

HOW TO GET BRITAIN WORKING (AND PAY THE BILLS)

Short, medium, and long-term solutions to Britain's human and economic challenge

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About the Centre for Social Justice

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

The majority of the CSJ's work is organised around five "pathways to poverty", first identified in our ground-breaking 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 CSJ 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 Government thinking and policy. For instance, in March 2013, the CSJ report *It Happens Here* shone a light on the horrific reality of human trafficking and modern slavery in the UK. As a direct result, the Government passed the *Modern Slavery Act 2015*, one of the first pieces of legislation in the world to address slavery and trafficking in the 21st century. Other CSJ policy initiatives include *Universal Credit*, *Universal Support*, and the *Into Work Guarantee*; *Family Hubs*; *Housing First*; *Severe Absence from School*; and *Prisoner Work Placements*.

Our research is informed by experts including prominent academics, practitioners, and policymakers. We also draw upon our CSJ Alliance, a unique group of frontline charities, social enterprises, and other grassroots organisations. These are curated by our CSJ Foundation and have a proven track-record of reversing social breakdown in some of the UK's most challenging communities, far beyond Westminster.

The social issues facing Britain are chronic. In 2025 and beyond, we will continue to advance the cause of social justice and connect the back streets of Britain with the corridors of power, so that more people can continue to fulfil their potential.

Acknowledgements

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Disclaimer: Please note that the views, findings and recommendations presented in this report are those of the CSJ alone, and not necessarily those of any organisation or individual who has fed into or enabled our research. Any errors remain our own

Foreword

When I stood down as Work and Pensions Secretary in 2016, the welfare bill, excluding state pension, stood at £61.6bn. Today it stands at £81bn. By the end of this parliament, it is projected to be £108.7bn.

Disability benefits were £11.2bn in 2015/16 and now stand at £19.6bn. By 2030 they are projected to be £31.2bn. And so it is with incapacity benefits: £19.7bn in 2015/16, £26.1bn in 2023/24, and projected to be £32.1bn in 2029/30.

These numbers not only represent an eye-watering expense to the Exchequer, but a drag on the growth of the UK's economy and most importantly leave too many dependent on the state without aspiration or hope.

It is hard to get a car moving with the handbrake on. Simply tinkering with the welfare state will fail Brits and Britain.

These numbers represent real people. They are rising because, for example, the number of workless households with children, where all adults are economically inactive, has risen by 141,000 since 2016. These are real families with real lives who no longer have the hope and purpose that comes with getting up and going to work each morning.

I have always believed that work is the best route out of poverty. That remains true, but it is a shrinking reality.

Since I stood down some new dynamics have also emerged, most notably around mental health. In 2023, 53 per cent of those economically inactive reported depression, bad nerves or anxiety.

The number of young people (aged 16 to 34) who are economically inactive due to long-term sickness and have a mental health condition is now over a quarter of a million. This number has been rising consistently over the past decade but has increased by 60,000 (26 per cent) in the last year alone. The equivalent figure for all people of working-age (16 to 64) is 790,000 – an increase of 140,000 (22 per cent) over the last year.

General Practitioners tell me that they struggle to know how to deal with the influx of patients with anxiety and depression and government must help them. This report proposes improvements to the fit note process and Personal Independence Payments, which are a good starting place if we are to end the system incentivising claims for ill health.

But recent work from the Centre for Social Justice (CSJ) suggests much deeper reforms are needed in this area specifically. As many as 84 per cent of GPs agree that society's approach to mental health has led to the normal ups and downs of life being seen as medical problems. Furthermore, 85 per cent of GPs are concerned that antidepressants are prescribed because non-pharmaceutical interventions are not available and 83 per cent are concerned that antidepressants are prescribed when non-pharmaceutical interventions would be more suitable.

In short, the vast majority of GPs are aware that they are inappropriately medicalising and treating things that they should not be, but need the government's help to change both their and their patients' behaviour.

