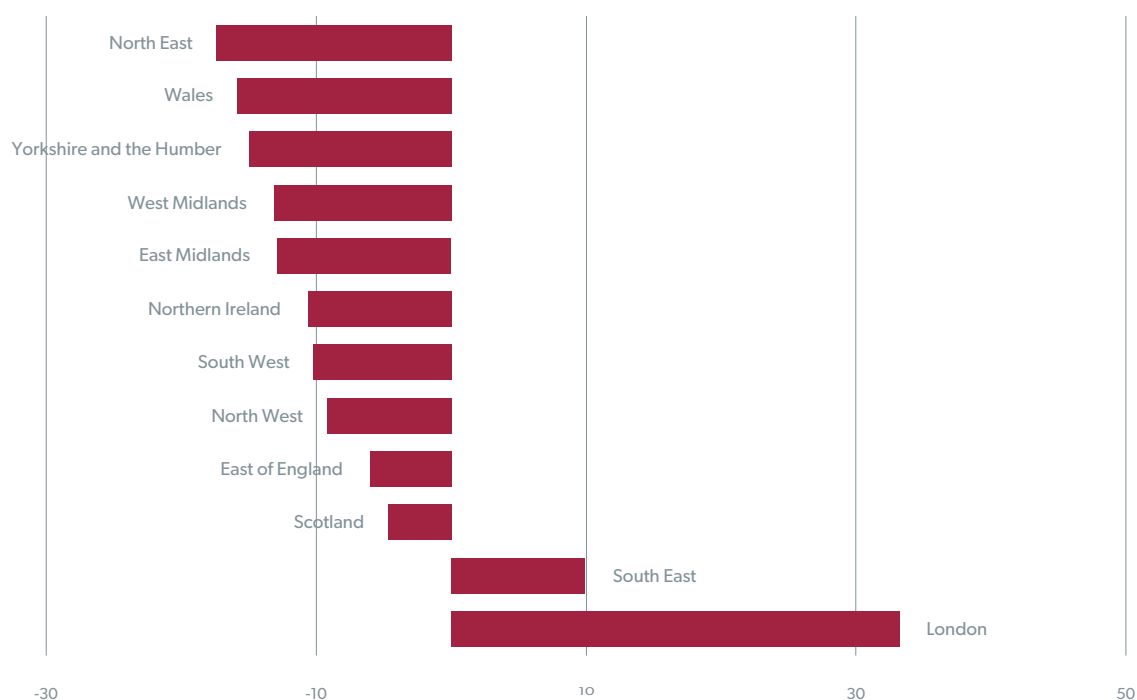
The think tank believes true Universal Support means that devolved areas run the services for the improvement of local peoples' lives, and through that reduce inequality between the regions; this is about not only getting the unemployed but also the economically inactive due to health, caring responsibilities and various other life events into work. The project roundtables revealed that UK practitioners believe and evidence from the Netherlands demonstrates that this can be best done locally, and the study of UK national accounts shows where the monies can come from within the existing spending envelope. These give us a straightforward roadmap to more and better tailoring of offers by local delivery partners, helping all people and especially vulnerable groups tackle barriers to moving into employment and deal with other challenges in their very difficult lives. As the former Conservative Mayor of the West Midlands, Andy Street, put it in his 2018 speech:

*"This episode [Budget 2023] is just another example as to why Whitehall's bidding and begging bowl culture is broken ... The sooner we can decentralise and move to proper fiscal devolution the better."*¹⁹⁶

The above former mayor's words reflect his critique of the UK's funding system after months of negotiations with Whitehall, in which he and Greater Manchester's Mayor, Andy Burnham, argued for greater financial autonomy to get more economic growth. Andy Street's interpretation of the situation in the West Midlands and other regions is truthful. The chart below shows that only two regions have higher productivity than the UK overall; the scale order differential where London has almost a whole third more and the South East nearly a tenth more than it, but the North East has eight tenths less of it underscores his point. Places with lower productivity correlate with having high real, officially recognised working age unemployed, and hidden inactive working age people who could work as defined by academics in Part One Section One; thus it is of concern to the think tank.

196 Financial Times, March 2023 <<https://www.ft.com/content/80920763-6637-4f34-a7b2-ef4cb21992e2>>

Figure 100: Productivity measured as output per hour worked by regions, 2021

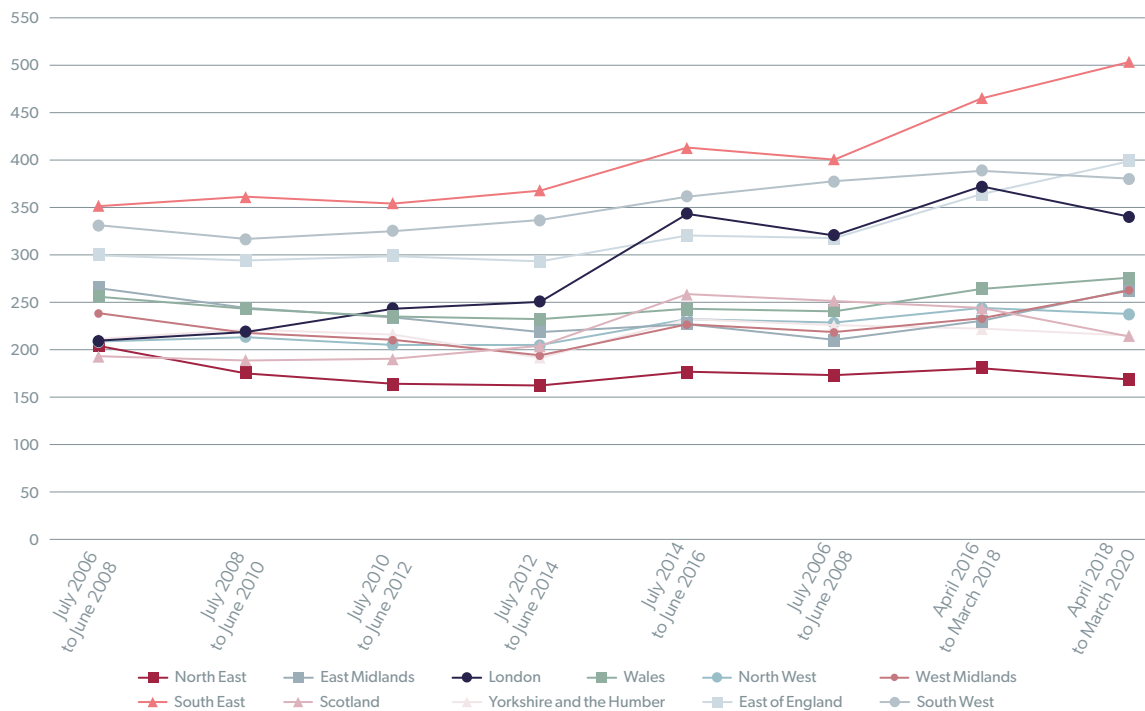


Source: ONS¹⁹⁷

Although not a direct relation because people can work in one place and reside in households nearby but outside regional jurisdiction of workplace, on the mayor's implication that productivity or lack of it drives wealth disparities, the chart below shows the obvious relationship between productivity and wealth. It has a troubling message that it is fanning out and widening; note it is in fact the South East, rather than London, which is the lead region in terms of median household wealth, indeed the South West and the East of England are now also wealthier than the capital in these terms. Though, it is likely the case that London household wealth distribution is the most stretched out in the UK; with pockets of extreme wealth and poverty living in very close proximity to one and other.

197 ONS, June 2023 <<https://www.ons.gov.uk/economy/economicoutputandproductivity/productivitymeasures/bulletins/regionallabourproductivity-includingindustrybyregionuk/2021#main-points>>

Figure 101: Median household wealth (thousands of £s wealth across property, financial, physical and private pension wealth) by region of GB, 2006-20



Source: ONS¹⁹⁸

The devolving of some part of policy design and all of service delivery is a necessary step to becoming more like the Netherlands and Scandinavian countries, a truly localised holistic wrap-around support system which was the promise of Universal Support.

RECOMMENDATION 5

The Government should devolve employment support and adult education and skills associated services to a subnational geographic unit closer to the people who need to be helped back into work and require wider support. This can be a regional unit, and under them combined and local authorities depending on the task. It is for national and local elected leaders, perhaps mayors, to negotiate the terms of this decentralisation, but this report provides them with practitioner opinions and proof of concept from a similar Western developed country.

198 ONS, January 2022 <<https://www.ons.gov.uk/peoplepopulationandcommunity/personalandhouseholdfinances/incomeandwealth/bulletins/totalwealthingreatbritain/april2018tomarch2020#main-points>>

RECOMMENDATION 6

The Government should provide funding commensurate with the devolution of the functions set out in the last recommendation to the subnational unit, whatever that might be in the end. The only monies held back in the centre should be for ongoing management of non-core labour market segments and contingency on economic shocks in the labour market, which is often lagged from recession and ongoing cyclical effects of that can exist some years after the event. It is for national and local elected leaders to negotiate share of the economic affairs – employment policies line to be kept centrally and distributed to units, the shares in the charts of this report are just for illustrative example to start off that debate.

This report will go into the types and nature of relationships needed to be successful next.

2.2. The role of relationships in employment services

2.2.1. Things that can go to devolved regional or subregional units?

This section sets out the opinions of those invited to participate in our roundtables – from combined authorities, international bodies, educational institutions and associations, national and local charities, businesses and their organisations, best practice from practitioners and academia around supported employment services, and various case studies.

The aim of this bit of the report is to give those reading a sense of where expert intellectual thinking has developed; so non-bureaucrats have cognition of the societal and delivery changes. The Centre for Social Justice wants the best models to support the economically inactive into work, and believes this will be aided by the latest intelligence. Further part and sections will elaborate on partnership and development recommendations.

Summary

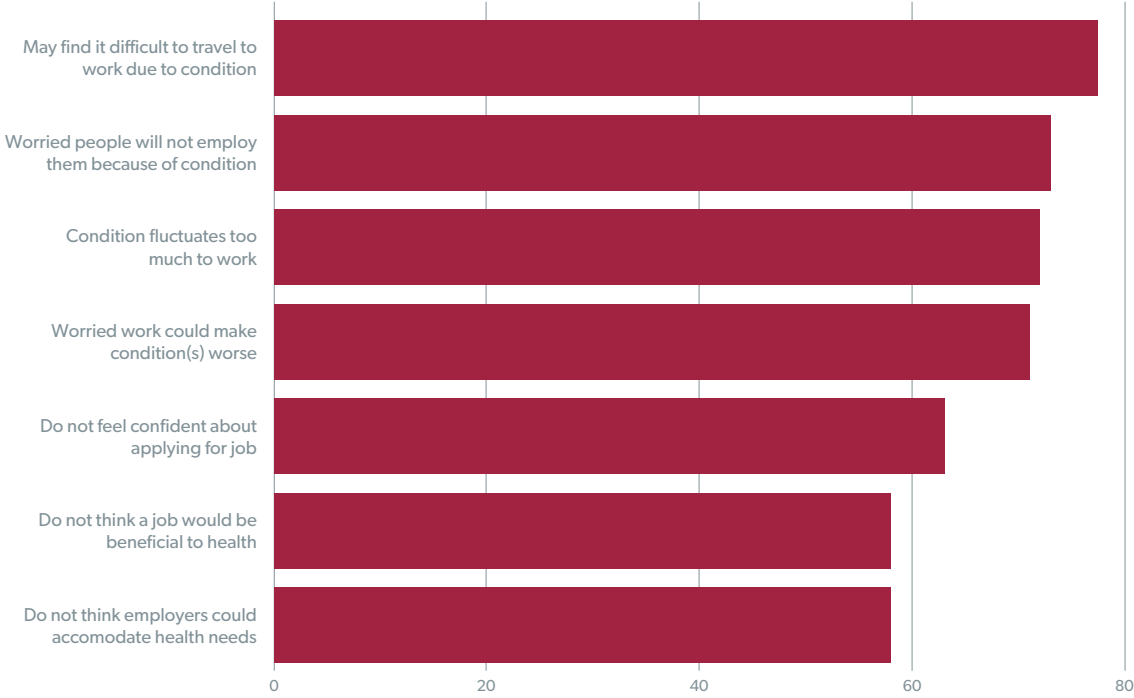
The participants in Centre for Social Justice roundtables consulted on devolving employment and adult education services said:

- the UK does not have universal employment services, but some stakeholders want it rather than focus on claimants. There were differing opinions on a full market approach which might give bigger returns or target those on welfare with view of reducing benefit outgoings, those in the latter camp stressed calibrating offers and tailoring to person;
- this, with or without universality, will change relationships with unemployed and economically inactive users becoming more like customers, as they seem to be in northern Europe. There was a desire to keep conditionality with national benefit administration not devolved services, and replace claimant commitment but with no strong position on its successor, just it is less likely to be held in suspicion;
- those in supply-chain want more job brokering, matching and upskilling to be done locally and by specialists. There was appetite for increasing scope for creating opportunities for vulnerable groups, fitting to their wider skills rather than occupation codes, qualifications and experiences and changing advisory to them; and
- there were also responses from interested parties wanting more third sector provision, choosing local by default and core funding for it, and a new deal for the ageing society via employee and employer bargaining, overcoming barriers and better planning.

The DWP admits in a research report that relations between disabled claimants and key workers and their delivery arm are difficult, but given many of them want to work this needs to change and devolution represents an opportunity. Success will depend on reacting to barriers, detaching benefit administration and employment policy and recasting social contract. This group fears financial

impacts of moving into work and there are varied reasons sitting behind it; claimant commitment is an inhibitor to good relationships, but scope exists for different bonding and bridging relations. The chart below shows statements where over half canvassed agreed; where along with health-related concerns were labour market ones which can be surmounted with adaptation of employer views and workplace settings.

Exhibit O: Percentage of the most disabled respondents agreeing with following, 2020



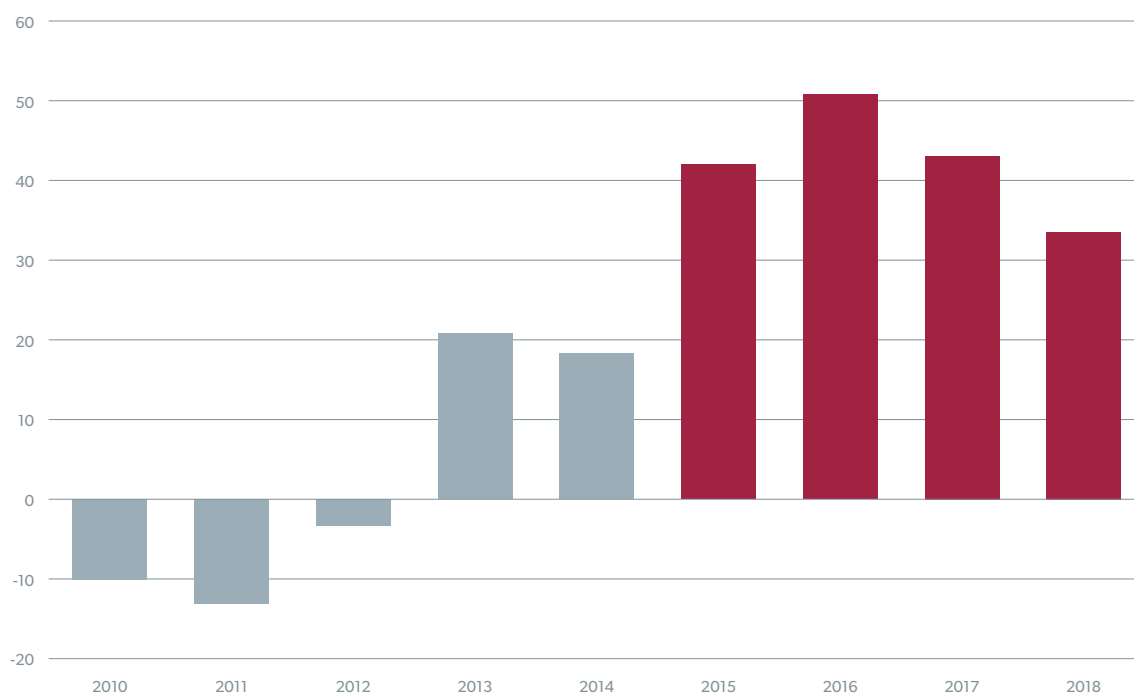
Source: DWP¹⁹⁹

The Centre for Social Justice and a trade association have aligned help back to work models for disabled and wider inactive people. However, these must be supported by smaller and local operators from the third sector, who give the specialised support required. But these parties find it harder to get Government contracts, in fact even large charities often lose out to multinationals. Therefore, devolution of services needs to bring in these providers.

Danish academics ran an experiment to test the impact of giving local areas command of both employment services design and staff workloads in forming relationships with jobseekers, especially those with limitations, conducive to sustaining employment, with a positive treatment effect reported in Hjørring over control municipalities. These working alliances were underpinned by investments in client services and hiring caseworkers. This is the first detailed study of relationships and collaboration as well as caseload reduction effects on getting people into work, particularly those with limitations. The chart below shows the thrust of test results with strong positive effect of treatment over control group. It has a differential more like twice that of baseline of 2014 from 2015 to 2018 with the 2016 one nearer three times. The fact that this is over four years suggests it is a sustained effect.

¹⁹⁹ DWP, February 2020 <<https://assets.publishing.service.gov.uk/media/5e53bac5d3bf7f3938182cd2/work-aspirations-and-support-needs-claimants-esa-support-group-and-universal-credit-equi.pdf>>

Exhibit P: Differential effect between the treatment and control municipalities in terms of yearly number of hours in employment in the experiment, 2010-18



Source: Aalborg University²⁰⁰

Greater Manchester Combined Authority's Working Well is the nearest thing the UK has to Scandinavian style devolved employment services and may serve as a roadmap. They started with devolved Work and Health Programme commissioning to partners to support disadvantaged groups; it was independently evaluated and this and recent performance reports have shown encouraging value creation. The combined authority indicates that target provision, pooled resources, contract packaging and integrating services (including hub strategy) are the drivers. The table below shows the Manchester Working Well return on investment within and after pilot, with a doubling owing to institutional learning.

Exhibit Q: Return on investment for every £1 spent in Manchester Working Well, 2019

Within pilot	£1.31 for every £1
After pilot	£2.68 for every £1

Source: Greater Manchester Combined Authority²⁰¹

The Centre for Social Justice appeals to any government to devolve employment and adult educational services, because local governance needs to change relationships to get more people into sustained work. This is especially true for the inactive, the disabled, carers and others, but also some jobseekers, say older ones, as antagonism owing to decisions on the benefit administration side can make it difficult to broker, match and upskill them.

200 Advance on Rasmus Lind Ravn and Kristian Nielsen of Aalborg University 'Employment effects of investments in public employment services for disadvantaged social assistance recipients', March 2019 <<https://journals.sagepub.com/doi/10.1177/1388262719836797>> and <<https://journals.sagepub.com/doi/epub/10.1177/1388262719836797>>

201 GMCA, August 2019 <https://www.greatermanchester-ca.gov.uk/media/2364/working-well-2019_web.pdf>

RECOMMENDATION 7

The Government should expediate the rollout of Universal Support, where some strategy, financial, evaluation and other controls remain at the centre, but most of the running of employment and associated services move to higher and lower geographic units as appropriate. Stakeholders in the space are of the opinion that mayoralities and combined authorities best fit this role, and are best placed to help those experiencing complex barriers to the labour market take advantage of the value working brings. However, there will be different trajectories to this end state as some places have both, some one and other none of these local governances, so instituting one or both of these will take some time. Furthermore, there will be staff and asset transfer from the centre to the locality, which can over time be physically moved with natural churn.

RECOMMENDATION 8

While mindful of commercial sensitivities, the Government should amend its commissioning playbook, not to exclude bigger players but to include small- and medium-sized ones. Stakeholders think procurement processes are not yielding enough intensive personalised employment support, and the Government should empower local devolved employment services to bring in voluntary, community and social enterprise to grow this function, perhaps in consortia with big charities that hold the business case.

RECOMMENDATION 9

The Government should recognise pathways from targeted provision, pooling budgets and packaging contracts to integration of services, and encourage hub strategies as ultimate manifestation of this. This means there is a place for national and local governance in managing this co-location for successful running of programmes that help the disabled and other disadvantaged groups into employment.

RECOMMENDATION 10

The Government should better monitor and mediate within the supply-chain, through either agencies or mechanisms for those downstream to hold the contract holders to set standards. Stakeholders in the arena reckon poor behaviour and poor management of supply-chains have led to the mistreatment and marginalisation of smaller providers within the nationally contracted disability employment programmes. The Merlin Standards were introduced to counteract this but subcontractors suggest that it has had limited impact, with the result that grassroots organisations are not given freedom to innovate owing to the payment by immediate result structure imposed on them. It is important local commissioners have the scope to bring in these partners as many are embedded in communities and have a wealth of expertise and local knowledge.

The think tank advises removal of barriers, and consideration of models and rapport within localised employment and associated services, with the following sections of this report talking around partnerships and then strategic development.

2.2.2. The listening exercise – roundtables’ findings

The roundtables based on survey questions

The configuration of interviews

The Centre for Social Justice had a number of roundtables in autumn 2023 with intention of soliciting opinions from those on the shopfloor of the current employment support and associated educational trade. Attendees knew political players would not be there and their evidence would be obfuscated in report so they had a safe space to speak their mind.

The survey was developed after an initial scene setting questionnaire was sent to canvas whether or not some form of devolution was sought by participants; those with responses in either direction were selected for the roundtables, but the majority favoured it. In some cases, there have been follow on interviews to augment and give further refinement to their evidence, and these have sometimes led to secondary interviewing of others not at the roundtables in subsequent months but these were small in number.

The structure of interviewing

The sessions were chaired and facilitated by think tank staff and recorded and auto-transcribed with quotes checked afterwards with the sources.

The key questions from the list relating to this section were:

[12] Is there a need for new devolved employment services to be more relationship based, if so how is a social contract best maintained with claimants?

[13] What is the role of key workers in new devolved employment services in terms of upskilling, job brokering and job matching, and how do providers’ provisions add to this support?

[14] How can devolved employment services’ key workers best match with strategic development of areas, through improving work incentives for the inactive?

[15] How could devolved employment services’ key workers best deliver upskilling opportunities, with a view to support more people into quality employment?

[18] How could devolved employment services’ key workers best deliver upskilling themselves or through local providers?

Further questions that yielded information relevant to this section were:

[1] What are the main positives for economically inactive people moving into work?

[5] Could work be made more attractive in the UK, and are any features of the UK employment services currently unhelpful in encouraging people into work?

[7] What could be the benefits of devolving the UK's employment services, and would this be a win-win for all stakeholders?

The roundtables' evidence on the service and staff interactions

The nature of devolved employment services

It became apparent from the first questionnaire returns that those in the landscape felt more holistic employment and associated services like that in other northern European countries is something needed over here. The key worker model is the manifestation of that in this paper. The main findings of these conferences shape the opening paragraphs of the following and are written about the Centre for Social Justice's policy narrative in order to get to plausible solutions.

Figure 102: Quotes from Senior Manager at West Midlands Combined Authority²⁰²

"In regard to what levers are there, if you separate benefit administering and sanctioning with employment services to ensure people on welfare are engaged in work search, rather than those just using the new local service; we reflect on the current systems focus on a smaller subset of people who receive taxpayer money, and want one in the future that focuses on the larger number of people who do not receive assistance that are motivated to find and get into work."

"If we do go down this route in the devolved employment service, then we would have to think about the ways in which we behave to build human capital – we have not got that culture and it is a really big gap."

Figure 103: Quotes from Senior Manager at Greater Manchester Combined Authority²⁰³

"Splitting employer engagement into high volume national/regional accounts and local brokerage, recognising the difference in approach."

"Provision should offer good quality in-work support to de-risk employers in employing someone who perhaps needs adjustments, extra support or hasn't worked for many years (and at risk of falling out of work again). This would offer the employer some assurance, drive greater confidence in recruitment from specialist employment programmes and protect relationships."

202 CSJ Roundtables – September 2023 and subsequent interviews from September 2023 to March 2024 2024

203 Ibid.

Figure 104: Quotes from Senior Leader at Career Development Institute²⁰⁴

“There is handover from employment services into the National Career Service, if people need more support particularly around upskilling; the challenge I think is one of contract.”

“we have got to bring them towards the world of work, because they can have other barriers to overcome first, really poor experiences of education, caring responsibilities, health issues, potentially financial worries ... these limit them from taking opportunities.”

Roundtables’ discourse surrounding above quotes went into the key worker model, relationships within job brokerage and matching as well as upskilling activity in devolved employment services; these focused on:

- cultural advocacy – who should be encouraged or encouraged the most. There were strong views about the trade-off between full market employment services and not leaving any group behind. Proponents of the former, meaning not just those on the official benefits caseload are supported by key workers who thought there could well be much bigger return on investment as movement into work and/or higher paying employment would come through the tax system. Supporters of the latter, more support to those on welfare from key workers, thought there should be deliberation on inequality and targeting of the economically inactive, underemployed and in work poor as this would bring down the benefits bill. There were merits in both arguments but either required an outlook change from the current mixed model;
- imperatives championing – where calibration of delivery and incentives at the margin should sit. There were interesting juxtapositions between those large-scale and mass and smaller-sized and personalised markets. In the first, productivity was seen as driving down unit costs and not playing above the odds for deadweight. Whereas in the second, it was gradating help from pulling back to building up base capacity and pride in working and contributing to scaling up benefits in kind, say places on courses or placements, to get people work ready; and
- opportunity promoting – when is it appropriate for the key worker to sell tailored jobs to active jobseekers and particularly to those further away from employ. Here the current challenge appears to be a lack of careers planning and a tendency to put the jobless into any work, with end result being short spells in and out of it. The contracting as it is leaves little room for selling the family, friends and community benefits of sustainable working to the person, nor does it lend itself to increasing human capital at the atomised or aggregate level.

The social contract with jobseekers with and without vulnerabilities

The preliminary questionnaire responses and even more so, those at roundtables, made it evident that those in the know felt any devolved employment services would have implications for dealings with the individuals. In northern Europe, this has meant that they have become customers as many are not in receipt of any payment; thus the relationship has to reflect this reality. The main findings from these sessions shape the following and are written around the Centre for Social Justice’s policy lines to get to possible answers.

204 CSJ Roundtables – September 2023 and subsequent interviews from September 2023 to March 2024

Figure 105: Quotes from Senior Leader at an Alliance Charity, Zink²⁰⁵

"With our employment support we do not have a claimant commitment and put it on the individual to choose help – we work with people with multiple and/or complex issues, and have a more holistic approach to turning around lives; we encourage them to volunteer so they feel they are giving something back and help them sort things at home and/or with family thereby building a strong relationship – some have been quite lonely, abandoned by the Jobcentre."

"They are not suspicious of us, we do outreach work and work inside Jobcentre buildings sometimes; what we are finding is people work with us more when outside of them."

Figure 106: Quotes from Senior Leader at Careers Development Institute²⁰⁶

"If someone comes in with a need for benefits and wants to look for work then a limited relationship is required, if they cannot find work and need more support but they are looking for it then it is about skills development – more around an encouraging and facilitating options relationship, if they cannot find work and have barriers then it is deeper – more care based help to get on and find entry points type relationships."

"Having employment services open to everyone means we get the most out of the whole population, or we have to be comfortable leaving groups of people out."

Figure 107: Quote from Senior Academic at Birmingham University²⁰⁷

"If you had more inclusive fuller devolved employment services then it might give some that small bit of help they need, then they will self-service the rest – from virtual training for business start-ups to more intensive help if needed."

Roundtables' dialogue around above quotes led to an assessment of control versus collaboration in devolved employment services, converging at terms of reference:

- replacing the compact – the claimant commitment as an obligation should remain with the benefit administration arm of the centre, as it relates most to the mandating and sanctioning regime. There was consensus that this could be supported by the localised employment services through data sharing, but not executed by them as that would change the dynamic of the desired relationship. It was thought that a set of personal promises between the individuals being helped and their key workers would keep rapport at optimal level;

205 CSJ Roundtables – September 2023 and subsequent interviews from September 2023 to March 2024

206 Ibid.

207 Ibid.

- theory of change leap – does the move away from obligated behaviours and to looser understandings mean relying on the individual wanting to move into work, and if so does this tend toward the full market over niche groups argumentation above. There were mixed feelings on this because some believed mandating and sanctioning on benefits are sufficient to keep engaged those who did not want to enter the labour market, be they reluctant with vulnerable status or many barriers, others held the position that with the last two, where they were wanting to work, they would need coaxing into collaboration for comfortable lives for themselves and dependents;
- removal of suspicion – does the softening of conditions mean better relations, or is there still a perceived conflation on national and local services in the minds of individuals. There was general optimism that having the commitment and penalties done by the national benefits administration arm would therefore enable more informality, jointly owned action plans and better ensuing outcomes; and
- floated blended approach – is there scope for key workers to apply a fallback approach, leaving obligatory relations in the main to the central authority, but for where there is known social disadvantage caused by lack of confidence. The end point was that this must be for each regional unit or lower-level local area to decide for itself.

The roundtables' evidence on adding value

The job brokering and matching and upskilling of users

The initial questionnaire forms made it clear that those in the supply-chain felt any devolved employment services need to be tailored around individuals, as they are in northern Europe; guarantors of that must be local elected politicians whose publics can hold them accountable for performance. The main findings from these gatherings guide the following and are written around the Centre for Social Justice's policy lines to get to practical resolutions.

*Figure 108: Quotes from Stakeholder Relations Manager at Association of Colleges*²⁰⁸

"As for brokering opportunities, I absolutely think that would be a really positive thing; for colleges who have a lot of knowledge and relationships with employers could help (with it)."

"I think it is something that in the future should work quite well; I definitely see this working, but have some caution as not every region is going to have the maturity level, so therefore it has to be carefully managed."

208 CSJ Roundtables – September 2023 and subsequent interviews from September 2023 to March 2024

Figure 109: Quote from Policy Manager at Gingerbread²⁰⁹

“When job matching, single parents shouldn’t be treated as a homogenous group, and their individual needs, interests and requirements must be taken into account. This is one of the reasons we are calling for the introduction of specialist single parent work coaches, who better understand single parent’s work requirements, and support them appropriately.”

Figure 110: Quote from Programme Manager at Alliance Charity, CatZero²¹⁰

“We do a lot of work around the (local) seafood industry; now there is a disconnect between the education side of things where people are told if you do not study you will have to work in a factory, and the fact is that there is a good living to be made out of working in one compared to our local jobs in Grimsby”.

Figure 111: Quotes from Leader at an Alliance Charity, The Hinge²¹¹

“I feel coming from a voluntary sector organisation that we do a lot of the picking up of the slack in terms of trying to upskill people, understanding what they want; I think the reason for this is that we can build those relationships and spend more time with them.”

“A lot of the people we work with do not even have confidence; so for me, it’s building this, getting people out of their houses, reducing social isolation then (we can) start building skills.”

Roundtables’ discussions after the above quotes headed on to the core undertakings of devolved employment services in the regions; it was highly centred around:

- creating opportunities – whether there is license for local managers and key workers to broker opportunities. The conclusion was that there was not enough scope to do this directly with employers, nor to design working arrangements and work placement pathways for the inactive with vulnerabilities. There was strength of feeling amongst the local educational sector that they knew how to do this for young people and that this was transferable to the disabled, carers, parents and so on, but no one was asking or funding them to do more;
- fitting to skillsets – is there discretion for local managers and key workers to match on wider basis. Historically, the official line has been employment services look at occupational preferences, qualifications and experience, but any matching service will have a human element, so whether this ought to be formalised with equality legislation boundaries was something suggested in the conversations. The judgement call was that local areas were better placed to consider physical and/or mental condition and life events for inactive people than national agents designed for jobseekers; and

209 CSJ Roundtables – September 2023 and subsequent interviews from September 2023 to March 2024

210 Ibid.

211 Ibid.

- augmenting skills – in terms of in-house and contracted provision, there was uncertainty on whether local managers and key workers have the right advisory and contracting power to serve diverse individuals. The thinking took two different directions, the first was within organisation one-to-one advisory can be narrow in its world view, discarding some high or higher paying jobs in the local area because of social conditioning set at a national level, and the second was third party providers were often doing the work on the ground for corporates who are advantaged by Government tendering and bidding competitions. These are often smaller voluntary sector going concerns picking up people further away from work.

The employment services and strategic development

It turned out from the original questionnaire proforma and even more so in roundtables that the organisations in and about employment services deem the wider needs of the region and country to be important going forwards; hence such issues appeared within set questions and others throughout the communication. The main findings from these hearings fall out of the following and are written with the Centre for Social Justice's policy narrative about it in order to get to pragmatic outcomes.

Figure 112: Quotes from Policy Adviser at Scope²¹²

"I think the key support worker for the disabled person who is economically inactive for a while sees other barriers; the participating jobseeker is going to be quite apprehensive about moving into work for many reasons so having a trusted adviser there providing personalised support at the outset of their journey is crucial. If they are able to build-up that sense of good faith it goes a long way towards helping the disabled out of their comfort zone and try out different work opportunities."

"I think that advisers need enough time to support the disabled participating so making sure caseloads are low enough (to allow this), and having programmes that are embedded in local communities."

"There may be negative attitude from employers or they may not have had good support throughout life; for example, if they are a young disabled person who has not had much support in education, they may not even be aware of what support (is out there)."

Figure 113: Quotes from Senior Leadership Team Member at the British Association for Supported Employment²¹³

"There needs to be a range of employment pathways available as young people transition through education into employment, the system currently has a postcode lottery for young people and their families and having an Education Healthcare Plan is often the key"

212 CSJ Roundtables – September 2023 and subsequent interviews from September 2023 to March 2024

213 Ibid.

“There needs to be quality employment pathways embedded into education, that removes the Maths and English requirements, when the job role doesn’t need them, if we want to improve the employment outcomes for more young disabled and neurodivergent young people”

Figure 114: Quote from Projects Lead at an Alliance Charity, *Speak Up*²¹⁴

“There is a massive drop off point once you leave an education health care plan, which is incredibly difficult for people. Often there is a gap between what is asked for at a strategic level to what happens at an operational level.”

Figure 115: Quote from Senior Leader at an Alliance Charity, *Better Pathways*²¹⁵

“If we can build in proper pre-employment pathways into the employment journey, then we could help everyone’s’ needs in a bespoke way within the local community.”

Roundtables’ deliberations after the above quotes got into the interplay between devolved employment services and national renewal and regional development vis-à-vis the individual’s needs; it was sequential:

- first, the bargaining table – there was strong sense with an ageing society and more people developing ailments, if not illness, that a new deal was going to have to come. The prospective employees if out-of-work or even if in-work then getting ill must be willing to get out of their comfort zone. Often this is couched as retailing to the disabled, but increasingly it will be true for their carers and that of children and the elderly who although anxious about taking perhaps some limited hours of employment will need to accommodate to the comforts of the workplace. While the employers must raise the standards of their environment and be flexible to tap into this growing segment of the labour market;
- second, removing real and perceived barriers – there was also a realisation that the demography and overall health of the nation meant that balancing needs in a fair way was going to be the key to stabilise local communities. The state has to de-risk moves into work so that the inactive, many of whom have chaotic lives with welfare providing them with some stability, can feel safe in trying a few, then more and perhaps the full hours of paid employment with for a reasonable term losing pre-trial working rights to benefits and regime. Commerce has to adopt as much flexibility as is possible, this is not just about number of hours it is also to do with shift patterns and access to hybrid and online working kit. The individual, with suitable support, has to overcome psychological inhibitors, which is all about engendering their trust and developing the person not just reducing the country’s cost and benefit bill; and

214 CSJ Roundtables – September 2023 and subsequent interviews from September 2023 to March 2024

215 Ibid.

- third, manpower and careers planning strategies – there was no hesitation in stating the national imperative here that without doing the above development, be that at the regional or country level, progress was impossible. The educational sectors from further and higher education organisations to third sector providers want to create a talent pipeline, spotting, encouraging and training prospects to be the workers needed for tomorrow. Business wants certainty on the country's strategic direction to invest in the right areas, technologies and staff from onshoring agriculture to safeguarding against international supply insecurity to digital hubs and green energy to secure the UK's future.

The employment services and provision

From the starting point questionnaire and even more so in the roundtables it became recognisable that those involved with or knowledgeable about provision felt devolved employment services need to be able to fairly and sustainably commission. The main findings from these assemblies are in the following and are written around the Centre for Social Justice's policy lines to get to the summation point.

Figure 116: Quote from Senior Leader at an Alliance Charity, Better Pathways²¹⁶

"Absolutely, I think the third sector can do a lot more. It brings the right values to the table, it is making and not paying out to shareholders, and is often very well connected in their local communities, if we are looking at local pathways and to maximise the use of community assets to deliver holistic support to people."

Figure 117: Quote from Senior Academic at a UK university²¹⁷

"I did some research back in 2015 with homelessness organisations, looking at their employment support offer and there was a real divide between whether or not (organisations) engaged in provision. I think absolutely yes about third sector providers; when underpinned by values, they are the best place to do this provision in local communities."

216 CSJ Roundtables – September 2023 and subsequent interviews from September 2023 to March 2024

217 CSJ Roundtables – September 2023 and subsequent interviews from September 2023 to March 2024 citing Sustainable Housing and Urban Studies unit <hub.salford.ac.uk/care-shusu/wp-content/uploads/sites/125/2020/06/K-Jones-PhD-Briefing-Note-Jul-2018.pdf> now <<https://hub.salford.ac.uk/care-shusu/wp-content/uploads/sites/125/2020/06/K-Jones-PhD-Briefing-Note-Jul-2018.pdf>>

Figure 118: Quotes from Senior Leadership Team Member at the British Association for Supported Employment²¹⁸

"I think it is really important to have providers that are embedded in local communities; the mixed economy, including specialist services that understand how to match people into quality careers, this reduces how people fall in and out of the labour market."

"When you actually look at the amount of screening and parking that has been taking place in terms of who's been supported into employment through the larger DWP contracts."

"At regional level, I think there are some good examples – Section 24 grant funding through the DfE that went out to local authorities who did not actually deliver provision themselves, but did it via a framework with clear commissioning tool so that local areas know what good quality employment support looks like."

Figure 119: Quote from Senior Academic at a UK university²¹⁹

"I think the ambition (around good work) tends to be in local areas rather than with national governments; so we have Greater Manchester's good employment charter"

Roundtables' debate after the above quotes revolved around devolved employment services read across into commissioning that better fitted spatial need, it was clear on:

- core funding streams – it was stressed that small- and medium-sized providers were actually doing the delivery on very tight margins, but profit-taking was taken by those larger, often corporate, organisations who won the commission and subcontracted them to execute the services. The thinking was the biggest sources of savings were from removing this by having consortia of smaller operators in different areas hold contracts;
- choosing local by default – it was a widely held belief that the choice of providers embedded in their local communities was beneficial to sustainable support in the longer-term, and also to understanding of the client-base. The desire was very much for almost micro-onshoring, not only from abroad but to keep in the region or local area, where it was an article of faith that key workers who knew the history and character of local people stood a much better chance of keeping them in employment; and
- capturing surpluses for the future – it was not surprisingly pushed back upon that there was any surplus taking as this should not be seen by regions or local areas as cost reductions, instead the majority thought small- and medium-sized providers should retain this because they need it to invest in themselves. The overall verdict was that the withdrawal of the state in the past decades meant the voluntary sector was doing much more and this was ultimately untenable without some inward investment.

218 CSJ Roundtables – September 2023 and subsequent interviews from September 2023 to March 2024

219 CSJ Roundtables – September 2023 and subsequent interviews from September 2023 to March 2024 citing the Centre for Decent Work and Productivity at Manchester Metropolitan University's Business School. <<https://www.mmu.ac.uk/sites/default/files/2023-01/UniversalCreditedEmployersFinalReportJan2023.pdf>>

The roundtables' evidence on specific customer groups

Wider reflections of the end users

The initial questionnaire forms made it clear that those involved in the probing felt aspects of a devolved employment service need to be designed for interest groups. This last subsection focuses on those whose interests have not already been picked up elsewhere. The main findings from these are as follows and are written around the Centre for Social Justice's policy lines to get to points.

Figure 120: Quotes from Policy Manager at Gingerbread²²⁰

"Single parents are twice as likely to be unemployed as coupled parents, and are also far more likely to be underemployed (meaning they are working in a job they're overqualified for or that doesn't meet their aspiration levels). A lot of single parents tell us about the reasons why they want to be in work – these aren't just financial, they also really want to be a role model for their children, and work brings a range of wellbeing benefits - if it is flexible and works for them."

"It can help combat some of the stigma and discrimination that single parents face, and interestingly a lot of them will make a point of emphasising their employment status."

Figure 121: Quote from Leader at an Alliance Charity, The Hinge²²¹

"As a coastal town, we rely on seasonal jobs so actually sometimes it's not a financial benefit for people to move into work during the season and so they are just involved in a constant revolving door at Jobcentre Plus. They faced worries with the 5 week wait for UC and some of the (UC) incentives put on extra pressure – around their mental and physical health and what is going to happen when they lose their job."

Roundtables' examinations were often positioned around the disabled, carers in adult social care and the ageing society so the above quotes gave pause for thought outside of those themes. The lesson learned here was localism needs to work for groups that exist evenly everywhere and also ones that are very tightly tied to a niche location as well.

220 CSJ Roundtables – September 2023 and subsequent interviews from September 2023 to March 2024

221 Ibid.

2.2.3. The current state of relations

Implications for decentralising employment services

The Centre for Social Justice is aware that if the country were to go down the road of localised employment and associated services, then there would be an impact on the relationship between those offering and receiving support. The nature of this will be partly made by the types of competences taken from national departments and agencies, and by the relational dexterity of staff. The fundamental features and characteristics of this relate to understanding and reacting to the additional barriers faced by the most vulnerable of the customer base; generally seen as the economically inactive due to disability, and overcoming the legacy of past perception of and experiences with the existing regime of such services in the UK. All of this is in difficult places with barriers already being high and seemingly are even higher post-Covid, and perceptions and experience being consistently at a very low ebb. As the DWP's own latest substantial social research on this subject matter put it:

Figure 122: Quote from DWP Social Research, 2020²²²

“Department for Work and Pensions was seen as slightly more neutral than Jobcentre Plus, which despite its local credentials, was loaded with negative connotations; and an entirely new brand or third party organisation was preferable to either.”

The starting point need not be so pessimistic though, as the same source as above states that 6 per cent of the most ill, those in the Support Group of ESA and the equivalent LCWRA one of UC, are actually volunteering or working under the limits for the benefits. Indeed, a further 19 per cent would like to work within the year, two years or beyond that horizon but it does have to be said that over half of those interviewed stated they did not see it as an option to or did not want to work. Within this research it was found that after focus groups presentations by the disability employment advisers of JCP on the support and opportunities available, some claimants expressed scepticism. This was principally about work being materially unsuitable for those with physical conditions or emotionally difficult for others with mental health ones.²²³

The barriers for the inactive disabled that need overcoming

The DWP social research suggests overall health-related barriers are more likely to affect claimants than employment related ones. Respondents are concerned that their health would impinge on their ability to gain and maintain work, or working would adversely impact on their health. They were less likely to voice that qualifications, skills or experience and other issues were holding them back. Furthermore, in-depth interviews found some did not seek out or take up support because of feeling stigma attached to asking for help; it was felt that morally they should rely on family and friends rather than take handouts. Many felt ashamed or talked about being in a group that took from the state rather than being in one that contributed to it. These individuals often had not considered asking for additional support owing to embarrassment. This hesitancy to reach out extends to any third-party organisations that might soon close down or have their funding withdrawn.²²⁴

222 DWP, February 2020 <<https://assets.publishing.service.gov.uk/media/5e53bac5d3bf7f3938182cd2/work-aspirations-and-support-needs-claimants-esa-support-group-and-universal-credit-equivalents.pdf>>

223 Ibid.

224 Ibid.

The table below summarises DWP's qualitative findings from in-depth interviews on barriers to employment faced by the most disabled claimants. It became clear from this list there are a range of barriers and some claimants in the group may face more than one of these at any given time. These are the chief barriers that any devolved employment service will have to tackle more successfully than the central department and its operational agency is doing at the moment.

