

HELP WANTED: GETTING BRITAIN BACK TO WORK

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Help wanted: Getting Britain back to work

Summary

Unemployment has spiked sharply as a result of the coronavirus crisis and associated social distancing restrictions. During March and April, 2.5 million individuals made claims for Universal Credit, with claims running at seven times their usual levels at their peak. The number of vacancies in the economy has fallen by three fifths, and it is likely that five years of employment growth has been wiped out in one month. The impacts have been uneven, with young people, women and the lower paid hardest hit.

The Government's response, including the Coronavirus Job Retention Scheme, has helped to prevent this from being even worse. We now need to plan for a transition to a new normal. How do we gradually withdraw emergency support while social distancing measures are eased? How do we help people back to work quickly, and make sure those already long-term unemployed are not left even further behind? How do we help young people facing a disrupted education and tough jobs market? How do we tackle some of the underlying challenges we entered the crisis with?

We must and we can act quickly, while planning for a longer-term response. There are still job opportunities, and these will increase over time. We argue for five priorities:

1. **Targeted tapering of emergency support.** Ensuring that the withdrawal of the Coronavirus Job Retention Scheme between August and October minimises the risks of a damaging second spike of unemployment, and ensure support for workers that lose their jobs to quickly re-enter work.
2. **Rapid back to work support for those newly unemployed.** To get people back to work quickly, we need to mobilise Jobcentre Plus work coaches, the recruitment industry and local and voluntary sector employment services to provide rapid support to the newly unemployed – delivered online initially, and working in partnership to deliver a coherent offer locally.
3. **Targeted support for the long-term unemployed.** Based on the evidence of what has worked in the past, we need employment services that provide personalised support alongside access to training, volunteering and other specialist provision; working in partnership locally to align with and scale existing provision where possible.
4. **Education and employment promise for young people.** We need to make sure everyone leaving education is guaranteed support to find work or a place in education or training, with a Jobs Guarantee for those out-of-work for a longer period of time.
5. **Building for the future.** We should plan now to build more joined-up employment and skills support, and how to increase access to well paid, high quality work based on understanding the future of the labour market.

All of this requires a collaborative, partnership approach bring together employers, local and national government and civic society. Together, getting Britain back to work.

Introduction

This note sets out suggested key priorities, evidence and proposals for how government might design and deliver its employment and skills response to this downturn. It has been prepared with input from a range of contributors with expertise in these areas, set out in Annex A.

Context

There is now broad consensus around the impacts that the crisis is having on the labour market and some of the immediate and coming challenges. To summarise:

- The Government has averted an unemployment catastrophe through the Coronavirus Job Retention Scheme (CJRS) and Self Employment Income Support Scheme (SEISS) – but having served to protect employment and boost incomes, these measures will need to be reduced and eventually withdrawn as lockdown eases.
- This will lead to further job losses – either because some jobs are no longer viable due to the impacts of social distancing and changes in economic behaviour, and/ or because subdued demand and activity in the wider economy leads to less demand for labour.
- Some people and areas are over-represented in sectors that are most at risk of job loss – in particular young people, the lowest qualified and those in more deprived areas¹; with some of these groups also less likely to be in more resilient sectors and occupations².
- Despite the CJRS and SEISS, we have seen unprecedented increases in claims to Universal Credit – with two million households making new claims in March and April, the large majority likely to be out of work, and a claimant unemployment rate likely already around 8% of the workforce. The Bank of England expects unemployment to rise to more than 9% later this year.
- Other people will face particular challenges in working due to the health and social impacts of the virus – including parents due to school closures, and those with pre-existing health conditions (particularly older people) due to the impacts of shielding.
- New job creation has slowed significantly – vacancies are at their lowest since the mid 1990s and have fallen faster in the last year than at any point since records began³. This will improve as the lockdown eases, but it will take a long time to return to pre-crisis levels.
- We face the risk of a perfect storm in the late summer – with elevated unemployment, a slow recovery in vacancies, winding up the CJRS leading to increased exits from work, a collapse in apprenticeship numbers related to overall labour market changes, and up to 800,000 young people leaving education and entering the labour market⁴.
- Looking ahead, unemployment rises quickly in recessions but falls slowly – with this leading to higher long-term unemployment with lasting ‘scarring’ effects on individuals and economies. In this crisis, the scale of the impact and speed of recovery will depend on how quickly lockdown measures can be eased and the level of permanent damage done to the economy.
- To compound this, even before the crisis hit there were 3.2 million people out of work who wanted to work, nearly one half of disabled people not in work, 800,000 young people outside

¹ Coronavirus and the labour market: impacts and challenges, L&W, 2020.

² Risky business: economic impacts of the coronavirus crisis on different groups of workers, Resolution Foundation, 2020.

³ Weekly vacancy analysis: vacancy trends in week ending 10 May 2020, IES, 2020.

⁴ Class of 2020: education leavers in the current crisis, Resolution Foundation, 2020.

education and training, one fifth of adults lacking basic literacy or numeracy skills, and around 13 million lacking basic digital skills.