Looking even deeper, the same CSJ research found that many of the mental health problems presenting in our young people find their roots in the breakdown of family life. Family stability is the best predictor of good mental health in children. One analysis of NHS England data has found that, among 11- to 16-year-olds whose parents were married, 12 per cent had a mental disorder, compared with 27 per cent of 11- to 16-year-olds who had a lone parent. This is not to criticise those who struggle to bring up children on their own but to highlight the pressure such breakdown causes. In just a few short decades, the marriage rate has declined by two-thirds and our economic activity figures are starting to bear witness to the results.

Getting ahead of the growing problem is going to be vital. And if tackling the generational changes in family structure feels too long term, we could get ahead of things immediately by putting job centre staff in schools to speak to 12- and 13-year-olds tomorrow. It's not about careers advice, it's giving them a line of sight to a paying job in their local area in the last few years of school, cutting off the descent into inactivity before it even starts.

The answers to all these numbers are not straightforward, but we must ask immediately what short term changes can be made to the welfare system. We must then look to longer term reform of the way we do things such as the judge led tribunal system. But unless we address some of the underlying questions of how we function as a society, we will merely be kicking the can down the road for the next government to deal with once more.

And amid all this we must remember the basic truth that work is the best route out of poverty and start from there.



Rt Hon Sir Iain Duncan Smith MP
Chairman, Centre for Social Justice

Introduction

We are heading for the worst of times. In the shadow of Lockdown, war in Europe, and global economic instability, Britain is sliding back into the “Two Nations” of the Victorian era marked by a widening gulf between mainstream society and a depressed and poverty-stricken underclass. For all the rhetoric about economic growth as a panacea for the nation’s ills, the Government is looking to cuts in the welfare system to fund new defence spending as the spiralling cost of benefits and loss of human potential are threatening our economy, public services and community cohesion.

This is not a new phenomenon. Many of these issues have evolved over the long-term, root causes of poverty which the Centre for Social Justice (CSJ) first reported on in our report, *Breakdown Britain*, 20 years ago.

We still believe that work is the best route out of poverty, but the fact is that today people are turning to welfare, rather than wages, in order to unlock additional income. Britain is sick but being sick pays.

Economic inactivity is at a record high. More than three million people are claiming Britain’s main benefit without any obligation to look for work, up from 1.5 million in January 2022. Some 650,000 more people are out of work due to long-term sickness than at the start of the pandemic, and spending on disability and incapacity benefits is forecast to increase by more than £18 billion, to £70 billion, over the next five years.

Official figures show that 987,000 people aged 16-24 were not in education, employment or training (NEET) in the three months to last September, the highest figure since the end of 2013. The numbers are up 42 per cent in only three years, with more than a quarter of a million more young people outside work and education compared to after the pandemic. Tens of thousands of young people a year are going straight from studying to long-term sickness absence, with mental health problems thought to be the main driver.

The consequences of living on welfare and benefits also carries a heavy cost. For example, family breakdown costs the economy £64 billion. Skills and labour shortages another £39 billion.

The picture is bleak, but there is hope. This report sets out 16 recommendations divided into short-term, mid-term, and long-term solutions. For all the Government’s urgent requirement to raise cash, it would be a grave mistake to make savings by simply cheeseparating payments to some of the poorest people in society. Likewise, while a knee-jerk approach may raise the proposed £5 billion needed in the short term to meet new defence contributions, this is a paltry amount given the burgeoning overall cost of welfare.

Not only that, but it would likely require primary legislation and even then be subject to judicial review – it will not happen quickly.

Rather, there is a once-in-a-lifetime opportunity for the Government to commence a programme of welfare reform that delivers both economic and human benefit, to ensure more people are in work and benefitting from work, to significantly lower the benefits bill and increase tax returns now and in the future.