Figure 123: Types of barriers facing the disabled, 2020²²⁵

BARRIERS	DESCRIPTION
Health-related	<p>Degree of ill health is the most powerful barrier to gaining and/or keeping employment:</p> <p>for those with musculoskeletal problems or other chronic pain conditions, the management of these is a necessary prerequisite for them taking work;</p> <p>whereas for those with mental health conditions, the long waiting lists for counselling, a lack of sustained provision and inconsistent support from different professions all contribute to not taking employ; and</p> <p>more help for those managing anxiety linked to starting new roles, getting used to working regimes and meeting new people.</p>
Skills related	<p>Some individuals with poor health wanted help on effectively presenting themselves to employers: this tended to include CV writing and explaining gaps in employment history owing to their health in a professional way; and</p> <p>it is also inclined to include interview preparation and training courses, especially amongst older individuals who experienced work a long time ago.</p>
Employer attitudes	<p>Moving beyond the person with some level of ill health, other barriers on the ground included employer attitude:</p> <p>this comprised of lack of awareness of conditions, understanding of workplace facilities, and flexibilities on management and schedule;</p> <p>sometimes this revolved around past jobs and with old managers trauma, which contributed employment ending as they were not disability-aware; and</p> <p>other times it was the feeling some businesses avoid hiring within the group because of adaptation, specific needs, and other change costs.</p>
Pay gap	<p>An economy wide deterrent came from real or perceived pay gap between benefit payment ceasing or more likely falling and first paid cheque:</p> <p>further to the above was the fear that if the new position did not work out they would have to re-apply for or perhaps justify their previous rights, despite the 26 week continuous run-on in UC; and</p> <p>there are of course the financial impacts of possibly coming off benefits, whether paid income will cover future living costs.</p>
Fear of failure	<p>There is a heightened fear of employment not working out, which applies to everyone but here is perceived higher-stakes because of loss of face. Those with fluctuating conditions are particularly concerned that they will be able to perform the post in good spells but will struggle in bad ones.</p>

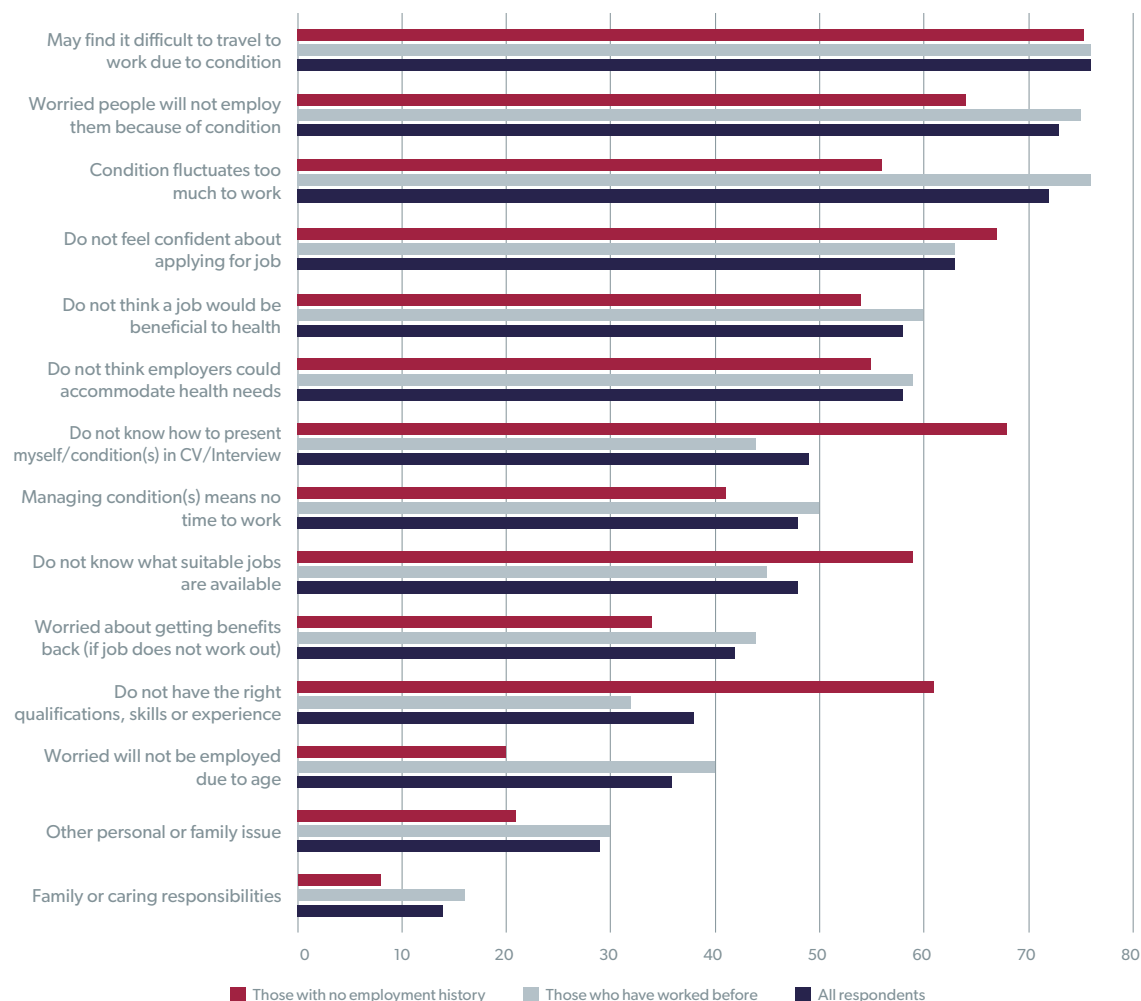
225 DWP, February 2020 <<https://assets.publishing.service.gov.uk/media/5e53bac5d3bf7f3938182cd2/work-aspirations-and-support-needs-claimants-esa-support-group-and-universal-credit-equui.pdf>>

The cumulative effect of all of these barriers is that the disabled fear the financial impact of being without sufficient income to afford living and housing costs, and if that happens sometime after stabilising in work then they fret about losing their place; that is having to re-apply or justify themselves a new where once they had certainty. Thus, any relationship between key workers and the inactive and unemployed with disability must overcome these issues. These are the reasons behind the barriers that any devolved employment service will have to manage better than the central department and its operational agency at present; though the finding that third parties are preferred above suggests they have a strong possibility for success.

The chart below shows DWP's quantitative findings from the survey on barriers to employment faced by the most disabled claimants; it is obvious from this there are many obstacles and some will have suffered multiple difficulties, but at the same time it is plain to see that some are more wide spread. Overall, those canvassed had 7.5 barriers on average basis, but those under 25 years had marginally fewer at 6.8 on average; this is likely due to the passage of time developing further illness and/or growing distance from the labour market, as those reasons cited at or around half the sample. Amongst claimants who had worked before, most barriers were more present, but then they are likely to be older; they tend to cite condition related reasons in largest proportion. With those without employment history lack of confidence in applying, not being able to present themselves and conditions professionally, not finding suitable jobs, and not having right qualifications, skill and experience feature more prominently than in the previous group. Therefore, it appears there is a different set of relationships and supports needed across these demographics and client groups; with, on the one hand, condition management, and on the other, CV writing and interview-taking being a requirement. Furthermore, it is pertinent to the current conundrum around growing mental health that those in this group had 7.8 barriers on average, which is higher than the overall basis; within this a sizeable proportion, about a third, had 10-15 barriers but were also slightly more likely to say they want paid work implying a need for more support.²²⁶

226 DWP, February 2020 <<https://assets.publishing.service.gov.uk/media/5e53bac5d3bf7f3938182cd2/work-aspirations-and-support-needs-claimants-esa-support-group-and-universal-credit-equi.pdf>>

Figure 124: Percentage of the most disabled respondents, ESA Support Group or UC LCWRA, in agreement with the following 15 statements about barriers to employment, 2020



Source: DWP²²⁷

The issues between key workers and the inactive disabled

The social research also suggests that opinions are divided on whether DWP and JCP were distinct and different or the same entity; both are seen in negative light by virtue of the responses expressed in interviews by the most disabled claimants, however views were more moderate of the key workers. There were some positive remarks made by these customer groups of JCP advisers; this was in terms of being kind and compassionate, having good understanding of conditions, listening to their needs and tailoring advice and support accordingly.²²⁸ The table below summarises DWP's qualitative and quantitative findings on perceptions of and communication with these most disabled claimants; it became apparent here that these are faults in the relationship interaction. These can be quick win and further away from working subgroups that any devolved employment service will have to work with more effectively than the centre and its agency.

²²⁷ DWP, February 2020 <<https://assets.publishing.service.gov.uk/media/5e53bac5d3bf7f3938182cd2/work-aspirations-and-support-needs-claimants-esa-support-group-and-universal-credit-equivalency.pdf>>

²²⁸ Ibid.

Figure 125: Types of relational issues that can lead to unconstructive relationship between the key workers and the disabled, 2020²²⁹

ISSUES	DESCRIPTION
Underlying mistrust	<p>Negative perceptions of the department and its agency are often linked to a view that there is an underlying agenda of making cost savings, rather than one of caring for vulnerable claimants' needs.</p> <p>The above was most acute where the interviewed individual had been sanctioned when in the Work Related Activity Group or LCW one or even other benefits' grouping, prior to coming into either the Support Group or LCWRA one in ESA and UC respectively.</p>
Work Capability Assessment	<p>Perceived poor experiences in Work Capability Assessment also contributed, to claimants not differentiating between contractors and the department and its operational agency.</p> <p>With the above some individuals likened the process to a court appearance where they felt not believed, and the assessor demonstrated limited understanding of their situation.</p>
Claimant Commitment / Regime	<p>Negativity experienced extending into the agreement made on basis of the assessment and lack of understanding above, with the ensuing regime then putting some claimants forward for jobs that did not match their qualifications and skills.</p> <p>Other individuals were concerned that the department's operational agency was not sufficiently focused on finding employment appropriate to the abilities and ambitions vis-à-vis the level of their condition.</p>
Contact	<p>Perceptions on contact vary by the way questions are asked; if it is put: In relation to offering support almost 2 in 5 responded positively but around 1 in 3 replied negatively; and in respect of pressure, expectation, almost 3 in 10 responded positively but over 2 in 5 replied negatively.</p> <p>There was also a preference for: low frequency of or no contact, reflecting the two divergent groups – those who want and do not or cannot work; and use of traditional mediums – letter and telephone over email and texts.</p> <p>A very startling fact coming out of the survey was only 2 per cent prefer a face-to-face interaction about help or support.</p>

Furthermore, the research also suggests that there are stark differences between the types of claimants when it comes to contact. The table below summarises DWP's qualitative and quantitative findings on contact with subgroups.

229 DWP, February 2020 <<https://assets.publishing.service.gov.uk/media/5e53bac5d3bf7f3938182cd2/work-aspirations-and-support-needs-claimants-esa-support-group-and-universal-credit-equi.pdf>>

Figure 126: differentials in relational issues between key workers and the disabled, 2020²³⁰

GROUPS	DESCRIPTION
Age group	The 18-24 year old subgroup is more welcoming of contact than the survey population as a whole, perhaps owing to have had less time to become ill. As stated previously they may have fewer barriers to overcome and so want the support offer more so than others.
Length of time	Those in the first years of the incapacity benefits claim were also more likely to welcome contact, more frequent contact, whereas the opposite is true for those who had been out of work the longest. A substantial proportion in this subgroup and more than twice that in the overall sample wanted once a quarter or even more frequent contact.
Ethnicity	Slightly more than half of BAME claimants were pleased of contact, which is over 10 percentage points higher than White counterparts. The underlying reason for the above is difficult to attribute.
Digitally skilled	Individuals with internet access or sufficient confidence and expertise with it more welcomed contact. The obvious premise is some interaction with age.
Interest in work	Those desiring to move into work near- or medium-term had a strong appetite for contact, regarding employment related support. There were spontaneous requests for information in the in-depth interviews.

The Claimant Commitment shadow on relations

Earlier reviews looked at the effectiveness of the claimant commitment, first for the disabled population and then generally; the NAO was the first to call for a system to assess whether the first group received consistent service between jobcentres or over time.²³¹ However, this was really investigated in full by the Social Security Advisory Committee thereafter, who reported a series of recommendations; these were not accepted on grounds of cost, but no attempt was made by way of counter offer on more clarity of its objectives or obligations, testing and reporting on its effect and that of alternative approaches, including on application of key worker discretions and collection of data. They were reviewing this core regime but not only part of conditionality regime, not only for UC but for various benefits including JSA where there was something similar termed jobseekers agreement; all of these aim to tie payments of benefits to requirements to look for work or to get ready to do so, the terms and conditions were always variable and indeed under UC it was hoped key workers might be empowered to tailor more than in the past. This review got at many things but was unable to quantify problem scale, owing to data insufficiency of the DWP; there was consideration of cost implication in it, but this could be more than covered by benefit savings and tax take where commitment led to job outcomes. The table below summarises the committee's grasp of and intensity of the claimant commitment.²³²

230 DWP, February 2020 <<https://assets.publishing.service.gov.uk/media/5e53bac5d3bf7f3938182cd2/work-aspirations-and-support-needs-claimants-esa-support-group-and-universal-credit-equi.pdf>>

231 NAO, March 2019 <<https://www.nao.org.uk/wp-content/uploads/2019/03/Supporting-disabled-people-to-work.pdf>>

232 SSAC, September 2019 <<https://assets.publishing.service.gov.uk/media/5d88d60ced915d521bde8a81/ssac-occasional-paper-21-effectiveness-of-claimant-commitment-in-universal-credit.pdf>>

Figure 127: The conditionality regime requirements by claimant group in UC²³³

GROUP	SUBGROUPS	INFORMATION
All work related requirements	Intensive Work Search	<p>Requirements might include carrying out up to 35 hours of work search, making job applications, drafting CV and online profiles, obtaining references and preparing for competition processes.</p> <p>Claimants here are not working or earning very little, including:</p> <ul style="list-style-type: none"> traditional jobseekers and the self-employed, those who in the past claimed JSA, but can also be those who have not passed through the Work Capability Assessment, so potentially in ill health; those with caring responsibilities for the disabled depending on circumstance and children aged 3 or 4 years, in certain circumstance/if they go back to work early, or older; and others.
	Light Touch	<p>Face no work search requirement but are expected to increase earnings or otherwise may have mandations or sanctions.</p> <p>Claimants here are earning little under the thresholds.</p>
Work preparation		<p>Requirements might include doing skills assessments, drafting CV and researching childcare.</p> <p>Claimants here are expected to work in the future but not now, and are therefore preparing for this, including:</p> <ul style="list-style-type: none"> those deemed under the Work Capability Assessment to have limited capability for work in the present but may in the near; those with caring responsibilities for the disabled depending on circumstance and children aged 1-2 years or younger; and others.
		<p>Requirements might include finding training opportunities and thinking through future job prospects.</p> <p>Claimants here are expected to work in the future but not now, and are therefore to consider careers, including:</p> <ul style="list-style-type: none"> those with caring responsibilities for children 1 year or younger; those that have become responsible for a child, relative or friend in the last 12 months; and others (that might be foster carers, guardians or kinship carers etc).
No work related requirements	No requirements	<p>There are no work related activity requirements for this group owing to vulnerabilities or earning enough as a household:</p> <ul style="list-style-type: none"> the former mainly includes those with serious health conditions or the old where something is preventing them from working, and those with over 35 hours of caring responsibility for them. the latter are largely those brought into UC because of childcare and housing cost, but earn sufficiently to be out of scope.
	Earning enough	

233 SSAC, September 2019 <<https://assets.publishing.service.gov.uk/media/5d88d60ced915d521bde8a81/ssac-occasional-paper-21-effective-ness-of-claimant-commitment-in-universal-credit.pdf>>

The fact facing JCP is that while there is broad acceptance some compact is needed, particularly for the first group above, they are in no way demonstrating whether those in place are fairly applied, suitable to conditions and effective with these claimants and those in the second and third groups. Moreover, with no requirements on the inactive in the fourth group and little on those in the second and third groups, there is an argument for knowing this efficacy. Government would expect third party providers to prove a business case or performance were they successful in contracting, but do not apply rigour to its agency; while expense of doing it is taken there cannot be a refusal to evaluate.²³⁴ The table below summarises the committee’s examination of the problems with the claimant commitment, which can be around onerous or simple requirements;²³⁵ these are the top-level matters that any devolved employment service will have to get a grip of and manage more effectively than the central department and its frontline agency do now.

Figure 128: The problems identified with the Claimant Commitment in UC, 2019²³⁶

PROBLEMS	DESCRIPTION
Applies to all below	The weekly or fortnightly meetings between key worker and claimant are 10 or 20 minutes long, so there may not be a possibility to apply the claimant commitment correctly or well enough leading to a variety of problems.
Principles	Principles for effective agreement for intensive work search group, should be accessible, clear, tailored, accepted and informed objectives should be instituted, if not they are not smart objectives, which might lead to suboptimal outcomes.
Time-motion	Often claimants cannot access their compact document or contact beforehand and so cannot update or amend it, which might then lead to unnecessary actions and may have indirect cost to the individual or the business operations.
Legal/Procedural dimension	There are Equality Act and departmental rulings on asks of the claimant, which might not be taken account of partially or fully and may lead to mandatory reconsideration or another costly remedy.
Personalisation	UC brought in theory of change discretions and these need to be assessed, indeed are they happening and if so is it being appropriately applied, which might cause inconsistent or even discriminatory behaviours and may lead to legal action. These can relate to: environment – claimant circumstance and that in context to market conditions; work coaches – rapport and trust at a place where to develop right activities; and support services – tailors offerings relative to person and place.
Framework	DWP has regular, ongoing and proactive feedback from the frontlines, but this is not enough to validate the overarching principle of the claimant commitment that is to develop between key worker and claimant - a reasoned and evidence based approach to helping the individual move into sustained employment.

234 DWP, September 2019 <<https://www.gov.uk/government/publications/government-response-ssac-report-on-the-effectiveness-of-the-claimant-commitment-in-universal-credit-2/government-response-to-ssac-report-on-the-effectiveness-of-the-claimant-commitment-in-universal-credit-september-2021>>

235 SSAC, September 2019 <<https://assets.publishing.service.gov.uk/media/5d88d60ced915d521bde8a81/ssac-occasional-paper-21-effectiveness-of-claimant-commitment-in-universal-credit.pdf>>

236 Ibid.

Barriers, issues and problems in a devolved employment service

The material of the above subsection suggests a mixed picture of the relational position in the here and now, where the effectiveness of the business or any part of it is unclear; this is not to say it is universally poor but just that the social research has much negative content. Any localised service designed on fresh paper basis must take this on board, particularly as it relates to the inactive and most unwell: real-world barriers and the reasons behind them; issues common to the business and communication model; and effect measurement of any obligations. As the DWP's own research had it, there is reason to believe a different party might fare better; however not heeding the considered advice given by the NAO and Social Security Advisory Committee seems ill advised. There does need to be a balance between carrot and stick for those without life events, but for those with these it is insufficient to achieve the overarching objective of sustainable employment wherever possible; that is the structures of supported employment and relationships between key workers and service users need to improve.

Moving beyond the above, there are opportunities to motivate those economically inactive that are subject to little or no requirements as a new devolved employment service can do things differently; one of the longstanding ideas amongst academics in the relationships space is linking to two very distinct types of human capital elements:

- bonding relationships – referring to peer relations between people who are similar to one another by culture, socioeconomics, geography or some other paradigm. Here the connections of friends and family or wider neighbourhood networks can have tangible benefits in terms of moving from unemployment or inactivity to work even within peer groups, but studies demonstrate that those with these citizen-to-citizen relationships outside common characteristics are more likely to enter employment; and
- bridging relationships – referring to pseudo-mentor relations between people who are different to each other along the same lines as above. Here the connections of kin and closeness even if it is just with the key workers in an employment service will be beneficial in respects of moving from being unemployed or inactive to working, but studies substantiate that those with citizen-to-coach relationships removed from same profile are most likely to go into paid employ.²³⁷

Therefore, as evidence clearly points to bridging with coaches, be they from state agency or wider mentoring from outside social group, are more important than bonding with citizens. One might think this is where the current system falls down; newly formed region or even more so city or small locality based devolved employment services seem better placed to do this with say, pairing or one-to-many relations with academia institutions and commercial sectors to progress people.

237 K. Lukaszewicz*, P. Gopalan and R. Hawkins New York University; O. S. Bahar, G. Parker and M. McKay Washington University in St. Louis; S. A. University of Houston; and R. Walker University of Oxford 'Getting by in New York City. 'Bonding, bridging and linking capital in poverty impacted neighbourhoods', 2019 <<https://ora.ox.ac.uk/objects/uuid:846e97ac-c101-41aa-b193-05d2fd196933/files/r9g54xh677>>

2.2.4. Accepted models and academic literature take on relationship management

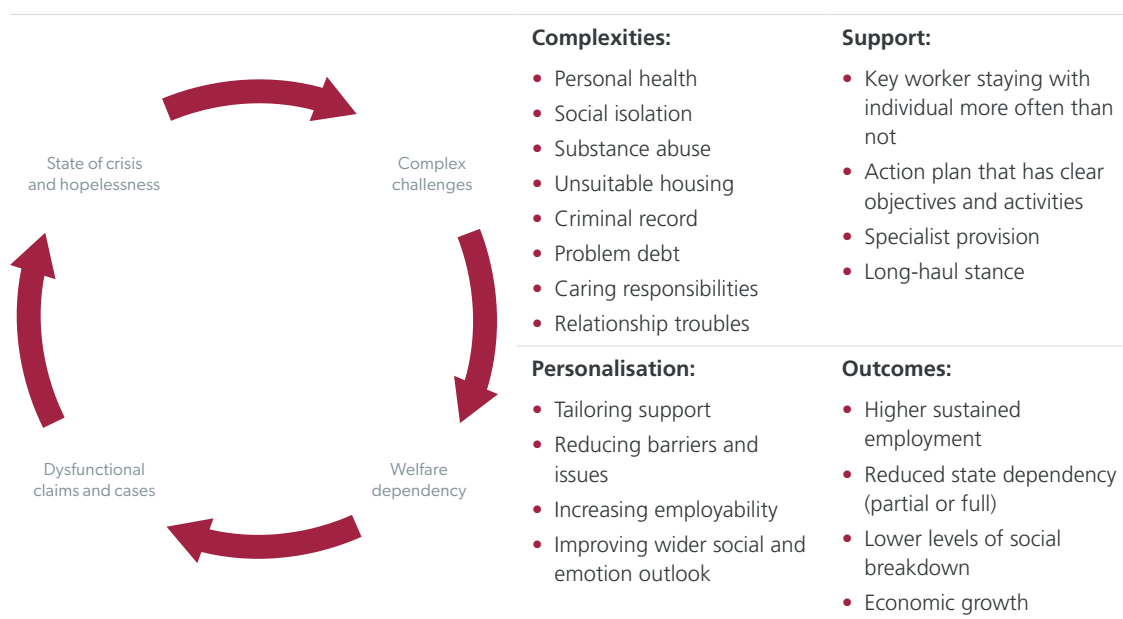
The orthodox, national association and provision models

The Centre for Social Justice is mindful that were the country to opt for the localisation of employment and associated services, then there would be a need to reset the model between key workers and service users. Although this is a challenging undertaking, it is also one that has a chance of changing the entrenched negativity of the current relations, not least as the proposal of this report leaves benefit administration, mandating and sanctioning with the national agency. The new service model and staff will then have the space and relational dexterity to build relationships afresh, particularly with those that mistrust most at the moment; these are of course the economically inactive disabled who face the biggest barriers, issues and problems moving into work. The following goes on to describe where the think tank has been in past publications, expands upon where stakeholders' thinking is, and looks into provision practitioners' participation in supported employment. It tries to give a sense of direction that any local service could draw on to build deep trust with its future clientele. This is a set of best practice constructs, taking in theory of change, holistic concepts and provider contracting to give background.

The theory of change – personalised holistic support

Our belief on this is that change rests on those with multiple challenges that impede them overcoming these in going into long-term employment; it is clear for many there are physical trials or psychological trauma getting in the way. There is a cycle the think tank observed from our work with the Centre for Social Justice's Alliance of charities, where those in this circumstance are forced into state support without the means to navigate through them. Much of this relates to the benefits system, but it is not only that as inadequate employment services reinforce the disadvantaged's dependency. This pattern has debilitating effects on people's lives, and so needs to be broken; the diagram and summarised lists below outline intervening to gain, then leverage trust of individuals for successful navigation of processes.

Figure 129: The Universal Support Theory of Change



This thinking is in line with the Government’s Improving Lives White Paper that concluded that personalised support was the most popular model among stakeholders:

Figure 130: Quote from DWP Social Research²³⁸

“The consultation responses provided clear views that employment support is most effective when it is flexible to the needs and circumstances of individual customers.”

The Universal Support pilot announced by the then Chancellor of the Exchequer in Budget 2023²³⁹ is about the key worker and claimant working together, albeit in the present national setting rather than localised services. It aims to bring the pair together to work through the barriers, issues and problems run through above, thereby generating social engagement and individual resilience to improve emotional functioning and wellbeing. It is also about bringing the Improving Access to Psychological Therapies to bare and help those in ill health. RAND Europe research for the Department for Health and Social Care (DHSC) and DWP revealed this had comparatively better outcomes in helping people with mental health conditions than pre-existing programmes.²⁴⁰

The nature of Universal Support has changed over the years; it is now more than it was and is about changing lives and offering opportunities to those facing multiple and severe challenges. This localised delivery will suit different areas and diverse populations, through key worker identification and route-waying into many bespoke voluntary sector and third party providers; with a northern European case worker slant, which may itself offer scope for local services to offer richer careers across employment support, educational and care roles. These changes of interface, provider and user relations can help

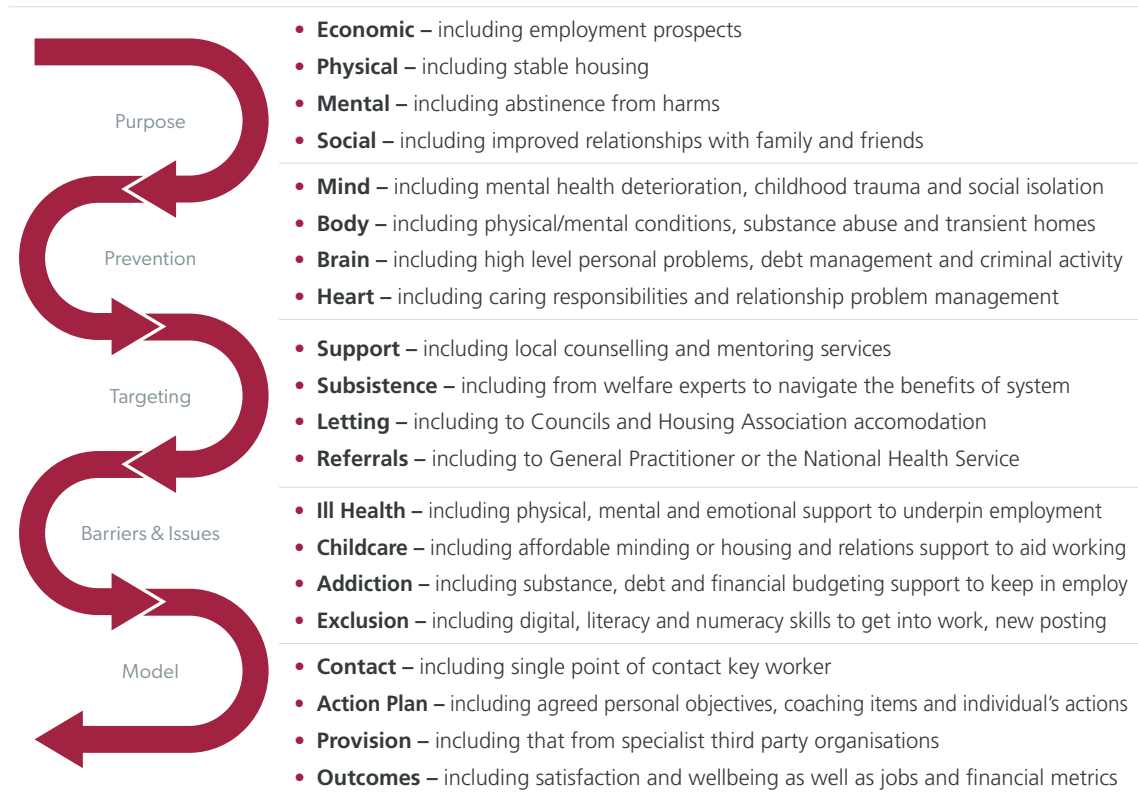
238 DWP and DHSC, December 2017 <<https://assets.publishing.service.gov.uk/media/5a74af20e5274a529406956a/improving-lives-the-future-of-work-health-and-disability.PDF>>

239 Hansard, March 2023 <<https://hansard.parliament.uk/commons/2023-03-15/debates/5603C6A5-C487-4D37-8658-F6403BF9E5A5/Financial-StatementAndBudgetReport>>

240 RAND, February 2014 <<https://www.rand.org/pubs/periodicals/health-quarterly/issues/v4/n1/09.html>>

engender greater trust, via the process-flow of the diagram below; its success might well depend on small- to medium-sized players in consortia with large charitable organisations being able to win contracts in Government tendering competitions.

Figure 131: The Universal Support principles and process descriptors



British Association of Supported Employment – personalised holistic support

The stakeholder association around supported employment has its own similar take:

Figure 132: Quote from British Association of Supported Employment statement²⁴¹

“Supported Employment has been successfully used for decades as a model for supporting people with significant disabilities to secure and retain paid employment. The model uses a partnership strategy to enable people with disabilities to achieve sustainable long-term employment and businesses to employ valuable workers. Increasingly, supported employment techniques are being used to support other disadvantaged groups such as young people leaving care, ex-offenders and people recovering from drug and alcohol misuse.”

Their model is depicted in the process diagram below that contains:

241 BASE, 2019 <<https://www.base-uk.org/about-supported-employment>>

- customer engagement – starts with preparing the disabled jobseeker, first contact to assess individual then initial meetings to gather information from individual and others, finally the planning discussions and action planning in a person centred way;
- vocational profiling –starts with collecting relevant employment information, feeding this in careers planning and support strategy, working up an action plan, reviewing this periodically, and then starting cycle again until an outcome is reached;
- employer engagement and job matching – starts with searching for jobs and approaching employers, conducting job and environment analysis and establishing match, and finally securing the post; and
- In-work Support and Career Development – on basis of employee orientation, employer culture, support network, job prospects after stabilisation and regular follow-ups.

Figure 133: British Association of Supported Employment 5-stage model²⁴²



242 BASE, 2019 <<https://www.base-uk.org/about-supported-employment>>

Commissioning model – personalised holistic support

The current outsourcing landscape began in the 1980s and continued into the 1990s and 2000s under governments of different colours. These days some are multi-million and sometimes billion pound contracts across the public sector; backers argue it encourages innovation, improves delivery and value for money, but of course everyone is aware of the very widely reported failures. Research from the Institute for Government highlights some successes of it; noting that historically outsourcing in support services has delivered savings of about 20 per cent of annual operating costs, so there is reason to believe where tightly defined and monitored it can offer something.²⁴³

Furthermore, it is absolutely right to acknowledge the need for expertise in delivery, which in respects of employment support and holistic implementation of it for inactive and particularly disabled people lies with the voluntary sector. One means of achieving an open market with many providers is to find ways to remove prohibitive bars in Government tendering exercises. Indeed, the marketplace has for over a decade or more been dominated by multinationals and devoid of small- and medium-sized players, often charities or not for profit organisations, that take on helping those furthest away from employment. However, the latter are the ones that find it difficult to continue without core funding owing to the extremely onerous central commissioning requirements set by the CO.²⁴⁴ The history of this is not encouraging for grassroots community commissioning, as multinationals can demonstrate greater ability to manage risk, either capacity to take big caseloads and accept lagged pay, and more efficiency, lower unit costs upfront by streamlining process, making them attractive to government departments and agencies. As cited in the second section some time afterwards the NAO reviews and usually finds that performance was below expectations,²⁴⁵ often this is because their provision is thought to be better suited to those closer to the market or suited to getting immediate job starts but not sustained work. The end result is that tailored solutions for the furthest away from employment, like those with disabilities and/or those who have been out of work for the longest is too often transitory.

A mixed economy of multinationals to keep risk and efficiency tolerable and voluntary, community and social enterprises to provide specialist assistance is the ideal. The smaller and local operators often have the knowledge and nimbleness crucial to engaging and helping those who need it the most. Essentially there is selection on financial threshold and size of contract basis which is problematic, indeed even very big charities like Barnardos have not been able to win such contracts in the past. This is why there is a need for having consortia with a large charitable organisation in the lead to make business cases to win Government contracts, but with a large number of small- and medium-sized ones located across geographies under their umbrella to give them the volume to compete while retaining their flexibility. The trade-off here will be that of not guaranteeing the same provision everywhere, with the idea being that this is better suited to individuals and labour markets; there will of course have to be respect for not discriminating against equality groups within these provisions but not across them, so legal cover is necessary.

243 IfG, September 2019 <<https://www.instituteforgovernment.org.uk/publication/report/government-outsourcing-reform>>

244 CO, June-August 2023, <<https://www.gov.uk/government/publications/the-sourcing-and-consultancy-playbooks>> and <<https://www.gov.uk/government/publications/ppn-0623-the-commercial-playbooks>>

245 NAO, July 2014 <<https://www.nao.org.uk/reports/the-work-programme/>> and <<https://www.nao.org.uk/wp-content/uploads/2014/07/The-work-programme.pdf>>

The Danish experiment with relationship management

The most interesting social sciences literature in the field around what works has over decades tended to come out of Scandinavia; how active labour market programme policies can help jobseekers, particularly those far away from working, is the framing of research papers of academics Rasmus Lind Ravn, Kristian Nielsen and Thomas Bredgaard at Aalborg University in the North Jutland part of Denmark. They are exploring not only the traditional systems effect of employment services' programmes, but also the wider caseworkers' relational and collaborative impact of them on employment outcomes. The hypothesis tested is does a strong relationship between social assistance recipients and caseworkers significantly increase the likelihood of employment and participation in education, which seems to be borne out from empirical evidence.²⁴⁶ The relevance of their study to this report is that of a central premise that employment services, social work and psychotherapy can deliver the positive relationships and high quality collaboration needed between caseworkers and clients to get the best results, especially for the economically inactive.

Working alliances – personalised holistic support

The said academics have essentially tested the importance of the working alliance in employment services in the local municipality of Aalborg University in northern Denmark, which invested in employment services and hiring new caseworkers and reducing caseload for all caseworkers; they conceive that the context of employment services is not necessarily conducive for building strong alliances. The fundamental causes for this are:

- first, the chief objective, moving into paid work, is not necessarily mutual and shared, as some recipients of social assistance may not want a job. If the unemployed person is not willing to participate the employment services may enforce economic sanctions, but if this were an inactive individual, say with disability or caring responsibility, that is not willing to cooperate then this recourse is not available. Thus, the only chance of the vulnerable moving into work is through motivational means;
- second, involvement in programmes is mandated by virtue of social assistance terms. This means that an unemployed or inactive person has not agreed to doing it, but rather payments are conditional on it. Hence, the attitudinal disposition of the participants may mean that the jobseeker, with vulnerability or otherwise, is not in the right head space for upskilling; and
- finally, the strong bonds and teamworking required to overturn the resistance to the aim and creating the best outlook toward training may be difficult to forge when caseworkers have limited time resources and energy. Therefore, employment services rather than benefit administration are a critical case for working alliances.²⁴⁷

The context behind the experimentation

Western developed countries predominantly in northern Europe are increasingly concerned about the number of working age people not actively working due to ill health; the view is those in this situation and claiming benefits need reducing, with the demographic challenge of higher life expectancy meaning fewer workers relative to the retired. This is the situation in Denmark, where recent policies

²⁴⁶ The Social Policy Blog with Rasmus Lind Ravn and Thomas Bredgaard of Aalborg University, January 2021 <<https://socialpolicyblog.com/2021/01/19/strong-relationships-with-employment-caseworkers-help-people-get-jobs/>>

²⁴⁷ Ibid.

have tried to increase employment, tighten eligibility criteria and promote back to work programmes; where municipalities are altering the offer and the national authorities are changing governance structures since 2014. The Hjørring municipality decided to invest heavily in active labour market programmes that targeted disadvantaged groups in the benefit system, these are the lower-level disabled, carers, lone parents, migrants and so on. The long-term goal was and still is to increase the in-work rate by: first, reducing the caseloads of caseworkers in the employment service through hiring staff, and second, allocating extra resources to help move those in social assistance, often disabled or those with caring responsibilities.²⁴⁸

The assumptions in the literature

There is a large body of research material available on the different systems impacts on moves to employ, from self-motivation, mandating and sanctioning, locked-in to scheme, displacement and/or other effects; however there is little on relational ones. The received wisdom from many articles was that for the unemployed benefit claimants prior to treatment much evidence suggests that: firm based schemes, like on the job training, internships, and short-term subsidised jobs, were effective but expensive, and the classroom based ones were also effective, but in the medium-term. This general belief was extended to the disadvantaged benefit claimants, facing a variety of limitations including incapacity and caring duties prior to intercessions, but here with far greater distinction that the firm based arrangements were most effective.²⁴⁹ However, it was evident prior to experiments in northern Denmark, none of these precepts were tested with the quality of relationships and collaboration; this means influences of the additional caseworker discretions alongside client empowerment were never known about until now.²⁵⁰

The relationship and collaboration, and caseload reduction effects in wider literature

There is lots of research on relational collaboration cited in the aforesaid's articles:

- early and frequent meetings can have positive effect but that was most apparent for unemployed jobseekers without limitations;
- there was a general plus effect of meeting, but this has been driven by early scheduling and counselling, otherwise it is a minus one owing to it being deemed unpleasant or related to threat of mandates or sanction with consequences for dependents;
- activities to alleviate social or health problems has a beneficial effect on the progression towards labour market of the inactive;
- quality of training, conditions and social work has an effect in either direction depending on expectation level;
- caseworker belief that the client had a chance of getting a job has a significant positive effect, particularly with the disadvantaged;

248 Rasmus Lind Ravn and Kristian Nielsen of Aalborg University 'Employment effects of investments in public employment services for disadvantaged social assistance recipients', March 2019 <<https://journals.sagepub.com/doi/10.1177/1388262719836797>> and <<https://journals.sagepub.com/doi/epub/10.1177/1388262719836797>>;

249 D. Card, J. Kluve, A. Weber, October 2017, <<https://www.nber.org/papers/w21431>>

250 Rasmus Lind Ravn and Kristian Nielsen of Aalborg University 'Employment effects of investments in public employment services for disadvantaged social assistance recipients', March 2019 <<https://journals.sagepub.com/doi/10.1177/1388262719836797>> and <<https://journals.sagepub.com/doi/epub/10.1177/1388262719836797>>

- changing caseworker during unemployment or inactivity but wanting work has a negative effect on all;
- similarity between the caseworker and client on personal characteristics has a favourable effect, although this is partly a concern on equality grounds; and
- caseworker emphasising work-first has plus effect on the newly unemployed, but not agreeing a pathway to sustainable roles has a minus one on those with limitations.

There is also lots of research on caseload reduction cited in their articles:

- virtually all studies are based on jobseekers without any limitations and only some signal this has a beneficial effect to getting them into employment;
- the main pilot study of disadvantaged benefit recipients that are harder to place hinted this has possible favourable effect on those with prior work experiences and not for those with work-hindering conditions; and
- no studies isolated case reduction effects from other aspects.²⁵¹

The survey and administrative data

The experiment relates to the Hjørring municipality where a big study was run between 2015 and 2018, with similarities between socioeconomics and geodemographics across areas being much narrower than other parts of Denmark. This location had treatment areas with the caseworkers having reduced caseloads as well as different active labour market programmes, compared with controls in the same jurisdiction. The initial study published in 2019 focused on disadvantaged recipients, including those with disabilities but also others; it combined longitudinal population register data from Statistics Denmark with detailed information on employment, healthcare use, benefit receipt and other personal characteristics from relevant departments, with the intention of investigating the effects of the two stated experiment changes alongside others on later employment using difference-in-differences and propensity score matching regressions. While the follow-on study released in 2020 centred on the effects of the relationship, over other features of the employment services using the same techniques; this meant a survey amongst recipients to measure the strength of the working alliance was merged to the aforementioned administrative data; it contained information on employment and educational outcomes of the clients in the years after the intervention. The outcome measurements were percentage share in activity and average number of weeks in activity across the treatment and control group, with stated effects measured above and beyond wider explanation effect estimates.²⁵²

251 D. Card, J. Kluge, A. Weber, October 2017, <<https://www.nber.org/papers/w21431>>

252 Rasmus Lind Ravn and Kristian Nielsen of Aalborg University 'Employment effects of investments in public employment services for disadvantaged social assistance recipients', March 2019 <<https://journals.sagepub.com/doi/10.1177/1388262719836797>> and <<https://journals.sagepub.com/doi/epub/10.1177/1388262719836797>>; and Rasmus Lind Ravn and Thomas Bredgaard of Aalborg University 'Relationships Matter – The Impact of Working Alliances in Employment Services', October 2020 <<https://www.cambridge.org/core/journals/social-policy-and-society/article/abs/relationships-matter-the-impact-of-working-alliances-in-employment-services/D96BEC85BE2C263C77E5562227AC4638>>

The experiment tests

The point behind the difference-in-differences approach is to estimate the causal effect of a given treatment, this involves creating a counterfactual. Both the patterns for the treatment and control trajectories are known:

- difference in the outcome variables of interest before and after can be observed for individuals in the treatment group, however this alone cannot be interpreted as a causal effect since other unrelated factors could influence outcomes; and
- difference in the outcome variables of interest is also observed before and after for individuals in a control group, those not receiving the treatment, which resolves the issue of being certain of causation as this can be compared with the above.

As all the individuals are similar and experience the same environment over time a simple subtraction of difference trajectories for the treatment group and the control one delivers difference-in-difference results that can be interpreted as estimate of the causal effects.²⁵³

The logic of using the propensity score matching technique is also about approximating the causal effect of an intervention; but here it does so by mimicking a randomised controlled trial, ensuring covariates are balanced through random assignment of individuals to treatment and control groups. The idea is to surmount the problem of selection bias by balancing out the differences between the treatment and potential control groups; this is done by calculating the conditional probability of receiving treatment based on observable characteristics, and is the basis of matched 'social twin' methodology.²⁵⁴

The results of the studies

In the initial study that focused on those with limitations, at the start of the testing in the first year of 2015, there was a significant rise in the share of activity ready social assistance recipients in the treatment but over weeks the participating group that started this fell from that peak; however it was higher than that of the control group over the course. Within the second study, at the start in year one, there was also an increase in the average number of weeks for the claimants in the treatment group but once again this fell back over weeks of participation; however it was higher than that of the control group throughout. These patterns of first year peaks marry up with the step-change in number of interactions in the treatment group from the period beforehand and that year in the experiment, as proxied by meetings between caseworkers and clients; this is highly indicative of a relationship collaboration impact. In summary, intensified support to the disadvantaged due to the intervention did show a sustained employment effect; this is borne out by annualised number of hours in employ always being greater for the treatment group over the control one.²⁵⁵

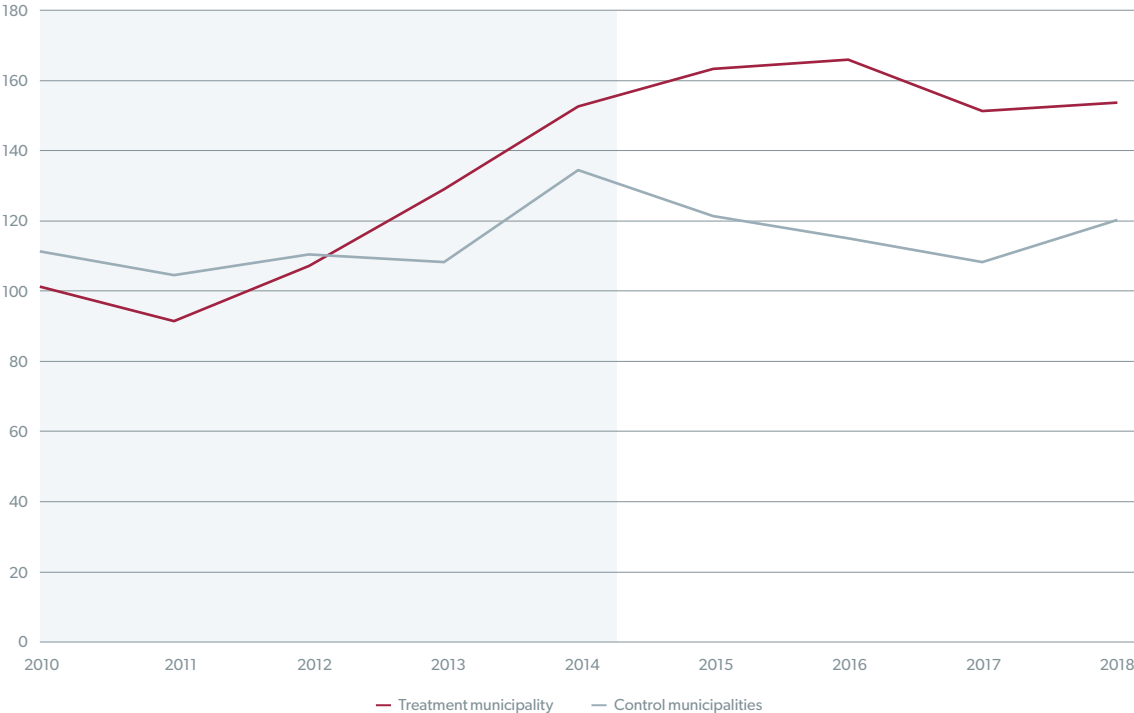
253 Rasmus Lind Ravn and Kristian Nielsen of Aalborg University 'Employment effects of investments in public employment services for disadvantaged social assistance recipients', March 2019 <<https://journals.sagepub.com/doi/10.1177/1388262719836797>> and <<https://journals.sagepub.com/doi/epub/10.1177/1388262719836797>>; and Rasmus Lind Ravn and Thomas Bredgaard of Aalborg University 'Relationships Matter – The Impact of Working Alliances in Employment Services', October 2020 <<https://www.cambridge.org/core/journals/social-policy-and-society/article/abs/relationships-matter-the-impact-of-working-alliances-in-employment-services/D96BEC85BE2C263C77E556227AC4638>>

254 Ibid.

255 Rasmus Lind Ravn and Kristian Nielsen of Aalborg University 'Employment effects of investments in public employment services for disadvantaged social assistance recipients', March 2019 <<https://journals.sagepub.com/doi/10.1177/1388262719836797>> and <<https://journals.sagepub.com/doi/epub/10.1177/1388262719836797>>

The chart below, which is an advance on the most accessible part of the publications' headline data provided by Rasmus Lind Ravn of Aalborg University, shows this effect in annualised number of hours worked; that after the 2014 baseline are the most relevant. It has a positive effect differential more like twice that of baseline from 2015 to 2018 with the 2016 one nearer three times; the fact they are working more hours over this time means the impact was felt over the four years and so is sustained rather than immediate and/or temporary. Hjørring's achievement based on lowering caseworker caseload and targeted active labour market programme policies is all the more impressive given the municipality had lower hours worked than the control areas only two years beforehand. It is worth noting that there was another study in Copenhagen which did not find this same result, but then it only reduced workload but did not redesign policy. The takeaway might be that only when workflows and plans within set national strategy are both put in local hands will positive effect be seen to the degree it was seen in northern Jutland.²⁵⁶

Figure 134: Yearly hours in employment differential in the experiment, 2010-18



Source: Aalborg University²⁵⁷

The follow-on study was more generic in that it was interested in the impact of the relationships and collaboration across all customers; as proxied by additional hired caseworkers and reduced caseloads leading to greater interactions between caseworkers and clients, meaning it is less directly relevant to this report. This said there is a strong message for any employment services, when other factors are controlled the experiment found even across all customer groups there was a strong alliance effect; with those clients with very strong alliances obtaining 3.9 months more in education and employment one year after experiment, compared to clients with much weaker ones. The results indicate that a

256 Jobcentre Copenhagen trail assisted by Copenhagen University of Applied Sciences and Copenhagen University College, December 2020 <https://www.ucviden.dk/ws/portalfiles/portal/121900435/Resume_kvalitativ_og_kvantitativ_evaluering_til_politisk_behandling_14.12.2020_K_benhavns_kommune.pdf>
 257 Advance on Rasmus Lind Ravn and Kristian Nielsen of Aalborg University 'Employment effects of investments in public employment services for disadvantaged social assistance recipients', March 2019 <<https://journals.sagepub.com/doi/10.1177/1388262719836797>> and <<https://journals.sagepub.com/doi/epub/10.1177/1388262719836797>>

relationship and collaboration effect is helpful to a wider range of social assistance recipients than just those with limitations; the implication being that structures need to be conducive to building strong alliances between caseworkers and clients.²⁵⁸

Lessons for decentralising employment services

There is much in the experiment of Hjørring municipality, northern Denmark, that can be useful to devolving employment and associated services in the UK; that is:

- there is an impact of relationship collaboration especially for the disadvantaged, which is striking as most Danish studies show little or no employment effect for them; whilst
- the testing was not a randomised control trial, internal validity was assessed as strong due to use of longitudinal data, nevertheless the context of the study may restrict generalisability; but
- the findings are of fair weather condition and might, likely, not be so positive or not at all in down-swings, or as much as it is in the up-swing after recessions or downturns.