Someone out of work is four-times more likely to be in poverty than someone with an income and a job. Work gives dignity and identity. It is a reason to get up each morning. The Royal College of Psychiatrists is unequivocal about the importance of employment for people with mental health problems, they say it is: 'central to personal identity; provides structure and purpose to the day; gives opportunities for socialisation and friendship; and increases social networks – a core component of social capital' ¹.

One of the major successes of the policy response to the UK recession in 2008 was our ability to limit the impacts of unemployment. This must be the first priority of our response to these current economic difficulties.

But it is not enough to merely provide jobs or structure the welfare system to encourage people into them. The people to take those jobs must be work-ready. That is why the mission to Get Britain Working cannot be held by the DWP alone – it reaches into our health system, education system, and even family life.

Some simple changes to welfare conditionality can be made quickly and easily, but some of the longer term drivers of people falling out of work will take much more time to address: why are we seeing such high numbers of mental health problems in young people; what is driving the 30-year increase of young men not in education employment or training (NEET); how do we bring meaningful work back to parts of the country which have been without it now for multiple generations?

It is simply not good enough to tinker with payment levels in the welfare system (even if it were possible) and kick this can down the road to whoever the next government happens to be. It requires immediate answers, medium term reforms, and longer, deeper thinking about a society and culture which is seeing increasing numbers of people simply opt-out.

The 16 actions in this report are structured to reflect this and the Government would do well to do likewise.

¹ <https://www.centreforsocialjustice.org.uk/library/the-great-recovery-a-post-covid-19-deal-for-britain>

A short, medium, and long-term plan

The government has decided to make changes in the very near term, but there are also medium and long-term changes which will need to be addressed if we are to ensure that we are not back looking for more areas to cut within just a few years. The actions below are grouped by steps that can be done quickly, may take a few years, and underlying long-term trends that must be addressed.

Short-term actions

1. **Conditionality.** Too many people are being written off. While cutting benefits would be difficult and potentially require legislation, conditionality can be extended more widely through the system, particularly as sickness benefits are rolled into Universal Credit (UC). The Secretary of State for Work and Pensions can change those who are exempt from conditionality and subject to no work-related requirement. This enables Ministers to extend conditionality through the system including, for example, bringing in more in-work conditionality for those working part time hours, or changing requirements on hours of care.²

Combined with an “into work guarantee”, which would give claimants the confidence to try work at no risk to their benefits, we estimate that this would free 700,000 people who say they want to work to get into work. This would save £10 billion in benefits payments and generate £3.3 billion in tax receipts, a total of £13.3 billion back to the taxpayer.

2. **Fit Notes.** The Department for Work and Pensions should reform the fit note so that ‘not fit for work’ is not the default in cases of mild to moderate symptoms of less severe mental ill-health. The CSJ recommends four key changes:
 - a. The Department for Work and Pensions and the Department of Health and Social Care should provide strategic guidance for healthcare professionals for when the ‘maybe fit to work’ option should be used and how to refer individuals to the new National Work and Health Service, WorkWell.
 - b. General Practitioners (GPs) should no longer issue fit notes for more than 28 days for less severe mental ill-health. Instead, after 28 days GPs should refer individuals to WorkWell to determine the preferred fit note option through a Work and Health assessment.
 - c. To promote the ‘maybe fit to work’ option, where ‘altered hours’ are recommended under Work Well, for any hours out of work, employees should receive Statutory Sick Pay.
 - d. Where employees are recommended to phase their return to work from either economic inactivity due to ill-health or being off work due to ill-health, they should receive Statutory Sick Pay for hours not worked.

2 The Universal Credit Regulation 2013, Regulation 89 <<https://www.legislation.gov.uk/uksi/2013/376/regulation/89>>

- 3. Mental Health.** There is a real growth in mental health problems in the UK but CSJ research has also found that 84 per cent of GPs think that society's approach to mental health has led to the normal ups and downs of life being seen as medical problems. Yet incredibly NHS Mental Health Trusts do not have a universally understood definition of mental health: only three of the 49 trusts define mental health at all. Using its new direct responsibilities, the Department of Health and Social Care should immediately establish a shared definition for terms such as 'disorder,' 'illness,' 'wellbeing,' 'mental health,' and 'distress', as there currently is none. It should use the British Psychological Society (2015) Guidelines on Language to do this. This national definition should be extended for use in education and other public services. It should also establish a framework for healthcare professionals to record and highlight identified instances of misdiagnosis and overdiagnosis, both to ensure the individual affected is escalated for support, and to advocate learning and prevention. This should be monitored by the Care Quality Commission.
- 4. Personal Independence Payments.** The Department for Work and Pensions should separate Personal Independence Payment (PIP) support for those with physical ill-health from those with mental ill-health so that both cohorts receive the most accurate and effective support.

PIP should only provide direct financial assistance for people with additional living costs due to their condition. This should be assessed by a relevant medical practitioner. For those who do not have additional living costs due to their condition, a separate support system should be established. This support system should be devolved to local authorities or integrated care boards (ICBs) who can provide targeted interventions through services such as social prescribing or paying for therapy for those struggling to access National Health Service (NHS) services. People with comorbidities should receive additional guidance regarding dual access to both types of support.
- 5. WorkWell.** The Department for Work and Pensions should implement WorkWell nationwide to establish a new National Work and Health Service. WorkWell provides timely, early intervention that can be nonclinical to support those struggling with their mental health and require support to work well. Rolling out WorkWell across England would cost approximately £192 million, given that current funding stands at £64 million, which covers a third of England.
- 6. Skills credit.** Businesses are key to creating employment for young people, aged 16-24. But they will need government incentives to do so. With some 1 in 7 young people not in employment, education, or training (NEET) and with the apprenticeship levy not delivering, there is a need to further stimulate employment growth. Businesses should be given a tax break at a set rate on the average salary of a young person to employ and train them. Across a parliament, for each new employee signed on this basis it would represent a return on investment to HMT of £4.76 against each £1 forgone on a tax rebate. Taken as a whole across the lifetime of this Parliament, this single step could generate up to £20 billion in social security savings and £3.3 billion in tax receipts.
- 7. Jobs advice.** To get ahead of the problem of young people not in education employment or training, job centre staff should go into local schools and speak to children as young as 12 or 13. This is distinct from careers advice, instead speaking to what jobs in the area need doing now, at a low entry level. They do not need to help people with long-term career aspirations in the first instance but simply give a line of sight to an income at 16, based on knowledge of real local businesses, giving a reason to keep coming to school a bit longer and a chance of moving into something at the end of it.