The principal lessons cross-referenced and cited against past academic material are that:

- needs-orientation policies for the vocational rehabilitation of sick-listed workers are important to thoroughly assess the client's needs before initiating; and it very likely is
- the educational background, professional knowledge and working practices of caseworkers that will feed through into relationships between caseworkers and clients and affect employment outcomes of disadvantaged groups.

The ensuing learning here referenced and cited are that:

- inappropriately high employment services staff caseloads may inhibit the quality of collaboration between clients and caseworkers; however
- if the parties do not have anything relevant to discuss particularly where clients regard meetings as monitoring, then they may turn out to be counter-productive. Thus substance, not frequency, might be the most important factor; and there is also
- balance with the quality of social work to ensure time and effort for both personal and labour market development, otherwise the net may not be a sufficient offering if one side is strengthened at the detriment of the other.

Overall, the aforesaid academics' studies indicate that interventions that combine reduced caseloads in employment services and intensified programmes might well help disadvantaged groups gain a foothold in the labour market.²⁵⁹

258 The Social Policy Blog with Rasmus Lind Ravn and Thomas Bredgaard of Aalborg University, January 2021 <<https://socialpolicyblog.com/2021/01/19/strong-relationships-with-employment-caseworkers-help-people-get-jobs/>>; and Rasmus Lind Ravn and Thomas Bredgaard of Aalborg University 'Relationships Matter – The Impact of Working Alliances in Employment Services', October 2020 <<https://www.cambridge.org/core/journals/social-policy-and-society/article/abs/relationships-matter-the-impact-of-working-alliances-in-employment-services/D96BEC85BE2C263C77E5562227AC4638>>

259 The Social Policy Blog with Rasmus Lind Ravn and Thomas Bredgaard of Aalborg University, January 2021 <<https://socialpolicyblog.com/2021/01/19/strong-relationships-with-employment-caseworkers-help-people-get-jobs/>>; and Rasmus Lind Ravn and Thomas Bredgaard of Aalborg University 'Relationships Matter – The Impact of Working Alliances in Employment Services', October 2020 <<https://www.cambridge.org/core/journals/social-policy-and-society/article/abs/relationships-matter-the-impact-of-working-alliances-in-employment-services/D96BEC85BE2C263C77E5562227AC4638>>

2.2.5. UK exemplar of devolution – Manchester

Locally run employment services

The Centre for Social Justice wants to support the localisation of employment and associated services, and has advocated for and encouraged the moves towards it in the DWP's Work and Health Programme. Here Greater Manchester and London have agreed decentralisation of responsibilities for design and delivery of services, including implementation of this support for disabled people and long-term unemployed in these places as well as Scotland. This has happened in a move towards wider local-first governance, which has seen local capabilities grow to new levels of maturity in vanguard geographies. This has also seen a number of Local Enterprise Partnerships and other city-regions undertake local formulating and supplying of services, so maturity is on the up. The next passages go on to describe where the think tank see the best practice of this, where our reports over many years cite the Manchester example. Their stance on the service model, staff and user relations and core funding for local provision is the roadmap others might wish to follow, subject to their local situation around the economically inactive.

Greater Manchester Working Well - genesis

Working Well in Manchester started as Work and Health Programme devolved to the local combined authority. They brought in an alliance partnership between a large existing provider, Ingeus, and a more niche one, The Growth Company, which has a background for specialist support in Australia as well as two other smaller specialist organisations in the supply-chain. In March 2014, the DWP pilot commissioned them to support lower-end incapacity benefits claimants in the ESA Work Related Activity Group, subject to them completing the stated work programme but not finding sustainable work. Then in 2016, with funding from said department and European Social Fund monies, it was extended to disadvantage groups in IS and UC. The pilot sought to test whether a locally designed and delivered approach to employment support could achieve better outcomes for longer-term unemployed individuals, be that due to disability or wider reasons. It was a prototype for a devolved model and laid the groundwork for future devolution.

There was an early impact assessment of Manchester's Working Well undertaken by the Learning and Work Institute for the aforementioned department, which reported in 2018 on participants that joined before August 2015. It surfaced early findings on job entry and/or benefit exit grounds at set durations on benefits. The key headline is that there was a statistically significant positive 26 weeks job sustainment effect, for the first year's partakers.²⁶⁰ This is a strong message because getting people into sustainable work is the purpose of localisation of employment services, and a plus effect being observable so early gave confidence to the mission. The pilot ended in 2020, but this devolved support is still running, indeed it has taken on employment services and contracting provision for the centre's Job Entry Targeted Support programme since then.²⁶¹

²⁶⁰ DWP, January 2018 <<https://www.gov.uk/government/publications/greater-manchester-working-well-early-impact-assessment>>

²⁶¹ GMCA, August 2023 <<https://www.greatermanchester-ca.gov.uk/media/9083/working-well-whp-plus-jets-annual-report-2023.pdf>>

Greater Manchester Working Well - performance

With regard to the employment services supporting Work and Health Programme referrals, Working Well in Manchester has for the year to March 2023:

- helped about 10 thousand clients achieve a job start based on His Majesty's Revenue and Customs' (HMRC's) real-time earnings data, which is equivalent to over 4 in 10 of starters and close to the full target expectation. Of those clients who started over 15 months ago and therefore started a job or received out-of-work support, just over 9 in 20 achieved a job start up from a little over 8 in 20 in the previous year's annual report;
- 5.3 thousand customers with an earnings outcome which is counted when they are employed and an accumulated earnings threshold, equivalent to working for 16 hours per week, for 182 days at the adult rate of the Real Living Wage within 21 months; and
- 3.6 thousand users had a higher earnings outcome which is counted when they are employed at above threshold within six months of starting work.

A more detailed look at analysis of characteristics and barriers associated with achievement of earnings outcome presents: early entrants and health and disability client types do better than the long-term unemployed; as do those with higher qualifications, shorter spells of unemployment, in younger age bands, coupled people and those in more stable housing as one might expect. Moreover, the Black, African and Caribbean ethnic group fared very well.²⁶²

In relation to the employment services supporting Job Entry Targeted Support programme referrals, Working Well in Manchester has for the year to March 2023:

- helped around 12 thousand clients accomplish a job start based on the same real-time data as above;
- 9.7 thousand customers with an earnings outcome which is counted when they are flagged as earning £1,000 via HMRC's Pay As You Earn data within 238 days of starting or achieves this through self-employment data; and
- seen the programme finish far above the earnings outcome target. This was reflective of strong delivery but was also due to a fairly low programme target, the setting of which was influenced by great uncertainty around likely labour market conditions, and afterwards this became more buoyant than anticipated.

A deeper look at analysis of characteristics and barriers associated with achievement of earnings outcome imparts that: males, those in core working age bands, between 25 and 44 years, and single persons do best, which is not surprising given this programme is open to wider groups and therefore more likely to contain jobseekers. Those living at home or with wider family with more stability did better but this did not extend to homeowners, unlike what was seen with the Work and Health Programme. The stark difference in the performance of single people vis-à-vis coupled ones and that for white people relative to non-white groups is a source of some concern, there may be structural and societal reasons for this beyond the combined authority's control.²⁶³

262 GMCA, August 2023 <<https://www.greatermanchester-ca.gov.uk/media/9083/working-well-whp-plus-jets-annual-report-2023.pdf>>

263 Ibid.

Drivers of good local employment services

Greater Manchester Working Well – value added

There are clear benefits of devolution being drawn on by Working Well in Manchester in context to co-creating and contracting disability support programmes, which have come to light in past conversations with the devolved area commissioners, prime and specialist providers in devolved areas, and those in non-devolved ones; the following outlines these features in turn:

- targeted provision – decentralisation allows more offerings based around place. The devolved commissioners have flexibility to respond to changes in socioeconomics and demographics in the locality, targeting those furthest away from working and using local knowledge and expertise to formulate support. Sometimes this can be integrated with local doctors practices as well as mental health and disability learning facilities to help the most vulnerable to stay in work;
- ability to pool budgets – localisation enables the pooling of budgets through the devolved deal. This can mean bringing together funding for employment, education and skills and mental health into a single policy programme. Greater Manchester's combined authority has spoken of the weight this adds, helping them to achieve a truly whole system approach, where the power to pool in this way helps provide a more sophisticated package of support, and recognises that the most vulnerable individuals with multiple and complex needs will be knocking on a number of agencies doors;
- changing contract packaging areas – devolving down brings with it smaller and more manageable contracting geographies. This facilitates short feedback loops between commissioners and providers, reducing bureaucracy and speeding up processes, permitting rapid relationship building and integration in the locality. They also make it more feasible for smaller organisations to bid for contracts, meaning voluntary, community and social enterprise partners can come in to bring local knowledge and specialist expertise; and
- integrating services – localism noticeably benefits implementation through having awareness of the infrastructure, provision and other partners, in order to build effective relationships and tap into existing resources. This permits not only to work with organisations who provide tailored support and expertise to those with special health needs, but also builds trust with partners and service users. Greater Manchester's combined authority speaks to having integration boards that lead to ensuring buy-in, accountability and responsibility from local authorities as well as other agencies, which it says is key to its effective working.

These facets are vitally important to reduce duplication and deadweight in the system, and thereby demonstrate value for money; this is not only a necessity for regulators like the OBR and NAO on a periodic basis but also to keep local electorates content that money is being spent wisely. The thing is, no local leader from mayor to authority leader to council member wants to be associated with mismanagement of funds; this has become more so the case under the high cost of living people are experiencing across the country.

Greater Manchester Working Well – future hub strategy

In addition to job outcomes and value added coming from the service drivers of above, the Greater Manchester Combined Authority has also taken an active interest in the wellbeing, life chances and other broader social determinants of health. They record data about progress made in other areas of the user's life that may have acted as a barrier to work. Wider social outcomes naturally take you towards the next steps for going further; if need for targeted provision led to pooling budgets, which in turn to looking at contract areas, and that in turn to integration of services, then there is only one destination – from co-location to hub strategy.

The causes and consequences of poverty are multifaceted and complex, rarely does it manifest in one way and rarely is it overcome with a single silver bullet; thus the co-location of services is needed to counter it, through a holistic and whole-person approach. In order to support people out of poverty it is crucial to understand there are many reasons why an individual might not be able to access the labour market; for example, a disabled person may have their own caring needs, they may have experienced a difficult family breakdown, be facing difficulties with the suitability of their housing, or if they are out of employment they may need help with their mental health and other acute health needs. For these reasons and more, it is important for agencies to work together to help individuals overcome barriers to employment.

Arguably, Manchester is the most innovative instance of this type of co-location of services across agents; in this most radical form, it has seen physical joining together of buildings in order to have services under one roof. However, this has come in many and varying forms across local areas, because not everywhere is as mature as this, some are more complicated than others; examples of bringing together include:

- Birmingham where work coaches sit in doctors' practices in order to be a point of referral if patients face difficulties with benefits or employment;
- Croydon where the local authority is physically in the same premises as JCP. Here, staff said this has created a sense they are part of the same organisation;
- the Aster Group Housing Association worked with the DWP through co-location to help individuals overcome barriers to the workplace; and
- in Greater Manchester's Working Well – Work and Health Programme sees providers sit in jobcentres in order to share learning and ensure appropriate referrals take place.

This kind of hub strategy prevents vulnerable people from falling through the gaps; if an individual comes to the council with a housing issue, the intention under co-location is that a work coach will also meet with them about their benefits and employment issues on the same day. It enables complex cases to be resolved more quickly and thoroughly, allowing more scope for early intervention. It also allows agencies to share learning and work closely together to understand and effectively manage implementation. Finally, it permits the sharing of customer information with explicit consent from them.

Monetising payback on local employment services

Greater Manchester Working Well – return on investment

Measurement of return on investment is notoriously difficult, but the Greater Manchester Combined Authority has developed a cost-benefit analysis model; its methodology taken from HMT's Green Book guidance that allows for fiscal, economic, and social case for investment to be considered, however as Working Well is primarily fiscal the focus is impact of the interventions in generating savings. This is demonstrated in the relative return on investment metrics; here based on the pilot gross fiscal return over the ten year modelling period is £1.31 for every £1 spent based on fiscal savings alone, but this, post-pilot, rose to £2.68 for every £1 spent reflecting changes to the provider payment model for the expansion with a lower average payment per client.²⁶⁴

However, were wider economic activity and social utility gains brought into calculations, which they have been from time to time, then returns grow exponentially because of monies saved across departmental budgets by reducing social ills and growing activity.²⁶⁵ These can be of vulnerable people falling through the cracks of our welfare system, becoming indebted, being made homeless, families breaking down and getting stuck in a vicious cycle of crime and addiction; so putting the workless back into the labour market fundamentally changes lives. Using the lower return on investment of this exemplar, it might be argued that since Universal Support, a more holistic wrap-around support service, brings down the vast cost of social breakdown as well as unemployment and economic inactivity it creates gain; hence the above may be a moderate estimate at £1.5–£3 per £1.

2.2.6. Argumentation for devolving employment and associated services

Unfinished Business

Designing localised delivery models, relations and other elements

The Centre for Social Justice has for a long time unswervingly championed the localising of employment services, within the Universal Support frame, to be managed between central departments, with a Senior Responsible Owner reporting to a joint Board; we were always for further localism, but the maturity of some mayoralties and combined authorities and capacity and capability in others has led us to posit more radical change.

Our stance now is that:

- a central secretariat in Whitehall owns national strategy, holds local areas to account within pre-agreed frameworks, sets financing limits and has take-back powers. Along with this, an outside centre-to-peer and peer-to-peer learning and evaluating process must exist for knowledge management and to scrutinise actions; and

²⁶⁴ GMCA, August 2019 <https://www.greatermanchester-ca.gov.uk/media/2364/working-well-2019_web.pdf>

²⁶⁵ The Times, February 2023 <<https://www.thetimes.co.uk/article/devolution-could-transform-employment-support-labour-andy-burnham-nznx-3dthg>>

- a lower-level structure perhaps based on combined authorities under regional mayors and devolved first ministers, is needed to deliver employment and associated services that fit their local environments.

This has many features of the Danish and Dutch models as well as wider Scandinavia where overall planning objectives are for national and higher local area levels but the running is done by lowest level local units. The two are designed so local provision is aligned to departmental guidance, as arbitrated on by the central secretariat.

Companion to earlier welfare reform

For the think tank, real Universal Support dictates that devolved areas run the services for the betterment of local peoples' lives, particularly the unemployed and economically inactive, and through that both resolve the long running levelling up, for want of another term, and business vacancies to worklessness among those wanting work conundrums; transforming employment support time has come in a post-Covid world, so there is twice the impetus. The project roundtable exposed that UK stakeholders want better key worker to user relationships and evidence from them and coming out of Denmark explains that this delivery model can be changed to be more relational. This is also seen in the prime UK exemplar; Manchester Working Well is performing, adding value and return on expenditure, and has been externally assessed on pilot and now ongoing basis. There are now good examples of decentralising employment and associated services internationally and in the UK; these show us easy to follow routes to more and better tailoring of offers by local implementation, assisting all people and expressly those with vulnerabilities to tackle barriers and move into employment and deal with other challenges in their often demanding lives.

As the public conversation between Andy Burnham, Labour Mayor of Greater Manchester, and Andy Cook, Chief Executive of the Centre for Social Justice, of February 2023 put it:

"In a more complex world, with rising levels of economic inactivity, it is perhaps not surprising that a top-down, one size fits all approach to welfare and employment support is yielding diminishing results. Too often the system leaves people feeling it is trying to trip them up rather than help them out.

*Since 2014, Greater Manchester has taken a devolved approach to employment support through the Working Well programme. It has delivered personalised support to tens of thousands of residents, with an emphasis on mental health and wellbeing, and has achieved much better results at getting people into work than the national work programme."*²⁶⁶

*"The Centre for Social Justice knows this too. Its regional offices are working at the grassroots level to identify and share good practice wherever it is happening in the country. If something is working, it's a no brainer to build on it and expand it."*²⁶⁷

²⁶⁶ The Times, February 2023 <<https://www.thetimes.co.uk/article/devolution-could-transform-employment-support-labour-andy-burnham-nznx3dthg>>

²⁶⁷ Ibid.

Further elaboration of the catalytic factors behind success in this conversation between Andy Burnham and Andy Cook:

So why has Working Well worked so well?

“There are three reasons. The first is its whole person approach. If a person is struggling to turn up at the job centre on time, perhaps it’s worth investing time to find out why? The second reason is the ability to work through much more localised organisations, charities and informal support networks in touch with our communities rather than more remote national outsourced operators. The third is the ability to break down silos and link employment support to other services that have a role on helping people into work, such as health, housing and care.

This type of partnership approach — with national government setting the broad strategy and local government free to design the specifics — has the potential to build more political consensus about welfare policy that for too long has been unhelpfully contested territory.

With employment support better tailored at the local level, we will see more businesses and public services equipped with the labour they desperately need, reductions to our national benefit bill, and most importantly, thousands of lives changed for the better. These are objectives that all sides of the political spectrum can surely get behind.”²⁶⁸

“This is why the Centre for Social Justice backs Working Well and Greater Manchester’s bid to take it even further.

Both Greater Manchester and the Centre for Social Justice support the Government’s commitment, in the levelling up white paper, to give local areas a greater say in contracted employment support. But there’s a real risk of going backward ... the big national schemes that land from the top-down and bypass local charities and networks are failing to deliver their potential ... And the Centre for Social Justice, building on the success of Working Well, has proposed rolling out Universal Support, funded through the underspend on the Restart Scheme. Universal Support would help claimants to navigate the move into employment, acting as an intermediary with local employers as well as the charities best placed to help them overcome complex barriers.

A more devolved approach to employment support can unlock people’s potential, boost economic growth and help level up the country.”²⁶⁹

The quotes above stress where the Centre for Social Justice sees the country, as otherwise it will continue on the merry-go-round of central schemes and not deal with worklessness.

²⁶⁸ The Times, February 2023 <<https://www.thetimes.co.uk/article/devolution-could-transform-employment-support-labour-andy-burnham-nzrx3dthg>>
²⁶⁹ Ibid.

RECOMMENDATION 7

The Government should expediate the rollout of Universal Support, where some strategy, financial, evaluation and other controls remain at the centre, but most of the running of employment and associated services move to higher and lower geographic units as appropriate. Stakeholders in the space are of the opinion that mayoralities and combined authorities best fit this role, and are best placed to help those experiencing complex barriers to the labour market take advantage of the value working brings. However, there will be different trajectories to this end state as some places have both, some one and other none of these local governances, so instituting one or both of these will take some time. Furthermore, there will be staff and asset transfer from the centre to the locality, which can over time be physically moved with natural churn.

RECOMMENDATION 8

While mindful of commercial sensitivities, the Government should amend its commissioning playbook, not to exclude bigger players but to include small- and medium-sized ones. Stakeholders think procurement processes are not yielding enough intensive personalised employment support, and the Government should empower local devolved employment services to bring in voluntary, community and social enterprise to grow this function, perhaps in consortia with big charities that hold the business case.

RECOMMENDATION 9

The Government should recognise pathways from targeted provision, pooling budgets and packaging contracts to integration of services, and encourage hub strategies as ultimate manifestation of this. This means there is a place for national and local governance in managing this co-location for successful running of programmes that help the disabled and other disadvantaged groups into employment.

RECOMMENDATION 10

The Government should better monitor and mediate within the supply-chain, through either agencies or mechanisms for those downstream to hold the contract holders to set standards. Stakeholders in the arena reckon poor behaviour and poor management of supply-chains have led to the mistreatment and marginalisation of smaller providers within the nationally contracted disability employment programmes. The Merlin Standard were introduced to counteract this but subcontractors suggest that it has had limited impact, with the result that grassroots organisations are not given freedom to innovate owing to the payment by immediate result structure imposed on them. It is important local commissioners have the scope to bring in these partners as many are embedded in communities and have a wealth of expertise and local knowledge.

This report will go into the various partnerships needed to underpin this hereafter.

2.3. Reforming partnerships with the charity and private sector

2.3.1. Working with others at devolved subnational levels?

This section takes advice of those invited to participate in our roundtables – from combined authorities, international bodies, educational institutions and associations, national and local charities and businesses and their organisations, and case studies of outside partners brought together to grow localised employment services, the career offer to staff and support to customers, and metamorphose interface with commercial employment platforms.

The aim of this piece of the report is to give the readership a feel for where industry and technological thinking has got to in terms of connectivity; so non-experts have awareness of the traditional partnerships and shifts towards new ones. The Centre for Social Justice wants the professional cooperation to support economically inactive people into employment, and believes this will be assisted by the latest insights. Further part and section will explain regional development recommendations.

Summary

The participants in Centre for Social Justice roundtables consulted on devolving employment and adult education services said:

- any service needs to be aware of the abandonment of the young unhappy about consideration society has put on them, and work-life balance for the economically inactive, disabled or otherwise, who want more control and flexibility and marginal utility conversion into standard of living for everyone;
- it also has to account for societal belief amongst many older and disabled people that early retirement is best for their loved ones or longer working lives is not for them given pensions sufficiency and offer support to those who really need to work;
- any new service must create a can-do mindset amongst the disabled, structural change to work across health, adult social care and employment spaces to integrate in partners and co-location strategy to pool resources and plan ahead; and
- it also has to consider wider strategic development matters around advisory and interconnection with partners, and worker progression for business needs and joint stake in owning this between the public and private sectors.

Norway has a lot of public sector partnership flexibilities in its employment and related services to not only deal with skillsets but also health and societal trials and tribulations. This is a product of their social worker model which is very different to that in the UK. It was built up over the many decades before and after the World Wars to give employees good careers, opportunities to follow interests, flexible working patterns and ability to make judgements, and the employer the agent of the state and a way to do manpower planning. They have been good at doing this as integrated personalised employment support for the inactive because staff are dedicated to the work being done owing to care centric approach. However, the system is highly dependent on professional and specialist workers

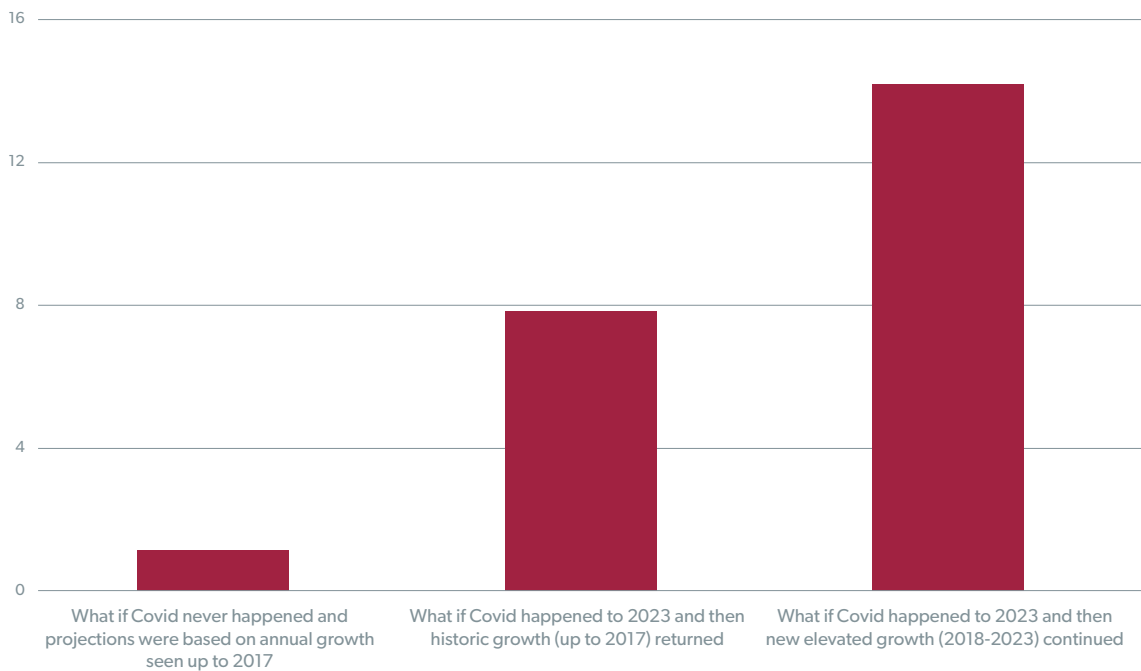
who develop their own strategies personalised to individuals within limits. Although this may be under strain from blurred profession boundaries, dilution of the social worker model and rising workloads, these come from strong base position so the model is not in danger. The quote below shows the degree to which the model is engrained here.

Exhibit R: Quote from Norwegian social worker, 2017²⁷⁰

“it’s about meeting people with respect and then recognising their own responsibilities for their own lives. ... listening and providing support”

In the near-term, national and subnational third sector partners are the only group that can be contracted to support the disabled, carers, long-term unemployed and so on. There is need to consider capability and core funding of these to tackle health-related inactivity, and especially that of poor mental health amongst the young as these people will be in the working age labour market for many decades. The chart below shows that on various trends the end of decade position of mental health could be much worse than prior to Covid or even the current position; thus action is needed now to turn this around.

Exhibit S: What if scenarios on percentage growth of mental health disorders in all 5-15 year olds by 2030 based on pre- and post-Covid trends (of 7-16 year olds)



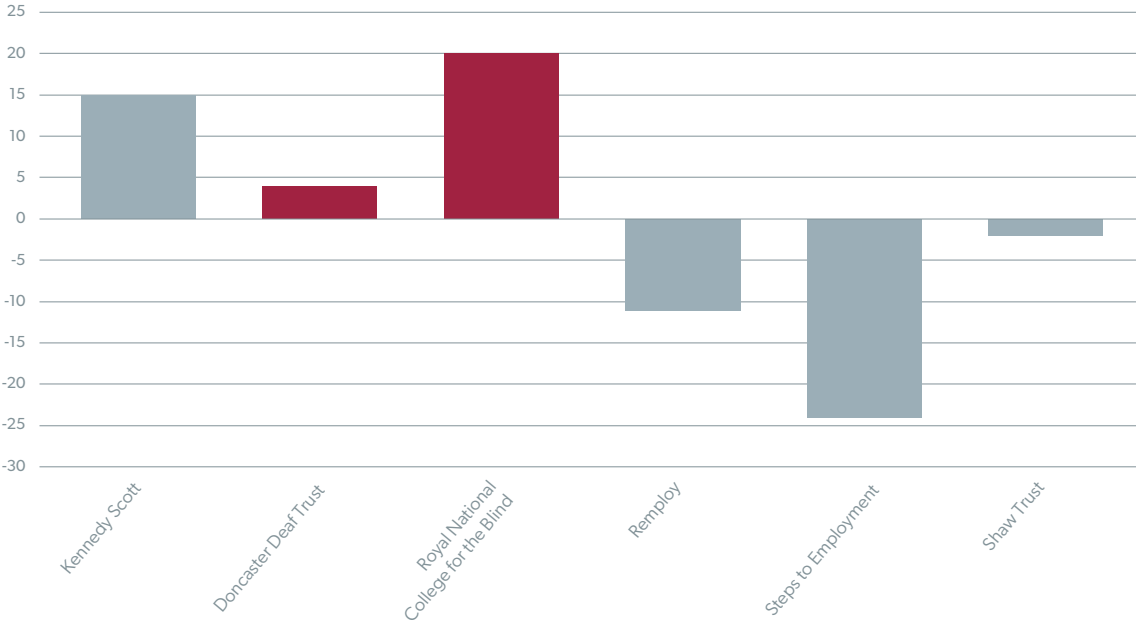
Source: DHSC²⁷¹

270 Anita Røysum of Oslo Met and Akershus University 'How we do social work, not what we do', 2017 <https://oda.oslomet.no/oda-xmlui/bitstream/handle/10642/5143/Roeysum_postprint_nordic%20social%20work%20research.pdf?sequence=2&isAllowed=y>

271 DHSC, November 2018 Survey and January 2017 – April 2023 Period and Follow-up Survey <<https://digital.nhs.uk/data-and-information/publications/statistical/mental-health-of-children-and-young-people-in-england/2017/2017>>, <<https://digital.nhs.uk/data-and-information/publications/statistical/mental-health-of-children-and-young-people-in-england/2023-wave-4-follow-up#summary>> and <<https://digital.nhs.uk/data-and-information/publications/statistical/mental-health-of-children-and-young-people-in-england/2023-wave-4-follow-up/data-sets>>

The third sector partners can be national charities with top-down strategies or local ones who have the most knowledge and experience of their area to bring into practical actions. Indeed, historically the first above many times hold central provision contracts but then sub-contract to the second; as they have the trust of customers and track record of providing general and specialist support within localisation and are more responsive to clients. The chart below shows the latter who are often overlooked for prime contracts can despite this sometimes outperform the former or multinationals. However, omitting might not be the case were there local interlocutors and accountability at city or region or mayor level.

Exhibit T: Percentage distance from overall (all provider) performance on sustained employment outcomes, September 2020



Source: DWP²⁷²

Partnership with the private sector via new laws to protect workers’ rights is increasingly being considered but building an aggregate gig economy platform for piecemeal work may be better to halt reducing labour prices paid by capital intermediary and/or consumers; both require negotiation with commercial and regulatory partners. While boundary organisations are important to have as partners for oversight, intel and wider purposes.

The Centre for Social Justice presses any government to decentralise employment and associated services, as localities need to construct the partnerships to get inactive people into sustained work, be they the disabled, carers, older jobseekers and others.

272 DWP, November 2020 <<https://www.gov.uk/government/collections/specialist-employability-support-statistics>> and <<https://www.gov.uk/government/statistics/specialist-employability-support-statistics-to-september-2020>>

RECOMMENDATION 11

The Government should assist regional and local units towards devolved employment and associated services and develop to a social worker model along the lines of Scandinavia. This will provide members of staff with richer careers, more progression and alignment with work-life balance. It will also give managers better flexibilities in moving them across purposes and priorities, giving those on the ground discretionary powers to help those furthest away from work. The new model will take time to embed not least as workers will need the kind of training offered in stated countries.

RECOMMENDATION 12

The Government should encourage regional and local units to bring in the third sector into devolving of employment and associated services. This might mean contract based or in some cases core funding to fill the gaps in integrated personalised employment support in the near-term while a Scandinavian style model is being raised. In some cases, there may be wholesale taking in of a third sector organisation into public hands, particularly if that fits with the areas long-term hub strategy.

RECOMMENDATION 13

The Government should legislate at least one further employment status to take in job-lot workers, a group that has grown with the rise of the gig economy. This is to ensure they have more rights than the genuinely self-employed. It is needed as the alternative is labour disputes, where trade unions and business end up negotiating some rights for the said group, but not in a uniform way across sectors and employers.

The think tank guides localised employment to a new model, more involving of providers and stakeholders, with the final section of this report going into strategic development.

2.3.2. The listening exercise – roundtables’ findings

The roundtables based on survey questions

The configuration of interviews

The Centre for Social Justice conducted roundtables in autumn 2023 with intention of soliciting opinions from those within the current employment support world. Those attending knew political people would not be invited and their responses would be obscured in report so they could speak full truth.

The survey was developed after an initial preparatory questionnaire was sent to solicit whether or not some form of devolution was sought by participants; those with responses in either direction were selected for the roundtables, but there was a majority in favour of it. In some cases, there have been follow on interviews to add to and give gradation to their evidence, and these have sometimes led to secondary interviewing of others not at the roundtables in subsequent months but these were very few in number.

The structure of interviewing

The sessions were chaired and facilitated by think tank staff and recorded and auto-transcribed with quotes checked afterwards with the sources.

The key questions from the list relating to this section were:

[16] Who are the partners and how to include them in devolved employment services and its key workers strategic development plans for the local area? How can job matching support career aspirations/progression to create joint stake with claimants in this strategy?

[17] How can health and social care partners best be involved in the devolved employment services/ support?

Further questions that yielded information relevant to this section were:

[1] What are the main positives for economically inactive people moving into work?

[2] Are attitudes to economic inactivity different/more difficult today, compared with either historically and pre-covid? Are there any reasons behind changes?

[3] Do you see any themes among priority economically inactive groups considering moving into work? If so, what might these be and how are they playing out?

[6] Have any initiatives in the past 40 years been successful in supporting economically inactive people into quality employment?

The roundtables' evidence on largely public sector partnerships

The devolved employment service partnerships needed for different users

It was there in the oblique in the initial questionnaire submits that those in the disciplines felt more holistic employment and associated services like that in other northern European countries were needed in the UK. Those assembled also believed any devolved employment services needed to work for the large older and ill groups of inactive people. The main findings of these conferences which mould the opening paragraphs of the following refer to each partnership type in turn and are written about the Centre for Social Justice's policy narrative in order to get to workable solutions.

Figure 135: Quote from Senior Leader at Career Development Institute²⁷³

"I recognise as a positive, economically inactive people moving into work (is right), but this is not necessarily a given. It partly depends how they moved into employment and what kind of work, because if it is the wrong kind or if it is entered into to avoid punitive benefit removal, then their physical and mental health can be affected."

Figure 136: Quotes from Senior Leadership Team Member at the British Association for Supported Employment²⁷⁴

"We are about 300 members across the UK that support disabled, neurodivergent and disadvantaged people"

"When I first started working in supported employment there used to be a linking rule, which was a really good way of giving people confidence that they could try work without the potential of them being penalised if it does not work out. The other piece of the puzzle is employers, we really need to strengthen the offer for employers to understand why having a really rich and diverse workforce just makes good business sense."

Figure 137: Quotes from Projects Lead at an Alliance Charity, Speak Up²⁷⁵

"One of the positive things we're seeing though, is employers who have never engaged before actually saying yes, they're interested in working with us and speaking with us about what we do for employment for everyone."

"In terms of the barriers, confusion around benefits is definitely right up there and that has proven a huge blocker; there's a real fear for people to take that massive leap into employment and then the risk that they could potentially lose benefits."

273 CSJ Roundtables – September 2023 and subsequent interviews from September 2023 to March 2024

274 Ibid.

275 Ibid.

"In a cost of living crisis, that can literally be the difference between eating or not. We have got to move away from those kind of very rigid processes (and categorisations)."

Figure 138: Quote from Senior Academic at Birmingham University²⁷⁶

"I think there are differences between subgroups and people are making decisions about employment on a whole range of factors, according to their household and family contexts."

Roundtables' discourse surrounding above quotes went into partnerships within the core public sector and whether the key worker model can be re-thought inside devolved employment services; these concentrated on:

- abandonment resentment – many young people as well as those older in the core working age feel the state does nothing for them, so they may not use them. There was a strong sentiment that these people might have inner anger and dislike the lack of consideration shown to them vis-à-vis other groups, which manifests in being forced into work ill-suited under the fear of mandate or sanction. This was thought to be especially acute amongst those with neurodiversity but not fully recognisable ill health, though mental and physical disorders may well come about with them in due course;
- work-life balance – others in this group with disability and/or caring responsibility or simply desiring better control over their lives may want flexibility from employers. There was a clear message that home, hybrid and online working is something anyone might want to have irrespective of societal views, which they evidently have some degree of when on welfare but not in the work setting. This, in addition to the more obvious risk of loss of benefit rights if the event of trying work does not end with a sustainable job, already explored in the last section, means many see going into employment as a leap into something uncertain. Risk aversion has grown within British society at any rate with each successive generation so those at the margin may be least of all willing to let go of the little control they do have on their lives whether that is false or even opposite to the reality; and
- utility calculation – these make the trade-off between extra earning and time to do other things, and so marginal gains do not always translate as incentive to take work. There was a firm founding truth raised that if the young and core working age cannot see the material gains of working, they can opt for not doing so because family time and wellbeing has value albeit it is not straightforward to monetise. This relates to loss of certain benefit rights which they know equates to a set standard of living, in order to pursue a vocation which might not yield a better one or that the extra money is too little to materially change their lives, in terms of bettering the children's lot or enjoying family life in more comfort, whether this is true in reality or not.

276 CSJ Roundtables – September 2023 and subsequent interviews from September 2023 to March 2024

Figure 139: Quote from Senior Leader at Career Development Institute²⁷⁷

“My sense is a first generation (of early retirees) that have benefitted from having good private pensions, previous ones did not, and the following may well have less; so for these people there are options. I wonder whether there are differences between socioeconomic groups.”

Figure 140: Quotes from Employment and Skills Evaluation Consultant²⁷⁸

“I personally know people that have done that [early retirement].”

“There is a lot of hospitality businesses, for example who are very vocal that they cannot recruit, and they say they will change their recruitment system to try to get older people into their jobs but they have really struggled because these roles do not fit.”

“Some would not want to work in hospitality and others would, but they might need employers to be accommodating – the how many evenings can you do question.”

Figure 141: Quotes from Senior Manager at West Midlands Combined Authority²⁷⁹

“From a West Midlands perspective, the things are that:

- we are noticing is economic inactivity due to ill health; an issue of connectivity and working people becoming more ill; and*
- we are also thinking about people with caring responsibilities; because last time we saw an increase in participation, it was about women moving into work, and if something similar happens again but with carers then that is where growth can come from (contingent on childcare and adult social care reforms).”*

“So I think it is to do with the context where changes have really focused minds, rather than broad attitudinal shifts.”

277 CSJ Roundtables – September 2023 and subsequent interviews from September 2023 to March 2024

278 Ibid.

279 Ibid.

Figure 142: Quotes from Policy Adviser at Scope²⁸⁰

“When disabled people are on benefits and deciding whether or not to move on to work, it is not just the fear of losing their benefits but also about ambition of some employers and employment services on jobs suitable for them.”

“Disabled people who are out of work face difficulties with adjustments; we know that for a lot of them who stay inactive face structural barriers that have been put up by society – for example, inaccessible transport links or various traditional working times, that is not suitable for those with conditions.”

“Flexible working is a positive – disability charities have been calling for it a long time, and a recent Government Bill gave workers the right to request this from day one; a lot of disabled people are able to work a bit more because of it, choosing their hours, and it avoids inaccessible transport and work locations.”

Figure 143: Quotes from Senior Academic at a UK university²⁸¹

“A lot of in depth and longitudinal qualitative research... has consistently shown that this push to get people into any work quickly just has not worked for people with additional needs.”

“We found that particularly speaking to people with mental and physical health problems, the way that the system has worked is to position them as either work ready immediately or not, an unhelpful distinction (leading to help or no support respectively).”

Roundtables’ discussions ensuing from above quotes led into partnerships within the core public sector and whether the key worker model can be re-fashioned inward in devolved employment services. These include all points above for the general partnership model and the many barriers, issues and problems of Part Two Section Two, but here by exception the following are centred on:

- burdening society and family – many older and disabled people sometimes appear to reckon, either guided by own or wider interests, that early retirement is best. There was an acceptance that some of these people have the option to remove themselves from the labour market where sufficient pension provision allows and there was little the state can do, but for making linked benefits less generous or unavailable to them. However, this was not the position for all in the group and some want to work, but employers’ roles do not fit them, particularly shift work and the demands for working late periods;
- longer lives opportunities – some in the older and disabled groups who did not have to work to sustain themselves, as sufficient pensions and other wealth enabled retraction from the workplace, seem to want to work less or volunteer but are unable to do this. There was and is a strong signal in the British working culture that people do not reverse career progression to do less, and it might be seen as blocking others’ paths. This was something picked up around voluntary activity, where it was the case that central or local organisation made it easy to match to opportunities; and

280 CSJ Roundtables – September 2023 and subsequent interviews from September 2023 to March 2024

281 Ibid.

- old age preparedness strategy – amongst these people with or without disabilities many worried about pension savings and planning for end of life care, and wanted to work or let their carer do more work while they both still can do so and to keep themselves active for general fitness and physical and mental health reasons as well as the fear of falling into bad habits. There was a feeling that many were frustrated that there is lack of flexibility on the part of employers and felt inhibited by the level of transport connectivity. This employment focus is for many a way to boost their dignity, maintain or improve adaptations in their housing situation, widen their friend circles and reduce possibility of loneliness

The devolved employment service partnerships needed for holistic support

The initial questionnaire forms made it clear that those in the arena believed any devolved employment services need to fully adopt integrated personalised employment support to perform for all inactive people which can involve both core and wider public, third and private sector partners. The main findings of these hearings frame the following and are written about the Centre for Social Justice’s policy narrative in order to get to possible answers.

Figure 144: Quotes from former UK Government and now OECD Official²⁸²

“I think claimants health assessments are often quite complicated. What we ask is:

- *the general practitioner to talk to the claimant and work out their health status and capability;*
- *the work coach is allowed to give them temporary suspension from work search;*
- *after all that they go and see a healthcare professional, maybe twice (one for incapacity benefits and another for disability living ones); and then*
- *after that we will go in and tell them to do the whole thing again in a year’s time.”*

“And then on top of this journey, there are other services as well, social and health workers for example when other parts of the public sector get involved; let suppose for a minute the person is interacting with hospitals or mental health workers suddenly come in, then their experience of health services with the state is just not joined up. There was a joint unit on work and health set up across responsible departments to combine effort and really ease the way forward.”

Figure 145: Quote from Employment and Skills Evaluation Consultant²⁸³

“IPS [Individual Placement and Support] started off with people with severe mental health issues, moved into those with addiction problems, and now is being tried with inactive people with other health and disability issues to help them back into work.”

282 CSJ Roundtables – September 2023 and subsequent interviews from September 2023 to March 2024

283 Ibid.

Figure 146: Quotes from Senior Manager at West Midlands Combined Authority²⁸⁴

"We are trying IPS [Integrated Personalised Support] but also broader employment support because it is tied into general practitioners and possibly occupational health; we have many with health issues that we want to keep in work."

"We are also trying a more nuanced fit-note pilot – based on what people can do rather than cannot do, but it is so hard to do that with a health service that is very busy with other stuff."

Figure 147: Quote from Leader at an Alliance Charity, The Hinge²⁸⁵

"Yeah, it is funny that hub strategy came up; because now in our building there are mental health providers, social prescribers and voluntary organisations. But then on the same site, there is also the general practitioners, council and DWP offices, yet it still feels very disjointed. We feel like if we can get this right, through a wellbeing campus strategy, that will reduce time, effort, funding and actually support those most vulnerable in our community."

Roundtables' dialogues across the above quotes took us into the integrated personalised employment service models and hub strategy of devolved employment services. Some of the debate was about better processes and others around wider partnerships with those outside the core public sector in respects of employment support:

- mindset change – disabled and long-term unemployed people have gotten in a state where they think of that which they cannot do, rather than that which they can do. There was absolute agreement that current fit note and medical assessment reinforce this and needs overhauling, as it costs relevant departments and the health service in time and money. This is something for those at lower geographic units to make nuanced choices on because only they know the living arrangement aspects;
- structural change – such people need highly integrated occupational health, adult social care and employment services, as a minimum but there may be more things say where education, addictions, debt, housing and childcare are brought into the mix. There was a certainty that integrated partners in the locality, who can be within the public, brought in from the third or in the private sector need to be part of a supply-chain managed by that large enough geography. The process that suits one place will not necessarily be that for another, so a gap exists for a regional entity with scale and for local areas to stand-up a joined-up system. This is something required by the services an assurance on the sums spent but also for the individual to guarantee the right assistance to continue working or get into work, with suitable adaptations and flexibilities in place; and

284 CSJ Roundtables – September 2023 and subsequent interviews from September 2023 to March 2024

285 Ibid.

- hub strategy – those out of the labour market for a prolonged period, often the inactive disabled and longer-term unemployed require joint working to be easy to access and preferably in one place. There was consensus this kind of co-location meant campus sites for all services outlined above, and that the organisation had to be big enough to pool resources and plan ahead but local enough to contract personalised provision. This may necessitate two layers of localised governance, one at the regional level for scale and the other at combined authority level to manage the contracting out and perhaps if some provision is delivered in-house at local authority level, and there may be cross-jurisdictional education and health authorities. The point is identifying and dealing with families with complex needs and those living on the edge is a whole ecosystem thing.

The roundtables' evidence on wider public-private sector partnerships

The devolved employment service partnerships needed with wider stakeholders

It became clear from the initial questionnaire proforma that those involved in the supply-chain around employment services had not considered greater third and private sector involvement, just that inside the provisions envelope, so only limited attention was drawn to bringing in these sectoral parties here; thus commercial partnership will have to be explored in detail later in this report. The only reference to non-provision collaboration was within the sphere of public or private sector education establishments, which here on will be characterised as educational partnerships; these are summarised below. The main findings from these gatherings set out in the following and are written around the Centre for Social Justice's policy narrative about it in order to get to final resolutions.

Figure 148: Quote from Programme Manager at Centre for Ageing Better UK²⁸⁶

"One thing we push for is the voice of personal experience in the design of things, speaking to the intended end-user about what they want; then rather than people feeling they have had things put on them, they have a say in the service – that can help with the engaging piece, as it is something that works for them (e.g. joint ownership, rapport, trust)."

Figure 149: Quote from Policy and External Affairs Officer at Carers Trust²⁸⁷

"Having those local organisations to talk through where people are at in their employment journey and moving them slowly towards employment. That conversation then determines how things look for that individual in terms of their employment support, action plans and training etc. The third sector can provide that support to those who face multiple barriers."

286 CSJ Roundtables – September 2023 and subsequent interviews from September 2023 to March 2024

287 Ibid.

Figure 150: Quote from Senior Leadership Team Member at the British Association for Supported Employment²⁸⁸

“What we would want to see is people having a choice of providers, and those embedded in local communities actually having a chance to go for some of these programme contracts”.

Roundtables’ debate on the above quotes took us to localisation but no further, not surprising given the UK has little history of broader third and private sector involvement in central or devolved employment services with:

- devolved delivery – regional or combined authority level employment services designed with local people in mind. There was clarity on basing this around the users through active engagement before and during development, leveraging consortiums of stakeholders from cities and regions be they in the pre-existing employment service, educational organisations, health sector, trade associations or the business community to provide advisory, consultancy and communications facility. This was accompanied by a clearness that current central job searching boards and engines and other tools for sectoral, occupational, skills based and other vocational preference job matching need to be retained for use even if owned and maintained by the national authorities; but
- strategic development – regional or lower unit strategy that captured interconnections with third and particularly private sectors were not known so well. There were no coherent plans beyond provisioning, such as in the form of digital intermediaries or even simple contractors. These will be case studied hereafter in subsections.

Figure 151: Quotes from Stakeholder Relations Manager at Association of Colleges²⁸⁹

“From where we sit on this, we have the local schools improvement plans and initiatives from government, I think more devolution of this kind of thing were overlooked in national strategy; because if it was aligned to local plans you would get more of a unified voice – of what skills the user needs, what jobs commerce have etc.”