Medium-term actions

8. **Devolve employment support.** The spiraling benefits bill and growing economic inactivity are yet more evidence that a centralised Whitehall approach to helping people into work will fail. Rather, the Government should devolve to local regions the £6 billion currently spent by Whitehall aimed at employment support and adult education. Locally embedded communities should be empowered to use this commissioning budget to deliver tailored support for people that recognises their local context and opportunities. It will mean a move away from one size fits all Whitehall prescriptions, instead entrusting the people closest to the problems to come up with the right responses. It is an approach that has proved successful in the Netherlands, where decentralisation has led to an 80 per cent employment rate and a similar approach in Manchester has shown a good return on investment.
9. **Career progression.** Too many careers have become dead-end jobs with little or no chance of progression. It imbues the world of work with a sense of hopelessness for many people, particularly when the work is also low paid. There is a need for the government to create stronger incentive frameworks for businesses to value career progression and longevity that will support the “bottom line” rather than stretch it.
10. **Universal Support.** To tackle the prevalence of underemployment and precarious work, universal support programmes should be expanded to include referrals to young people who are underemployed or who can evidence that they are on precarious work contracts. Awareness should be increased among people on different types of precarious contracts to motivate and enable them to enter the newly combined job centre plus and national career service centres, even if they already have a job.
11. **Employability.** It is a recurrent complaint of employers (and young people themselves) that formal education fails to provide the skills and training to equip students for the world of work. Foundational ‘soft skills’ such as communication, teamwork, and timekeeping are often lacking, making it difficult for young people to function in professional environments. Efforts to support employment readiness at secondary school should be explicitly assessed by Ofsted and included as a headline judgement in inspection reports. This should include consideration of the careers guidance and work experience opportunities a school provides.
12. **Technical education.** An amendment to the Technical and Further Education Act 2017, known as the Baker Clause (introduced in 2018), placed on a statutory basis the obligation of schools to allow pupils to access technical education providers and employers offering apprenticeships. The purpose was to increase the visibility of non-academic pathways and to pass on to pupils more information about the requirements and opportunities of vocational training post-16 and post-18. The Manchester Baccalaureate would be a good first model to see how this could work nationally. Regional Industrial Strategic Councils could also act as a forum between different educational institutions and between educational institutions and employers.
13. **Tribunals.** The success rates for appeals against Department for Work and Pensions (DWP) decisions have declined in recent years but remain high with successful disability appeals around 60 per cent. The reality of a judge-led process also introduces considerable friction into the system leading to long delays on decisions, ineligible people receiving benefits, and immense difficulties for the DWP to make accurate forecasts. The challenge process is important, but it needs urgent reform to deliver much swifter results.

Long-term actions

14. **Family structure and stability.** The UK is a world leader in family breakdown, a key indicator of mental ill health in children, and the leading factor in adult mental wellbeing, according to a recent UK government consultation. Rising poor mental health among children and young people is one of the principal drivers of rising economic inactivity. While married fathers also boast near-universal employment rates, the UK marriage rate has collapsed by two-thirds in the last 50 years. Any government serious about reducing the benefits bill in the longer term must champion family resilience, starting with changing our regressive, individualised tax systems, and penalties within the welfare system. Every government department should publish family structure data against key metrics to ascertain the extent of the problem.
15. **Male employment.** The decline in the traditional 'male industries' has had a stark impact on men. In the latter decades of the 20th century, there was a cutting back of the primary and secondary sector industries of Britain. The predominantly male industries of manufacturing, agriculture and construction used to contribute cumulatively over 40 per cent of UK output in 1970, but amounted to just 16 per cent of UK GDP in 2023. In comparison to women, the rate of inactive young men in Britain has been rising for the past thirty years. Young men are now the majority of those who are economically inactive between the ages of 16-24. In July to September 2024, 15.1 per cent of men aged 16-24 were NEET, compared to 11.2 per cent of women. Any industrial strategy to increase employment in the UK should look explicitly at targeting the male workforce.
16. **A culture of worklessness.** The CSJ has discovered pockets of the country where a culture of worklessness has become endemic. We have held focus groups with young people who are fourth, fifth, and even sixth generation unemployed. In places like Grimsby and Birkenhead more than half the population is on out of work benefits. The problem in some of these areas is not just systemic but has become cultural. The government will need a plan to identify and target such areas with much deeper human interventions than traditional welfare reform will allow for.

Short-term Economic Benefits

This 16-step action plan offers huge, sustainable economic and human benefits now and into the future. In the short-term, a cash-hungry government could look forward to:

1) Economic Inactivity - benefit savings and tax receipts: £13.3 billion

The Pathways to Work Commission run by Barnsley council and former Health Secretary Alan Milburn estimates that as many as 2.6 million economically inactive people want to work and “would take a job ‘now’ or ‘in the near future’ that aligned with their interests and circumstances”.

It also cites UK data released by the Office for National Statistics, that put the figure at the slightly lower but still impressive 1.78 million people.

While these numbers are not impossible, they are optimistic. CSJ analysis of surveys of people in the Employment and Support Allowance ‘Support Group’ (people who do not have to take part in work related activities) has shown that even in this group 20–50 per cent of claimants would like to work (which translates, taking the most conservative estimate of 20 per cent, to some 700,000 individuals).