“There is a difference across the UK, we are finding combined authorities are very engaged in this space, and you’ve got Manchester who are creating their own Baccalaureate; however there are places that do not have those devolved powers, so it is kind of a mixed bag.”

288 CSJ Roundtables – September 2023 and subsequent interviews from September 2023 to March 2024

289 Ibid.

Figure 152: Quotes from Senior Leader at Career Development Institute²⁹⁰

“We see a bit of this in the careers environment – so Scotland, Wales, Northern Ireland all have an all-age Career Service funded; they benefit from being more consistent and allocate resources to where it is needed most. In those English schools working under an opportunity model; they have an awful lot more variability in their services.”

“I think it’s the combination of the right standards and some sort of framework (of base service that is required); local plans translate that and take into account the overall national picture, as this must address the want of some people not to stay local and go for nationally visible jobs.”

Roundtables’ conversations on the above quotes only entered into localisation through the prism of educational efforts, which veered into third and private sector involvement in employment services:

- progression management – geographic units need to be part of an overarching blueprint from national strategy to local plans. There was a feeling that not enough thought had been paid to alignment of these in the past, which is why businesses have not played a more active role in articulating the needs of the local labour market and any future Government will need to involve them at the heart of industrial strategy training. This is changing in Manchester where maturity in the workings of their combined authority has meant specific skillset courses are being developed to meet the local economy’s needs, but those areas less travelled down the road of devolution or those that have even just started that journey are at a disadvantage in getting individuals in stepping stone learning and placements as an investment towards the desired good level job; and
- joint ownership – sectoral partners need to have a stake in national and local manpower planning. There was agreement that the myriads of structures within England meant that the commercial actors have steered clear of building relationships and voluntary organisations try to link-up but are often thwarted in the attempts by bureaucracy, it was as though entry points were not accessible to all. This made it hard for non-public sector partners to influence plans, frameworks and standards and so they have retreated away, particularly the private sector, leading to mismatches between labour’s skills and vacancies’ demands.

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2.3.3. Proof of concept – Norway’s flexibility within public sector partnerships

Implications for decentralising employment services

The Centre for Social Justice is aware that were the country to go down the road of localised employment and associated services, then there would need to be more, deeper and diverse partnership to make it a success. The landscaping of this requires profession, people and place-based partners amongst other things. The essential aspects of this relate to appreciating what are the dynamics within the public sector specific partners to leverage in workforce planning to clear the extra barriers faced by the most vulnerable of the customer base, generally seen as the economically inactive due to disability. Here, the UK can learn much from heavily devolved services found across Scandinavia, where there is a tradition of vocational support in the design of, staff buy into the delivery of and multiple estates and equipment usage for the undertaking of these services; many of the observations of this subsection can be so in a few countries, but the example here on in are all true in Norway.

The think tank is cognisant that the Norwegian employment services model comes out of the Scandinavian societal settlement of the 1960s and 1970s, where there was desire to help people to keep strong social cohesion. It has had reforms, most recently in the mid-2000s, to keep labour market performance at a relatively strong level by comparison with other countries through mobilising underutilised labour – the inactive. The Norwegian context was and still is that their government put forward several new policies to contain welfare and state dependency and prevent working age people from leaving the labour market early or on a long-term or permanent basis. The recent format is used by national and local benefit administration, employment services and other associated services agents in a highly coordinated way to assist clients. One of the qualities of their system is flexibilities where many different public sector agencies and staffs work in partnership to deliver tailored services for users, especially those with complex problems like the disadvantaged including those disability related. Therefore, the unemployed and inactive can access a wider ranging level of support around issues such as skill deficiency, mental and physical health, social isolation and so on.

Strengths of the social worker partner model in employment services

Origins of the employment service with social worker partnerships

In Nordic countries, the welfare state developed particularly from the 1960s onwards with an expansion of the social security system and social services as well as in the health and educational sectors; the 1970s have been called the golden age of the second of these, social services with a focus on prevention, education and rehabilitation. At that time, there was a growing demand for a profession to staff the bureaucracy that was established to carry out tasks related to the social policy laws and regulations. The Scandinavian social worker model was found to be an appropriate profession to perform the functions, and separate schools of social work were established during this period, building on the short and few courses developed in the 1920s and 1930s.²⁹¹

291 Gurid Aga Askeland of VID Specialized University and Helle Strauss of Metropolitan University College, Copenhagen 'The Nordic welfare model, civil society and social work' September 2014 <<https://ses.library.usyd.edu.au/handle/2123/18298>> and <https://ses.library.usyd.edu.au/bitstream/handle/2123/18298/Askeland-Strauss_Chap18_9781743324042.pdf?sequence=1&isAllowed=y>

In recent decades social work education across Scandinavia has been expanded and merged into universities or university colleges; it has been reorganised to adhere to the Bologna system of higher education programmes. States' institutions offer bachelor's and master's degrees and some doctoral courses, while the bachelor's programmes follow a general syllabus, masters' ones have different profiles and offer specialisations. Some masters and doctors are primarily social-work oriented and others are interdisciplinary.²⁹²

Public sector social work actors using the environment

The social work starting point of Norway's model means that the following main partners are operating in the devolved ecosystem:

- municipal social services offering counselling and follow-up services in addition to social assistance and other material supports;
- state employment support providing employment services, often with a mediating and guiding role in assisting people in finding work; and
- state social insurance administering and providing help with retirement, pensions, disability and other benefits.

All of these have unique corporate cultures reflecting the backgrounds of their staffs as well as bureaucratic traditions; employment and social insurance offices' employees often had only in-house education or different educational backgrounds seldom qualifying them as professionals which requires long training and a qualification, and municipal offices' ones were primarily qualified graduates of schools of professional social work practicing their profession, they were autonomous in making discretionary decisions. The reform of the mid-2000s had an impact on social workers in terms of modes of governance and steering instruments, integration and specialisation and power balance among professions. They have experienced better teamwork with others but saw workload rises and efficiency requirements and challenges in expectations on helping clients, such as follow-up with people with tensions between standardisation and flexibility.²⁹³

Conclusion about place of social worker partnerships

The above points a striking picture of Nordic civil society where: there is a high percentage of the population that vote indicating political engagement, substantially higher shares of which are involved with voluntary organisations and work is rooted in religious terms, and so trade union membership is high and working rights higher than most countries.²⁹⁴

The above shared responsibility and prosperity and flexible attitudinal mindset means manpower planning secured by a regard for social work was there from the beginning, as an enabler to social cohesion and to help all people overcome obstacles including the disadvantaged. Now, it appears that the role of social workers was different there too, with these members of staff often having advanced education and this has carried through into modern times with approximately one-third of the

292 Gurid Aga Askeland of VID Specialized University and Helle Strauss of Metropolitan University College, Copenhagen 'The Nordic welfare model, civil society and social work' September 2014 <<https://ses.library.usyd.edu.au/handle/2123/18298>> and <https://ses.library.usyd.edu.au/bitstream/handle/2123/18298/Askeland-Strauss_Chap18_9781743324042.pdf?sequence=1&isAllowed=y>

293 Anita Røysum of Oslo Metropolitan University and Akershus University 'How we do social work, not what we do', 2017 <https://oda.oslomet.no/oda-xmlui/bitstream/handle/10642/5143/Roeysum_postprint_nordic%20social%20work%20research.pdf?sequence=2&isAllowed=y>

294 Gurid Aga Askeland of VID Specialized University and Helle Strauss of Metropolitan University College, Copenhagen 'The Nordic welfare model, civil society and social work' September 2014 <<https://ses.library.usyd.edu.au/handle/2123/18298>> and <https://ses.library.usyd.edu.au/bitstream/handle/2123/18298/Askeland-Strauss_Chap18_9781743324042.pdf?sequence=1&isAllowed=y>

combined offices' space having workers with educational backgrounds in the social sciences, health, care and law.²⁹⁵

The said mix of professional and lower skilled workers in the three aforesaid offices means they can offer staff relatively attractive career opportunities in comparison to other states; where people often move between said offices and progress through the ranks as well as offering the possibility of doing two jobs part-time to fit family responsibilities and/or to help with household finances. The degree of autonomy and discretion within the professional constructs is also appealing to many, albeit there are some reforms that may countervail this the extent of changes are very modest by comparison to the UK.

Positives of having social worker partners in employment services

With the implementation of active labour market programmes being to strengthen employability, labour market or social participation of working age unemployed and inactive benefit recipients, there is a need for street-level work that requires dedicated workers. In these aforementioned offices, they not only compel activity requirement, sometimes using mandates and sanctions, but also motivate claimants through good relationships to maintain optimal human capital investments.

In Norway, it is a working assumption that people wish to be socially integrated, hence there is mildness of the conditionality regime and lack of punitive actions; the social worker model, as in all Scandinavian countries, has played a pivotal role in this. These classes of workers have high work engagement across three dimensions: dedication, vigour and absorption. The first of these, dedication, is that which refers to a sense of significance in the work being done. It is this motivational dimension that contributes to staff behaviours, working with the unemployed and inactive to resolve their personal and skills based challenges; it reflects their genuine willingness to invest effort to attain organisation goals of programmes, and is the difference maker in successful delivery.²⁹⁶

The dedication of the Norwegian social sphere worker

Higher education has had a key socialising role in shaping individual beliefs in structural-functional views of professions like the social workers; it influences the workers' interpretation of the work context and their level of dedication. Therefore, it is reasonable to suspect that this background fosters scepticism around the use of conditionality. Implicit in this is a tension between the mandates and sanctions and social work ethic, particularly as it relates to the most disadvantaged where the imposition has less scope to get movement into work. An approach more consistent with the social work tradition is to focus on individual-level changes that are similar to adoption of people changing from old to new technologies. If staff perceive tension between help and welfare conditionality enforcement, this can lead to less devotion to businesses goals because social work educators have always emphasised care, assistance and delivery to marginalised groups.²⁹⁷

295 Talieh Sadeghia and Lars Inge Terum of Oslo Metropolitan University 'Dedication to work: social workers in a Norwegian activation work context', April 2022 <<https://www.tandfonline.com/doi/epdf/10.1080/13691457.2022.2063812?needAccess=true>>

296 Ibid.

297 Ibid.

Working conditions of the Norwegian social specialty worker

The dedication above is fortified by a system widely used in Scandinavia, 'Job Demands – Control – Social Support', which manages mental stress and wellbeing in the workplace:

- job demands – these are operationalised workload and time pressures. Studies indicate excessive work can have serious consequences, such as stress and burnout which in turn adversely affects dedication to work. The negative effects of heavy workloads have received some attention in research on employment and benefit administration services.²⁹⁸ For example a Dutch study found heavy in-trays were a negative influence on performance in their attempts to help clients.²⁹⁹ Similarly, an American one found high caseloads were negatively associated with service quality;³⁰⁰
- control – is having substantial freedom, independence and discretion in scheduling one's work and in determining the procedures. A meta-study found that autonomy contributes to dedication, it has been noted that social workers tend to put greater emphasis on having this at work relative to peers without professional education, and if that is limited then social workers become less dedicated.³⁰¹ A Norwegian survey of frontline staff reported a high degree of autonomy. However, among social workers probability of reporting decreased autonomy in recent years was slightly higher; and
- social support – developing dedication via a network of colleagues and supervisors. Social context and interplay renders it possible to form relationships that have valuable resources related to the experience with devotedness to work. These relations can then evolve into so-called helping relationships, which refer to support from both teammates and supervisors. The above meta-study found that these social supports seem to contribute to perseverance, and social workers who receive minimal amounts of this are more likely to leave their organisation.³⁰²

The dedication of the Norwegian social subject matter worker

There are various person–environment fits and attitudes towards welfare conditionality and working conditions as well as business processes interact with this. An indicator of fit could be the extent key workers share the ethical principles and practical implications of it. If a gap between workers' and the organisation's normative attitudes occurs this will induce a kind of moral distress, and then one might expect a downturn in devotedness to object and objective. This can be related to aspects above but could just as easily be lack of congruence between own beliefs and policy constraints of their service delivery, for example use of particular learning platform, method or type of provider.³⁰³

298 Talieh Sadeghia and Lars Inge Terum of Oslo Metropolitan University 'Dedication to work: social workers in a Norwegian activation work context', April 2022 <<https://www.tandfonline.com/doi/epdf/10.1080/13691457.2022.2063812?needAccess=true>>

299 Rik Van Berkel and Eva Knies 'Performance management, caseloads and the frontline provision of social services. Social Policy & Administration', March 2017 <<https://www.tandfonline.com/doi/full/10.1080/13691457.2017.1297774>>

300 Christopher J. Jewell and Bonnie E. Glaser 'Toward a General Analytic Framework: Organizational Settings, Policy Goals, and Street-Level Behavior' July 2006 <<https://journals.sagepub.com/doi/10.1177/0095399706288581>>

301 Saija Mauno, Ulla Kinnunen, Anne Mäkikangas, and Taru Feldt 'Job Demands and Resources as Antecedents of Work Engagement: A Qualitative Review and Directions for Future Research', August 2010 <<https://www.elgaronline.com/edcollchap/edcoll/9781848448216/9781848448216.00016.xml>>

302 Talieh Sadeghia and Lars Inge Terum of Oslo Metropolitan University 'Dedication to work: social workers in a Norwegian activation work context', April 2022 <<https://www.tandfonline.com/doi/epdf/10.1080/13691457.2022.2063812?needAccess=true>>

303 Ibid.

Conclusion around people in social worker partnerships

The above argumentation exposes the fragility of the Scandinavian social worker model; it only works if modus-operandi is motivation not compulsion and that naturally leads to separation of employment services and benefits administration be it at the national or local levels. In Norway, the successful blue-water between these functions has resulted in a moderately demanding regime for staff and clients, and somewhat successful outcomes.

In the Norwegian case, there is doubt about conditionality, especially when dealing with the most disadvantaged. There has been some break on moving the disabled into employ coming out of educationally learnt ethics, as social workers are more comfortable using additional support with those least able to bare loss of income and the family and child poverty implications of it. A source of lowered or lowering dedication of staff is workplace stresses like unrealistic work-flows that potentially result in burnout, lack of scheduling freedoms which especially exasperate professional qualification holders and non-existent networks to sustain and improve performance. A final factor is the fit of the worker to the workplace's requirement, which can manifest as disagreements with decisions or actions.

Management of above would retain high levels of dedication seen among frontlines and raise professional and lower skilled workers' receptiveness to making a career in the field. Indeed, in Norway many more staff in any of the three offices stated above can substitute for each other, enabling managers to focus resources on the priority of the moment; and appeal to wants for rewarding work or needs for flexibility – in the form of online, hybrid and in-person working at different times – which is less so the case in the UK.

Opportunities with social worker partners in employment services

As the number of people with mental illness and knock-on to exclusion from work rises, Norway, chief amongst developed countries, has pioneered integrated personalised employment support; this happened here first because of recognition that employment plays a critical role in recovery from the initial ailment, social cohesion and self-esteem.³⁰⁴ This has happened despite the common perception that: work capability assessments of the benefit administration and employment services is a rubberstamp decision rather than a process; a noticeable phenomenon of the latter service avoiding making a decision that may be challenged and perhaps even overturned by the former. This context means that where frontline workers deem users not work ready as yet or not ever likely to be their discretion has a break on it as they may be overruled; thus more creative solutions are found to work-around this historically or overcome it with new initiatives more recently.³⁰⁵

304 Cathrine Moe, Beate Brinchmann, Line Rasmussen, Oda Lekve Brandseth, David McDaid, Eóin Killackey, Miles Rinaldi, Marit Borg and Arnstein Mykletun in the BioMed Central Journal 'Implementing individual placement and support (IPS): the experiences of employment specialists in the early implementation phase of IPS in northern Norway. The IPSNOR study', December 2021 <<https://bmcp psychiatry.biomedcentral.com/articles/10.1186/s12888-021-03644-x>>

305 Heidi Moen Gjersøe of Oslo Metropolitan University 'Getting Sick and Disabled People off Temporary Benefit Receipt: Strategies and Dilemmas in the Welfare State's Frontline, January 2016 <<https://oda.oslomet.no/oda-xmlui/bitstream/handle/10642/3190/1343281.pdf?sequence=1&is-Allowed=y>>

Effective street-level bureaucracy using social work based workforce

In Norway a large share of the employment service staff have social work or associated professions, some are even health care specialists, and this is why they were better placed to exert discretion than in counterpart countries. The frontline key worker here operates as street-level bureaucrats, a term coined by American academic Michael Lipsky, meaning in social work theory someone who confronts the problems of others that are hard to define, difficult to trace back to cause(s) and complicated to treat; so these situations have no easy fixes. This is particularly true in the case of claimants with health impairments.³⁰⁶

Under Lipsky's theorem, street-level bureaucrats must achieve policy objectives and remain responsive to individuals' needs; work has a high degree of uncertainty and its environment is characterised by unremitting resource strain. Thus, frontline workers coordinate their own strategies, that is however much states provide guidance, implementation comes down to the people who are doing it; the tension for them is who is and is not exempt from regime or applicable for support, with dilemmas of differential treatment versus likelihood of results. Staffs respond to this by developing coping strategies, shaped by their own experiences and working conditions, to simplify cases and spaces to reduce strain between capabilities to make judgements and accomplish the end goals. Therefore, they are using discretionary powers to make the jobs psychologically easier to manage or not choosing this and instead to follow rules strictly and ignore autonomy to protect themselves from confronting their own professional shortcomings as participants in public service.³⁰⁷

For the theory's originator, if the latter choice is taken then it is not a true coping strategy but a defence against bureaucratic challenges; and where the former is opted for and there is resistance to efforts to limit their discretion from outside, then they are redefining their role by taking into account externalities. The consequences of this are that the core question is one of when, what and how much autonomy fits in the overall strategy underpinning the objective, such that it is advantageous for authorities to permit it.³⁰⁸

Pioneering and effectively implementing tailored support with social work specialists

The Norwegian state has a long history with Integrated personalised employment support, or Individual placement and support which is more for those with mental health disorders. Though it is still not as routine as many would like it to be, it is certainly more so than most, if not all, other countries. As part of the academic record, studies of it are in the psychiatry journals and are usually in the form of qualitative focus group interviews with practitioners; these have most recently focused on reversing the inactivity caused by the poor mental health scourge sweeping the western developed world.³⁰⁹ Some within the above emerging Individual placement and support located architecture of the employment service in north most Norway found it a difficult challenge, owing to:

306 Heidi Moen Gjersøe of Oslo Metropolitan University 'Getting Sick and Disabled People off Temporary Benefit Receipt: Strategies and Dilemmas in the Welfare State's Frontline, January 2016 <<https://oda.oslomet.no/oda-xmlui/bitstream/handle/10642/3190/1343281.pdf?sequence=1&is-Allowed=y>>

307 Ibid.

308 Ibid.

309 Cathrine Moe, Beate Brinchmann, Line Rasmussen, Oda Lekve Brandseth, David McDaid, Eóin Killackey, Miles Rinaldi, Marit Borg and Arnstein Mykletun in the BioMed Central Journal 'Implementing Individual Placement and Support (IPS): the experiences of employment specialists in the early implementation phase of IPS in northern Norway. The IPSNOR study', December 2021 <<https://bmcpyschiatry.biomedcentral.com/articles/10.1186/s12888-021-03644-x>>

- pioneering the service development – many employees of this function stated that the service needed to be developed at each site based on local capacities and conditions, and that they were not prepared for it and had expected others to lead implementation though some of them did find the shaping of the systems rewarding;
- unsettled by partnerships between people and sectors – a prerequisite was close collaboration between a separate health service and own employment one, and some found manoeuvring sectors and actors difficult. There were challenges albeit those in flexible community treatment teams found it easier to implement. Key aspects were
 - balancing the presence in health and welfare offices and in the labour market ones with activity and practice running procedures, which is done within a health team working closely with clinicians where there were organisational and cultural factors,
 - ambiguity on confidentiality accessing two sectors, which although embedded in health teams still meant limited or no access to patient information due to confidentiality legislation dependent on relations with health service professionals,
 - handling information in a complex setting, which is about information across sectors transcribed from one side to another say health service detail into employment service documentation without breaking confidentiality rules, and
 - knowledge influences partnerships, which relates sometimes to lower levels of welfare awareness amongst managers in the health services than was expected leading to need for close collaboration between sectors;
 - particular challenges in small communities and in rural areas. Some staff in these localities had issues with organising the working weeks to meet local needs owing to physical distance of client homes, and there were pros and cons of local understanding that led to less need for meeting visits but also risked compromising confidentiality if electronic mediums were not used appropriately in implementing service; and
- role of human relationships – the two or three service specialists were often seated in different health teams and away from supervisors, and this meant team members often did not have a perfect picture on who was shouldering responsibilities for work.

Notwithstanding the aforesaid that disrupted establishment of Individual placement and support, it is apparent that specialist workers have pioneered a successful service model.³¹⁰

Conclusion around profession in social worker partnerships

The above argumentation brings into view the dependency on trained specialists, often social workers or associated professionals, in Norway's equivalent to public sector intermediaries; where they act as frontline interpreter and implementer of service as seen by customers and pioneer and perform those most sensitive integrated personalised employment services. Both of these functions operate more successfully than in the UK, and are seen as at the forefront of vocational knowhow cited as examples for others.

³¹⁰ Cathrine Moe, Beate Brinchmann, Line Rasmussen, Oda Lekve Brandseth, David McDavid, Eóin Killackey, Miles Rinaldi, Marit Borg and Arnstein Mykletun in the BioMed Central Journal 'Implementing Individual Placement and Support (IPS): the experiences of employment specialists in the early implementation phase of IPS in northern Norway. The IPSNOR study', December 2021 <<https://bmcp psychiatry.biomedcentral.com/articles/10.1186/s12888-021-03644-x>>

On the factory floor of the Norwegian service is the street-level bureaucracy where the bureaucrat is afforded a lot of autonomy, and can develop their own coping strategies within the overall strategy at higher geographic area units. However, the degree to which they do it is subject to where each one sits along the tension continuum between equal treatment and result and their assessment of own capabilities. State and municipalities want to see more discretion used with the disabled and other vulnerable groups as long as that fits with guidance, but only to a vanishing line where service advantage disappears.

The shopfloor which is the Individual placement and support part of the service is ahead of all other countries' equivalents, having been pioneered in the early 2010s. The process of raising it within health teams in the employment service that work closely with medics in the health service is now matured, but that journey took time to reach desired destination. There were sectoral partnerships, urban and rural community area and relationship issues that needed to be worked through before some level of success was seen in Norway.

Threats to social worker partners in employment services

State sector social work profession apprehensions

For social workers how they apply their professional competence has changed over time, with discourse around ethics; do these reflect obligation to standards, social justice – respect for a person's dignity and worth or client's best interest in terms of moving into work. Ideally, both are closely related in social workers' professional principles. The preminent research providing material on the social workers found the following under new model:

- unclear articulation of or lack of concentration on social work – meetings aimed to provide staff from offices with opportunities to discuss had little communicating of this; not unexpectedly after such a major reform attendees were keen to discuss other, pressing matters, such as assignment of caseloads and increasing bureaucratic demands. It was evident many were worried that their professional knowledge and skills built sometimes over many decades would be lost in the reorganisation;
- strong collective identity but not exclusive on membership – while the social workers were distracted from vocation, clear categorisations emerged in the form of 'us' or 'we' and 'others'. Attendees in meetings expressed views regarding the group with which they or others in the office were affiliated to, but identifying exactly who was to be contained in each was nevertheless difficult to know – no clarity as they are employed across the three offices. The unions see staff here as not only those qualified social services workers but also a mixed group with differing backgrounds involved in social work. Members are part of the mixed occupational service, where it was plain to see some were anxious that professional pride and dedication could be diluted, if not lost;
- clear ethical perspectives of vocation – at meetings, the social workers amongst the staff expressed that 'we were traditionally' and 'they are our clients' in statements, with attendees keen to state the objective of 'wishing the client well' and having solidarity. They talked about their unease on the client's best interests, getting into employment, objective taking precedence over all else, and non-observance of strict confidentiality – as they note 'we're the ones the clients can trust', concluding that this is important for loyalty and defending of vulnerable clients. It is palpable here the group believed non-social workers might be inclined to not 'wish the clients well'³¹¹ and

311 Anita Røysum of Oslo Met and Akershus University 'How we do social work, not what we do', 2017 <https://oda.oslomet.no/oda-xmlui/bitstream/handle/10642/5143/Roeysum_postprint_nordic%20social%20work%20research.pdf?sequence=2&isAllowed=y>

- toning down social work – while it was recognised others practiced this, they viewed their ways of treating clients as variable with this kind of interpretation seeming to link professional ethics and identity and how to do work. They suggest others seldom used concepts and toned-down practitioner insight.³¹² In one meeting the quote below was added in discussion.

Figure 153: Quote from Norwegian social worker, 2017³¹³

"I also believe we social workers must have humility in considering that others also have a lot of knowledge.... They may have very good ways of thinking, but they don't fully understand that we cannot reject anyone."

It is obvious here dilemmas of professionalised social services are ever present.³¹⁴

Final conclusion around place, people and profession in social worker partnerships

Findings from Norway and the wider Nordics

From all of the above, it is clear the social worker model has been the underpinning for flexibilities, allowing Norway and indeed other Scandinavian countries to help the disadvantaged, including those with lower-level disabilities, get into some form of work. Mixed profession but highly qualified workforce across disciplines like social sciences, health, care and law give them the dexterity needed to do this effectively.

Essentially, the use of these people in the Norwegian service builds strong relationships with customers and then motivates them to take a little, some or fuller employment by taking opportunities they would otherwise discount as unworkable. This is underpinned by reasonable workloads and scheduling to ensure there is no staff or user burnout. They do this within an infrastructure, that is either with general service which has higher discretion or sitting in health teams in the employment service that partner with the health service to deliver outcomes; however recent reforms might compromise this microsystem if careful management is not maintained going forward.

Note that all of this has happened within Norway's public sector, because they have several generations of social workers and a culture of using them. In the UK setting this is not present in terms of numbers and ethos, so at least initially integrated personalised employment services over here need to rely more on the third sector.

A mission for the UK and its regions

A more exciting prospect than just bringing in the third sector is to manage service using them near-term but then develop in-house capabilities; the amount of this is obviously for regional, combined and local authorities to decide on but brings with it one clear benefit, the flexibility to use staff across purposes and give rewarding careers to local people. The Scandinavian countries, and Norway

312 Anita Røysum of Oslo Met and Akershus University 'How we do social work, not what we do', 2017 <https://oda.oslomet.no/oda-xmlui/bit-stream/handle/10642/5143/Roysum_postprint_nordic%20social%20work%20research.pdf?sequence=2&isAllowed=y>

313 Ibid.

314 Ibid.

in particular, seem to use their workforce more dexterously, and so one advantage of devolving employment and associated services, including integrated personalised employment services, could be to tap into the skillsets across social sciences, health and care; say where a person can do some part of the working week engaging in one or more of these, which has the potential to prioritise activity on the employer side and provide more hours and these hours at convenient times in the day and even night for the employee. For example, would it not be good if a social worker is not able to visit an at-risk child across the area then a suitably trained employment service one might take the task, thereby reducing scope for tragic outcomes – not to be a norm or ideal but a contingency or support where skillset is amply suited.

In Scandinavia, and especially in the Norwegian system, there is the possibility for those with university qualifications and without it to progress through to substantive careers in the aforementioned agile workplace, which is by definition geographically spread out. This gives many who are uncertain of their place on leaving compulsory education or lack the means to undertake tertiary qualification at that point a way into formal employment and a way to build a life with the chance to progress whether they take on this learning later or not. This is a powerful and attractive feature of this model for a country like the UK, where many yearn for devolution to give local people opportunities. For instance, would it not be great if a young person across geographies, perhaps with middling to low attainment, were able to start as a clerical worker in the employment service and drive to being a health specialist, after in-work courses or sectoral qualifications over some years.

The raising of flexible labour forces in the regions and localities and different pathways to successful lives may have wider benefits, say: reducing the numbers taking on debt to finance tertiary education; alleviating cost of living crisis by allowing workers to take more hours because they are doing a wider variety of things, subject to knowledge and skills of course; and giving local people the chance to be local leaders. In fact, some of the academics consulted for this report started out working in Norway's social worker model.

2.3.4. Flexibilities in voluntary, community and social enterprise partnerships

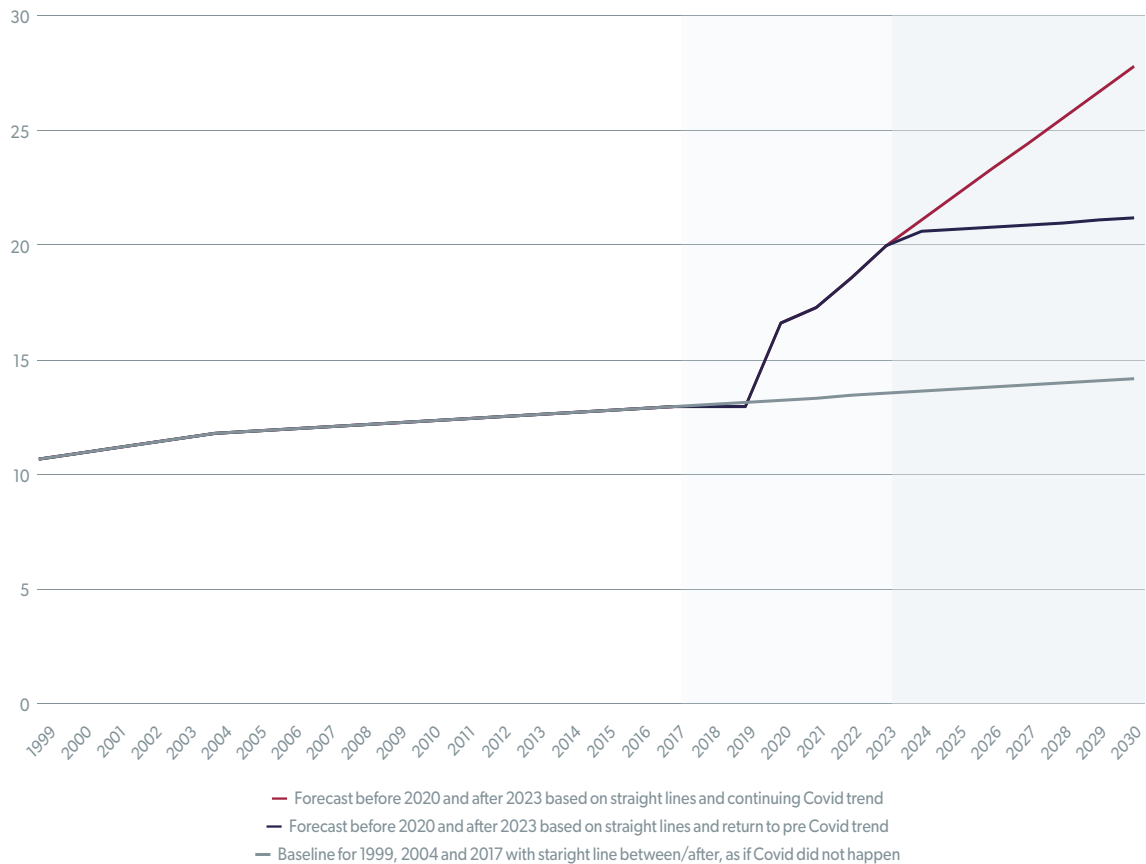
Upshot of decentralising employment services

The Centre for Social Justice knows, given its work with Alliance charities in its Foundation, that were the UK to localise employment and associated services, then there would need to be extensive partnerships. The framing of this requires consideration of partners within national and local charity ecosystems. The fundamentals of this relate to understanding the boundaries and capabilities of this sector's partners to influence procurement of on the shelf provision from providers, which was explored in Part Two Section Two, but also the design of future offerings. This is particularly the matter in the early stages of devolving services because unlike other countries, notably Scandinavian ones, the UK does not have internal capacity. It seems obvious that there are different ways of doing this.

The think tank is conscious that the third sector has grown out of the need of the most marginalised communities and deprived people in the country, and as the geographic and distributional imbalances widened their work has become increasingly difficult without core funding from the state. Therefore, there is no critique of the sector here and examples are just to exemplify the future direction. The UK context, like a lot of the developed world, is one of an ageing society; not only in absolute longevity of lifespans but also with pension ages rising and younger cohorts being smaller than older ones, thus average age in working age is creeping up. There are more people developing ailments and some with more than one; indeed the tendency is for those with none to develop one and those with one or more to add to them, which is shown clearly in Part One Section Two. Outside of the older age groups, there is also a rise in mental health issues amongst the young, some of this rise is possibly due to Covid and lockdowns. These trends mean there is profound need to tackle health-related inactivity, as this will only carry on growing if not dealt with; thus the following will case study charitable sector organisations in this area.

With the phenomena that has caused most public distress, mental health in the young, the chart below shows DHSC's survey data within three different what if scenarios; where the pandemic did not happen as a baseline lower level, where growth happens owing to the epidemic and then stays at the new high and where the year-on-year growth of the pandemic period continues to the end of the decade. The worrying thing is that the worst case scenario of continuing growth takes mental health disorders to nearer double the baseline by 2030. Now no one is saying this will happen but the trends give cause for much concern for policymakers. This situation and the more obvious ageing society impacts on the country is why the following will concentrate on health-related inactivity provision.

Figure 154: Percentage of mental health disorders trends in all 5-15 year olds based on pre-Covid 1999, 2004, 2017 and post-Covid 2020-23 (trends of 7-16 year olds), straight line in forecasts between and after said years – what if scenarios



Source: DHSC³¹⁵

National third sector partners – campaign, advisory, provision and guidance

National charity – Scope UK as partnerships model exemplar

Scope is one of the main disability equality charities in England and Wales. They provide practical information and emotional support when it's most needed, and campaign to create a fairer society³¹⁶ for disabled people. They offer online and offline employment support, and all of their employment support services are designed for working age disabled people. This helps those with disabilities to:

- improve communication channels around support and adjustments;
- embed flexible and remote working practices;
- create opportunities for progression through formal and informal initiatives;

³¹⁵ DHSC, November 2018 Survey and January 2017 – April 2023 Period and Follow-up Survey <<https://digital.nhs.uk/data-and-information/publications/statistical/mental-health-of-children-and-young-people-in-england/2017/2017>>, <<https://digital.nhs.uk/data-and-information/publications/statistical/mental-health-of-children-and-young-people-in-england/2023-wave-4-follow-up#summary>> and <<https://digital.nhs.uk/data-and-information/publications/statistical/mental-health-of-children-and-young-people-in-england/2023-wave-4-follow-up/data-sets>>

³¹⁶ Scope UK website <<https://www.scope.org.uk>>

- develop opportunities for peer-to-peer support networks and one-to-one mentoring;
- ensure access to information and resources;
- equip managers and employees to challenge negative attitudes and behaviours;
- explore ways to invest in and foster support amongst interest groups – like Purple Space;³¹⁷ and
- encourage an inclusive working environment.

They provide a national platform for disabled people's voices and experiences and support them to campaign on the issues which matter to them.³¹⁸

National charity – Scope UK as partner on moving from medical to social model

Scope UK advocate for a movement:

- from the historically dominant medical model of thinking – where disabled people are defined only by their impairments or differences – this is what is 'wrong' with the person, not what they need and how they can offer things back to society, which invariably lowers expectations and loses their sense of independence; and
- to a new paradigm social model of thought – where disabled people are limited by barriers society puts up, not their impairment or difference. These can be physical, like building design or transportation accessibility or attitudinal, such as assuming they cannot do certain things rather than knowing limitations then acting accordingly.

Their preferred fresh model recognises that barriers make it even harder for this group and attempts to remove them, in respects of the world of working life and independent living.³¹⁹

National charity – Scope UK as service provision and expert counsel partner

Within the back to work arena, Scope UK directly:

- offers over 60 quality services disabled people say they need in a way that suits them, from support through their national helpline to tailored employment advice, that is from access to practical tools and guides to personalised emotional support; and
- harnesses the power of digital technology and reach to give many more disabled people the information they need, improving lives through assistive products and platforms.³²⁰

To underpin this, they have championed information sharing from disabled employees' vantage and disability employment reporting from employers' perspective; their guidance provides a framework applicable to bigger business and maybe also to small- and medium-sized enterprise. The sell to commerce is that of mirroring their customer-base and thereby acquiring more of the so-called purple pound, and tapping into a bank of prospective employees in a very stretched labour market with additional knowledge- and skill-base they may bring. The quid pro quo for this is overcoming barriers by reporting overall numbers of disabled people in the organisation, counts of quality adjustments

317 Scope UK website <<https://www.scope.org.uk/about-us/purplespace>>

318 Scope UK website <<https://www.scope.org.uk/campaigns>>

319 Scope UK website <<https://www.scope.org.uk/about-us/social-model-of-disability/>>

320 Scope UK 'Everyday Equality', October 2018 <<https://www.scope.org.uk/about-us/everyday-equality/>>

offered and made, average earnings gaps brackets, subject to privacy legislation. The end goal being to close the employment gaps between disabled and non-disabled people.³²¹

National charity – Scope UK as best practice partner

Scope UK sets out practical ideas that business can apply to drive organisational change:

- overcoming barriers to sharing information – imbuing disabled employees with confidence to share key details and their stories. This requires tackling not identifying as disabled (either unconsciously or through explicit choice), real or perceived risks to employment opportunities, being advised against sharing or sharing too much, unsubstantiated poor attitudes towards the disabled, adjusting to transition after life event causes disability or not needing or only needing limited support or adjustments, and ineffective managers in terms of handling disabled people;
- information sharing leading to deeds at work – giving disabled employees the assurance that data gathers are about actions and activities that in the end improve the workplace for them. This means facilitating conversations about disability policy and internal, cultural, and external, healthcare or transmission, factors, appropriate approach to canvassing staff, selecting the right level and amount of detail to collect, remaining responsive to requests for own records and deletion of information, and challenging usage in terms of when, where and by whom it is disseminated;
- considering outcomes of information sharing – assuring disabled employees that the balance of positive results above negative experience from transferring information is sufficiently large. This needs to accommodate different peoples' tolerance of feeling pressurised to give details particularly if there is scope for future differential treatment, any change to power dynamics caused by disclosure, the effectiveness of responses and results from evidence-base and the ensuing career choices and decisions; and
- further changes needed in future – enabling employees with disabilities through adoption of aforesaid recommendations. This is showing the line of sight between sharing information and outcomes in the employment gaps and underlying metrics.³²²

Subnational third sector partners – general and specialist contracts

The Centre for Social Justice Foundation connects these organisations to researchers and decision-makers to bring their insight into UK policymaking; it has staff across the UK and works with the charitable sector and other similarly minded to develop an understanding from the ground up. The think tank's Alliance membership is a 600 plus strong network of charities; these members have experience and expertise of addressing poverty and supporting vulnerable people and communities. Their submits often lead to national policy change helping to address the root causes of poverty and social breakdown. The following evidence is extracted from that route.³²³

321 Scope UK 'A guide to reporting on disability employment', May 2019 <<https://www.scope.org.uk/campaigns/research-policy/employers-guide/>>

322 Scope UK 'Let's Talk', November 2017 <<https://www.scope.org.uk/campaigns/lets-talk/>>

323 CSJ Foundation <<https://csjfoundation.org.uk/alliance/>>

Local charity case study, general employment services – Zink, Buxton in Derbyshire

Zink grew out of High Peak Foodbank which provided essential support to struggling families during the Covid lockdowns, and became a provider of holistic support to those people over time. It runs weekly drop-in and area specific sessions on:

- getting back into work planning – qualified and experienced coaches supporting people into employment, volunteering, education or training. It works to the Government’s Matrix Standard for employability services, with staff helping participants to decide what sort of job they want then meeting with them regularly to plan how to get it;
- Work experience – coaches tailor in-house volunteering and refer to work experiences, and by exception there are opportunities overseas. They make concerted efforts to accommodate the persons wishes and provide experiences related to future goals;
- Job applications – work coaches also assist on answers to the questions of employer’s application forms. They teach how to use a job description and person specification properly ensuring that all transferable skills, knowledge and experience are brought out;
- CV writing and interviews – coaches create, update or customise profiles in workshops, helping to deal with gaps in employment histories. They also prepare individuals for interview, teaching how to answer what the employer wants from a question; and
- Young people – its employment programmes are available to people aged 16 plus, but they do accept younger ones, like those on the late Duke of Edinburgh’s Award Scheme.

If all of the above sounds a lot like the national offer of JCP, then that is not surprising as many of their past staff go on to the third sector; this charity is engaging in business partnerships, with many businesses interested in partnering with them to deliver statutory funded programmes or contracts.³²⁴

Local charity case study, specialist employment services

A common feature shared by the nationally contracted employment programmes, from Work and Health Programme through to integrated personalised employment support, is that referrals are all made via the work coach in JCP; this is also true for specialist employment services outlined below. As a result, the national agency controls who is referred and to whom, something that the provider cannot influence. This is the critical thing to understand the power dynamic because the providers still remain responsible for outcomes but cannot know they will have enough referrals coming through to make good, or if inappropriate referrals are made the provider will still carry the financial burden. There were originally six providers delivering specialist employment support in the trial period but only five were extended from September 2017, they are listed below:

Pan disability support –

- Kennedy Scott
- Remploy
- Steps to Employment*
- Shaw Trust

Two offered specialist sensory support –

- Doncaster Deaf Trust
- Royal National College for the Blind

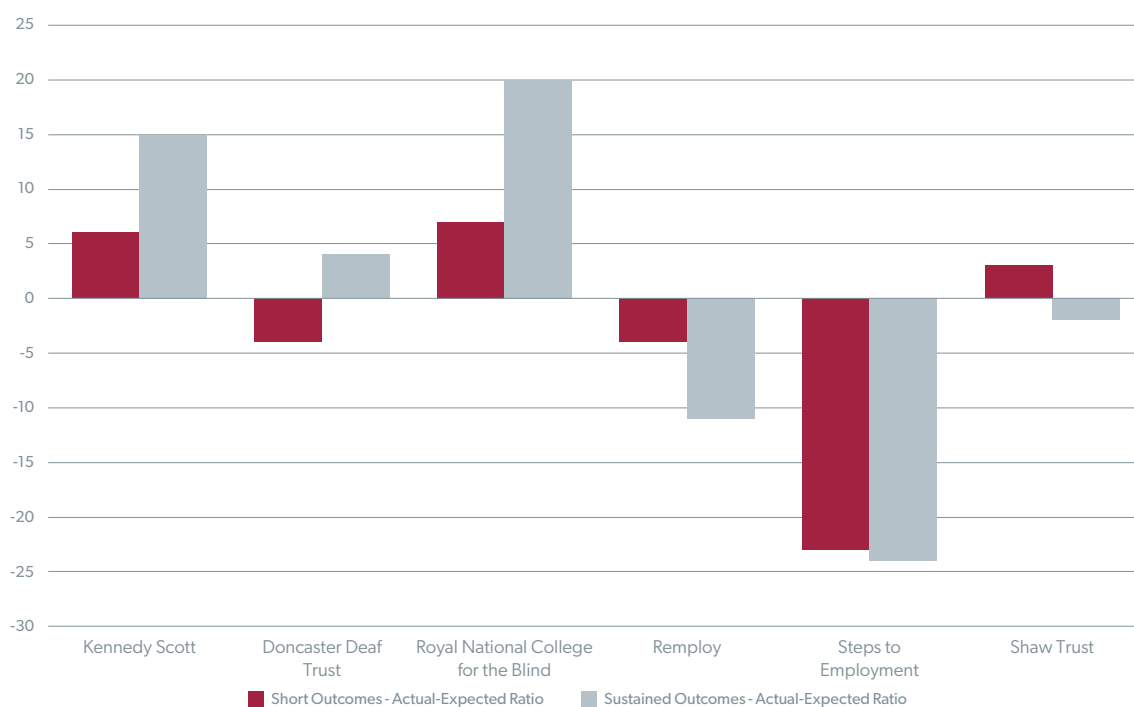
* Note one of the prime providers was discontinued in August 2017.³²⁵

324 Zink <<https://staging.zink.org.uk/>> and <<https://staging.zink.org.uk/advice/>>

325 DWP, November 2020 <<https://www.gov.uk/government/publications/specialist-employability-support-statistics-information-note/specialist-employability-support-background-information-note#contracts-and-providers>>

There are challenges with JCP's contracting processes, as highlighted in the previous section, and frequent difficulties with referring. The result of this is pan-disability organisations hold prime contracts and get more of the referrals, albeit they may sub-contract specialist providers to do work. This means these actors, often multinationals, take much of the margin, leaving specialists barely making ends meet; this can run counter to natural fairness with some specialist providers outperforming generic ones but penalised by systems. The chart below shows the Royal National College for the Blind and Doncaster Deaf Trust, both prevented from bidding for prime contracts after the above initial trial reported on above, despite performing favourably; first has the highest short and sustained job move ratios and second is only one of three that has a higher than average sustained job move ratio.

Figure 155: Percentage distance from overall (all provider) performance on short and sustained employment outcomes, actual less expected job moves ratio, to September 2020



Source: DWP³²⁶

Local, specialist employment services case study – Royal National College for the Blind

The Royal National College for the Blind was initially awarded prime contract for the sensory element of specialist employability support in the trial, but later was prevented from bidding for general prime contract within integrated personalised employment support. At the beginning, it indicated a certain number of customers that they envisaged working with each year; however they felt the number of referrals the DWP had predicted was over-inflated. As expected, the charity simply did not receive the cases they needed to hit the DWP targets, this was despite the fact that they, as the provider,

326 DWP, November 2020 <<https://www.gov.uk/government/collections/specialist-employability-support-statistics>> and <<https://www.gov.uk/government/statistics/specialist-employability-support-statistics-to-september-2020>>

were given the burden of processing the necessary numbers of people through the programme. Furthermore, the Royal National College for the Blind were frequently referred individuals who were not suitable for their programme or to the sensory support they were contracted to deliver; this proved to be the biggest challenge faced and resulted in frictions with JCP.

Local, specialist employment services case study – Doncaster Deaf Trust

Doncaster Deaf Trust held one of the two prime contracts for the sensory element of specialist employability support in the trial, but later was prevented from bidding for general prime contract within integrated personalised employment support. At the start of the trial, it was profiled to receive only less than a hundred claimants per year; despite deaf people still being referred into the Work and Health Programme, but were being channelled to the pan disability providers, multinational organisations. The Trust felt they had capacity to take triple the amount being referred each year, and had and still do have a track record in getting deaf claimants back into sustained work. Doncaster Deaf Trust were also sub-contracted by two prime private providers as a specialist provider in the delivery of specialist employability support. Despite forming part of the initial bid under the private prime providers, they were not given a single referral throughout the course of the programme and started to consider themselves to be what is known as bid fodder. They were not given reasons from the prime providers as to why they had no referrals, but later discovered it was because the bigger party chose to provide this in-house.

National and subnational third sector partnerships

The end conclusion of the facts and figures around third sector partnerships is that in absence of Scandinavian style public sector capacity, charitable organisations have stepped in and often without core funding from the state; while devolved regions and authorities should start to build more of this perhaps even taking in some local providers, there is need to use the ones already out there. The case for doing this is underscored by the ageing society rises going forward and mental health ones which is ever present; the NHS cannot be left to manage these and the employment aspects are better dealt with by those familiar with the support requirement.

These partnerships can be at the national or local level; but both of these are needed to carry the vulnerable economically inactive within the project to devolve and reform employment and associated services. The well-known national charities have brand recognition and trust of disadvantaged people. For example, Scope UK have been campaigning for policy change with national government, advising employers on diversity policies, providing information to disabled employees and prospective ones and offering best practice guidance to all. The thing that marks out whether the national charity is a partner is that they represent a coherent change. In Scope's case they want to move the UK from seeing the disabled through medical model lens to seeing them in a social model sense; they do this through sharing and technology services aimed at all parties to overcome barriers, share information and bring about change.

These partnerships can be at the local level but take a general or specialised form; both are needed to carry the vulnerable inactive groups with the process of devolving and designing afresh employment and associated services. Generalist ones can offer the same services as JCP's employment support be that in-house or contracted out, often times to these very same providers. Zink showed quite clearly no one has a monopoly on doing this and indeed disadvantaged people might prefer to work with organisations like theirs over the national agency, because of the separation of benefit administration and employment services. Specialists can offer just as good, in fact sometimes better outcomes,

compared to prime contractors; the Royal National College for the Blind and Doncaster Deaf Trust certainly demonstrated this over many years.

These partners are open to support from near or afar and negotiate help for local people, but need a locality interlocutor to include them in an equitable way; this is one that puts struggling families ahead of the organisational financial risk appetites of senior managers. Therefore, were locally elected politicians responsible for employment and associated services, there might be the possibility of some accountability for meeting those needs.

2.3.5. Partnerships around legislation and digital platforms as well as in wider areas

Labour laws, structure and price determiners in the UK

There is an argument because UK labour legislation grew iteratively over millennia, centuries and decades out of colonisation, customs and feudalism, it is almost always behind the times. The earliest codex of rules applicable to these islands dates to Roman and Byzantine periods but were not universally adhered to or enforced, and were slowly expanded from the Anglo-Saxon and Norman medieval to the Renaissance mercantile with the votes and rights enfranchisement moving into today's legal sovereignty. However, for the purposes of this report the period of most relevance is from the mid-Victorian period onward, which is the topic of the following passages.

Employer types, like sole traders, partnerships, and limited and public companies and their liabilities under law, were defined in the Joint Stocks and Companies Act of 1844 and Limited Liability Act 1855. These legislative reforms afford incorporation protection previously only available under Royal Charter or Private Act of Parliament, and enabled businesses to get bigger knowing the liability of owners and management of companies and some forms of partnerships were limited. At the time and even now, this was viewed as advantageous, then because it let Britain contend with Napoleonic France and now because it underpins the wealth of the nation. To this day, there has largely been no change to these legal definitions, albeit they may be incorporated in other acts and are under pressure from globalisation of trade into parts of the world that do not hold liberal democratic and/or mixed capitalist and/or social model ideas and from international platforms intermediating the relations between seller and buyer.

Employee status, such as paid employees of another legal entity as per employer types above or self-employed persons, came more gradually out of the reforms of the Conservative and Liberal Prime Ministers Benjamin Disraeli and William Gladstone through the various Reform Act and Master and Servant Act both of 1867, the Trade Union Act and Criminal Law Amendment Act of the first by this article both of 1871, and the Conspiracy, and Protection of Property Act and Employers and Workmen Act both of 1875. A very pithy listing of the matters of these acts is as follows:

- extending voting rights to workers, at least heads of households, thereby giving them legal rights on base wage, working patterns, paid holidays, sickness leave and pay, dismissal, redundancy period and pay, collective representation, work-life balance and so on and subject to relevance and in time period and recourses on these to the courts;

- criminalising breach of contract by workers, previously employers could prosecute for breaches under a stricter criminal conspiracy in restraint of trade basis which was a hangover from emergency legislation from before and during the Napoleonic Wars. This meant employees seeking to form labour unions and such could be prosecuted for essentially curbing commerce, at a time when the country could ill afford that;
- repealing of earlier laws and introducing new ones provided trade unions registration, assembly and action, and to the largest extent agreements or trusts void from restraint of trade rulings. It made trade union decisions not enforceable or subject to claims for damages for breach, ensuring the courts did not interfere in union affairs as it related to collective bargaining and that they could not force actions, say striking on members who did not want to, and allowed members to access the financial records of the union;
- protecting rights of workers to picket employers but not to go beyond this, say stalking, harassing or harming employees not picketing or managers and owners of the firm. Indeed, legal redress for these offences at the time was three months' imprisonment, with hard labour on anyone who attempts to coerce another by use of violence; and
- equalising legal remedy for employers and employees, where breaches of contract on either side covered by civil law could result in fines or imprisonment in balanced degree of severity as interpreted by the courts. As Disraeli put it: "we have settled the long and vexatious contest between capital and labour", though modern commentators might say these relationships are still an ongoing negotiation.

Outdated employment legislation

Trade Union Congress (TUC) and General, Municipal, Boilermakers and Allied Trade Union (GMBATU now GMB) versus Deliveroo

The shortcomings of statutes came into sight with recent employer and employee or is it contractor disputes; the most prominent is that of the heading, where UK work arrangements need to ensure labour market policies have both flexibility for those who want this and security for others,³²⁷ as there is now an intermediate category of worker between employed and self-employed with differing entitlements. The exam question posed is with the rise of gig sector commerce how does this country move from two-size legislation to one that has at least one more, so workers can have different but appropriate rights without going to court to get them. Common determining factors across countries include: control exerted over the individual by engaging organisation, the individual's freedom to set time, activity and workload, their level of financial risk for providing equipment, integration into the organisation and/or having other clients.³²⁸

The call for further legislation has come from ostensibly self-employed gig workers; but this phenomena started at volume in the 1990s with free agents like web designers working as companies, casual earners such as teachers supplementing income with private classes and reluctantly those with life circumstances or skills mismatch or deficiency began working job lots at set fee rather than for time rates.³²⁹ It has also come from the wider political class as the Financial Times in 2018 stated the OBR's projections has this at £3 billion loss of tax revenue based on updated outturns;³³⁰ the problem over the 2000s has been tax-payer backlash, as say single person IT consultancies are very

327 Alan Turing Institute, 2018 <<https://www.turing.ac.uk/research/research-projects/labour-supply-gig-economy>>

328 Price Waterhouse Cooper, February 2021 <<https://www.pwc.co.uk/services/legal/insights/gig-economy-eu-uk-2021.html>>

329 Tejvan Pettinger 'The gig economy' May 2018 <<https://www.economicshelp.org/blog/24205/labour-markets/the-gig-economy/>>

330 Financial Times, 2018 <<https://www.ft.com/content/ba9dc7c8-b26d-11e6-a37c-f4a01f1b0fa1>> updated by the OBR <<https://obr.uk/box/the-effect-of-incorporations-on-tax-receipts/>>

different to plumbers, but may choose self-employed status to pay less tax. The public debate focuses on self-employed gig sector participants, with the TUC in 2019 asserting that there are 4.4 million such workers within England and Wales,³³¹ and if extrapolated up to UK then 4.7 million which is predicted to be 7.3 million by 2022.³³² However, the media is fixated on the terms and conditions for the little over a million UK workforce on zero-hour contracts, when there are much bigger challenges on the low paid in this sector.³³³

The case between the TUC and GMB and the highly profitable UK firm Deliveroo resulted in the employer adapting to the likely then actual Supreme Court ruling that Uber drivers are not self-employed; thereby overturning zero-hours contracts and giving employees' rights.³³⁴ Its business model is genuinely different with pay for UK riders being £3-£4.50 per drop in an hour,³³⁵ which means 3-4 drops earns more than National Living Wage in London (£11.05 per hour) and outside it (£9.50 per hour); research conducted in 2018 found average riders were paid more than this, and this needs to be as freelancers can turn down jobs in favour of higher paying competitors.³³⁶ They also signed a recognition deal with the GMB, covering 90 thousand riders in the UK, which sees the trade union take on collective bargaining authority and mediating on health, safety, wellbeing and disputes.³³⁷ A key part of Deliveroo's model is high rider satisfaction, which is generally true for all gig workers; BEIS's 2017 research found over half in the sector were satisfied, but that leaves still a sizeable number not.³³⁸ Later research shows the firm has an offer which is worth it for some riders with 4 in 5 liking its flexibility, and just under 2 in 5 enjoying the physical activity and local drops aspects; these features appeal overwhelmingly to younger men, sometimes students, who are less well catered for by other forms of employment.³³⁹

Attempts to update employment legislation – private sector partnership by decree

The above agreement shows there is a legal requirement for an industry of large size and scope with tax revenues to protect, and working way of life that appeals to some people but not everyone. Therefore there does seem to be a case for a new bill to go before Parliament. There has not been a shortage of tries to this either with:

- the Status of Workers Bill 2021-22 which aimed to have the tiers with differing degrees of rights: genuine paid employees with full terms and conditions, those who are self-employed as per zero-hours contracts or employed by a personal service company owned by themselves but that does not work for those who may have been conned or coerced into paying their own tax and national insurance, and finally the genuinely self-employed who are individuals in business on their own account with their own clients or customers;³⁴⁰

331 TUC, November 2021 <<https://www.tuc.org.uk/news/gig-economy-workforce-england-and-wales-has-almost-tripled-last-five-years-new-tuc-research#:~:text=TUC%20research%20%7C%20TUC>>

332 Andrew Fennell 'The latest facts and figures behind the UK's fast-growing gig economy', March 2023 <<https://standout-cv.com/gig-economy-statistics-uk>>

333 ONS, August 2023 <<https://www.ons.gov.uk/employmentandlabourmarket/peopleinwork/employmentandemployeetypes/datasets/emp17peopleinemploymentonzerohourscontracts>>

334 TUC, November 2021 <<https://www.tuc.org.uk/news/gig-economy-workforce-england-and-wales-has-almost-tripled-last-five-years-new-tuc-research#:~:text=TUC%20research%20%7C%20TUC>>

335 NimbleFins 'How Much Does Deliveroo Pay?', November 2023 <<https://www.nimblefins.co.uk/business-insurance/courier-insurance-uk/deliveroo-pay>>

336 PublicFirst 'Freedom and Flexibility', November 2018 <<https://www.publicfirst.co.uk/new-report-freedom-and-flexibility-the-relationship-deliveroo-riders-have-with-the-labour-market.html>>

337 Deliveroo, May 2022 <<https://corporate.deliveroo.co.uk/media/gmb-and-deliveroo-sign-historic-union-deal/>>

338 BEIS, February 2018 <https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/687553/The_characteristics_of_those_in_the_gig_economy.pdf>

339 PublicFirst 'Freedom and Flexibility', November 2018 <<https://www.publicfirst.co.uk/new-report-freedom-and-flexibility-the-relationship-deliveroo-riders-have-with-the-labour-market.html>>

340 Parliament, 2021 <<https://publications.parliament.uk/pa/bills/cbill/58-02/0242/210242.pdf>>

- the Employment Relations (Flexible Working) Bill 2022-23 which tries to amend the Employment Rights Act 1996 to change the right to request flexible working: removing requirement for employees to explain in their request and what effect they think it will have on the employer and suggest mitigations, allowing employees to make two requests over any 12 months instead of the one currently, prohibiting employers from rejecting an application without having discussed and explored options with the employee, and reducing the deadline for an employer decision on requests from three to two months;³⁴¹ and
- the Employment Bill 2023 is the last in a series of these proposed or amendments to legislation, which is early in its reformulation but looks to allow agency and other workers the right to request a predictable work pattern.³⁴²

These proposed legislative changes are either discontinued in the case of the first, or likely to be unfinished given the length of the last Parliament and new legislative schedule of the new one, with the Government probably wanting to propose their own laws. Thus, there is a need to bring together the various aspects of statuses, rights and requests into a single coherent piece of legislation. It is clear that there is an appetite to reform labour law in light of the effects of international forces on people. However, this must be a balanced suite of proposals that take account of modern ways of working that clearly suit some more than others.

Levelling the digital marketplace

There is no doubt the Uberisation of the gig economy, it being oligopolistic and unfair in nature, has borne down on many workers security and terms and conditions. Indeed, the academics at Lancaster University have produced an index on it accepted by both sides of the political spectrum, from former Minister Alan Milburn, 1998-2005, to the former Chief of Staff to a former Prime Minister Gavin Barwell, 2017-19. They both say women, the disabled, ethnic minorities and the young have been consistently affected by insecure employment over two decades. The headline finding was that an estimated 6.2 million workers, a little under 1 in 5 of the UK labour market experienced severely insecure work in 2021, with workers in certain sectors, like agriculture, services and hospitality where 1 in 3 experience it and are so much more likely to feel its negative impact than others. On the other hand, they also say some people are in secure work, but not as many as the politicians may want to be; a little less than half experience full secure work and circa 1 in 3 feel low to moderate security.³⁴³

The UK insecure work index is based on three dimensions from Lancaster University's academic theoretical framework: contractual insecurity, financial insecurity and workers' rights. These were used to identify indicators, relevant variables, in the LFS which contribute to overall levels of insecurity. Using principal component analysis, they determine how the different job characteristics are correlated and summarise these into a single index.³⁴⁴

341 Parliament, 2022 <<https://www.legislation.gov.uk/ukpga/2023/33/enacted>>

342 Parliament, 2023 <<https://hansard.parliament.uk/commons/2022-12-06/debates/A26A7364-61D5-4DED-A0FE-1B3C1CBC9DDE/Employment>>

343 Work Foundation 'The UK insecure work index', May 2022 <<https://www.lancaster.ac.uk/media/lancaster-university/content-assets/documents/lums/work-foundation/UKInsecureWorkIndex.pdf>>

344 Work Foundation 'The UK insecure work index – Technical Annex', May 2022 <<https://www.lancaster.ac.uk/media/lancaster-university/content-assets/documents/lums/work-foundation/TechnicalAnnex.pdf>>

Tech-Sector platforming

One of the things that makes the gig economy oligopolistic and unfair is that digital platforms serve their creators – capital intermediaries; that is while these technologies have sped up business activities between sellers and buyers, using ever further advances in authentication, connectivity, networks, displays, fulfilment and security, they have modernised markets in a wholly unequal way.

Trading exchanges in financial markets work because institutions that trade through software interact seamlessly because all banks work in real-time, at a granular level and with similar speed. Therefore, access and power dynamics are approximate and transaction costs are driven down, contrast this with that in labour markets that do not work for everyone as there is asymmetry in power. These e-markets barely qualify as true markets but are rather very slick order systems where buyers can bid down sellers' fee through algorithm; the platform itself is not an intermediating actor that can even be negotiated with or compelled by legal instruments which are nation state or trading bloc bound and run at a much slower pace.³⁴⁵

The attributes that reveal whether or not the gig economy digital platforms are oligopolistic and unfair are outlined in the table below.

*Figure 156: Factors used to assess an online platform*³⁴⁶

FACTORS	DESCRIPTION
Depth	The most useful market imaginable will be used with all buyers of the resource being traded included. This liquidity widens options, the quality of data generated and the efficiency of resource allocation. Today's e-markets can achieve close to this when multiple online exchanges allow intermediary software to smooth access.
Breadth	The proportion of sellers with potential opportunities in the market is also large and inclusive. Today's e-markets can do this as well, with for example, a freelance dental hygienist who also earns as a piano tutor, a babysitter and a dog walker while renting out her do-it-yourself tools and parking space when not needed theoretically has seamless exposure to all openings.
Functionality	The extent of the control of sellers over the parameters of each sale, is this nuanced, risk-free and informed matching to buyers or weighted in favour of them. Today's e-markets being real-time, with in-built detailed data about patterns of demand, supply and pricing invariably means the buyers are favoured by the system.
Overheads	The cost to use the marketplace affects the nature of it. Today's e-markets have low fees to keep prices down, which generates volume of activity and mean intermediary earnings go up, as they skim a margin on each sale.
Governance	The exchange is neutral, aiming for best match between buyers and sellers, and not skewed toward profitable users, and fundamentals like privacy, transparency, security and service are guaranteed. Today's e-markets are only accountable to the operators not buyers or sellers, but the second has more power as without them there is no market.

345 Rowan Wingham 'An emerging opportunity for recovery: modern markets for all, June 2021 <https://www.cigionline.org/static/documents/PB_no.166.pdf>

346 Ibid.

In short, these are e-markets where operators skim margins by driving down prices. Functionality means buyers are at an advantage in knowing the range of possibilities, and sellers cannot process options quickly enough resulting in them taking fees offered via the matching algorithm. Though one must be careful as where this has happened, transportation, fast food or other sectors, it is not just modernisation that is the cause, there may also be imbalance of many and multiplying sellers and stable or not swelling buyers meaning the platform may be amplifying market problems – that is it merely brings forward consequence.³⁴⁷

The mediation in tech-sector platforming – private sector partnership by design

Assuming there is balance between sellers and buyers, and the market problem is simply one of oligopolistic and unfair digital platform, then Government has it in its gift to be a game-changer here. It or regional or local governments can build aggregating platform(s) which bring together all piecemeal work on a single marketplace across very many online e-markets as well as these being on operator's systems, which mean sellers can turn down low fees from one buyer and take jobs from another to drive up prices. This merely represents an equalisation of bargaining power, but will require legislation, face a lot of opposition from intermediaries (which will likely lead to litigation as it has done in the United States) and has a high cost to raise the combined platform owing to authentication, data security and proprietary rights issues.³⁴⁸

One way to overcome expense of raising the aggregating platform(s) to bring in all job lots is to contract it out to a digital start-up in return for obligation to keep access fees low. This has the benefit of creating an onshore industry and high-value jobs in the tech-sector but also keeping a degree of control on market conditions, but only if the market authority is kept at arms-length from politicians so disputes between buyers and sellers are dealt with on commercial basis, and of course the devil will be in the detail of the contract.³⁴⁹

Private sector partnerships conclusions

As the UK has a self-contained labour market after leaving the EU, it can simply legislate to regulate markets; but as the country also has the biggest tech-sector outside of Silicon Valley, it is best placed in Europe to stand-up to such an aggregate online market. The former probably has speedier impact on the low paid's day-to-day lives but the latter is self-correcting; it empowers low-medium skilled workers to bargain up prices, thus is a market solution to the problem of ever lowering value placed on this class of labour. There is no reason why any future government could not do both, relying on different partners to achieve the first in the near and the second over time.

Partnerships with boundary organisations

There are also partnerships with actors that are in one sector but work almost exclusively with another or others, these are boundary organisations. In respects of devolving employment services, two types spring to mind and are outlined through the case studies below.

347 Rowan Wingham 'An emerging opportunity for recovery: modern markets for all, June 2021 <https://www.cigionline.org/static/documents/PB_no.166.pdf>

348 Ibid.

349 Ibid.

Pseudo public sector partner – case study

The National Careers Service is funded out of the DfE, and as mentioned earlier in this report may be rolled-up into devolved employment and associated services. Currently, it provides high quality, free and impartial careers advice, information and guidance. The organisation gives this to anyone aged 13 or over in the UK, no matter what stage of the careers journey. The service is an intermediary between those in public and private education, the would-be employee, the world of work and the employers. It also provides information for parents, teachers, employers, coaches and advisers to support others on career journeys. Their provision includes assessing skillsets, exploring career prospects and finding suitable courses. The chief point of contact is their telephone advisers in the first instance, but later interaction can be on a range of communication mediums. With such a broad set of stakeholders from individuals and their personal representatives to organisations and professional bodies to the business and sectoral communities, they are often first to know of latent demand and mismatches between supply and demand in the labour market so it is important they present to give an impartial view on the state of the service provision.³⁵⁰

Quasi private or third sector partner – case study

The Association of Colleges is the national trade association for further education, sixth form, tertiary and specialist colleges in England. It is a not for profit membership organisation established in 1996 by colleges for themselves, and covers 90 per cent of the sector in jurisdiction that educate and train 2 million people each year.³⁵¹

The membership body tries to:

- influence Government and wider local and national policymakers to create the environment for strong and sustainable colleges at the heart of the whole country's economy;
- produce high quality professional support, advice and intelligence to meet the needs of membership; and
- champion and enhance the reputation of colleges, and that of their leaders, staff and students.

The association is committed to:

- being open and transparent, working with and for all members;
- setting clear long-term priorities for work with robust measures and accountability processes through our governance structure; and
- working in partnership with a range of other organisations that can support and add value to their work.

With this wide membership and remit, they are often first to look to resolve mismatch through provision of the right course for the local labour market.³⁵²

Boundary partnerships conclusions

If/when the UK plans for and during implementing of devolved employment services, there will be a need for voices that cut across the interest groups. The above organisations and others like them are exactly the wider advisory stakeholders needed on locality's oversight boards, but might get missed off owing to not being directly involved in in-house or contracted provision, supplementary services or the marketplace.

³⁵⁰ National Careers Service <<https://nationalcareers.service.gov.uk/about-us>> and <<https://nationalcareers.service.gov.uk/>>

³⁵¹ Association of Colleges <<https://www.aoc.co.uk/about-us>>

³⁵² Ibid.

2.3.6. Argumentation for devolving employment and associated services

Unfinished Business

Devising localised partnerships within the public, third and private sectors

The Centre for Social Justice has for a long time unwaveringly campaigned for localising of employment services inside the Universal Support stencil, to be managed between national and local governments, with a Senior Responsible Owner reporting to a Board. We were always for localism, but with maturing mayoralities and combined authorities in some places and trajectories to this in others has led us to more profound change.

Our stance now is that:

- a secretariat in Westminster owns national strategy and holds localities to account within mechanisms, allocates budgets and has take-back powers. With this, guidance and evaluation are embedded for knowledge retention and to review actions; and
- a lower-level structure perhaps based on combined authorities under regional mayors and devolved first ministers, is needed to deliver employment services that fit their local landscapes.

This has much in common with Norwegian, Danish and Dutch systems as well as wider Scandinavia where overall planning to objectives are for national and higher local area levels but the running is done by lowest level local units. The two are devised so local provision is aligned to departmental plan, as arbitrated on by the central secretariat.

Companion to earlier welfare reform

The think tank judges that proper Universal Support requires devolved areas to run the services in partnership with other stakeholders for the advancement of local peoples' needs, especially the unemployed and economically inactive, and through that enable them to work their way out of poverty or to a position of more comfort. After Covid, there is much desire to level up the country via peoples' control of their own destiny. The project roundtables made it clear and proof from Norway's semi-devolved system showed how a social worker model can give both the local agent, caseworkers and clients greater flexibilities and satisfaction. Third sector case studies disclosed how large and smaller charities play into full market or vulnerable group support, while the examples around updating legislation and changing online platform infrastructures revealed how these can protect weak, weaker, participants and enhance their bargaining power. There are many examples of decentralising employment and associated services internationally and in the UK. These present options for assisting all people and those with limitations into employment.

As Jonathan Ashworth, Labour's former Shadow for Work and Pensions put it in his speech to the audience at a Centre for Social Justice Event in January 2023:

"2.5 million – an increase of half a million, suffering long-term sickness. Just under two-thirds of people out of work for ill health are living with a mental health problem such as depression, anxiety or stress. Long-term sickness has risen fastest in younger age groups, with the biggest increase for mental health. Poor health is increasingly a reason for many of the over 50s to leave employment as well.

... We need new reforms and to apply new thinking to welfare to change lives, spread opportunity and help people find appropriate, supportive, rewarding, well-paid quality work. It's good for them, good for society and good for the economy. I want to be clear, for people who can't work, they deserve security with inclusion not fear or threats."³⁵³

He then went on to say at the think tank's event:

"And for many who do interact with DWP programmes, they are left wary of employment support services and jobcentres, too often experiencing them as a combination of benefit policing and one size fits all exercises ... It's because ministers sit in Whitehall imposing different programme after programme on local areas – regardless of the local economic needs of a community.

... Keir Starmer said last week a Labour government would shift power and resources out of Whitehall to every corner of the country. Because local action makes a difference and it's local people who are best placed to design and shape employment support services to meet the needs, challenges and opportunities of their communities.

... Our reforms will build on success stories of partnership with the voluntary and private sector working at a local level ... shift resources to local communities, not just for people who are temporarily or long-term unemployed but also for people with more complex barriers as well."³⁵⁴

Finally, the former portfolio shadow said at this event:

"To modernise job centres too, so they become new hubs that, yes, continue to support people to navigate their social security entitlements, and help with job search and retraining, but also bring a focus to work progression – no longer just a conveyor belt to low paid work but acts as escalator to better jobs with security.

... People are helped to thrive into work ... for example, many older workers with a chronic health condition or caring responsibilities for a loved one say they would benefit from more flexible work options. Under our plans, job centres will help broker flexible opportunities."³⁵⁵

³⁵³ Labour List, January 2023 <<https://labourlist.org/2023/01/labour-will-fundamentally-reform-uc-to-simplify-the-system-ashworth-says/>>

³⁵⁴ Ibid.

³⁵⁵ Ibid.

The quotes above push the Centre for Social Justice's position that localities need to construct vertical and horizontal partnerships to get inactive people into sustained work.

RECOMMENDATION 11

The Government should assist regional and local units towards devolved employment and associated services and develop to a social worker model along the lines of Scandinavia. This will provide members of staff with richer careers, more progression and alignment with work-life balance. It will also give managers better flexibilities in moving them across purposes and priorities, giving those on the ground discretionary powers to help those furthest away from work. The new model will take time to embed not least as workers will need the kind of training offered in stated countries.

RECOMMENDATION 12

The Government should encourage regional and local units to bring in the third sector into devolving of employment and associated services. This might mean contract based or in some cases core funding to fill the gaps in integrated personalised employment support in the near-term while a Scandinavian style model is being raised. In some cases, there may be wholesale taking in of a third sector organisation into public hands, particularly if that fits with the areas long-term hub strategy.

RECOMMENDATION 13

The Government should legislate at least one further employment status to take in job-lot workers, a group that has grown with the rise of the gig economy. This is to ensure they have more rights than the genuinely self-employed. It is needed as the alternative is labour disputes, where trade unions and business end up negotiating some rights for the said group, but not in a uniform way across sectors and employers.

The report will now look at the linkage between devolved services and industrial strategy.

2.4. Retraining and upskilling to meet an evolving economy

2.4.1. Leading and developing within devolved subnational units?

This section gathers thoughts and feelings from those invited to participate in our roundtables – from combined authorities, international bodies, educational institutions and associations, national and local charities and businesses and their organisations, showcases case studies of revival – be that retraining, onshoring or decarbonisation as examples of opportunities and fostering localism through localised employment services.

The aim of this piece of the report is to give the readers a feel for where industrial strategy planning might go were Government to decentralise; so non-specialists have awareness of the options for realistic solutions that can be supported by devolved employment services. The Centre for Social Justice wants a broad plan to support economically inactive people into work, and believes this will be assisted by representations for regional development.

Summary

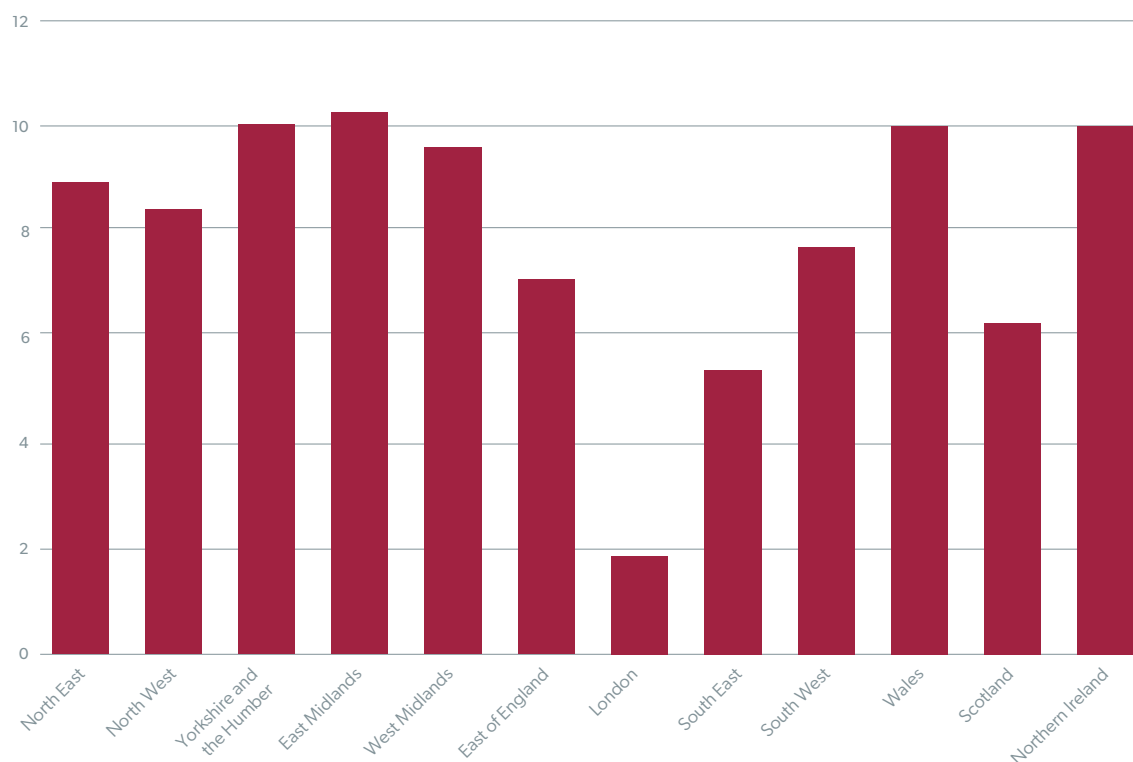
The participants in Centre for Social Justice roundtables consulted on devolving employment and adult education services said:

- programmes have been too often sticking plasters in downturns, one size fits all and drawn up without the unemployed and economically inactive users, but there are dual use schemes that are more successful;
- there is disconnect between employees and employers around best ways to identify and sort skillsets and fitting peoples' future aspirations into national or area plans;
- national plans are hindered by spurious segmenting, matching to non-existent jobs and not accounting for surplus shortages and people wanting to cross boundaries; and
- balancing imaginable unsuitable workforce management by local politicians and likely improved networking within localities to produce an ongoing talent-base for commerce.

The world is in flux – health, geopolitical, economic, housing and climate crises – and first-mover countries have gone local; restructuring, onshoring and if not that friendshoring and decarbonising and securing greener energy supply to grow. The UK is following this trend as restlessness on differential powers across areas rises to counter inequality. Both the large parties are clamouring for an industrial strategy where competitive advantage is paramount, which means picking places and things to go for, being more horizontally rather than vertically organised and drafting new rules, networks and forms.

Attempts at devolution in England have often been without purpose, pounds and/or power and had been coupled with constitutional reform, which slowed it down. The chart below shows the reason for the frustration felt by just about managing people, many of whom will be in particular parts of the country. The last Government's Levelling Up White Paper was an effort to speed things up, but suffers from not putting devolving employment support as part of that project. The Machinery of Government change to do it would not cost too much either.

Exhibit U: Official UK workforce jobs – percentage manufacturing sub-sector of production, seasonally adjusted, March 2024

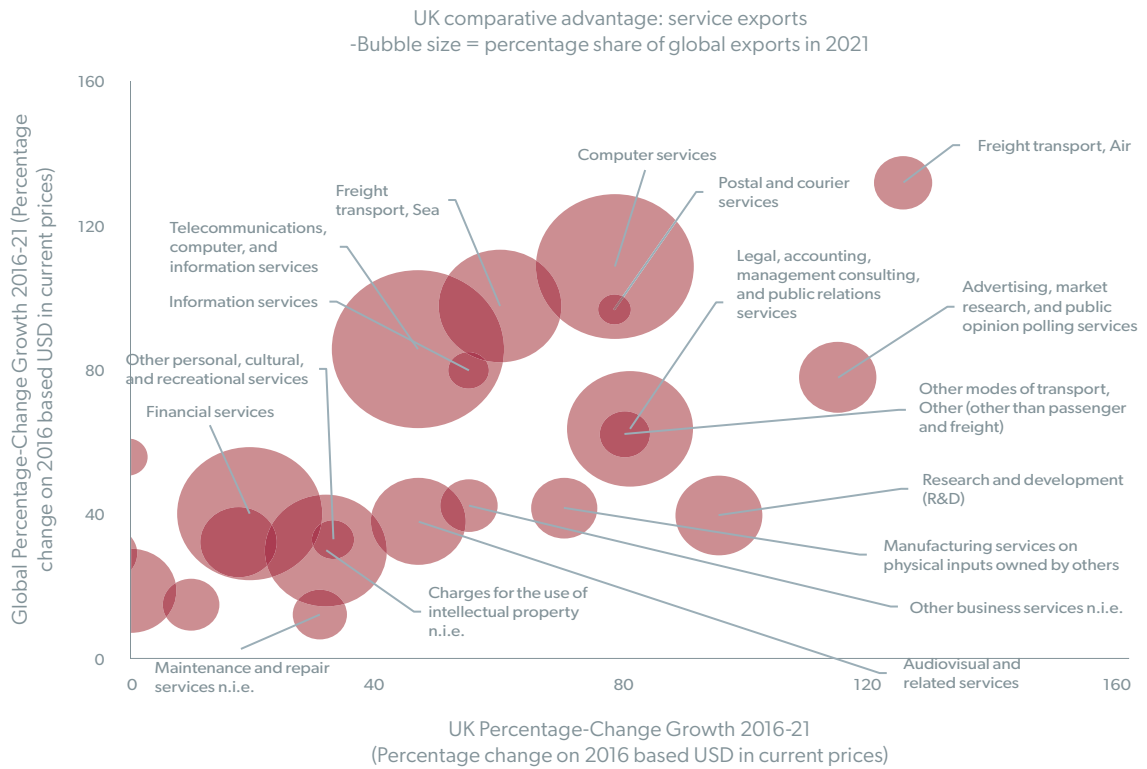


Source: ONS³⁵⁶

It is important the first national and regional developments supported by decentralised employment support is real world; the UK is a service economy and any attempt to reindustrialise must be fuelled by public and private investment in people and technologies and not currency depreciation. The chart below shows that were this to happen it would favour poorer deindustrialised places, and some of these can play into areas where the country has a competitive advantage in services, such as intellectual property, research and development (R&D) and tech-sector ones. Examples case studied include decarbonising homes via growing green skills and onshoring more public contracts targeted at poorer areas. With these there is scope to grow high-end manufacturing without diluting UK services strength, which can be facilitated by devolved employment and educational services. The chart below this shows that these growth driving sectors are much needed to overturn the UK's lost productivity that has fallen below trend since the mid-2000s.

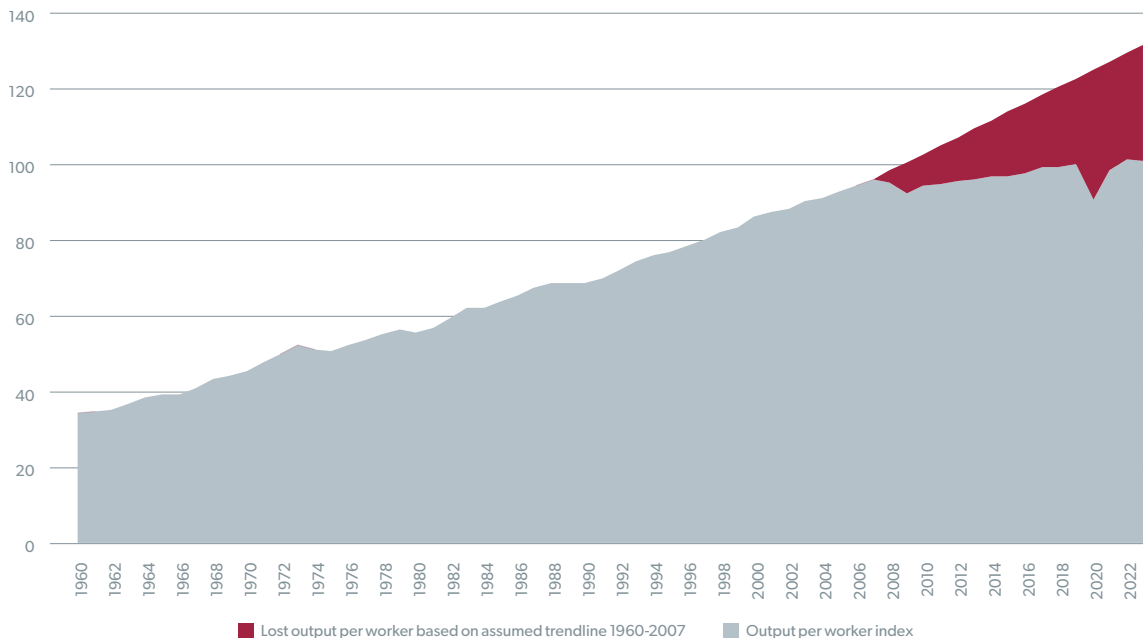
356 ONS, June 2024 <<https://www.ons.gov.uk/employmentandlabourmarket/peopleinwork/employmentandemployeetypes/datasets/workforce-jobsbyregionandindustryjobs05s>>

Exhibit V: UK comparative advantage: service exports, 2016-21 –growth bubbles



Source: UNCTAD³⁵⁷

Exhibit W: UK output per worker (Index 2019=100), seasonally adjusted, 1960-2023



Source: ONS³⁵⁸

357 UNCTAD - Services (BPM6): Exports and imports by service-category, trade-partner World, Annual, September 2023 <<https://unctadstat.unctad.org/datacentre/dataviewer/US.TradeServCatTotal>>

358 ONS, May 2024 <<https://www.ons.gov.uk/employmentandlabourmarket/peopleinwork/labourproductivity/datasets/labourproductivity>>

The Centre for Social Justice urges any government to devolve employment and associated services, as localities with better relationships with people and partnerships with stakeholders in cities and regions can help the inactive into sustainable jobs. Financial incentives alone are not enough to bring back the disabled, carers, older jobseekers and others into economic activity.

RECOMMENDATION 14

The Government should bring together funding into devolved employment and associated services, so that monies across Lifetime Skills Guarantee, Institute for Apprenticeships and Technical Education, job retention schemes underspend and wider active labour market programmes and other pots deliver upskilling and reskilling opportunities for those in high-carbon industries and other priority groups. This is to be concentrated within the poorer regions to expand access to sustainable, high-quality jobs – especially in the retrofit, heat pump installation and wider insulation spaces.

RECOMMENDATION 15

The Government should work with housing associations to further develop and target employment and skills programmes; owing to the long-term nature of the relationships housing associations have with their tenants, as they are well placed to offer sustained support that is tailored to both the individual and the local labour market. This is about encouraging support wherever possible. It should also update the aims of the UK Shared Prosperity Fund to better harness the opportunities of the green economy, explicitly aligning the Fund with the opportunities of net zero will create economic opportunities within left behind communities.

RECOMMENDATION 16

The Government should include comprehensive retrofit standards within the forthcoming consultation on energy efficiency in social housing, and include a social value standard within the criteria for future waves of the social housing decarbonisation funding. This is about providing the industry with a clear set of standards and requiring them to consider opportunities to maximise social value – for example by upskilling and/or employing local people.

RECOMMENDATION 17

The Government should ensure that the Procurement Bill makes public bodies take into account wider social costs and costs to the Exchequer that are foreseeable, including cost of unemployment and underemployment, when seeking value in contracts. This is about having an explicit domestic preference criterion in all contracting where Agreement on Government Procurement regulations allow, and embedding principles of national supply-chain resilience, reducing regional disparities, raising local job creation and support for small- and medium-sized enterprises in the contract rounds. This wider understanding of value for money should be embedded in procurement rules, so that wherever there is a geographical choice about redress of inter- and intra-regional economic disparities; such that it boosts investment in left behind communities across the country.

RECOMMENDATION 18

The Government should merge the Low Pay Commission, functions of HMRC related to wage enforcement, the Gangmasters and Labour Abuse Authority to form a new wages and wider employment terms and conditions enforcement agency. This is because it is clear from anecdotal evidence from the Centre for Social Justice's Alliance of charities that there is widespread abuse of salary floors, bonuses and other aspects of remuneration, which affects those on the smallest wage packets.

RECOMMENDATION 19

The Government should target increasing UK manufacturing as a percentage of national gross value added steadily from 9 per cent over the medium-term. Notwithstanding the dominance of services in the economy, this is about re-establishing industrial strategy with a specific plan for manufacturing, recognising the unique importance of the sector for national export growth, and local and national jobs, productivity and security. This is investment as part of strategic priority within the new rules framework reality after exiting the EU, and the strategic policy lever within a renewed national plan for manufacturing.

RECOMMENDATION 20

The Government should implement manufacturers' tax credit(s), deductible against corporation tax at a rate affordable to the Exchequer and likely to yield greater economic activity so as to be at least cost-neutral but perhaps even a net revenue stream over reliefs: for all manufacturers who import less than set threshold, say less than 50 per cent of all of their component parts; and for all manufacturers who export above set threshold(s). This is on top of retaining R&D tax relief for the manufacturing industry in order to incentivise private sector contributions to the UK's overall R&D annual spend.

2.4.2. The listening exercise – roundtables’ findings

The roundtables based on survey questions

The configuration of interviews

The Centre for Social Justice held roundtables in autumn 2023 with the intention of soliciting opinions from those in the employment support world; participants were aware political agents would not be part of the gatherings and their responses would be kept obfuscated in the report so they could speak candidly.

The survey was developed after a scoping questionnaire was sent to solicit whether or not some form of devolution was sought by attendees; those with responses in either direction were selected for the roundtables, but the majority were in favour on principle. In some cases, there have been follow on interviews to further their evidence, and these have sometimes led to secondary interviewing of others not at the roundtables in subsequent months but these were by exception.

The structure of interviewing

The sessions were chaired and facilitated by think tank staff and recorded and auto-transcribed with quotes checked afterwards with the sources.

The key questions from the list relating to this section were:

[14] How can devolved employment services and its key workers best match with strategic development of areas, through improving work incentives for the inactive?

[16] Who are the partners and how to include them in devolved employment services and its key workers strategic development plans for the local area? How can job matching support career aspirations/progression to create joint stake with claimants in this strategy?

Further questions that yielded information relevant to this section were:

[4] Are there historic and current, societal and spatial aspects to overcome in creating new UK-wide or devolved employment services? If so, are they on the potential employee or employer side (to deal with)?

[7] What could be the benefits of devolving the UK’s employment services, and would this be a win-win for all stakeholders?

[8] How could devolved UK employment services best be delivered and what is the right geographic unit? How would this interact with existing infrastructure?

The roundtables' evidence on training needs for regional development

The career paths devolving employment and associated services can unlock

It became obvious from the questionnaire submits that those in the orbit felt more holistic employment and associated services like that in other northern European countries were needed in the UK; therefore that is the presumed model in this document. Those gathered also believed any such services needed to work within an overall national industrial strategy and regional development plans, rather than just focusing on support for the large older and ill groups of economically inactive people; hence one of the key aspects of that retraining excerpt will be considered in the following. The main findings of these conferences mould the following and are written about the Centre for Social Justice's policy narrative in order to get to workable solutions.

Figure 157: Quote from Senior Academic at a UK university³⁵⁹

"Research for Salford Council in 2018 tried to uncover why so many young people, were not taking up their benefit entitlement and not engaging with support (in order) to think how they can bring them into the system. There were lots of different reasons why people didn't engage with those programmes, sometimes it was perceptions, sometimes it was experiences, sometimes it was stigma and all kinds of things."

Figure 158: Quote from Senior Leadership Team Member at the British Association for Supported Employment³⁶⁰

"Within any employment programmes, the experience that people have on (job retention and support) programmes, it is so incredibly important to make sure that people are at the heart of the design, so that people don't feel things are being done to them rather they have definitely been heard."

Figure 159: Quote from Senior Academic at a UK university³⁶¹

"(We have) just done a big piece of research work speaking to employers about Universal Credit and we found more positive experiences amongst those engaging in sector based programmes... there was a bit more built in support and a bit more tailoring here."

359 CSJ Roundtables – September 2023 and subsequent interviews from September 2023 to March 2024 citing Sustainable Housing and Urban Studies Unit <https://salford-repository.worktribe.com/output/1376366/hidden-young-people-in-salford-exploring-the-experiences-of-young-people-not-in-employment-education-or-training-neet-and-not-claiming-benefits>

360 CSJ Roundtables – September 2023 and subsequent interviews from September 2023 to March 2024

361 CSJ Roundtables – September 2023 and subsequent interviews from September 2023 to March 2024 citing the Centre for Decent Work and Productivity at Manchester Metropolitan University's Business School <<https://www.mmu.ac.uk/sites/default/files/2023-01/UniversalCreditandEmployersFinalReportJan2023.pdf>>

Roundtable discussions around above quotes led to the broad view that retraining was not on the whole sufficiently well thought through, perhaps because of the physical distance of the member of fora or as different remedy formats are needed in different strata of society, for various industrial sectors and places in the country; the challenges for any devolved employment services is to make these relevant:

- job retention schemes – are time limited and restricted to eligibility groups in down-swing cycles. The consensus was that these were subsidies and so they had to be constrained as otherwise they may lead to displacement by the young of others, if there were incentives those were seen to be on the employers' side and this might put out prospective employees who did not want to be sweat-labour, when there was sponsorship it helped if scheme participants were bought into the reason for donation;
- general active labour market policies – are generic programmes that may be useful outside recessionary or downturn periods. The view was that these were very experience driven and too many have had a poor experience of past similar schemes, often leading to fatigue on the part of those currently on them. This gave these claimants a merry-go-round feeling and affected their concentration levels;
- specific active labour market policies – are the parts of specialist programmes that were initially for the disabled but are increasingly being used more widely, say for the long-term unemployed. The aggregate position was that these were too often designed without the interest group, particularly the case with the disabled expressing their needs. This meant some were either somewhat put out or even alienated from such schemes, thus it is important to include them from the very beginning to delivery; and
- wider adult skills offerings – open to both benefit recipients or not, which can be general or specific group in nature. The observation was these were better at focusing on local area, employer and longer-term employee career needs than JCP schemes, perhaps because these were dual help interventions applicable to the vulnerable inactive groups and unemployed or fresh school-leavers.