The economic benefit of getting this smaller number into work would be £13.3 billion, comprising a reduction in benefits payments of more than £10 billion per year by 2029/30, and an increase in annual tax receipts of £3.3 billion.

2) Skills Credit - social security savings: £23 billion

Halving the number of NEETS by 52 per cent would represent a total 5-year gain to the Exchequer of £23.1 billion across all those NEETs going into full- and part-time paid employment. Around 75 per cent of this is made up of social security savings.³

3 Reduction in benefits payment

According to DWP’s Benefit Expenditure Tables from 2023/24 to 2029/30 in 2024/25 prices, a continuation of current forecasts would see costs to the Exchequer go to over £20 billion more in health-related welfare payments to the working age by the end of the Parliament. However, if there were 700,000 fewer people on PIP and UC health-related benefits, then:

- › spend to support working age disabled people would fall by £4.9 billion in 2029/30; and
- › spend to compensate working age people with a condition unable to work is calculated to fall by £5.2 billion in 2029/30; the sum of
- › **spending across the above working age people is calculated to fall by £10.1 billion in 2029/30.**

Increase in tax receipts

Assuming an 80.6 per cent:19.4 per cent split in full-time (35 hours per week) and part-time (14 hours per week) employment, and 89.1 per cent:10.9 per cent split in National Living Wage (£12.60 per hour worked) and London Living Wage (£13.85 per hour worked), then:

- › **tax take from income tax, employee’s and employer’s national insurance is calculated to be £3.3 billion in 2024/25 terms.**

Annex: The Numbers⁴

In recent years there has been a substantial rise in the numbers of working age people claiming health-related benefits.

- › One in 10 working age adults in the UK – 3.9 million people - are now on either a disability or incapacity benefit (or both).
- › The number of disability benefit claimants has risen from 2.2 million in 2019–20 to 3.2 million in 2023–24 (39% growth). The main working age disability benefit is Personal Independence Payment (PIP).
- › The number of incapacity claimants has risen from 2.5 million in 2019–20 to 3.2 million in 2023–24 (28% growth). The caseload is a mixture of Universal Credit claimants in the health-related groups, and legacy Employment and Support Allowance (ESA) claims. These are people who have been found not fit for work via a Work Capability Assessment.
- › This is driving a rapid increase in spending on these benefits for working-age people - from £36 billion in 2019–20 to £48 billion in 2023–24, and official forecasts expect this spending to increase further to £63 billion in 2028–29 (in real terms).
- › Total expenditure directed at people of working age with a disability or health condition (i.e. including housing support, carer benefits, etc) has risen from £49 billion in 2019-20 to £62 billion in 2023-24, and forecast to rise to nearly £80 billion in 2028-29.⁵
- › This trend also tracks the rise in health-related economic inactivity, with the numbers neither working nor seeking work due to long-term health reasons up by 700,000 in five years, a 34% increase.⁶
- › Mental health-related claims are one key driver of the increase. Of all categories, PIP claims for learning disabilities have grown fastest since 2019 (a 412% increase) followed by mental health issues (a 190% increase). This has meant that the share of awards for mental health conditions and learning disabilities has grown from 28% in 2019–20 to 37% in 2023–24.
- › There are currently almost 1 million 16-24 year-olds in the UK who are not in education, employment or training. That represents one in seven young people.

⁴ Except where otherwise stated, figures in this section taken from: ifs.org.uk/publications/health-related-benefit-claims-post-pandemic-uk-trends-and-global-context

⁵ <https://www.gov.uk/government/consultations/modernising-support-for-independent-living-the-health-and-disability-green-paper>

⁶ <https://www.ons.gov.uk/employmentandlabourmarket/peoplenotinwork/economicinactivity/datasets/economicinactivitybyreasonseasonallyadjustedinac01sa>