The roundtables' evidence on people based regional development

The end state of decentralised employment and associated services

The initial questionnaire forms made it clear that those in the arena felt any devolved employment services need to drive the future prosperity and community of the area, as they do in northern Europe; therefore making decisions on direction, however difficult and whom it affects in terms of winners and losers, must happen, they were less clear about what the choices and trade-off should be for their own places. The main findings from these hearings shape the following and are written around the Centre for Social Justice's policy lines to get to possible answers.

Figure 160: Quote from Senior OECD Official³⁶²

“There may be a case for shifting some responsibilities from the national to the local level, but avoiding double structures and with a rulebook:

- first, it is important to negotiate on things that make sense to go local and remain national; for example, something like digital services might be developed and run nationally because of R&D, maintenance and consistency but soft aspects can go local. There is also mobility of labour, seeing the bigger picture of the market, and consistency of services across places to consider. Again, a case for some central IT system; and*
- second, it is imperative to have the financing formula and incentive structures set; for example, if there is a big local bankruptcy - will the national authority waive targets, put in extra funds or both? Because one must not punish local areas in recessional scenarios.*

These are some of the questions countries with devolved systems wrestle with; lessons from other countries should be taken into account before moving to a new system – by the UK or any country that is looking into major system changes.”

Figure 161: Quote from senior Manager at Greater Manchester Combined Authority³⁶³

“I would advocate devolving functions to localities and am supportive of a personalised approach and of whole family approaches that make the engagements (of employment programmes) far reaching and their impact stretch beyond just work outcomes for the individual [health, skills etc].

Critical to this is working closely with employers to adapt roles, in essence carving job opportunities to make them accessible and attractive to vulnerable groups [over 50's, people with disabilities and/or complex lives] and prevent the revolving door (in and out of unemployment/inactivity).”

Roundtables’ discourse surrounding above quotes went on to macroeconomic position that any devolved employment services in set regional units and national Government or agent would have to manage - the specifics of strategic development. This gave the strong impression that even those in the know wanted leadership from Government and local politicians on exactly what to do and how to do it. These focused on:

362 CSJ Roundtables – September 2023 and subsequent interviews from September 2023 to March 2024

363 Ibid.

- people’s reason for working – there was open concern with the idea of compelling entry into particular careers, but more comfort with considering making the case for sustainable careers. The place of accord was that as a country the UK needs to look at employees as people with a potential skillset rather than polished employees, and that employers had got used to picking these from the continental reserve labour market. There was anger from some that sectoral occupational codes and entry qualifications were so embedded in entry level job matching conversations of not only JCP but also recruitment agencies. They felt this might be more appropriate higher up but here vocation engines that tried to bring out interests and skillsets were better; and
- strategic development – there was despair with the level of aspirations in both older people who could give back but did not and younger adults who should have more initiative but seemed apathetic. The sense was that many, not all, of the former had lost their duty to family, friends and wider fraternity and many organisations were not willing to be flexible. This being the reason that career advisory, community support or other local facilities could not get suitable volunteers. While many, not all, of the latter struggled to see where the opportunities were and how to prepare themselves to take them. This led to the view that someone closer to the ground, either a local politician or community leader needed to understand the national plan, know its relation to localised ones and step up and feed that into specific asks or tasks of these groups.

The scale of problem facing devolved employment and associated services

Figure 162: Quote from Employment and Skills Evaluation Consultant³⁶⁴

“Bringing in the National Careers Service in to the conversation with devolved employment services seems quite attractive, moving the thing on from being for benefit claimants only.”

Figure 163: Quote from Senior Academic at Birmingham University³⁶⁵

“Different geographical scales of delivery are applicable for different purposes. So a place-based hyper-local service may be appropriate for some of the most vulnerable people, but if we are thinking about engaging employers then this needs to be organised at a much larger geographical scale.”

Roundtables’ dialogues ensuing from above quotes headed into the greater good of devolved employment services, coming to regional development from the point of view of the person but with no reference to enterprise; it was highly coalesced around:

364 CSJ Roundtables – September 2023 and subsequent interviews from September 2023 to March 2024

365 Ibid.

- national plan for progressing people – there was belief that living cost meant it was increasingly difficult to persuade new entrants into or returners to the market because wages were low at the start. The thing which was drawn out was that stepping stone jobs no longer come with investment in the individual and proportionate progression in salary, which made staying inactive and perhaps on benefits seem as attractive and certainly less risk-laden as work. This might be in some very circular model the reason for the aforementioned lack of aspiration, at least for those with low to medium educational attainment; and
- state-enterprise compact – there was an article of faith that Government and business no longer worked well together, the former was uninterested in creating the conditions for growth and/ or latter was too interested in driving that by reducing labour costs. These may be perception or reality in different spaces and places, but the focus on things other than the bread and butter issues – international relations and trade, health emergency and foreign wars – may well have taken too much bandwidth. This means people will only start making changes and taking measured risks when commerce feels it has the right environment to put cash into ventures, and that brings the country back to joint ownership of an industrial strategy.

The roundtables' evidence on the localism angle

The net view on localised employment service

It was clear from the initial questionnaire proforma that those grappling with localisation think any devolved employment services need to tap into local knowledge to deal with long running difficulties in areas and create competitive advantage from their strengths. One matter that kept coming up was the ability to house with social sector and the cost of it in the private one, making leaders powerless unless there are changes to planning rules and some new homes are actually affordable for local people. The main findings from these hearings shape the following and are written across the Centre for Social Justice's policy lines to get to possible answers.

*Figure 164: Quote from Another Senior Academic at Birmingham University*³⁶⁶

“On a spatial point sheer numbers will vary a lot across places and here local knowledge matters. For example, in Birmingham (where I’m based) ethnic diversity and language issues come into play.

Couple of specifics on housing:

- *assistance withdrawal and offers away from centres pose dilemmas for people;*
- *evictions create a geographic (spread) dilemma for local authorities; and*
- *this is on top of caring, transport and other issues.”*

³⁶⁶ CSJ Roundtables – September 2023 and subsequent interviews from September 2023 to March 2024

Figure 165: Quote from Another Senior Academic at Birmingham University³⁶⁷

“Yes – a devolved employment service might be better placed to deal with some issues. A lot of local knowledge develops over time, and devolution that makes use of such local knowledge can help.”

Roundtables’ debates across the above quotes took us into the threats and opportunities of different localisation and devolved employment services models.

- Inappropriate segmenting – a chief concern, notwithstanding there being suitable governance and financial controls being in place, was that local politicians and officials may map people to unrealistic or non-existent jobs in assumed growth opportunities. The worry was every region will have surpluses and shortages of persons wanting certain types of roles, so exporting from one place to another is possible, necessary and vital for social mobility but there may be a net mismatch between wants of employers and employees. This was a constant return to theme but the conclusion was that this is already the circumstance, so there is no more risk within a national secretariat managed localised model than there is now; and
- Better rapport with local participants and partners – an agreed plus was that all around the table adjudged relationship management would be better, because of the shared local knowledge of the greater good. The optimism was due to the fact this could create a conveyor belt for employers and a talent pipeline for employees, which should be visible to local people. This, they reasoned would get a lot of buy-in, albeit they were not forthcoming with exactly what they were buying into in terms of enterprise mode.

367 CSJ Roundtables – September 2023 and subsequent interviews from September 2023 to March 2024

2.4.3. Desired localism for national and subnational rejuvenation

Global geoeconomic and nation state level politics

American context and international view

It is clear in the United States, the Covid and now geopolitical upheavals with China and Russia, have taken the economy and shaken it up like a snow globe. Over there the flakes will eventually fall – there will be a new equilibrium – but things may be arranged differently when everything settles.³⁶⁸ The response to this and longstanding climate, housing and inequality crises and more recent inflationary cost of living and post-pandemic flexible employment issues, remote and hybrid working for those who can, have seen unprecedented spending of \$2.3 trillion (to decade end).³⁶⁹ The United States Administration announced monies are to be spent directly at metro levels on epidemic support and business reliefs and via clusters in the states on infrastructure; unlocking distinctive advantages in traditional, convergent and next generation industries. This is a shift in power down from central systems to local ones and outward across public, private and civic boundaries; it is a new model of co-governance at the city and state levels.³⁷⁰

Early adopters of this new method for doing things come from across the wide political spectrum in the UK, including the former head of the Royal Society of the Arts – who said “cities have the unique capacity to think like systems and act like entrepreneurs”;³⁷¹ that is they are networks of public, private and civic actors and institutions who can rejuvenate economic fortunes in an equitable way. This is necessary for the UK, as although economic and international organisations point out that the country is not alone amongst developed states in having experienced an increase in prosperity disparity, it has seen income inequality grow more than in most of the industrialised world.³⁷² The UK’s Gini coefficient on income inequality of 0.35 is higher than that of France and Germany at 0.3 but lower than that of the United States at 0.38 either 2020 or 2021 whichever is the later.³⁷³

UK situation

Both big political parties in the UK have signalled similar nation-building as being operationalised in the United States. The previous Conservative Prime Minister announced five key priorities including reducing inflation, growing the economy [creating better paid jobs and opportunity across the country] and making sure national debt falls [securing future public services]³⁷⁴. The then Labour opposition leader, now Prime Minister, announced five missions including securing the highest sustained growth in the Group of Seven, making Britain a clean energy superpower and breaking down the barriers to opportunity;³⁷⁵ common themes across these sets of high-level objectives are economic growth and better opportunities and jobs, but without very much on how this is to be done.

368 Jeanna Smialek in The New York Times, 24 March 2023: Is America’s Economy Entering a New Normal? <<https://www.nytimes.com/2022/03/24/business/economy/america-russia-pandemic-inflation.html>>

369 Andrew Restuccia and Tarini Parti in The Wall Street Journal, 31 March 2021: Biden’s \$2.3 Trillion Infrastructure Plan Takes Broad Aim <https://www.wsj.com/articles/biden-set-to-unveil-2-trillion-infrastructure-plan-11617181208?mod=trending_now_news_4>

370 Jeremy Nowak in The New Localism, 18 March 2018: How Cities Can Thrive in the Age of Populism? <<https://www.thenewlocalism.com/media/the-new-localism-jeremy-nowak-on-how-cities-can-thrive-in-the-age-of-populism/>>

371 Bruce Katz in The Philadelphia Citizen: The economic gift that keeps on giving <<https://thephiladelphiacitizen.org/new-disorder/>>, quoting Matthew Taylor - former head of the Royal Society of the Arts

372 Mike Brewer and Thomas Wernham, November 2022: Income and wealth inequality explained in 5 charts <<https://ifs.org.uk/articles/income-and-wealth-inequality-explained-5-charts>>

373 OECD, 2021: Income inequality <<https://data.oecd.org/inequality/income-inequality.htm>> update on IFS numbers

374 PMO, January 2023 <<https://www.gov.uk/government/news/prime-minister-outlines-his-five-key-priorities-for-2023>>

375 Leader of the Opposition, February 2023 <<https://labour.org.uk/missions/>>

The aforementioned political missions to improve employment hit up against a long-established matter, recently stressed in the political press; that is over 5 million UK citizens are on out-of-work benefits. This, at a time when political figures state the unemployment rate is at a low and there is a shortage of jobs for workers. It is not due to immigrant workers (that are steady at 18-19 per cent of those employed since 2020), so there must be an issue with the official numbers – indeed there is with those who are economically inactive not counted in the ILO rate definition.³⁷⁶ The dilemma for Britain's leaders is managing people with illnesses back to work which has stalled labour market performance. There were over half a million 15-64 year olds missing from the workforce [the inactive],³⁷⁷ now nearer 700 thousand more than at the start of 2020 according to the latest statistics.³⁷⁸

Local self-determination restlessness

The devolution settlement

The West Lothian Question at first referred to imbalance between the voting rights of MPs from Scotland, Wales and Northern Ireland and those from England³⁷⁹ were devolution to occur. Ever since this was put by Tam Dalyell, former Labour MP for West Lothian in 1977, it has caused some frictions in the UK which is one of the most centralised states in the world. This worsened after the 1997 devolution settlements that meant representatives in devolved administrations brought power back to subnational levels in all parts of the country but England. Given this is the most populist part, and contains many productive and unproductive and prosperous and deprived sub-units it is obvious why.

After a tumultuous decade or so after the 2008 financial crash, there has been a rise in spatial inequality between different regions³⁸⁰ and other longstanding and recent upheavals listed at the head of this paper have forced politicians to address the aforesaid tensions:

- first the Conservative Party with their Levelling Up agenda targeting funds for fixed-term projects that local areas bid for from central Government³⁸¹ underpinned by the MHCLG, previously DLUHC under the last Government, White Paper that contained employment under living standards, skills and wellbeing amongst other things;³⁸² and
- second the Labour Party in terms of empowering metro mayors (in England), of subnational units, to deliver new housing linked to jobs and infrastructure needed to support regional growth and devolve new powers over transport, employment support and energy.³⁸³ This was underscored in the King's Speech, July 2024.³⁸⁴

Both speak to the concerns of those in deindustrialised areas, seaside towns and inner cities as well as other parts of the country that have fallen behind.

376 Frazer Nelson in the Spectator, June 2022: How are five million Brits without work? <<https://www.spectator.co.uk/article/how-are-five-million-brits-without-work/>>

377 John Burn-Murdoch in The Financial Times, July 2022: Chronic illness makes UK workforce the sickest in developed world <<https://www.ft.com/content/c333a6d8-0a56-488c-aeb8-eeb1c05a34d2>>

378 ONS, July 2024 <<https://www.ons.gov.uk/employmentandlabourmarket/peopleinwork/employmentandemployeetypes/bulletins/uklabourmarket/july2024>>

379 Tam Dalyell, 1997: The West Lothian Question <<https://www.parliament.uk/site-information/glossary/west-lothian-question/>>

380 ONS, January 2022: Figure 5: South East wealthiest region with median household <<https://www.ons.gov.uk/peoplepopulationandcommunity/personalandhouseholdfinances/incomeandwealth/bulletins/totalwealthingreatbritain/april2018tomarch2020>>

381 Jack Newman and Steph Coulter (London School of Economics blog), March 2023: Rishi Sunak faces a dilemma over levelling up <<https://blogs.lse.ac.uk/politicsandpolicy/rishi-sunak-faces-a-dilemma-over-levelling-up/>>

382 DLUHC, January 2024 <<https://www.gov.uk/government/publications/statement-of-levelling-up-missions/statement-of-levelling-up-missions>>

383 The Labour Party, March 2024 'Power and partnership: Labour's plan to power up Britain' <<https://labour.org.uk/wp-content/uploads/2024/03/Power-and-partnership-Labours-Plan-to-Power-up-Britain.pdf>>

384 The King's Speech 2024, July 2024 'Devolved affairs' <<https://researchbriefings.files.parliament.uk/documents/LLN-2024-0031/LLN-2024-0031.pdf>>

Lack of an overarching industrial strategy

While debate over here in the UK seems absent, albeit there may be action below the surface, there is tangible activity in the United States and elsewhere, with them this is no doubt because of big funds for states and cities mentioned above. These places have found natural conduits for uncovering ways of doing things in integrated networks to realise markets, civic potential and competitive advantages. Their experiences are investing in: productive economies – in the UK this could be strengths in financial services, pharmaceuticals, digital sector and educating foreign nationals for export; infrastructure – in Britain this might be the next generation and convergent technologies like renewable energy installations and maintenance of these and sustainable housing and preserving them at good standard; and spatial resilience and social inclusion – in the UK it may be equality projects including this one around localised employment support, which can serve as preparation for the first.³⁸⁵

Blueprint for rejuvenating the country

Why do we need Localism – as someone said time ago: “money doesn’t talk, it swears”³⁸⁶

To put it in prose rather than verse, the truth the market is telling is change is needed and Bruce Katz and Jeremy Nowak have been travelling between North America and Europe trying to inform policymakers on the why, what and how of Localism. Their work is presented in the paragraph below and is pertinent to the UK search for a prosperity model. Now that seeking GDP growth cannot ignore domestic inactivity where persons can and want to work but cannot for lacking structures, as described in previous sections, choosing instead to target foreign labour to fill vacancies albeit that also has its place to bring some growth, a new paradigm is needed.

Covid has fast-tracked rethinking for city, region and national competitiveness, as it disrupted global supply-chains and started inflationary pressures. This amplified already unaffordable housing costs, bull-ran stock market seeking with private capital best returns and overheated property prices with normal people wanting safe investments for old age. It also accelerated the remote and hybrid working trends and online shopping. This meant and still does mean workers did not physically move as much as before reducing spontaneous purchases on high streets and means website retailers advantaged with lower overheads are doing better than small local shops that have fragile finances and less leeway with the banks and wider financial institutions. Finally, the pandemic had disproportionate effect on minorities. This went beyond racial disparities in health outcomes and was also seen in the discriminatory practices of some institutions and employers which run contrary to the principles of meritocratic commerce.³⁸⁷

Broader socio-economic change has also got people thinking about regions, collections of cities and their commuter belts, and the cities themselves, as investments and policies play out. This can be in the form of green energy supply, electric vehicle adoption, collocating medical centres, advancing tech-sector sites and so on. Another changing factor is technology’s impact on localities, as positioning for next generation of industries will see winners and losers with start-ups overtaking

385 Bruce Katz and Jeremy Nowak (London School of Economics blog), April 2018: Brexit and the new localism <<https://blogs.lse.ac.uk/businessreview/2018/04/03/brexit-and-the-new-localism-how-to-leverage-the-competitive-advantages-of-uk-cities/>>

386 Bob Dylan, March 1965 ‘It’s Alright, Ma (I’m Only Bleeding)’

387 Bruce Katz, March 2022: Mastering the New Disorder: City Economies in the Next Decade <<https://www.thenewlocalism.com/media/mastering-the-new-disorder-city-economies-in-the-next-decade/>> and LSE seminar

established companies. This includes the race to lead artificial intelligence, big data analytics, genomics and precision medicine, machine learning, the internet of things, robotics etc. Lastly, climate change has reached a point where people can see its manifestations and lowering carbon emissions from buildings, vehicles and organisms must be balanced with day-to-day living. The most obvious stresses are seen in city mobility restrictions and energy efficient take-up of heating systems, but this is just the beginning.³⁸⁸

Furthermore, geopolitical struggles, the most notable of which is the Russia-Ukraine War, which could have a bigger impact than the contagion of 2020-22, has created volatility in energy and commodities markets. This has reinforced the de-globalisation underway³⁸⁹ from the United States-China trade dispute. Adding to this is the strain between autocracies and democracies, as is being seen in the Middle East conflict spilling over into disturbance in the international shipping lanes in the Red Sea and at the Suez Canal.

What is Localism for – as someone once said: “that he not busy being born, is busy dying”³⁹⁰

This also applies to places too, here it is if cities and regions are not busy being born, then they are busy dying. The aforesaid commentators assert in order to be successful regions and cities must redefine themselves, using this turbulent period for leapfrogging, diversifying and greening to become more economically resilient, socially inclusive and sustainable. Inopportunately, the typical nation state and regions are vertically organised as bureaucracies in silos, and therefore less well prepared or unprepared for the above challenges. However, fortunately cities, in particular, have grown as networks of public, private, civic and community institutions and leaders, so are horizontally made across multiple sectors and disciplines, aligned to the way things actually work and can adapt.³⁹¹

When entrepreneurs, workers, investors, and institutions come together and collide in small geographies, rich in history, culture and amenities, things happen, ideas form, innovation flourishes and enterprises grow. It is for these reasons, cities were the unit by which Britain in the Victorian period emerged as an economic superpower, alongside global trade, fluid access to capital and personal investments, and yes also conquest. Thus, the argument is these cities and, collectively, the region to which they belong could once again be the engines of national economies. They can again concentrate and collocate advanced industry clusters, mature companies, small- and medium-sized enterprises, educational and research institutions, find investors, skilled workers, infrastructure to move people, goods, services and energy, be vibrant nodes of commerce and civic life, enabling them to navigate through unprecedented economic conditions.³⁹²

388 Bruce Katz, March 2022: Mastering the New Disorder: City Economies in the Next Decade <<https://www.thenewlocalism.com/media/mastering-the-new-disorder-city-economies-in-the-next-decade/>> and LSE seminar

389 Ibid.

390 Bob Dylan, March 1965 'It's Alright, Ma (I'm Only Bleeding)'

391 Bruce Katz, March 2022: Mastering the New Disorder: City Economies in the Next Decade <<https://www.thenewlocalism.com/media/mastering-the-new-disorder-city-economies-in-the-next-decade/>> and LSE seminar

392 Ibid.

How to do Localism – as someone said: “make the rules for the wise men and the fools”³⁹³

This, too, relates to the recent American experience, where strategies that go beyond the re-making of the physical landscape of the city. This seems to be the stuff of newspaper inches and the bulk of the media coverage and social media chatter – from bike lanes, pedestrian areas, car free zones and so on; there are stratagems to help shape robust economies. The UK, which has been an industrial strategy free zone since the days after the Second World War can learn much from them. The United States provides the UK with a blueprint for building the enterprising cities of the future near-term, and resolving climate, health and inequality challenges over time to find a place in the new global order.³⁹⁴

The following outlines the emergent strategy being used in the United States to funnel the trillions of dollars of development funds into states and metros, albeit there is no one formula. Here the said authors, give five key moves:

- grow the number of places with strong playbooks – planning guidance to layer and align the investments. This guidance responds to the reality of multiple agencies, bidding systems and programmes, ensuring resources have transformative effect by identifying, prioritising and costing projects and leveraging private and civic capital to have a cumulative big effect;
- anchor to strengths or create new ones – having a range of organic partners in networks with different capital and resources. They can be local government, corporates, universities, hospitals and philanthropies, having a conglomeration of them is a catalyst for revitalisation. These can be used to anchor procurement to grow local economies by sizing, aggregating and channelling funds to needs, hiring to grow local skilled workforce by training local, regional or even national people to do high value add jobs, and location to foster growth by moving key facilities and units to world-class innovation districts, regeneration zones and include previously disenfranchised groups – thereby adding the equalities agenda;
- cluster to unlock strength – locating near distinctive advanced research or industry. This is about unlocking the power of their distinctive advanced industries to generate growth from innovative firms to quality jobs, so the end-result of the last bullet point. Those sectors with prized innovation, that invested in R&D and had high proportions of STEM workers boost productivity, exports and pay. Over time, the growth transplants from cities to regions and encourages more undergraduates and postgraduates to stay in their hometowns or in the wider area after graduation, with there being extra economic activity across the board;
- finance development from varied and innovative pots – not just relying on government but on donors and crowdsourcing to create real collaboration. Access to capital has been a persistent barrier for entrepreneurs in the UK, especially for minority groups. This means that many fall back on personal savings or credit, which is costly and a risky way to start businesses that has been exacerbated by the rise of predatory lending, beyond the purview of regulations. This can be alleviated by state or state-supported funding and private and philanthropic capital on basis of business cases, but the trick is as always to balance capital awards and inclusiveness and sustainability objectives; and

³⁹³ Bob Dylan, March 1965 'It's Alright, Ma (I'm Only Bleeding)'

³⁹⁴ Bruce Katz, March 2022: Mastering the New Disorder: City Economies in the Next Decade <<https://www.thenewlocalism.com/media/mastering-the-new-disorder-city-economies-in-the-next-decade/>> and LSE seminar

- build institutions to support the community of partners – managing public and private power to deliver inclusive, sustainable joint missions. These aims need good governance and guarantees around them to achieve group goals, pulling in full public powers and private and civic resources that cities possess as delineated in Part Two Section One of this report. Such institutions-building enables cities to use expert knowledge and sophisticated mechanisms to take action, drive creative financing and generate a persistent stream of revenue over the long-term for reinvestment.

These five plays around planning, anchors, clusters, finance and institutions are not present everywhere in the United States. Where there has been sufficient success, these tenets provide a powerful snapshot of the different kinds of strategies that could make up a radically different and new approach³⁹⁵ to regional development in the UK setting.

2.4.4. Federalisation of some functions of Government

Why has devolution in England not happened to date

Promises on moving out of Westminster

Past devolution, as articulated in the above, left out England, the most substantive part of the country, and even decades old assurances to move some functions of Government out of the capital and to the regions have been slow to materialise. This is not to say that all or even the majority of civil servants work in London, they do not and are spread across the country, but rather that decision-makers tend to be. This was why CO under the last Labour Government considered relocating more mid-ranking and senior civil servants to work within the communities their policies affect to make 'Whitehall champions' for local areas; for example the Department for Environment, Food and Rural Affairs' (DEFRA's) permanent secretary operated as an ambassador for Birmingham; the point was that local people who worried about under-delivery had a conduit to communicate failings or better still mandarins knew them before they became a serious problem.³⁹⁶

395 Bruce Katz, March 2022: 'Mastering the New Disorder: City Economies in the Next Decade' <<https://www.thenewlocalism.com/media/mastering-the-new-disorder-city-economies-in-the-next-decade/>>

396 The Guardian, November 2009 <<https://www.theguardian.com/politics/2009/nov/25/civil-service-jobs-move-london>>

The mantle for this agenda was taken up by the then incoming Conservative-Liberal Democrat Coalition Government in the early 2010s, with David Cameron when leader of the opposition writing:

Figure 166: Quote from David Cameron, 'A radical power shift', 2009³⁹⁷

"I too want that fundamental shift - to local people and local institutions. Over the last century Britain has become one of the most centralised countries in the developed world as power has been sucked to Westminster. Some might wonder why this matters. After all, isn't politics just about what works? But there is a deep connection between where decisions are made and what works.

When one size fits all solutions are dispensed from the centre, it's not surprising they so often fail local communities. When people experience a yawning gap between the changes they want to see and those they can directly affect, it is inevitable that demoralisation and democratic disengagement follow."

Making society bigger through enabling laws

The policy intent espoused led to the decentralisation and localism legislation, and ensuing localism bills. However, it has not manifested as much as people would like owing to Parliamentary bandwidth being absorbed by exiting the EU. The six actions were to:

- lift the burden of bureaucracy – removing the cost and control of unnecessary red tape and regulation, whose effect is to restrict local action;
- open up government to scrutiny – putting official information into the public domain, so people can know how their money is spent, how it is used and to what effect;

The two points above are the most fundamental because decentralisation cannot start without them.

- strengthen accountability to local people – giving every citizen the power to change the services provided to them through participation, choice or the ballot box;
- empower communities to do things their way – creating rights for people to get involved with, and direct the development of, their communities;

These next two actions provide the resources and freedom of choice to sustain progress.

- increase local control of public finance– so that more of the decisions over how public money is spent and raised can be taken within communities; and
- diversify the supply of public services – ending public sector monopolies, ensuring a level playing field for suppliers, giving people choice and a better standard of service provided by state and third sectors.³⁹⁸

These final two enable local people to take complete control of the process of devolution as it affects them in their communities.³⁹⁹

397 The Guardian, February 2009 <<https://www.theguardian.com/commentisfree/2009/feb/17/cameron-decentralisation-local-government>>

398 HMG, December 2010 <<https://assets.publishing.service.gov.uk/media/5a79713940f0b63d72fc5d90/1793908.pdf>>

399 Ibid.

For those concerned with making the country more at peace with itself and prosperous at the same time, the difficulty has been that this arena has become entangled with constitutional reform. There is of course no reason why it cannot happen before a settlement can be found for that, which will inevitably be slowed down by various capital 'P' political interests. The Labour opposition leader at the time of the Coalition Government said as much at his Party Conference. 'A Britain that works for all' contained the view that the current system fails to represent large parts of the UK and that this was not just constitutional, but economic, social, and an issue of fairness.⁴⁰⁰ Therefore, it is not just the negotiation around leaving the EU, if the UK's body politics wants to see devolving out then they need to let that happen irrespective of their own reform.

Means of making greater devolution relevant to peoples' lives

Levelling-up White Paper

The aforesaid article was the first that tried to crystallise the kind of localism intended by that generation of politicians. Its missions are listed in the table below; although all topics directly or indirectly impacted those most pertinent to the topics of this report are in:

- set one – living standards as devolving employment support and associated services is about increasing economic growth for UK Plc and remuneration for local people, research and development since the first is driven by it, and albeit out of scope of this paper, transport infrastructure as it also drives this and improves the daily lives of residents, and digital connectivity because that will help equalise capacity to grow and life chances across geographic units; and
- set two – education as high standards, and especially in those subjects supporting future growth areas in STEM subjects and others, skills which are particularly needed in shortage areas including green skills needed to decarbonise the UK, and health and wellbeing that are limiting economic growth potential – which is important with so many more people in economic inactivity as shown in Part One Section One.

This signposts policy areas, but there is no single totemic driving force project; perhaps the subject of this report is that and can prepare the way for a new and full industrial strategy.

Figure 167: Levelling Up White Paper Missions⁴⁰¹

MISSIONS	DESCRIPTION
Living standards	<p>Boost productivity, pay, jobs and living standards by growing the private sector, especially in those places where they are lagging</p> <p>By 2030, pay, employment and productivity will have risen in every area of the UK, with each containing a globally competitive city, and the gap between the top performing and other areas closing.</p>
Research and Development	<p>By 2030, domestic public investment in R&D outside the Greater South East will increase by at least 40 per cent, and over the Spending Review period by at least one third. This additional government funding will seek to leverage at least twice as much private sector investment over the long-term to stimulate innovation and productivity growth.</p>

400 BBC, November 2014 <<https://www.bbc.co.uk/news/uk-politics-29857849>>

401 HMG, February 2022 <https://assets.publishing.service.gov.uk/media/61fd3c71d3bf7f78df30b3c2/Levelling_Up_WP_HRES.pdf> and <<https://www.gov.uk/government/publications/statement-of-levelling-up-missions/statement-of-levelling-up-missions>>

MISSIONS	DESCRIPTION
Transport Infrastructure	By 2030, local public transport connectivity across the country will be significantly closer to the standards of London, with improved services, simpler fares and integrated ticketing.
Digital Connectivity	By 2030, the UK will have nationwide gigabit-capable broadband and 4G coverage, with 5G coverage for the majority of the population.
	Spread opportunities and improve public services, especially in those places where they are weakest
Education	By 2030, the number of primary school children achieving the expected standard in reading, writing and maths will have significantly increased. In England, this will mean 90 per cent of children will achieve the expected standard, and the percentage of children meeting the expected standard in the worst performing areas will have increased by over a third.
Skills	By 2030, the number of people successfully completing high-quality skills training will have significantly increased in every area of the UK. In England, this will lead to 200 thousand more people successfully completing high-quality skills training annually, driven by 80 thousand more people completing courses in the lowest skilled areas.
Health	By 2030, the gap in Healthy Life Expectancy between local areas where it is highest and lowest will have narrowed, and by 2035 it will rise by five years overall.
Wellbeing	By 2030, wellbeing will have improved in every area of the UK, with the gap between top performing and other areas closing.
	Restore a sense of community, local pride and belonging, especially in those places where this has been lost
Pride in Place	By 2030, pride in place, such as people's satisfaction with their town centre and engagement in local culture and community, will have risen in every area of the UK, with the gap between top performing and other areas closing.
Housing	By 2030, renters will have a secure path to ownership with the number of first-time buyers increasing in all areas; and the government's ambition is for the number of non-decent rented homes to have fallen by 50 per cent, with the biggest improvements in the lowest performing areas.
Crime	By 2030, homicide, serious violence and neighbourhood crime will have fallen, focused on the worst affected areas.
	Empower local leaders and communities, especially in those places lacking local agency
Local Leadership	By 2030, every part of England that wants one will have a devolution deal with powers at or approaching the highest level of devolution and a simplified, long-term funding settlement.

Localism with a purpose

This document decouples localism from constitutional reform, ignoring the latter as it is the never-never of British politics, and also gives it the forward motion needed for development of the country and its regions, be it the green economy or anything else, by preparing the ground to give private investors confidence so the public sector does not have to do all the heavy lifting. The Machinery of Government change of devolved employment services itself is just such a local growth project. This raises the opportunity proposition for areas and cities to be administrative centres that develop and reassure funders of Government's intention in very practical ways.

For clarity, this is not about devolving benefit administration but is about labour market support locally, as the Centre for Social Justice recognise there are economic incentives, economy of scale and digital capability advantages of DWP doing that centrally, say on the UC online system. The proposition is rather that we decentralise active labour market policy design partially, and procurement and delivery wholly down to smaller geographies who know local peoples' aspirations and skills. This has the benefit of being positive for devolved administrations, mayoralities and combined and local authorities that want to take it, being a relatively self-contained block. This is clearly laid out in the quote below:

Figure 168: Quotes from Senior Manager at West Midlands Combined Authority⁴⁰²

"I would say in the West Midlands, we are well up for it [devolved employment and associated services] and have more of a maturity to develop it but one of the challenges of devolution is that capacity and capability are not uniformly available across the UK."

"It's always got to be that combination of both funding and accountability, but we do need as a country to invest in the capacity and capability in our regions to be able to do this. I think it will be more of a trajectory (thing) rather than just sending money out to where people are not in a position to deal with it."

Staging localised services

The quotes above clearly get to the heart of the dilemma. The think tank advocates for decentralising of employment and associated services supported by the foundation of new federal units and speeding up the trajectories to them. This can be done by transferring high-quality central UK Government jobs to the regions over time with natural staff churn over a set period then compulsory moves and that last expediated for mid-level and senior civil servants. This has the following advantages:

- moving capital budgets, or share of them, along with programme budgets related to devolved employment and associated services. This can make the new local function less graded removing unnecessary layers of management and reinvesting savings into frontlines, either as people, salaries, or training, estate or equipment spending. The point is some things done centrally will be duplicated in regions, like human resources and shared services, and can be reduced while others due to hierarchical headquarters being done away with, such as large internal communications. There are also integrational benefits with local partners, as they are more horizontal than vertical; and

402 CSJ Roundtables – September 2023 and subsequent interviews from September 2023 to March 2024

- moving leadership posts physically to be closer to the people they serve with the aim of having them be wider. This crosses over into middle- and lower-level roles in devolved employment and associated services, though the vast majority of these will be countrywide because of the nature of JCP; that is scientific, analytical, legal or medical leaders can also be policy, procurement or delivery managers. This might then give us a new generation of polymath leadership, which the current generalist stream without specialist intelligence fails to give. The argument as put in preceding sections, gives staff rich and varied careers, with flexibilities for family life or life events and learning and progression opportunities, then watch the dedication levels rise.

While there are Transfer of Undertakings Protection of Employment (TUPE) implications here, there may be wage bill savings, as regional weighting is removed and people come out of the central Civil Service Pensions Scheme into the region specific ones with accrued rights protected. More to the point, nearly £130 million is identified from the organisations whose purpose is rolled up in the devolving of these services, and in any case costs are accumulated over many years. The above setting up funds can be used to induce staff moves with increase in salary as appropriate. If this were the only payback then the project would be about local self-determination, but since the purpose is to increase national and regional growth through more economic activity, there is a double pay-off in the long-term.

Making sure the Machinery of Government change is well-considered

The devolved employment and associated services change project

The area of good and not so good Machinery of Government changes is something looked into by the London School of Economics and Political Science academics, who laid the five key questions of the table below; for which were gathered the answers based on evidence within this document. There are some procedural steps to successful implementation:

- announcing changes or direction of changes early and working sequentially – giving time for planning and transitional time for staff to move in and out of the proposed changed organisations. There is no point holding on to people who do not want to relocate, but applying the compulsion later means natural churn will do most of the reallocating. The time interval between initial stage where central staff are working place-based gives management space to make business decisions needed for the final stage state;
- affirming the change through Parliamentary resolution – getting political consensus as it is more important than secrecy attached to Ministerial positions. The scheduled time should be at least six months for orders to be laid and for Parliamentarians to debate, perhaps with Liaison or Select Committee oversight by CO, HMT and NAO officials;
- supporting periods for the change where the centre prepares the new structure – central departments staff provide capability and capacity while the new organisation is being raised, which can be purely on operational basis or specialist help, say on the human resources, information technology or another area side of things; and
- assessing impact of change after an appropriate period – having the OBR and NAO review efficiency and effectiveness many years afterwards but with interim checks.⁴⁰³

403 LSE and IfG, May 2010 <https://eprints.lse.ac.uk/27949/1/Making_and_breaking_Whitehall_departments_%28LSE%29.pdf>

Figure 169: *Is Machinery of Government happening for good reasons*⁴⁰⁴

QUESTIONS	ANSWERS – INTERPRETATION OF THE POSITION
<p>Is this reorganisation really just about the politics of cabinet formation?</p>	<p>The project to devolve employment and associated services out to the regions has no capital ‘P’ political motivations around relationships within parties or agenda from certain parts of the country outside of general self-determination.</p> <p>It is not a periodic shaking up but one to tackle a not so new issue of disparities of employment, productivity and wealth across the land, and part of the underperformance agenda as whatever has been tried over the past forty plus years has not yielded real benefits in terms of getting the inactive into work.</p>
<p>Have we considered the alternatives to machinery of government change?</p>	<p>There have been far too many re-branded initiatives over the years, mostly targeted at the young, some of whom will also be the afore inactive groups. There are fewer specifically targeting these inactive groups, but none have returned great results. Both are detailed in Part One Section Two of this paper.</p> <p>A feature of helping those in the said groups is even with national procurement and regional contracts, it is actually local providers, often charities who deliver the service; thus the project is a simplification of an overly hierarchical system, so there should be administrative savings and greater policy coordination achievements in reconfiguring to local levels.</p>
<p>Are we prepared to spend at least £15m on this?</p>	<p>The restructure that brought into being the Department for the Environment and Climate Change (DECC) cost at least £15 million to cover extra staff and building expenditures, and that was a simple one. With others, productivity losses and pay settlements can increase this substantially, with cost of creating DEFRA being over £30 million, and that for DWP at almost £175 million.</p> <p>It is clear there are high costs here but these are offset by even very marginal percentage increase in employment rates, particularly for the inactive, which will generate much bigger savings on the benefits bills and may even result in tax receipts while at the same time giving back dignity to the workless.</p>
<p>Are there big pay differences between staff in the affected departments?</p> <p>If so, are we prepared to level up salaries or risk industrial action?</p>	<p>The restructuring will not mean levelling up differential pay across central government departments, which can be a massive cost of £170m in one case above; however here with posts remaining where they are in main and only mid-ranking and senior civil servants being reallocated to the regions, it means the removal of weighting increments and moving staff on local pensions schemes, so should represent a saving to the Exchequer over time.</p> <p>There is international evidence that localising said services, forming deeper relationships between clients and caseworkers, and partnership networks in place locations helps get the long-term unemployed, the disabled, those with caring responsibilities and others into jobs, with a follow-on positive impact on regional development. Therefore, there is trade-off with the above here.</p>
<p>Can we afford a productivity dip and to wait for realising concrete benefits of this reorganisation?</p>	<p>The project must be given:</p> <ul style="list-style-type: none"> • time – new structures are often announced with little or no prior planning, transitions teams tasked with reorganising or creating entirely a new go-live without sufficient thought, little or no resources will underperform; • funds – are not enough to cover for setting up overheads, notwithstanding HMT insistence on changes being ideally cost-neutral; • space (not overloaded) – top officials and staff in transitions find themselves with heavy workloads, running day-to-day operations while also undertaking the strategic planning needed for new or reorganised form; and • support – CO and HMT do not offer effective central support to new entities. <p>The transformation is to take a Parliament – possibly longer, costs here are more than offset by benefits, staffing and other savings, as well as tax receipts; the whole proposal is based on transferring existing expenditure lines as per Part Two Section One of this report.</p>

404 LSE and IfG, May 2010 <https://eprints.lse.ac.uk/27949/1/Making_and_breaking_Whitehall_departments_%28LSE%29.pdf>

2.4.5. Industrial strategy – medium- to longer-term development

Devolving employment and associated services with a purpose and plan

This sub-section speaks plainly to prior lack of a plan, owing to first-mover advantage of the industrial revolution, meaning lead, and future necessity for industrial strategy. The UK is a service-led economy and literature suggests countries struggle to reindustrialise due to:

- economic path dependency – a phenomenon whereby history matters, that is things which have occurred in the past persist because of peoples' and entities' degree of resistance to change. This could be based on the financial implications, leading to upheavals in society, or as policymakers are making cautious or uninformed decisions. These leaders can be in government or industry, and they follow the path dependency when there is doubt on concepts or standards, often after watershed they maintain these even if it is clear better alternative courses are available;⁴⁰⁵ and
- capital investment – an increase in outlay as a proportion of GDP is necessary to have sustainable growth in high- to medium-value manufacturing, but this will entail a change in the savings behaviour of both the private and public sectors. Any competitive depreciation of Pound Sterling will briefly yield short-term export uptick in otherwise unproductive or perhaps less profitable production⁴⁰⁶ but that will fall back. Though, there may be a case that manufacturing has shrunk too far as a proportion of the economy with a negative effect on UK productivity growth⁴⁰⁷ and societal wellbeing. However, attempting to re-industrialise is difficult as in a tight labour market any currency depreciation induced or unstimulated will eventually be reduced by rises in inflation and more importantly unit labour costs⁴⁰⁸ vis-à-vis low wage economies. Thus, the only route back to industrialisation is via investment-led productivity returns – investing in workforce and equipments which there has been lack of for many decades.

Alignment of devolution and development

Decentralised employment services come into this from brokering, matching and upskilling to underpinning regional development plans, which might bring into existence new higher value manufacturing and traditional forms allied with this. National industrial strategy must be both about the service sector which the country excels in as well as production and for that matter agricultural ones. It must be long-term and aimed at positioning the UK as a leader in strength sectors and it must be subdivided into regions and constituent parts; there is critical mass around commutable cities and towns and opportunities in rural places, so all communities have tradeable goods and services to grow output.

Devolved employment support can also facilitate this by keeping more graduates and those taking vocational routes and their tangible human capital in hometowns or nearby, than would have been the case without workforce planning. This must be done within a regional development plan – say

405 Caroline Banton, November 2021: 'What Is Path Dependency?' <<https://www.investopedia.com/terms/p/path-dependency.asp>>

406 NIESR, May 2023 <<https://www.niesr.ac.uk/wp-content/uploads/2022/05/Reindustrialising-the-United-Kingdom.pdf?ver=yQma5vHqc24xbgat-J57H>>

407 Ibid.

408 Ibid.

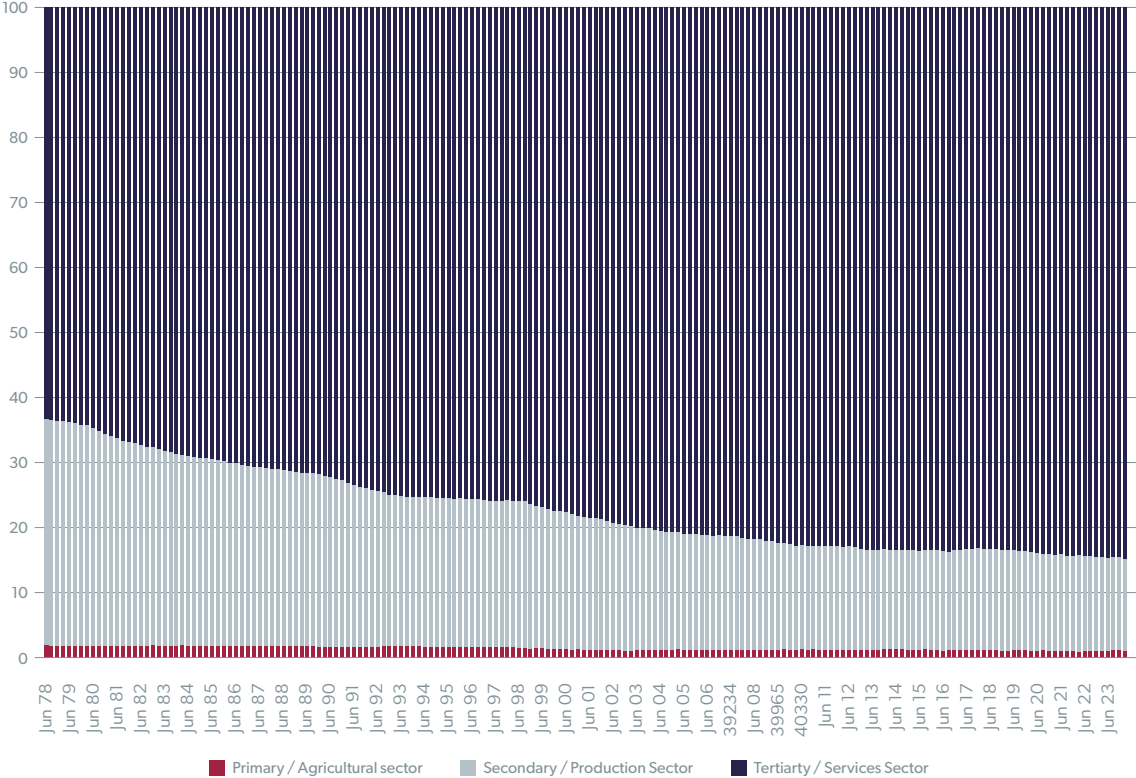
for green energy, whereby local schools and colleges and the university networks feed high-end technology jobs as well as others in supply-chains. Infrastructure projects, like green energy, involve building, maintaining and supporting say windfarms, on- or off-shore, and solar ones too should target placing in very particular places in the country. These must be about raising productivity and along with it wealth in poorer regions and be accompanied by better and stronger enforcement of the national minimum wage.

Localised employment services can also be used to alleviate the growth in economic inactivity, with a colocation of mental and physical health services that affect younger and older people respectively. Currently, these are under the DHSC being brought into same sphere as jobcentres presently managed by the DWP; this as outlined in Part Two – Sections Two and Three of this report. This can bring back accumulated human capital via personalised, holistic and spatially specific help.

The decline of production and particularly manufacturing industry

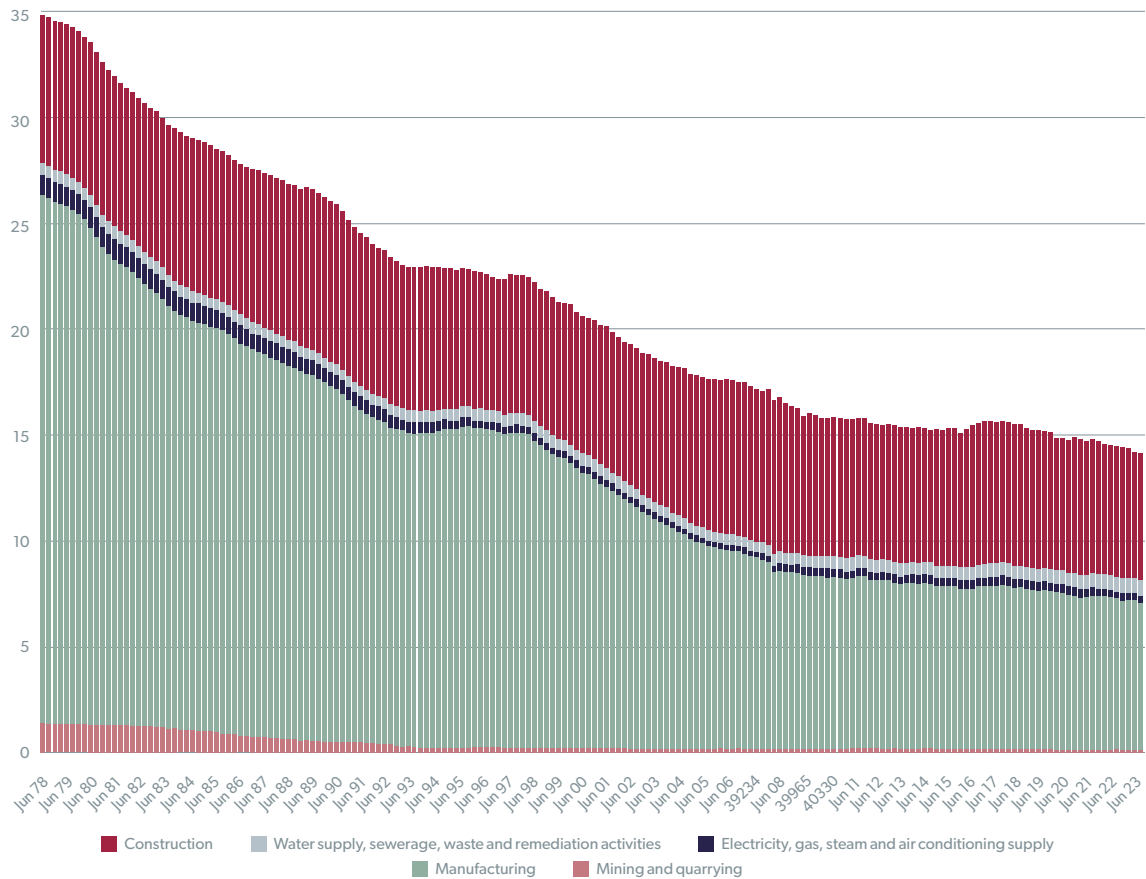
The fraction of UK Gross Value Added from Manufacturing has fallen from 17 per cent in 1990 to 9 per cent by close of 2023.⁴⁰⁹ The charts below show the UK’s secondary or production sector jobs declining since the late 1970s when it stood at near a third, it is now about 1 in 7. While the biggest proportional fall from base was in mining and quarrying, the driver of the whole pattern is manufacturing’s fall of about three and a half fold in that time.

Figure 170: Official percentage of UK workforce jobs, seasonally adjusted, 1978-2023



409 ONS, February 2024 <<https://www.ons.gov.uk/economy/grossdomesticproductgdp/datasets/ukgdpolowlevelaggregates>> and <<https://commonslibrary.parliament.uk/research-briefings/cbp-8353/>>

And Official percentage of UK workforce jobs – secondary / production sector of above subdivided, seasonally adjusted, 1978-2023



Source: ONS⁴¹⁰

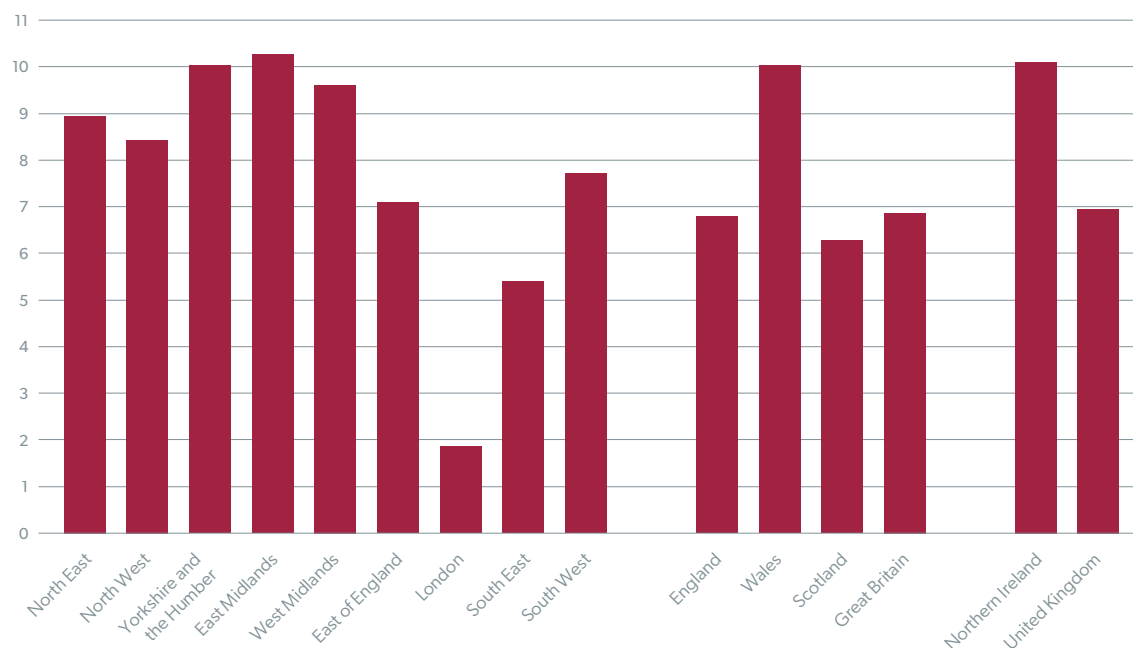
There is a philosophical school of thought that as an economy matures, primary and secondary sectors become smaller segments; the posited reason often cited for this is richer citizenry will want to spend their compensation for labour on services. However, the degree to which this has happened in the UK suggests that there are other reasons. Those cited over the decades for this country are low levels of public and private sector investment, higher interest rates compared with competitors meaning less access to credit and stronger national currency at the margin, spikes in energy costs not fully compensated by government subsidy which affects production more than services, lack of farsighted management willing to make investment decisions and so on.

Notwithstanding this decline, the UK’s production workforce now stands at 5.2 million and that for the manufacturing sector alone is at 2.6 million; with year on year average weekly earnings rise for manufacturing jobs being 1 per cent higher in total pay and 0.7 per cent higher in regular pay terms than that for the whole economy in GB in May 2024.⁴¹¹ Therefore, the fall away in this sector, with its higher paying work is missed most keenly in places where other high paying jobs are not available; the chart below shows that this is most the case in the north and middle of England, Wales and Northern Ireland, and least in London.

410 ONS, July 2024 <<https://www.ons.gov.uk/employmentandlabourmarket/peopleinwork/employmentandemployeetypes/bulletins/uklabourmarket/july2024>>

411 Ibid.

Figure 171: Official UK workforce jobs – percentage manufacturing sub-sector of production, seasonally adjusted, March 2024



Source: ONS⁴¹²

More so than in other places, the financial sub-sector of services is prevalent in London and the South East; these places are least impacted by the absence of manufacturing. The year on year average weekly earnings rise for finance and business services jobs is 1 per cent higher in regular pay terms than the wider economy in GB in May 2024.⁴¹³ There are studies on lost manufacturing jobs outside areas with other high paying sectors. An example was when 300 workers at MG’s car plant near Oxford were made redundant in 2005. Former workers sought new employment generally in the service sector and around 90 per cent found some form of employment by April 2008, but very few attained the same level of pay with earnings on average £5,600 less than what they had been on at Rover.⁴¹⁴

The changing story on vacancies and skills shortages

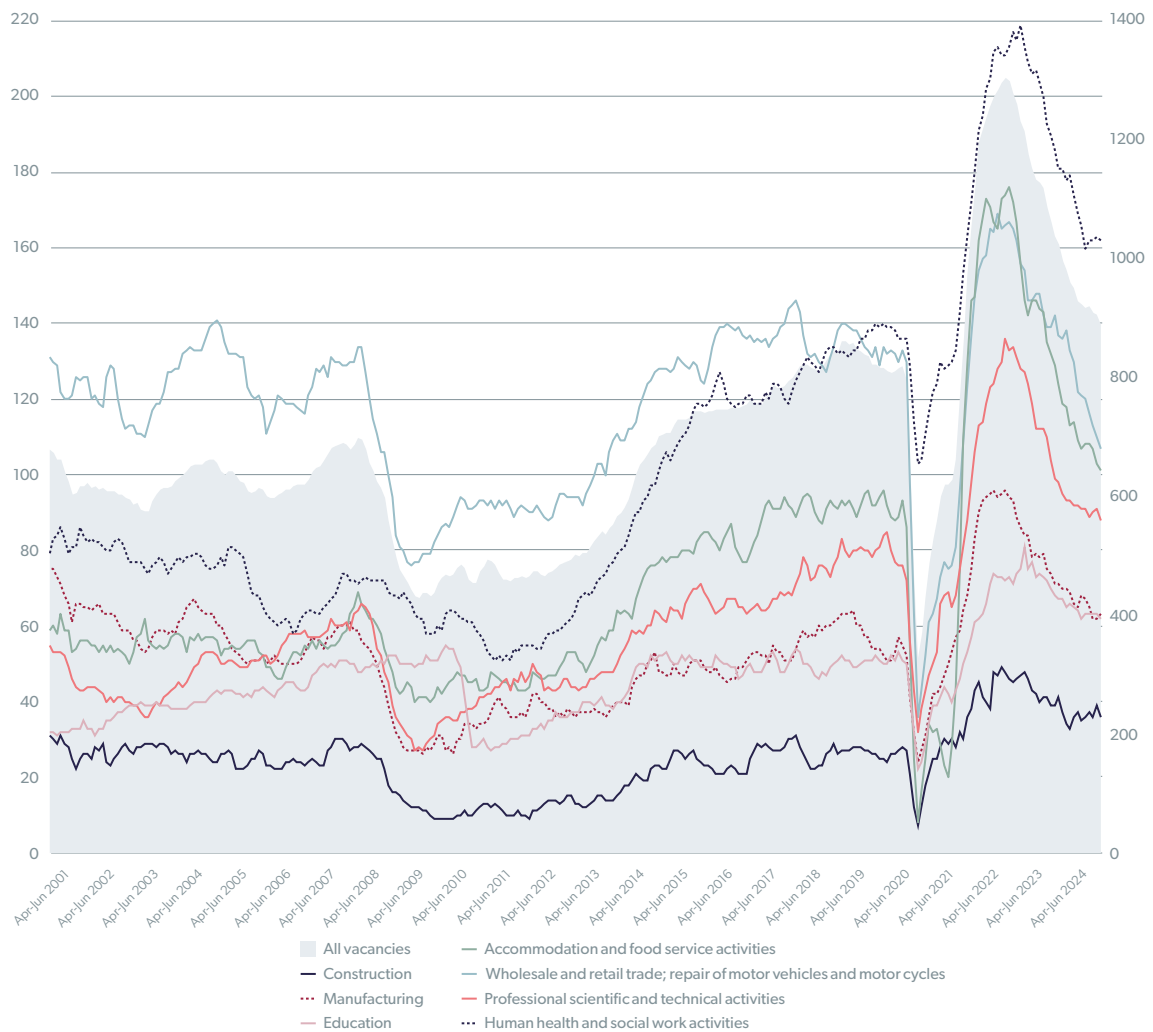
A brake on UK growth is unfilled job vacancies. Although not stated often in the media, the chart below shows vacancies were growing before Covid, from under 500 thousand in the early 2010s to around 800 thousand just before the epidemic; though it is true that there has been a sharp rise post-pandemic lockdowns with this reaching a high of 1.3 million in mid-2022. It also shows the latest number has it at about 900 thousand; with the recent uptick surge partly driven by vacancies in accommodation and food services, professional scientific and technical activities and manufacturing, while other areas like wholesale and retail trade seeing similarly high unfilled positions as in other recessionary periods. An aspect it brings into view is that human health and social work, education and construction which feature on the news a lot; because of proportionally big increases on their respective counts from before outbreak.

412 ONS, June 2024 <<https://www.ons.gov.uk/employmentandlabourmarket/peopleinwork/employmentandemployeetypes/datasets/workforce-jobsbyregionandindustryjobs05s>>

413 ONS, July 2024 <<https://www.ons.gov.uk/employmentandlabourmarket/peopleinwork/employmentandemployeetypes/bulletins/uklabourmarket/july2024>>

414 Bailey, D. , Chapain, C. and de Ruyter, A., 2012: ‘Employment outcomes and plant closures in a post-industrial city: an analysis of the labour market status of MG Rover workers three years on’ <<https://pure.coventry.ac.uk/ws/files/4051956/employment%20outcomes%20and%20plant%20closures.pdf>>

Figure 172: Official UK Vacancies by select industry in thousands (seasonally adjusted), 2001-24

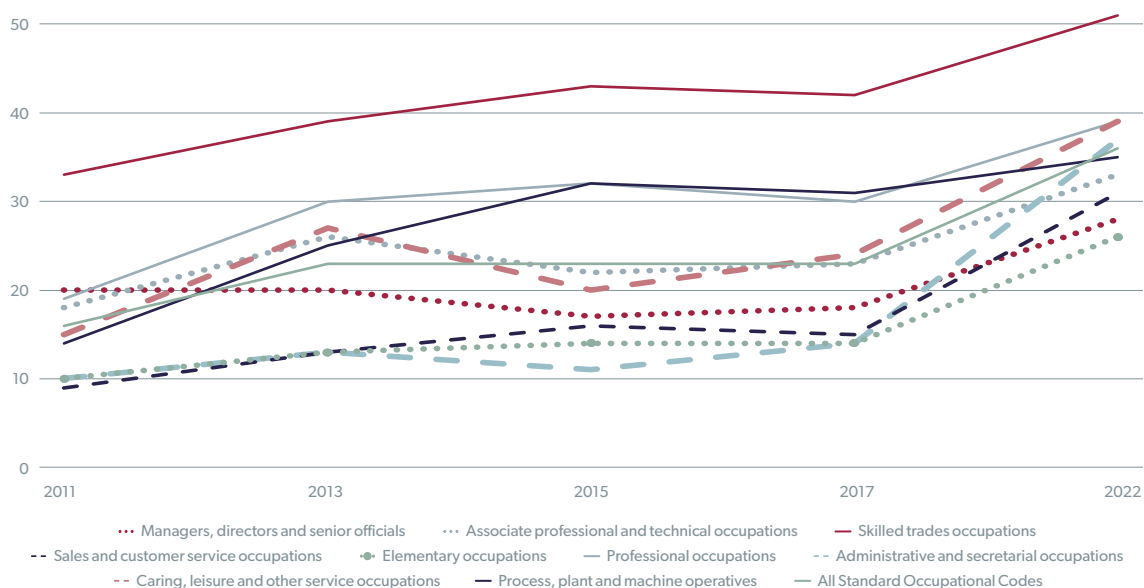


- lines on the vertical axis to the left and area on the vertical axis to the right
 Source: ONS⁴¹⁵

This is a constraint on the UK's economic performance, particularly if the vacancies are due to skill shortages as these cannot easily be filled over time or via reorganisation of roles. Here the press, perhaps pushed by businesses and their associations, is quick to point to types of posts not filled. The chart below shows these are in professional occupations and the skilled trades which have seen this rise to half of all vacancies and plant and machine workers have swollen over the decade, while others like caring, leisure and clerical staff have seen an ascent during the years around the international contagion. The reaction of developed countries to such a restraint over the years is to raise participation rates, however success has not been uniform after the early 2010s financial crisis. The chart below the last shows while mainland Europe and Japan got more older people economically active that was mostly before Covid, and the UK and Canada have fallen to the bottom of the Group of Seven countries with the United States not too far away and strangely while France narrowed the gap its differential is similar to the bottom end.

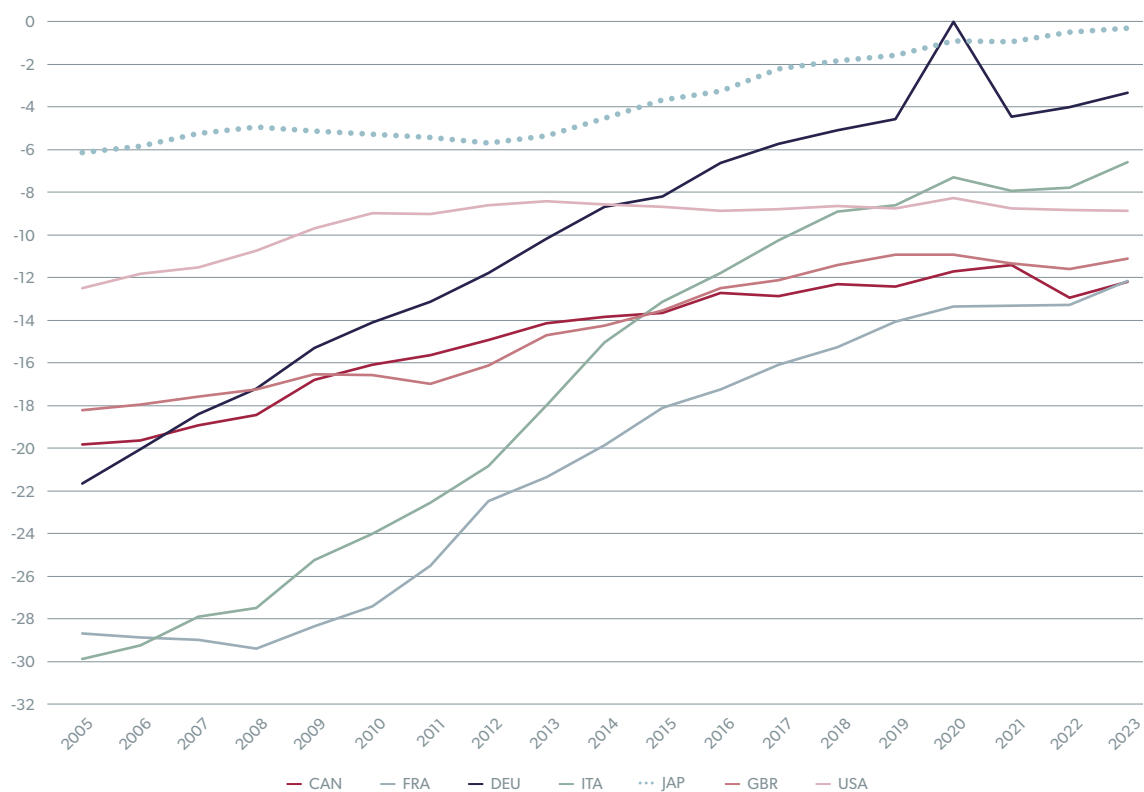
415 ONS, July 2024 <<https://www.ons.gov.uk/employmentandlabourmarket/peopleinwork/employmentandemployeetypes/bulletins/uklabourmarket/july2024>>

Figure 173: UK skill-shortage vacancy as a percentage of all vacancies, 2011-22



Source: DfE⁴¹⁶

Figure 174: Participation rate differential between 15-64 and 55-64 year olds, 2005-23



Source: OECD⁴¹⁷

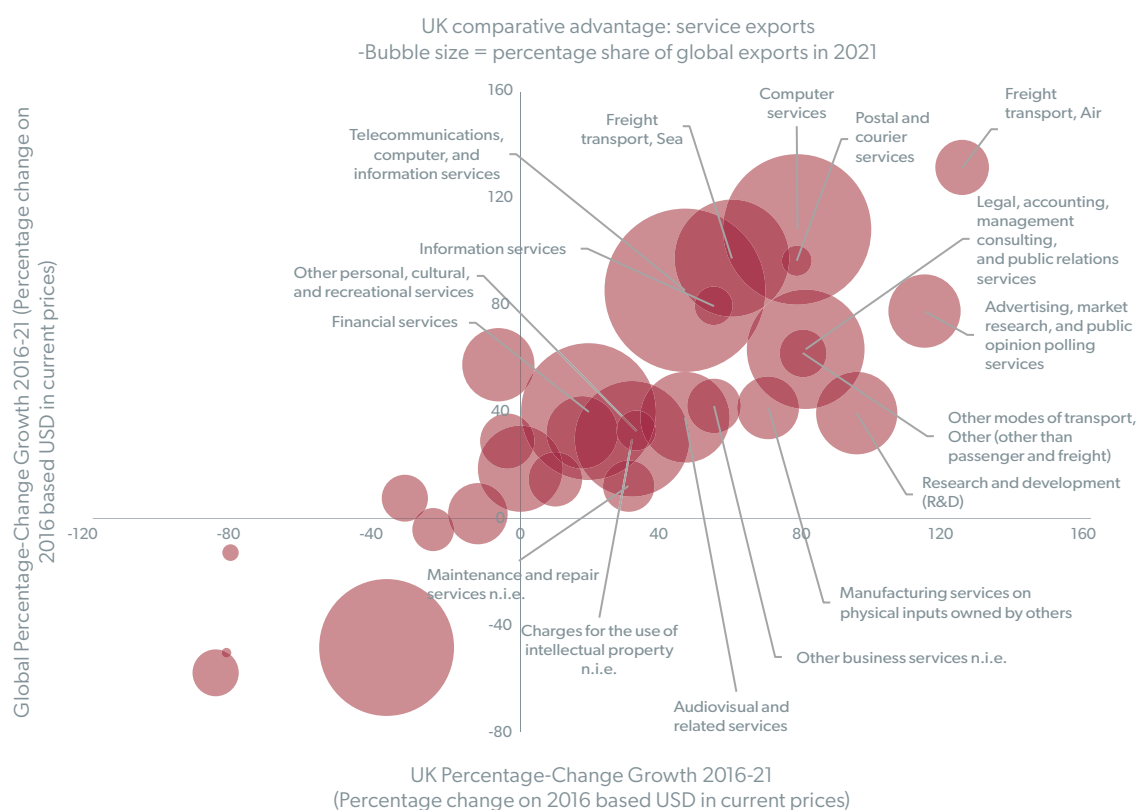
416 DfE, September 2023 <<https://explore-education-statistics.service.gov.uk/find-statistics/employer-skills-survey/2022>>

417 OECD, June 2024 [https://data-explorer.oecd.org/vis?lc=en&pg=0&fs\[0\]=Topic%2C1%7CEconomy%23ECO%23%7CShort-term%20economic%20statistics%23ECO_STS%23&fc=Topic&bp=true&snb=21&vw=tb&df\[ds\]=dsDisseminateFinalDMZ&df\[id\]=DSD_LFS%40DF_IALFS_INDIC&df\[ag\]=OECD.SDD.TPS&df\[vs\]=1.0&pd=%2C&dq=FRA%2BDEU%2BITA%2BJPN%2BGBR%2BUSA%2BG7%2BCAN_LF_WAP%2BEMP_WAP.PT_LF_SUB%2BPT_WAP_SUB..Y.T.Y15T24%2BY15T64%2BY15T74%2BY55T64%2BY25T54%2BY_GE15..A&ly\[r-wj\]=REF_AREA&ly\[c\]=TIME_PERIOD&to\[TIME_PERIOD\]=false](https://data-explorer.oecd.org/vis?lc=en&pg=0&fs[0]=Topic%2C1%7CEconomy%23ECO%23%7CShort-term%20economic%20statistics%23ECO_STS%23&fc=Topic&bp=true&snb=21&vw=tb&df[ds]=dsDisseminateFinalDMZ&df[id]=DSD_LFS%40DF_IALFS_INDIC&df[ag]=OECD.SDD.TPS&df[vs]=1.0&pd=%2C&dq=FRA%2BDEU%2BITA%2BJPN%2BGBR%2BUSA%2BG7%2BCAN_LF_WAP%2BEMP_WAP.PT_LF_SUB%2BPT_WAP_SUB..Y.T.Y15T24%2BY15T64%2BY15T74%2BY55T64%2BY25T54%2BY_GE15..A&ly[r-wj]=REF_AREA&ly[c]=TIME_PERIOD&to[TIME_PERIOD]=false)

Where is competitive advantage to be found, and can something else be added

The chart below shows there are service sector exports where the UK has a strong presence or competitive advantage. The vertical global percentage change growth over five years asserts worldwide demand, and the horizontal national percentage change growth over five years implies the UK supply of that quantity demanded. The top right, highly competitive, quadrant sectors of leadership are labelled and highlighted.

Figure 175: UK comparative advantage: service exports, 2016-2021



Source: UNCTAD⁴¹⁸

There are certain service sectors the UK has competitiveness in:

- professional services that are based on human skillsets;
- financial and business services arising from capital and wider markets consolidation;
- services driven by computing, information technology and audio-visual technologies;
- intellectual property and R&D ranging from computer science to pharmaceuticals;
- logistical services organising air, freight and other transportation; and
- manufacturing related services connected to the making of high-value products.

All this suggests that the country does have a bright future, but just that the service sectors it depends on tend to be highly geographically concentrated in the South. However, this does not have to be, say

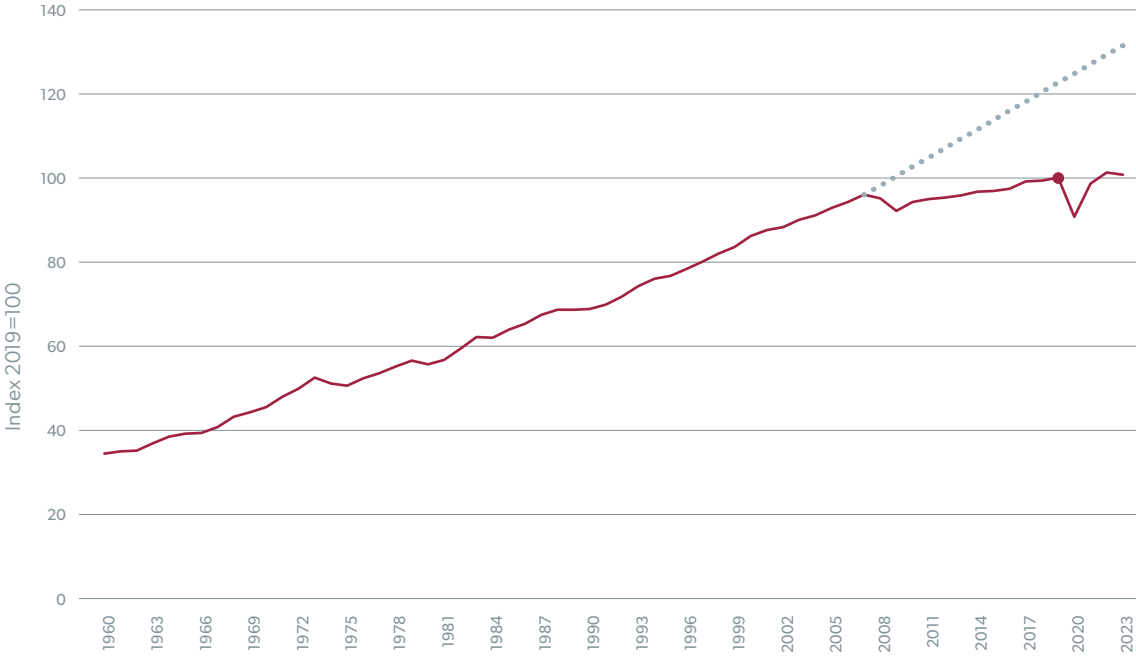
418 UNCTAD - Services (BPM6): Exports and imports by service-category, trade-partner World, Annual, September 2023 <<https://unctadstat.unctad.org/datacentre/dataviewer/US.TradeServCatTotal>>

logistics and the fact that manufacturing related services is an advantageous service sector can assist growing higher value added manufacturing itself.

As shown above, the manufacturing remaining is in the former densely industrialised areas that any raising up of deprived places would impact, thereby reducing disparities. That is although the paths of globalisation and deindustrialisation has set, with it being that many manufacturing businesses have often found it easier and cheaper to offshore lower skilled, more routine activities such as assembly line production to other countries with a lower labour cost base.⁴¹⁹ However, the UK still has opportunities as those areas of the UK that retain some level of this employment by in large are in poorer areas, where the productivity in the manufacturing sector itself is above the UK average.⁴²⁰

Devolved employment and associated services can help turnaround what has become known as the hollowing out of middle and skilled jobs in the UK’s hourglass economy, which then should improve labour productiveness. The chart below shows there has been lost labour productivity since before the 2008 financial crisis, with nearer 30 per cent of output per worker lost against preceding trend. A reversal of this can be fortified with adult education, apprenticeships and technical education offerings via a localised service as per the case studies below, which can also be pointed at new technology based manufacturing.

Figure 176: UK output per worker, seasonally adjusted, 1960-2023



Source: ONS⁴²¹

419 Centre for Cities. March 2015 <<https://www.centreforcities.org/wp-content/uploads/2015/03/15-03-04-A-Century-of-Cities.pdf>>

420 ONS, September 2023 <<https://www.ons.gov.uk/employmentandlabourmarket/peopleinwork/labourproductivity>>

421 ONS, May 2024 <<https://www.ons.gov.uk/employmentandlabourmarket/peopleinwork/labourproductivity/datasets/labourproductivity>> and <<https://www.ons.gov.uk/employmentandlabourmarket/peopleinwork/labourproductivity/timeseries/a4ym/prdy>>

This is not only a purely economic issue, as Centre for Social Justice polling found that:

- 62 per cent of British adults say that manufacturing jobs are important in their local area, rising to 76 per cent in manufacturing constituencies, and also 32 per cent of British adults believe job opportunities have worsened in the last five years, rising to 34 per cent of adults in manufacturing constituencies; and
- 47 per cent of British adults think UK economic development should be more focused on creating manufacturing jobs over service sector jobs, and this rises to 51 per cent in manufacturing constituencies, 60 per cent in the North East and 56 per cent in Yorkshire and the Humber.⁴²²

National development imperative has filtered down to the population at large, particularly where production is present; therefore there is broad buy-in for an industrial strategy.

Devolving employment and associated services with a purpose and plan

The thing that makes decentralisation hard is that Government wants to achieve strategic development objectives, and consistently has not relied on local units in a big way. The UK experience of large-scale regenerations has been taskforce based exemplified by Liverpool and London from the 1980s. Since then, Local Enterprise Partnerships have been smaller happening when there is an impetus. The Centre for Social Justice has been asking for key projects to be done first, as one proof of delivery and two as an underpinning for future grander endeavours.

The examples below on explanations of how devolved employment support can assist with decarbonising and onshoring are deliberately rooted in the present; they are chosen because they are at either end of the spectrum, between high-tech jobs and low-tech ones, and drive at economic competitiveness, establishing green energy industry and overcoming barriers to existing and emerging opportunities. These two case studies are also relevant to the current political discourse on the greening of growth and the rebalancing of relations with our closest trading partners.

There are other good examples that are not in this paper, chief amongst them is the acute requirement to recruit more teachers, which although not bound-up in externalities is important to the functioning of the state. The localising of employment services means that this can be about playing to local strengths and coaching to fill gaps. The key thing is that regional, combined and local authorities can push outcomes, say for instance tying educational funding for further education institutions to meet their targets on areas' needs – more green maintenance workers, retro-fitters, teachers etc.

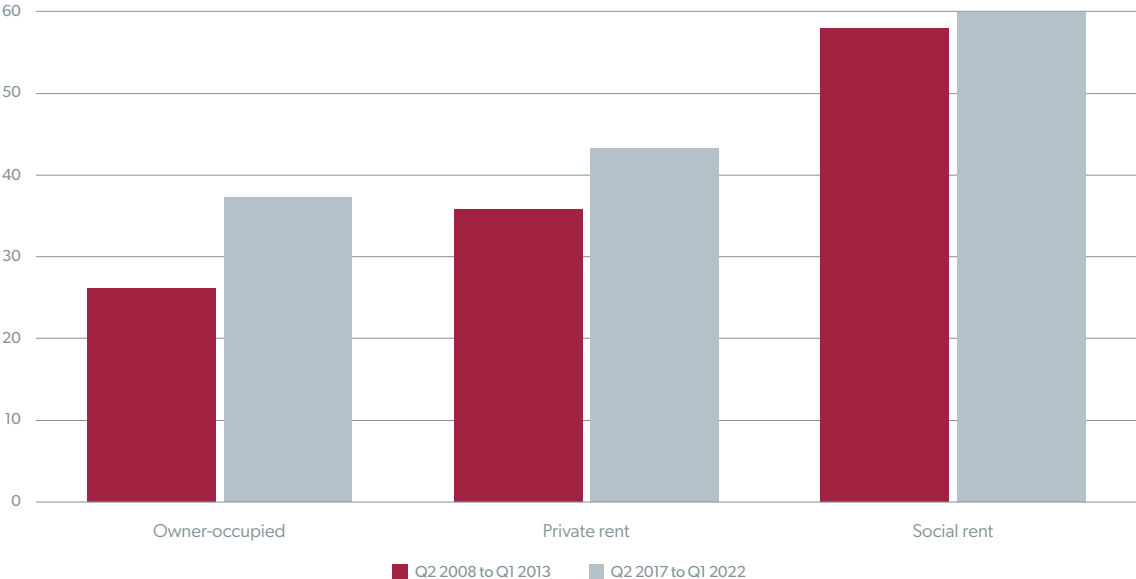
422 Polling for the Centre for Social Justice by Opinium

Brighter future rejuvenation – example case study: decarbonising housing

Using the decarbonisation agenda to lift people

The UK will have to cut carbon emissions by 78 per cent relative to 1990 levels by 2035⁴²³ and wants this to be net zero by 2050.⁴²⁴ Therefore, decarbonising the housing stock is critical, as the country’s residences are responsible for a fifth of it.⁴²⁵ However, the UK’s housing stock is among the least energy efficient in Europe⁴²⁶ so in order to meet the 2050 target the UK’s buildings, including homes, must contribute to a clean growth strategy. There are 24 million homes that need to be retrofitted.⁴²⁷ The industry suggests this would involve installing 1 million low-carbon heating systems a year, mainly heat pumps for boilers, and insulation.⁴²⁸ The chart below shows the share of all dwellings at Band C or above is only half way to goal, with 47 per cent in England overall.⁴²⁹ This is lower in owner occupied and private rented properties than in social housing. There is clearly an opportunity here to create higher quality employment in under-developed regions and nations; in terms of green manufacturing to make equipments and jobs to install and maintain them. Thus following, improved energy efficiency of homes with ensuing reduced energy bills will become a smaller portion of earnings in these places.

Figure 177: Percentage of dwellings EPC band C+ by tenure in England, 2008-22



Source: ONS⁴³⁰

423 BEIS, October 2021 <https://assets.publishing.service.gov.uk/media/61d450eb8fa8f54c14eb14e4/6.7408_BEIS_Clean_Heat_Heat_Buildings_Strategy_Stage_2_v5_WEB.pdf>
 424 HMG, November 2008 <<https://www.legislation.gov.uk/ukpga/2008/27/contents>>
 425 ONS, August 2022 <<https://www.ons.gov.uk/economy/environmentalaccounts/articles/climatechangeinsightsuk/august2022>>
 426 New Statesman 'British homes among the worst insulated in Europe', January 2022 <<https://www.newstatesman.com/chart-of-the-day/2022/01/british-homes-among-the-worst-insulated-in-europe>>
 427 HMG, March 2021 <<https://committees.parliament.uk/publications/5171/documents/52521/default/>>
 428 Medium: Andrew Sissons, November 2023 <<https://medium.com/all-you-can-heat/the-three-phases-of-the-heat-transition-d32f931b17b5#:~:text=The%20first%20phase%20is%20all,1%20million%20homes%20per%20year.>>>
 429 CCC, June 2023 <<https://www.theccc.org.uk/publication/2023-progress-report-to-parliament/>>
 430 ONS, October 2022 <<https://www.ons.gov.uk/peoplepopulationandcommunity/housing/articles/energyefficiencyofhousinginenglandand-wales/2022>>

Skills matching for future employment opportunities

The Government's Heat and Buildings Strategy recognises embedding green skills to:

- the areas of highest unemployment and provide a range of job opportunities;
- enhance local skills and improve the prosperity of families in deprived regions;
- target areas of greatest need, encouraging makers and trainers to locate there; and
- support the low income and fuel poor, social housing tenants and vulnerable clients.⁴³¹

Analysis conducted by LinkedIn suggests a mismatch between supply and demand in such retrofitting skills; with the number of jobs requiring them growing by 31 per cent over the past five years compared with 21 per cent growth in suitably qualified workers overall globally.⁴³² The Centre for Social Justice's polling found that 64 per cent of business leaders agree addressing a skills gap here should be an instant priority for Government, but it also revealed widespread scepticism about the adequacy of current skills provision with only 47 per cent of manufacturing and 41 per cent of construction businesses believing it will close the skills gap.⁴³³ These two separate pieces of research imply that the fashionable but longer-term green economy is doing fine, however decarbonisation in the form of humble but really core retrofitting requires Government support.

The future skills talent pipeline

The Green Alliance has estimated that approximately 300 thousand skilled workers will be required to decarbonise buildings more generally, comprised of both new market entrants and upskilled existing workers.⁴³⁴ The business community consensus is that national and local Government need to play an important part in developing green skills. Beyond highly centralised employment support and adult education and apprenticeships funding outlined in Part Two, Section One, there is:

- a BEIS taskforce funded to drive 2 million green jobs by 2030;⁴³⁵ and
- the DfE's Lifetime Skills Guarantee, a flagship programme for supporting learning across all age groups backed by £95 million.⁴³⁶

Despite this, think tank polling found that 56 per cent of businesses believe the UK is not ready for the economy of the future.⁴³⁷ Below this, local government must not be forgotten, so statutory guidance for Local Skills Improvement Plans should be updated to harness opportunities for net zero and engage those furthest from the labour market.

431 BEIS, October 2021 <https://assets.publishing.service.gov.uk/media/61d450eb8fa8f54c14eb14e4/6.7408_BEIS_Clean_Heat_Heat_Buildings_Strategy_Stage_2_v5_WEB.pdf>

432 LinkedIn, UK Green Skills Report, accessed August 2023 <<https://economicgraph.linkedin.com/content/dam/me/economicgraph/en-us/global-green-skills-report/global-green-skills-report-pdf/linkedin-uk-green-skills-report.pdf>>

433 Polling for the Centre for Social Justice by Opinium, conducted February 27th -March 3rd 2023

434 Green Alliance, January 2022. <https://green-alliance.org.uk/wp-content/uploads/2022/01/Closing_the_UKs_green_skills_gap.pdf>

435 BEIS, November 2020 <<https://www.gov.uk/government/news/uk-government-launches-taskforce-to-support-drive-for-2-million-green-jobs-by-2030>>

436 BEIS, October 2021 <https://assets.publishing.service.gov.uk/media/61d450eb8fa8f54c14eb14e4/6.7408_BEIS_Clean_Heat_Heat_Buildings_Strategy_Stage_2_v5_WEB.pdf>

437 Polling for the Centre for Social Justice by Opinium, conducted February 27th - March 3rd 2023

Decarbonisation summation

This decarbonising housing case study represents a restricted envelope of outlay for the Government now and in coming years; for employment services and skills provision it is merely bringing together existing pots and devolving down to regional units and within these combined and local authorities, while for housing it is signalling direction of travel for current businesses and future stakeholders to invest in retrofitting and associated areas. It is not saying that other things like green energy infrastructure should be halted, but just with budgets under pressure it provides a practical place to progress while the national balance sheet recovers. It prepares the population for future strategic projects. For more information on this case study please refer to the Centre for Social Justice's October 2023 '[Better insulate than never](#)' report.

National security regeneration – example case study: onshoring supply-chains

Public sector contracting

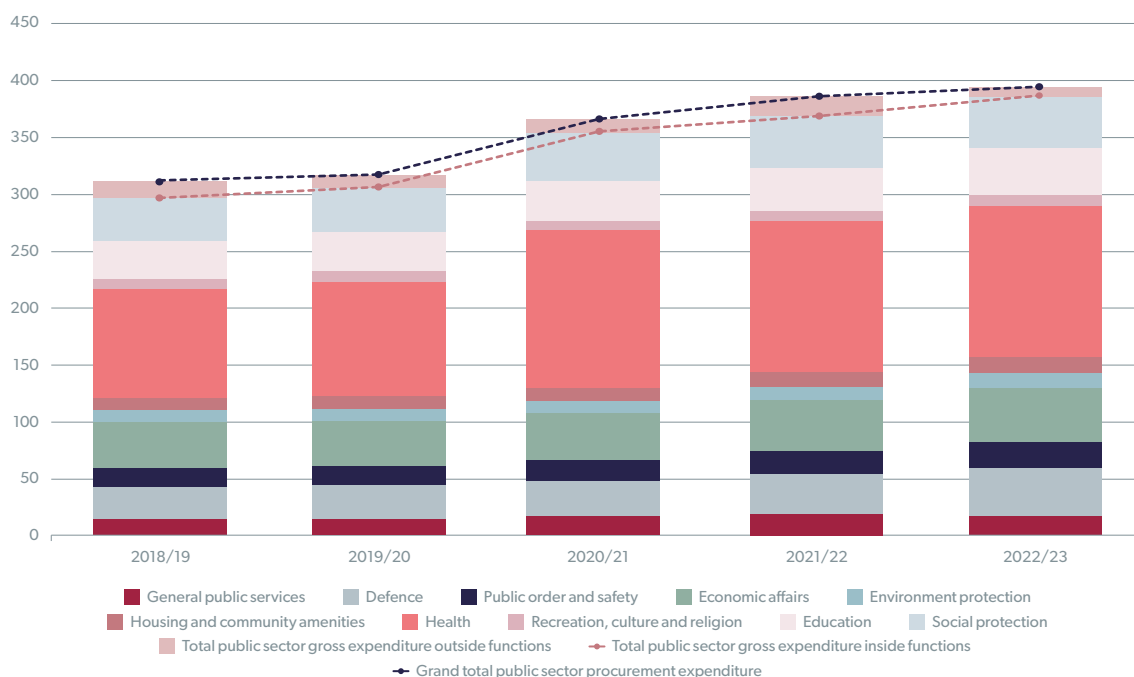
In 2022-23, the UK spent £393 billion on procurement awarded to the private sector, a rise on £310 billion in 2018-19.⁴³⁸ The chart below shows a step-change increase from 2020-21, driven mainly by the pandemic expanding health expenditure. With EU exit, this represents scope to select UK providers, thereby securing supply-chains and counting wider societal impacts, including labour market and welfare ones, rather than just competitive tender. EU rules, first under the Treaty on the Functioning of the EU 2009 and then the Public Contracts Regulations, aimed to secure equal access for any member states' companies to one another's public contracts,⁴³⁹ often gave controversial decisions. An example in the UK was the award of a £1.6 billion contract for Thameslink trains to German firm, Siemens, over Bombardier, based in Derby, which meant although on the face best tender was selected, other costs to the state in welfare were incurred due to opportunity cost, loss of new jobs.⁴⁴⁰

438 Parliament, December 2023 <<https://researchbriefings.files.parliament.uk/documents/CBP-9317/CBP-9317.pdf>>, HMT, July 2023 <<https://www.gov.uk/government/statistics/public-expenditure-statistical-analyses-2023>> Public Expenditure Statistical Analysis tables 5.5 and 5.6 using Parliament's Library method

439 IfG, March 2020 <<https://www.instituteforgovernment.org.uk/explainers/procurement-after-brexite>>

440 The Telegraph, June 2013 <<https://www.telegraph.co.uk/finance/newsbysector/transport/10119477/Bombardier-blow-as-Siemens-wins-1.6bn-Thameslink-deal.html>>

Figure 178: UK public sector gross procurement in billions of £s of expenditure by function, from 2018/19 to 2022/23



Source: HMT⁴⁴¹

Consideration of social impacts

EU or follow on rules required competition within the value for money principle, defined as “the best mix of quality and effectiveness for the least outlay over the period of use of the goods or services bought.”⁴⁴² The difficulty was/is the narrow interpretation of construct, which usually excluded wider costs. This led to cross-party support to modify the concept, including the Social Value Act 2012. It brought in social value: “(a) how the economic, environmental and social wellbeing of the relevant area may be improved by what is being procured and (b) how, in conducting the procurement, contracting authorities might act with a view to securing that improvement.”⁴⁴³ New legislation only applies to services owing to complex chains in manufacturing goods, and thereafter this value still remained part of HMT’s guidance on managing public money. However, according to Lord Young’s Review in 2015, it did move the dial on: “encouraging a more holistic approach to commissioning which seeks to achieve optimal combination of quality and best value.”⁴⁴⁴

441 HMT, July 2023 <<https://www.gov.uk/government/statistics/public-expenditure-statistical-analyses-2023>>

442 Crown Commercial Service, October 2016 <https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/560261/Brief_Guide_to_the_2014_Directives_Oct_16.pdf>

443 CO, March 2019, <https://assets.publishing.service.gov.uk/media/5ff466bbd3bf7f65db50f367/11.03.19_FINAL_FINAL_DOC_Social_Value_in_Government_Procurement_V2.docx> or <<https://www.value-match.co.uk/library/cabinet-office-social-value-in-government-procurement/>>

444 CO, February 2015 <https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/403748/Social_Value_Act_review_report_150212.pdf>

The above precepts over years have meant a growing number of UK public contracts were opened up to suppliers from other countries, it is estimated over the years to 2018 that 2.5 per cent of the value of larger procurements went directly to suppliers based outside the UK and of these around half went to suppliers in the EU. Furthermore, 22 per cent of the value of larger contracts were awarded indirectly to suppliers based outside the UK as subsidiary of a foreign company and of these about half were in the EU. Conversely, it is estimated over years to 2018 that 1.7 per cent of the value of larger EU procurements went directly to suppliers based in the UK, and 11 per cent of the value of larger EU ones were awarded indirectly to UK suppliers as the parent company of a successful bidder.⁴⁴⁵ However, discrepancy in these numbers is not felt equally, it is felt most deeply as unemployment or underemployment in lower wage parts of the country.

Using public contracts to grow local areas

Now outside the EU, onshoring can be a lever for the UK authorities to ease wealth disparities inside World Trade Organisation Agreement on Government procurement. Contract repatriation does not have to mean that domestic firms are chosen irrespective of competitiveness but can mean more nuanced argumentation on lower cost provision. There are limits on this within specific sectors; take medicines and medics, where the former probably cannot be contracted in entirety due to international pharmaceutical companies' specialisation and the latter can be, but only as the talent pipeline delivers native medical professionals after a lag time due to educational period. With other sectors like general and recreation, culture and religion, there may be scope for close to all supplies to come from within state. It could be that selection is from a list of providers either local ones or those in deprived areas.

Onshore public contracting summation

The recent Procurement Act of 2023 puts this squarely into the same space as devolved employment and associated services, as onshored contracts will require suppliers to have suitably trained staff. Indeed, it talks to commercial and procurement delivery and skills and capability, insisting on consideration of social value. The legislation subdivides into:

- creating new businesses, jobs and skills to advance regional and national development;
- tackling climate change and reducing waste to meet environmental goals; and
- improving supplier diversity, innovation and resilience to make the economy robust.

For detail on this case study please see the Centre for Social Justice's September 2021 '[Spend it better](#)' report, which looks at onshoring supply-chains not only from a decreasing disparities across geographies stance but also one of strengthening national security.

445 Parliament, September 2018 <<https://researchbriefings.files.parliament.uk/documents/SN06029/SN06029.pdf>>

The green energy agenda – case study low and high value added wind farming kit

Flat-pack turbines and towers

Prototyping of energy generation kit has come on with school pupils to university students turning their hand to R&D;⁴⁴⁶ these have been showcased since the United Nation's (UN's) Conference of Parties (COP) 26 as solutions for future low cost clean energy in the third world.⁴⁴⁷ These are likely to bring down domestic manufacturing costs for on- and off-shore wind farms. Today, onshore installation cost is high and erratic depending on manufacturer with on average standalone 15 kilowatt turbines costing around £70 thousand and 3.5 megawatt commercial ones costing upwards of £3.13 million.⁴⁴⁸

There is an emerging homegrown sector, with Ampair, Britwind, Evance, Gaia and Marlec all operating within the country;^{449 450} who are likely to want to locate future production, maintenance and farm sites in the wide open space of some of the poorest UK regions.

Media attention has turned to building bigger and aesthetically pleasing onshore towers for the turbines, here Swedish manufacturer, Modvion is leading the way using thin layers of wood glued together and compressed to make the curved sections then taking those pieces to site and putting them together into cylinders. Their Chief Executive says: *“Wood and glue is the perfect combination, we've known that for hundreds of years ... and because using wood is lighter than steel you can build taller with less material”*. The big selling point is by using wood and glue, towers can be built in smaller spaces and modules are more easily transported, which will make it much easier to build tall in challenging locations⁴⁵¹ – whether it is this supplier or new UK start-ups on similar business model.

There seems to be a strong case to scale public and private sector R&D investment here to bring down costs. This adds high value jobs in Gross Value Added terms, perhaps near cutting edge industry in the north of England, Wales and Northern Ireland, and backs UK enterprise. It also adds lower value ones, as per above terms, but in larger number near the wind farms, perhaps in these regions, and are more accessible to those without further or higher education.

446 Institution of Mechanical Engineers, November 2023 <<https://www.imeche.org/news/news-article/flatpack-wind-turbine-solar-powered-train-and-other-school-pupil-prototypes-win-macrobert-medals>>

447 Glasgow Caledonian University, November 2021 <<https://www.gcu.ac.uk/aboutgcu/universitynews/2021-flatpackwindturbine>>

448 Lumify Energy, August 2023 <<https://lumifyenergy.com/blog/how-much-does-a-wind-turbine-cost/#:~:text=The%20cost%20of%20a%20wind%20turbine%20varies%20depending%20on%20who,upwards%20of%20%C2%A33.13%20million!&text=When%20building%20an%20average%20turbine,of%20suppliers%20to%20source%20parts.>>>

449 Renewable Energy Hub, October 2023 <<https://www.renewableenergyhub.co.uk/main/wind-turbines/manufacturers-of-wind-turbine>>

450 BritWind <https://www.britwind.co.uk/>

451 BBC, December 2023 <<https://www.bbc.co.uk/news/science-environment-67718719>>

2.4.6. Argumentation for devolving employment and associated services

Unfinished Business

Devising localised partnerships within the public, private and third sectors

The Centre for Social Justice has from the earliest times supported the localising of employment services in conjunction with Universal Support, and for this to be directed by national and local governments, with a senior responsible owner reporting to a Board. This will mean managing handover to mature mayoralities and combined authorities and routes to this in others as the proof of concepts. Our perspective is that:

- a secretariat in Westminster owns national strategy and holds localities accountable within framework, have allocated budgets and take-back powers. With this, advisory and capability is embedded for knowledge holding as is liability for assessment; and
- a lower-level combined authority under regional leadership, currently mayors, and devolved first ministers, is needed to land employment services that fit their localities.

This is like the Dutch and Scandinavian organisations where strategising is done at national and higher local levels but manifestation is at the lowest level. The two are formulated so locally implemented provision follows the Government's plan, as arbitrated on centrally.

Companion to earlier welfare reform

To the think tank, Universal Support requires devolved areas working in partnership with stakeholders for the furtherance of local peoples' needs, most obviously the unemployed and economically inactive, and through that enable them to get into employment and out of poverty. After Covid, there is much desire to level up the country through giving back control. The project roundtables made it obvious localism is needed and domestic and overseas evidences show that industrial strategy in countries who had a head start in industrialisation are necessary now owing to externalities as well as internal political pressures. With the increasing separation of economic development and political reform it has become easier to press ahead with it, and the disparity reduction narrative means Machinery of Government change seems inevitable. There are possibilities for using decentralising employment and associated services to underpin other areas; from net zero and wider environmental policies to supply-chain security ones.

Ideas on regeneration in the UK owe a lot to Lord Heseltine, dubbed Minister for Merseyside in 1980, who ranks his work in that city as his greatest achievement. He lately stated:

"You just need to look around, it brings tears to my eyes. The city is on a springboard, it's not a static phenomenon. This city is going places and it's very exciting to see."⁴⁵²

452 BBC, September 2023 <<https://www.bbc.co.uk/news/uk-england-merseyside-66734260>>

The above is not a Whitehall centric view, Michael Heseltine is held in regard on Merseyside. This despite the city's historic political leanings, one local resident said:

*"He had the guts to meet people... Done a lot of good for us. We need more like him."*⁴⁵³

A year later in 1981, he oversaw the London Docklands Development Corporation's raising of the city's old East-End; where his work has reached new levels with future mayors benefiting from his tax, investment, planning and transport reforms. His recent take:

*"If I had made a speech then about what we were planning to do about London's Docklands, predicting everything that has happened there – Canary Wharf, the Dome, the Exhibition Centre, the Olympics, the high-speed rail link, London City airport – they would have sent the men in white coats and had me locked up."*⁴⁵⁴

Today, Lord Heseltine, is making the case for national rejuvenation; this time through devolution in England. Speaking in Liverpool he said:

"The people who are going to create the jobs, who know the skills that are required, are the people locally. Devolving education and skills is critical.

*If I could wave a wand in regeneration the most urgent thing would be the education and training of our young people, and making it worth their while to be able to be part of a society in which they can contribute."*⁴⁵⁵

He also stated:

*"The mayoral authority brings the focus on one person for the whole community. If you give them powers and money, that means everyone has an incentive to come and find out how you can share in those opportunities."*⁴⁵⁶

Michael Heseltine's presence was needed by the Local Government Association, just before the outbreak of the pandemic. He suggested that in his view over the past forty years, within the present political setting, that is many of the current mayors were working:

*"With one arm tied behind their backs (due to the imbalance of power). London [Westminster] is too powerful and takes too many of the everyday decisions. If you live 200 miles away from the people who decide your future, you become frustrated, lack hope and ultimately become apathetic. Too few... who devise the policies that shape your early years, your adolescence, your education, your life chances, your whole life, have never experienced your life."*⁴⁵⁷

453 Liverpool Echo, July 2023 <<https://www.liverpoolecho.co.uk/news/liverpool-news/caring-mp-only-tory-ever-27338939>>

454 Financial Times, June 2021 <<https://www.ft.com/content/aa485ae2-c48d-47ee-8c9c-a21b697ef5eb>>

455 North West Place, September 2023 <<https://www.placenorthwest.co.uk/lord-heseltine-calls-for-more-devolution-in-liverpool/>>

456 Ibid.

457 The Guardian, July 2019 <<https://www.theguardian.com/politics/2019/jul/02/heseltine-urges-greater-powers-for-englands-metro-mayors>>

Indeed, it was his 2012 proposals, in the No Stone Unturned document, which set out the creation of combined authorities and metro mayors in the UK; this new Local Government Association report, Empowering English Cities, calls for:

- a new localism financial settlement for England that empowers local communities and revitalises our democracy, supporting local government to deliver the best outcomes for their local places;
- move beyond specific deals to a package of sustainably-funded, locally led public service reform that is available to all of English local government;
- more to be done to bring to fruition the long-held promise of greater devolution to the rest of England, particularly non-metropolitan towns and communities (and surrounding rural areas);
- recognise potential offered by local leaders to better invest in local priorities for growth, and better coordinated public services that meet the needs of place;
- give the responsibility and funding to address longstanding challenges and maximise opportunities to localities, bringing power and resources closer to people is the key to delivering better outcomes for communities and inclusive growth; and
- devolve and integrate various present approaches to careers, training, employment and skills provision.⁴⁵⁸

The quotes above support the Centre for Social Justice’s views on using devolution of employment and associated services to get industrial strategy underway, and through that support inactive people into sustainable employment.

RECOMMENDATION 14

The Government should bring together funding into devolved employment and associated services, so that monies across Lifetime Skills Guarantee, Institute for Apprenticeships and Technical Education, Restart underspend and wider active labour market programmes and other pots deliver upskilling and reskilling opportunities for those in high-carbon industries and other priority groups. This is to be concentrated within the poorer regions to expand access to sustainable, high-quality jobs – especially in the retrofit, heat pump installation and wider insulation spaces.

RECOMMENDATION 15

The Government should work with housing associations to further develop and target employment and skills programmes; owing to the long-term nature of the relationships housing associations have with their tenants, as they are well placed to offer sustained support that is tailored to both the individual and the local labour market. This is about encouraging support wherever possible. It should also update the aims of the UK Shared Prosperity Fund to better harness the opportunities of the green economy, explicitly aligning the Fund with the opportunities of net zero will create economic opportunities within left behind communities.

458 LGA, July 2019 <<https://www.local.gov.uk/parliament/briefings-and-responses/devolution-english-cities-light-lord-heseltines-report>>

RECOMMENDATION 16

The Government should include comprehensive retrofit standards within the forthcoming consultation on energy efficiency in social housing, and include a social value standard within the criteria for future waves of the social housing decarbonisation funding. This is about providing the industry with a clear set of standards and requiring them to consider opportunities to maximise social value – for example by upskilling and/or employing local people.

RECOMMENDATION 17

The Government should ensure that the Procurement Bill makes public bodies take into account wider social costs and costs to the Exchequer that are foreseeable, including cost of unemployment and underemployment, when seeking value in contracts. This is about having an explicit domestic preference criterion in all contracting where Agreement on Government Procurement regulations allow, and embedding principles of national supply-chain resilience, reducing regional disparities, raising local job creation and support for small- and medium-sized enterprises in the contract rounds. This wider understanding of value for money should be embedded in procurement rules, so that wherever there is a geographical choice about redress of inter- and intra-regional economic disparities; such that it boosts investment in left behind communities across the country.

RECOMMENDATION 18

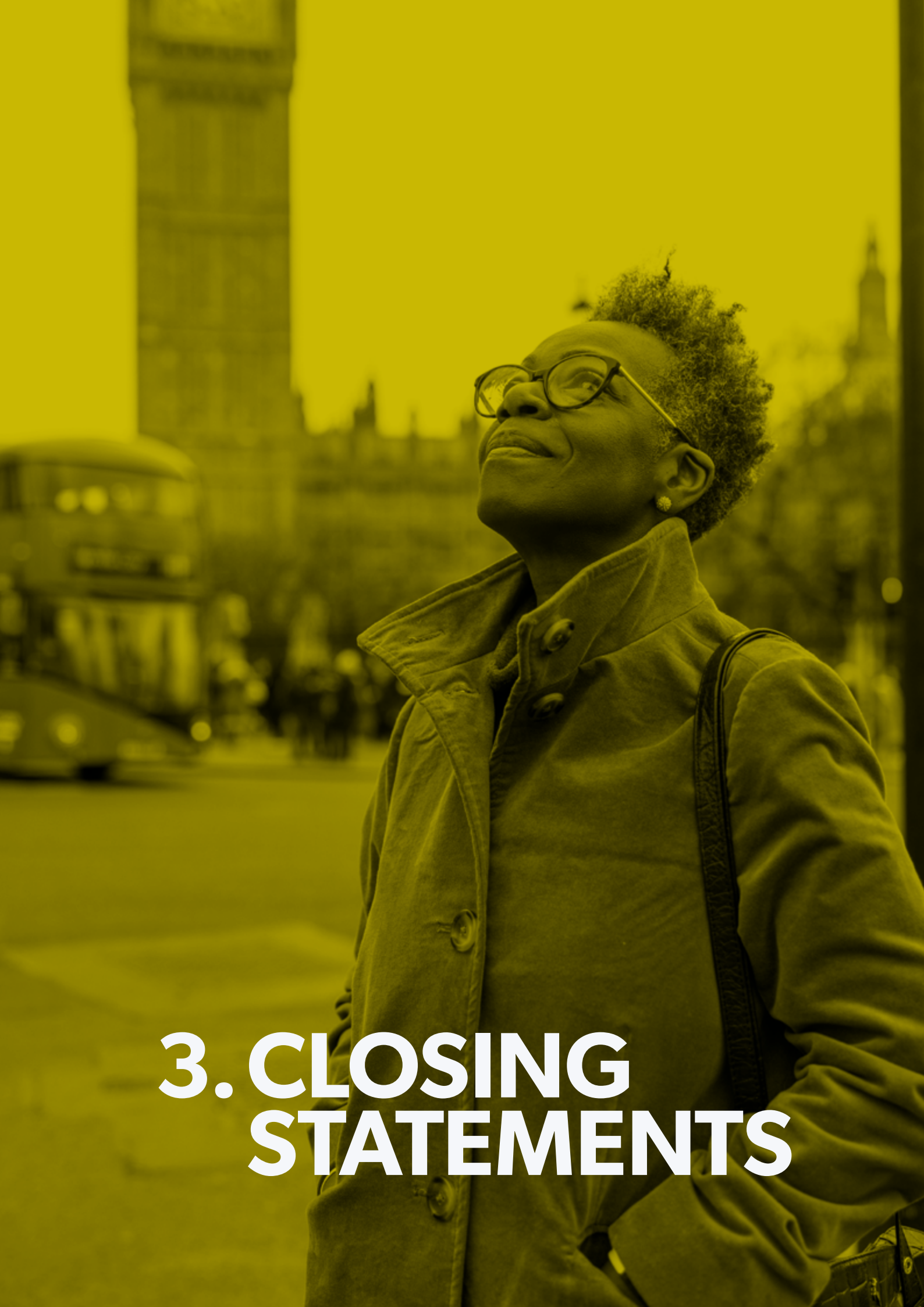
The Government should merge the Low Pay Commission, functions of HMRC related to wage enforcement, the Gangmasters and Labour Abuse Authority to form a new wages and wider employment terms and conditions enforcement agency. This is because it is clear from anecdotal evidence from the Centre for Social Justice's Alliance of charities that there is widespread abuse of salary floors, bonuses and other aspects of remuneration, which affects those on the smallest wage packets.

RECOMMENDATION 19

The Government should target increasing UK manufacturing as a percentage of national Gross Value Added steadily from 9 per cent over the medium-term. Notwithstanding the dominance of services in the economy, this is about re-establishing industrial strategy with a specific plan for manufacturing, recognising the unique importance of the sector for national export growth, and local and national jobs, productivity and security. This is investment as part of strategic priority within the new rules framework reality after exiting the EU, and the strategic policy lever within a renewed national plan for manufacturing.

RECOMMENDATION 20

The Government should implement manufacturers' tax credit(s), deductible against corporation tax at a rate affordable to the Exchequer and likely to yield greater economic activity so as to be at least cost-neutral but perhaps even a net revenue stream over reliefs: for all manufacturers who import less than set threshold, say less than 50 per cent of all of their component parts; for all manufacturers who export above set threshold(s). This is on top of retaining R&D tax relief for the manufacturing industry in order to incentivise private sector contributions to the UK's overall R&D annual spend.

A woman with glasses and a backpack is looking up in a city street. The image has a yellow-green tint. The text '3. CLOSING STATEMENTS' is overlaid in white at the bottom.

3. CLOSING STATEMENTS

3.1. Epilogue – Hope

Why am I so sure of the country; hope was absent in the first Parliamentary democracy before and then good people stood up. That is the reason for my confidence; they will do so again and again for themselves, their families and friends, and others to have stable and sustainable lives. This cycle has been going on for centuries if not millennia: the earliest written record I know of comes from Geoffrey Chaucer's description of the blackest of deaths era which led to the original poor laws with Churchmen categorising assistance; then the Tudor humanists reformed them with the dissolution of monastic orders and the lessening of the role of the Church in stately matters; and then the last but one was when the Victorians went one way turning poor laws into workhouses then the other seeing the plight of many a familiar Dickensian character. This is not the only land capable of reinventing itself, but it has done it so many times when challenged by circumstances with courtliness or spirit or intellect or all of these things.

The last but one occasion above did not start with a central authority, instead those who cared acted: take Alsager Hay Hill who though coming from established stock became a poet and philanthropist and took it upon himself to found the first labour exchange that was not fleeting or factional in 1871 – it was said of him *“(when) his experience and his sympathies meet, he produces some telling verses”*⁴⁵⁹ this story says showing goodness can come from anyplace; or what about Charles James Booth, social researcher and reformer, who although bequeathed a Liverpool based shipping business decided to make it his life's work to map poverty street by street in the only industrial metropolis back then from 1886 to 1903 – the cartographer who could convey the misery of the commoners to change cerebral minds; but if you are looking for the person who really loved ordinary folk, then you are searching for Beatrice Potter who while the daughter of a merchant that had plenty of pass times open to her chose to attend the first meeting of Mr. Booth's Board of Statistical Research in 1886 – the investigators that would carry out an analysis of poverty in Victorian London – she is kind of the godmother of the modern British safety net.

The most recent time came when the last aforesaid became Beatrice Webb, after marrying Lordly Sidney Webb, because hers was a brain able to do mathematics, economics and policy. Mrs. Webb was a member of the Royal Commission on the Poor Laws and Relief of Distress from 1905 to 1909 initially under the Conservative Party which shaped the welfare state as it is now, but its Minority report was published by the next Liberal Government. She was a Cooperative Federalist, who thought associations voluntarily entered to meet common needs and aspirations through a joint enterprise are a good thing. This is not to say everything has to be centralised as cooperatives rarely are national, her concern was primarily: *“to secure a national minimum of civilised life open to all alike, of both sexes and all classes ... sufficient nourishment and training when young, a living wage when able-bodied, treatment when sick, and modest but secure livelihood when disabled or aged”*⁴⁶⁰ Albeit that the World Wars, Spanish Flu and the Great Depression slowed it all down her ideas were in William Beveridge's Report for someone who was a Conservative Parliamentarian, rose to high office under the Liberals and was Prime Minister in coalition with the Labour Party.

459 The Spectator, April 1881 <<https://archive.spectator.co.uk/article/16th-april-1881/22/current-literature>>

460 New Statesman, January 2012 <<https://www.newstatesman.com/long-reads/2012/01/poverty-index-webb-indicator>> quote circa 1909

To my mind, the Centre for Social Justice has long reasoned Beatrice Potter Webb had the right recipe, with all ingredients in moderation, but just the restaurants regulars and the realm it is in has run its race and a whole revamp is required now – once again right and left need alignment. We believe she should approve of devolution of employment support where as long as minimum standards are kept, nutritiousness maintained and reasonable costs are met. Even her use of treating people well might today mean helping people with limitations to work where health allows and interest exists, but this has to be implemented with change in employer workplace and state environment and not have all adaptation onus put on employees/prospective employees currently inactive. The concluding paragraphs of this report summarise my inductive and deductive routes to governance and finance, relationships and partnerships needing to happen to assist citizens back into work, and with the ensuing growth to be part of and to underpin future industrial strategy to heal the country.

3.2. Conclusion

The motivations behind this article

The thoughts and forebodes behind this paper

The Centre for Social Justice composed this report because the UK has let down those furthest away from working and those who can only work limited hours under specific workplace and wider environmental conditions for generations – the disabled, those with caring responsibilities, older people and those with other life events. Being without employ is bad for them irrespective of that which it means for the state it also removes purpose in life, having dignity amongst peers and connection with community for the person. We also wrote it as the country cannot continue to operate a reserve labour market correcting system, whereby migrants fill large gaps in high- and low-end sectors; that is not an ideological position it is clear to us net migration will have to be part of the mix near-term and probably to some extent always to underpin economic growth. However, over the coming decades there must be something of a pivot otherwise residents' prosperity and the safety net that they enjoy will be endangered by the nation's inability to stand on its own two feet.

Exploring the emigre reasoning above a little further since it will be picked up on, it is not there is an absolute size of an economy and labour force – that would be lump of labour force fallacy. It is rather that there will at some point be resource constraint or at least strain which will lead politicians to look at the size of and values of newcomers to these islands. Remember, not all inward immigration is the same in terms of value to competitiveness and individuals and their family, whether initially employed abroad temporarily or not, will themselves or their children will become much the same as those peoples who have lived here for longer. This is the truth of short-term contribution and longer-term equilibrium. Therefore, the type of place the think tank wants the UK to be is bound up in this, notwithstanding the degree it can be a haven for those persecuted elsewhere which is at the end of the day limited by the success of its labour market and the possibilities for citizens to live good lives, grow and have children and so on. Hence getting those people with limitations listed above into some amount of employment where possible is a good – note no one suggesting those who simply cannot be economically active be put to work and it is expected inactive people will only increase hours at the margin. This strength at home allows the UK to be a force for goodness in this world.

The inspiration for writing this document

We also wrote this report to get ahead of very predictable trends in the UK and beyond – human longevity, cost of living rise generally and with exceptional circumstances, implications of fertility on population and dependency on fewer workers and continue the roll call; so that it can be a nation state which can better meet the coming challenges that the future gives no foresight of to most or all. One area where this is apparent is getting those far away from being in the labour force into jobs that suit them, such that they can be sustained by them for a substantial period of time.

At the heart of this is the various conversations the Centre for Social Justice has with its Alliance of charities; these are hundreds of small, community based organisations toiling to alleviate poverty for their and our people and families about them. The quotes below come from everyday staff interactions with charity allies about the things encountered and navigated with these customers, who are living in deprived areas and with low or lower educational attainment and skills. These words are not about being all heart: as the first realises users need to trust the people delivering help and the second grasps those who may think that society has given up on them need careful job brokering and matching. Charity after charity tell us delivering person-specific, innovative, complex, life changing interventions does not happen unless they first focus on trusting relationships.

Exhibit X: Quotes from Centre for Social Justice Foundation members⁴⁶¹

One founder put it they:

“Unconditionally love anybody who walks through the door.”

Another reflected on their way of being:

“Unconditionally love people into work.”

Line of sight between devolved employment services and industrial strategy

The above is not to say there is no role for the public sector just that it needs to evolve as the kind of centralised employment support that worked well in the past does less so now and may even less in the future. The state too often imposes more centralised programmes from distant offices and from the draft of faraway managers that are increasingly struggling to solve the difficulties of poorer citizens.

It seems to the think tank resolution must start with community based relationships and partnerships built from that ground up. This is why our core proposal of devolving employment services to the right level is not due to ideological attachment to devolution but because those furthest from work need trustful relations before a programme can help. This is not that JCP and their agents are not trying, but just the person who defines your benefits, conditions, mandates and sanctions will rarely be the right one to build the constructive relations to do this. Our bottom-up plan, rooted in local partnerships is more likely to benefit local communities, and can be put to resolving local destinies; getting people, particularly those inactive but want work, into sustainable employment. It is the only durable path to reviving cities, towns and rural areas of varying deprivation.

Decentralising services can be aligned to strategic development as per earlier case studies: onshoring Government contracts to revitalise localities with public procurement, through constraining geographically and/or targeting disadvantaged areas; and green energy to regenerate locations and rejuvenate wider with public owned and/or private sector investment through inviting in companies and creating start-ups for projects. Both of these can be place-based options that require manpower planning to stimulate local peoples' economic activity, fill entry or limited skillset posts for onshore supply-chains and higher roles for big-tech. These social value considerations need to be in performance framework adjudged on by a central secretariat.

461 CSJ conversations with charities

The link between earlier welfare reform and this account

The core working age benefits revolution of the past decade and a half

The UK has seen a great deal of change in benefit administration, which interacts with employment support. The policy formulation and ensuing delivery design of UC has been successful to some extent, it is just that this has focused on young jobseekers and those closer to the labour market. The key aims back then were and many would say these are achievements now:

- benefit simplification – bringing together the main working age income replacement benefits (IRBs), JSA, ESA and IS, tax credits for those with children and/or with a disability or otherwise who work in lower paid jobs, Working Tax Credit (WTC) and Child Tax Credit (CTC), and Housing Benefit (HB). Prior to this, tax credits and HB overlapped with IRBs, and even the latter had people with underlying status under each other; say someone without partner on ESA getting a premium for severe disablement and allowance for a child, hence they are overlain between disability and lone parenting. Combining of previously separate benefits in UC makes it easier in principle for people to understand and navigate, and easier and cheaper for staff to administer, so it should reduce scope for fraud and error;
- digitalisation of system – being digital by default means communication channels of delivery are widened, so prospective or ongoing claimants can input information, self-serve and induce output actions online and JCP can make changes more quickly online than the former paper based system. There are alternatives to this using telephony or face-to-face channels as per peoples' personal circumstances, but the population is increasingly expecting to access agent platforms digitally whenever it suits them. Points above were proven during the Covid era where unlike other developed states the country was able to move lots of people made effectively unemployed by the epidemic on to UC, and increase standard allowance relatively quickly and in an orderly way; and
- always better off in work – this is done through earnings from working that the claimant is able to keep in full without any taper applied, where awards are not reduced, and in part after that. These are currently for those with child and/or disability and improve work incentives via lowering benefit withdrawal rates, which were higher under the legacy systems. It is about reducing in-work poverty, particularly where more hours are undertaken, and smoothing transitions in and out of work. Therewithin lays the UC quandary for the economically inactive who are subject to working hours restrictions and wider barriers as explored in Part Two Sections Two and Three.

Where there is reasonable challenge, it is that welfare generosity across the piece is less than it might have been given freezes in rates and freezes, falls and full or partial foregoing of work allowances and increases in the taper in UC from the middle of the last decade which has only recently been reversed. When people say it is not paying enough and/or putting people into poverty, this is actually driven by political decisions on generousness not UC's policy intent, implementation or platform. Any future Government can increase the allowances mentioned above, further reduce the taper or even create new elements to make UC pay out more overnight, if so minded.

The bi-polar nature of core working age incapacity benefits

The UK also saw removing of increment for ESA Work Related Activity Group and UC LCW, but retaining of no work requirements in them; the former amount of money applies to all but those with transitionally protected legacy payments which continue at higher rate until base standard allowance uprating removes them. This looks like it altered the purpose of the Work Capability Assessment in the eyes of many claimants, as something where to represent themselves as the most limited as they

possibly can be such that they get into the higher paying ESA Support Group or UC LCWRA. It may have encouraged an unwillingness to take work in both groups as claimants protect rights or argue for them. Thereafter, it has proven hard to reverse the desire to be fully inactive to optimise position or protect rights, because of the uncertainty of moving off benefits and/or of taking work. This likely has been a break on the last Government's push to bring these people out of inactivity. The frustration here is the above assessment gathers detailed information on disabled people which is then not used in a nuanced way to segment them and match to employment.

The core working age benefits changes implications for employment support

Aside from benefit expenditure in the UK continually growing over time, the Centre for Social Justice think there are some very unhelpful tendencies with present arrangements as it relates to those with limitations:

- purely jobseeker focus – there is an unemployment model where employment support is granted based on being on UC. This has in the past and still does work for younger workers and we have had many of them coming from the reserve labour markets of the EU member states. However, as this group became a narrower band of people after exiting that bloc, it cannot be the whole plan – there needs to be some strategy for the wider inactive group as well. Both sides of the Parliamentary aisle will want to get these people into work, whether that is partial, part or full time, they do not and probably will never respond to a work-first approach but rather need a human capital one, upskilling, brokering and matching into sustainable jobs for their own personal circumstances; and
- rational economic actor assumption – it is not that jobseekers react to work incentives and inactive people, especially the disabled do not, but that the latter also behave rationally in more pronounced ways from a social behavioural perspective, that is they have more finely attuned risk appetite. My own and past colleagues experience from working in the system tell me they tend to think about the following things and others:
 - how long will it take to apply or reapply, my budgeting needs to have some slack?
 - I need certain additional facilities in the washroom?
 - will I have to tell complete strangers personal things?
 - is it possible to get suitable and inexpensive childcare nearby?
 - will I even be able to get a work placement, will someone look beyond the disability?
 - am I just going to be a disappointment to an employer when I can only do so much, and they to me when these firms can only adjust to a point?
 - will travel connectivity make getting to work difficult?
 - am I going to have to ask family or friends to help with daily activities e.g. shopping?
 - will the employer offer an array of flexible working [home, online and assisted]?
 - what will the workplace, colleagues and office environment be like, will there be facilities for me?
 - will my family approve of me taking on some/more work, and will this cause strain or leaving a partner?
 - if employment does not work out will I have spent a lot of my savings?
 - how do I explain to dependents, especially children, why I cannot afford things/heating?
 - my past experience of taking work was not positive, I lost some or all of my benefits?

For these claimants bandwidth is already full and they are naturally risk averse, so any new intervention will have to address these. I was pleasantly surprised that my independent gathering of the above from my own and colleagues past and present came to similar views as Kayley Hignell of the Citizen's Advice Bureau (CAB). In the quotes below she takes the view that this can be overturned with less policy short-termism, less focus on financial spurs and more occupational therapy.⁴⁶²

*Exhibit Y: Quotes from Head of Policy, Citizen's Advice Bureau*⁴⁶³

"I believe there are two problems to address: first, governments have become more and more fixated on short-term cost savings as a measure of success... second, welfare policy is still rooted in the outdated notion that the way people make decisions is mainly driven by narrow financial incentives, and nothing else."

*"... I'm also going to set out some suggestions for change
... to unlock the potential of occupational therapy."*

Where the think tanks understanding differs from that of the above is that although we believe occupational therapy is really good, which is part of this report under integrated personalised employment support and improving access to psychological therapies, it is only part of the needed change in relationships and partnerships. Our take on the position is that a place-based strategy across employment, educational and health services is the best way of ensuring long-term and holistic policymaking, because the mix required for one area is not the same as another. This is not a critique of the cited point of view, just that it is for us subsumed within the wider ideas of this document.

The chief arguments of this artifact

The starting point

The Centre for Social Justice believes there is a need for big policy change in employment support to get more economically inactive people into work. The thrust of the country's problems and some broader solutions are in Part One:

- historic focus on labour market statistics of employment and unemployment lulled politicians into a false sense of security. It looks like there is hidden unemployment in the high economic inactivity figures. This has a real impact on individual and national growth;
- most employment programmes over the last decades tended to focus on younger people or those near work readiness. There have only been a small number of attempts to get people deep in economic inactivity into sustainable jobs with just a degree of success;
- looking internationally, the UK has low(er) income replacement benefit rates but high(er) incapacity ones, which can be a draw factor from unemployment to inactivity. Its regime is strict in some ways – job search and conditionality, but less in others – geographical and sectoral mobility compared to other states; and

⁴⁶² Kayley Hignell 'Detached from reality', March 2023 <<https://medium.com/@kayley.hignell/detached-from-reality-72bba55961f1>>

⁴⁶³ Ibid.

- Nordic countries tend to do best, with dedication to getting people into work and strong further rather than higher education offers. This has allowed them to keep the population's confidence and society together, and makes them ideal to copy for the UK.

The essence of the solutions before the country are in Part Two:

- the Dutch appear to have the right example for the UK to follow. It has a highly devolved system, sitting employment support alongside adult education. They grew economic participation at about three times the rate of the UK over the last decade and a bit. Some administrative functions may continue to be held at a slightly higher level but practical support is localised to the lowest one. The Think tank has broken down UK expenditure to cost-neutrally fund such a model in the UK along regional lines;
- personal relationships are central to well-functioning employment and adult education services. For example, claimant commitment, active labour market programmes and key worker workloads are very important to the system, to foster the trusted relations needed to get the vulnerable back into suitable jobs and hours in them. Denmark has done good research on this and Manchester's Working Well is the test case in the UK;
- community partnerships are important, particularly between the state and third sector who are often the partners closest to and most trusted by the inactive that need help to move into work. Norway provides some of the best illustrations of the Scandinavian social worker model. Some national and local charities have also done good work, but the government will have to amend its commissioning to bring them in more; and
- with the world in health, geopolitical, economic, housing and climate crises, there has never been a time where the UK has more needed an industrial strategy. There are service sectors where it has competitive advantage, and other sectors where even without this for national security and greening reasons it requires investment. Devolved employment support can underpin these national and local redevelopments.

The chief proposition of this report

The argument of this report is not that decentralisation of employment and associated services will be a quantitative improvement on value added; rather it will be a qualitative one which keeps to the best reason for self-determining as a means to support industrial strategy. This is not to say unit cost for active labour market programmes will not change, detractors will point to lower economies of scale and so less bargaining power. However, there is some evidence where flexibility of contracted provision might have resulted in lesser cost as per Part Two Section Three. It is to say that even if unit cost for said programmes were marginally higher, then this will not be more than that offset by savings in welfare and any tax raised via otherwise inactive people going into paid employment with support, and most importantly transactions made by them in the economy. That support must be more than occupational therapy or even SureStart resurrected, which is just the hub strategy part of this paper; it needs to be a complete change in the governing to make peoples' lives better, bring decisions down to the right levels but retaining an overall development plan with checks and balances.

This restructuring plan for employment support is the basis for key recommendations articulated below and explained fully in Part Two Section One. The diagram following that shows levels in this schematic representation of the central and local levels within the structure.

RECOMMENDATION 5

The Government should devolve employment support and adult education and skills associated services to a subnational geographic unit closer to the people who need to be helped back into work and require wider support. This can be a regional unit, and under them combined and local authorities depending on the task. It is for national and local elected leaders, perhaps mayors, to negotiate the terms of this decentralisation, but this report provides them with practitioner opinions and proof of concept from a similar Western developed country.

RECOMMENDATION 6

The Government should provide funding commensurate with the devolution of the functions set out in the last recommendation to the subnational unit, whatever that might be in the end. The only monies held back in the centre should be for ongoing management of non-core labour market segments and contingency on economic shocks in the labour market, which is often lagged from recession and ongoing cyclical effects of that can exist some years after the event. It is for national and local elected leaders to negotiate share of the economic affairs – employment policies line to be kept centrally and distributed to units, the shares in the charts of this report are just for illustrative example to start off that debate.

The blueprint provided in this report is not a silver bullet that can be implemented in months or even a few years, it will take a Parliament at least perhaps more if the Netherland's implementation is anything to go by. It is gradual evolution to a devolved model that is being proposed in this document but one that in the long-termist mindset that the Centre for Social Justice wants to encourage in British politics. The following diagram summarises the tiers of government and structural competences within layers the think tank has in mind.

Exhibit Z: Potential structure of the decentralised employment and associated services



The closing remarks of this document

The Centre for Social Justice has much hope for this truer version of Universal Support, which puts wrap around support where it needs to be – place-based so it can deal with individuals and areas' multiple barriers to employment. We commend it to all parties in the UK Parliament, devolved administrations and across local government. This reflects the desire on our part to be radical on public sector reform, giving more of the country self-determination with real purpose to improve everyday peoples' lives. It has also not escaped the think tanks attention that this form of restructuring to drive to national and regional developments, through devolution, personal relationships and community partnerships, is a test case for further reallocation of powers and funds up and/or down. If proven with this relatively knowable form of decentralisation, then further reassignment – say building standards and planning control – may follow.

3.3. Recommendations in full

RECOMMENDATION 1

Government should roll out nationwide a Universal Support offer based on a locally commissioned and key worker model, using examples of best practice such as the Greater Manchester Combined Authority's Working Well programme. In Budget 2023, the last Government laid down plans to trial this approach with view of possible future roll-out.

RECOMMENDATION 2

The Government should implement a set protected period for benefit claimants with No Work Requirements to move into paid employment without the risk of losing their existing benefit entitlement and right of return to the previous regime in the event the spell in work ends within short duration.

RECOMMENDATION 3

The Government should allow localised differences in delivery of support to inactive benefit claimants within national strategy to give those able and wanting to enter employment help and reassurance. This means letting local leaders make more decisions on provision and incentives, be that in current centralised or future devolved employment service.

RECOMMENDATION 4

The Government should implement regional International Territory Level 1 Industrial Strategic Councils, above the local authority and perhaps at combined authorities or in mayoralities where these levels exist, to act as regional convening hubs for business and industry, educational providers and workers and people. This means control of employment and associated services falls within the jurisdictions of local leadership(s) in order for them to develop their local economies.

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RECOMMENDATION 7

The Government should expediate the rollout of Universal Support, where some strategy, financial, evaluation and other controls remain at the centre, but most of the running of employment and associated services move to higher and lower geographic units as appropriate. Stakeholders in the space are of the opinion that mayoralties and combined authorities best fit this role, and are best placed to help those experiencing complex barriers to the labour market take advantage of the value working brings. However, there will be different trajectories to this end state as some places have both, some one and other none of these local governances, so instituting one or both of these will take some time. Furthermore, there will be staff and asset transfer from the centre to the locality, which can over time be physically moved with natural churn.

RECOMMENDATION 8

While mindful of commercial sensitivities, the Government should amend its commissioning playbook, not to exclude bigger players but to include small- and medium-sized ones. Stakeholders think procurement processes are not yielding enough intensive personalised employment support, and the Government should empower local devolved employment services to bring in voluntary, community and social enterprise to grow this function, perhaps in consortia with big charities that hold the business case.

RECOMMENDATION 9

The Government should recognise pathways from targeted provision, pooling budgets and packaging contracts to integration of services, and encourage hub strategies as ultimate manifestation of this. This means there is a place for national and local governance in managing this co-location for successful running of programmes that help the disabled and other disadvantaged groups into employment.

RECOMMENDATION 10

The Government should better monitor and mediate within the supply-chain, through either agencies or mechanisms for those downstream to hold the contract holders to set standards. Stakeholders in the arena reckon poor behaviour and poor management of supply-chains have led to the mistreatment and marginalisation of smaller providers within the nationally contracted disability employment programmes. The Merlin Standards were introduced to counteract this but subcontractors suggest that it has had limited impact, with the result that grassroots organisations are not given freedom to innovate owing to the payment by immediate result structure imposed on them. It is important local commissioners have the scope to bring in these partners as many are embedded in communities and have a wealth of expertise and local knowledge.

RECOMMENDATION 11

The Government should assist regional and local units towards devolved employment and associated services and develop to a social worker model along the lines of Scandinavia. This will provide members of staff with richer careers, more progression and alignment with work-life balance. It will also give managers better flexibilities in moving them across purposes and priorities, giving those on the ground discretionary powers to help those furthest away from work. The new model will take time to embed not least as workers will need the kind of training offered in stated countries.

RECOMMENDATION 12

The Government should encourage regional and local units to bring in the third sector into devolving of employment and associated services. This might mean contract based or in some cases core funding to fill the gaps in integrated personalised employment support in the near-term while a Scandinavian style model is being raised. In some cases, there may be wholesale taking in of a third sector organisation into public hands, particularly if that fits with the areas long-term hub strategy.

RECOMMENDATION 13

The Government should legislate at least one further employment status to take in job-lot workers, a group that has grown with the rise of the gig economy. This is to ensure they have more rights than the genuinely self-employed. It is needed as the alternative is labour disputes, where trade unions and business end up negotiating some rights for the said group, but not in a uniform way across sectors and employers.

RECOMMENDATION 14

The Government should bring together funding into devolved employment and associated services, so that monies across Lifetime Skills Guarantee, Institute for Apprenticeships and Technical Education, job retention schemes underspend and wider active labour market programmes and other pots deliver upskilling and reskilling opportunities for those in high-carbon industries and other priority groups. This is to be concentrated within the poorer regions to expand access to sustainable, high-quality jobs – especially in the retrofit, heat pump installation and wider insulation spaces.

RECOMMENDATION 15

The Government should work with housing associations to further develop and target employment and skills programmes; owing to the long-term nature of the relationships housing associations have with their tenants, as they are well placed to offer sustained support that is tailored to both the individual and the local labour market. This is about encouraging support wherever possible. It should also update the aims of the UK Shared Prosperity Fund to better harness the opportunities of the green economy, explicitly aligning the Fund with the opportunities of net zero will create economic opportunities within left behind communities.

RECOMMENDATION 16

The Government should include comprehensive retrofit standards within the forthcoming consultation on energy efficiency in social housing, and include a social value standard within the criteria for future waves of the social housing decarbonisation funding. This is about providing the industry with a clear set of standards and requiring them to consider opportunities to maximise social value – for example by upskilling and/or employing local people.

RECOMMENDATION 17

The Government should ensure that the Procurement Bill makes public bodies take into account wider social costs and costs to the Exchequer that are foreseeable, including cost of unemployment and underemployment, when seeking value in contracts. This is about having an explicit domestic preference criterion in all contracting where Agreement on Government Procurement regulations allow, and embedding principles of national supply-chain resilience, reducing regional disparities, raising local job creation and support for small- and medium-sized enterprises in the contract rounds. This wider understanding of value for money should be embedded in procurement rules, so that wherever there is a geographical choice about redress of inter- and intra-regional economic disparities; such that it boosts investment in left behind communities across the country.

RECOMMENDATION 18

The Government should merge the Low Pay Commission, functions of HMRC related to wage enforcement, the Gangmasters and Labour Abuse Authority to form a new wages and wider employment terms and conditions enforcement agency. This is because it is clear from anecdotal evidence from the Centre for Social Justice's Alliance of charities that there is widespread abuse of salary floors, bonuses and other aspects of remuneration, which affects those on the smallest wage packets.

RECOMMENDATION 19

The Government should target increasing UK manufacturing as a percentage of national gross value added steadily from 9 per cent over the medium-term. Notwithstanding the dominance of services in the economy, this is about re-establishing industrial strategy with a specific plan for manufacturing, recognising the unique importance of the sector for national export growth, and local and national jobs, productivity and security. This is investment as part of strategic priority within the new rules framework reality after exiting the EU, and the strategic policy lever within a renewed national plan for manufacturing.

RECOMMENDATION 20

The Government should implement manufacturers' tax credit(s), deductible against corporation tax at a rate affordable to the Exchequer and likely to yield greater economic activity so as to be at least cost-neutral but perhaps even a net revenue stream over reliefs for all manufacturers who import less than set threshold, say less than 50 per cent of all of their component parts; and for all manufacturers who export above set threshold(s). This is on top of retaining R&D tax relief for the manufacturing industry in order to incentivise private sector contributions to the UK's overall R&D annual spend.



4. ANNEX OF RESOURCES

4.1. Glossary of abbreviations (Abbr.)

ABBR.	DESCRIPTION
APS	Annual Population Survey
	Black, Asian, and Minority Ethnic
BAME	This is a descriptor on ethnicity rather than cultural group, but respondents in surveys may not categorise themselves this way.
BEIS	Department for Business, Energy and Industrial Strategy
CAB	Citizens Advice Bureau
CO	Cabinet Office
COP	Conference of Parties (in this report this is the United Nation's one on Climate Change)
CRESR	Centre for Regional Economic and Social Research (at Sheffield Hallam University)
CTC	Child Tax Credit
CV	Curriculum Vitae
DECC	Department for the Environment and Climate Change
DEFRA	Department for Environment, Food and Rural Affairs
DfE	Department for Education
DHSC	Department for Health and Social Care
DWP	Department for Work and Pensions
EEC	European Economic Community
ESA	Employment and Support Allowance
EU	European Union
FRS	Family Resource Survey
GB	Great Britain
GDP	Gross Domestic Product
	General, Municipal, Boilermakers and Allied Trade Union (GMBATU)
GMB	This was sometimes shortened to GMB, which in 1987 became the official name of the union.
GOR	Government Office Region
HB	Housing Benefit
HMRC	His/Her Majesty's Revenue and Customs
HMT	His/Her Majesty's Treasury
HR	Human Resource(s)
IB	Incapacity Benefit
IFS	Institute for Fiscal Studies
ILO	International Labour Organisation
IPS	Individual Placement and Support
	Integrated Personalised Employment Support or integrated personalised employment support
IPES	This is sometime shortened to IPS, Integrated Personalised Support, and means slightly different things in various countries

ABBR.	DESCRIPTION
IRBs	Income Replacement Benefits This is an umbrella term for working age benefits owing to inability to work wholly/partly and includes JSA, ESA, SDA, IIDB, IVs, IS, UC.
IS	Income Support
ISLP	Income Support for Lone Parents This is a subset of Income Support.
IT	Information Technology
IV	Invalidity Benefit(s) This can be an umbrella term for invalidity benefits, including IV itself, IIDB, Industrial Injuries Disablement Benefit, and SDA
LCW	Low Capability for Work
LCWRA	Low Capability for Work Related Activity
LFS	Labour Force Survey
JCP	Jobcentre Plus
JSA	Job Seekers' Allowance
MHCLG	Ministry of Housing, Communities and Local Government Previously DLUHC [Department for Levelling Up, Housing and Communities]; this is a return back to MHCLG
NAO	National Audit Office
NHS	National Health Service
ND25+	New Deal for those aged 25+
ND50+	New Deal for those aged 50+
NDD	New Deal for the Disabled
NDLP	New Deal for Lone Parents
NDYP	New Deal for Young People
NEET	Not in Employment, Education, or Training
OBR	Office for Budget Responsibility
OECD	Organisation for Economic Co-operation and Development
ONS	Office for National Statistics
R&D	Research and Development
SDA	Severe Disablement Allowance
SMR	Standardised Mortality Rates
STEM	Science, Technology, Engineering and Mathematics
TUC	Trade Union Congress
TUPE	Transfer of Undertakings Protection of Employment
UB	Unemployment Benefit(s) This can be an abbreviation for a group of unemployment benefits.
UC	Universal Credit
UK	United Kingdom
UN	United Nations
US	United States if before dollars
WTC	Working Tax Credit

4.2. OECD country codes

CODES	DESCRIPTION
AUS	Australia
AUT	Austria
BEL	Belgium
CAN	Canada
CHE	Switzerland
DEU	Germany
DNK	Denmark
ESP	Spain
FIN	Finland
FRA	France
GBR	United Kingdom If this is GBR – ENG, it refers to England only, and GBR – NI, it refers to Northern Ireland only.
GRC	Greece
IRL	Ireland
ISL	Iceland
ITA	Italy
JAP	Japan
LUX	Luxembourg
MLT	Malta
NLD	Netherlands
NOR	Norway
NZL	New Zealand
PRT	Portugal
SWE	Sweden
USA	United States of America



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