- Finally, our economy and labour market was already undergoing significant change as a result of changes in demography, technology and trade. By 2030 projections suggest we risk having three million more low and intermediate skilled workers than jobs available, and a shortfall of 2.5 million higher skilled workers compared to potential employer demand⁵. Many of these trends may be accelerated in the aftermath of the crisis.

There is a wealth of evidence and experience from previous recessions that we can bring to bear in our response to this crisis. In broad terms there are clearly similarities between where we are now and what we have faced in the past. However, there are also important differences, most notably that the impact of social distancing will affect both how services can be delivered to those out of work and the nature of work available. There is also significant uncertainty about the extent to which the economy will recover quickly in the next year, and the risk of longer-term impacts.

Priorities for the labour market response

Notwithstanding this uncertainty, the sheer speed and scale of the crisis means that we need to plan and begin to implement our labour market response. We suggest that there should be five key priorities for action.

1. Supporting people, not just jobs, as we exit the Coronavirus Job Retention Scheme

The Coronavirus Job Retention Scheme (CJRS) has helped to protect jobs, but cannot last forever. We must balance allowing a necessary economic adjustment, given the post-crisis economy and labour market will look different, but without creating a further spike in unemployment and while supporting viable businesses and jobs. This will be extremely challenging, given that we do not know how quickly social distancing rules will be able to be eased or what the 'new normal' will be.

The Government has rightly extended the CJRS to October, with welcome flexibility for short-time working. The Government has said that it will begin to reduce the level of subsidy from August while requiring employers to ensure that salaries do not fall below 80%, but has not yet set out the detail of how this will be done. The Government should consider linking the speed of this wind-down to how quickly the economy recovers, which could be measured through new vacancy data, and may want to explore a targeted and time-limited extension of partial furlough in those parts of the economy where demand is slowest to return (for example due to ongoing social distancing restrictions). It also needs to keep a watchful eye on minimising the risk of fraud, while keeping the system as simple as possible. We can learn from the experience of other countries in doing this⁶.

As the scheme winds down, we need to start to shift our focus towards equipping those who are on the scheme and those already out of work to adapt to changes in the labour market. It is estimated that £80 billion will be spent on supporting wages through the CJRS, and even a small fraction of this amount being invested in active labour market policies could make a transformational difference. For those on the scheme, we believe that there are two priorities.

First, where CJRS-supported jobs are no longer viable as the subsidy is withdrawn, the focus needs to shift towards helping those under notice of redundancy to prepare for and find good quality work. There are a number of ways that this re-employment support could be designed and delivered, but

⁵ Local skills deficits and spare capacity, L&W, 2020.

⁶ Next steps for the Coronavirus Job Retention Scheme, L&W, 2020; Working through it: assessing countries employment support responses to the coronavirus, Reform, 2020.

the best starting point would likely be to build on the 'rapid response' model that Jobcentre Plus, local government, employers, employment/ training providers and colleges have delivered over decades to deal with large scale redundancies. These approaches tend to combine four key elements: career counselling and guidance; specialist support with job seeking and job placement; access to work-related retraining; and targeted additional funding to meet any extra costs of finding new work. This is generally relatively light touch and low cost provision, but it is effective.

A similar framework could be put in place relatively quickly by working through Jobcentre Plus, local government and Local Enterprise Partnerships to ensure that there is a named lead in each area to ensure that support is available and well-coordinated. This should also be supported by requiring companies that are receiving CJRS funding to notify Jobcentre Plus in all cases where redundancies are being planned (rather than only notifying where more than 20 redundancies are planned, as currently happens).

Secondly, and linked to this, the government could provide access to broader skills support for all of those on the CJRS (not just those under notice of redundancy) while they are not working. This could include upskilling for jobs within their current occupation or sector, or retraining so as to improve their chances of finding better quality work as demand starts to return. This could draw on remaining European Social Funds or an expanded National Retraining Scheme, but with a clear focus on having a consistent and accessible offer that is linked to meeting future economic and labour market priorities.

Those who are already out of work, however, should be the number one priority for future active labour market support. The next section discusses the response for the newly unemployed, while section 3 focuses on the long-term unemployed and most disadvantaged (including those who were already out of work when the crisis hit).

2. Rapid, active support for the newly unemployed

Based on the most recent government data, it is likely that between 1.8 and 2.1 million more people have become claimant unemployed since the crisis began⁷. This will likely have more than doubled claimant unemployment to close to 3 million people. The wealth of evidence from previous recessions emphasises the importance of providing rapid and high-quality support for those who find themselves unemployed so that they can maintain contact with the labour market and move back into work as quickly as possible⁸. A number of systematic reviews, as well as evaluations of specific interventions in Europe and the United States, show that one-to-one advisory support increases employment entry, and is inexpensive and cost effective – especially during the early phases of unemployment and when targeted at those who are more job ready⁹.

Understandably, over the last six weeks, DWP work coach support was largely paused due to the need to process UC claims and the challenges of delivering support remotely. However, the last time jobsearch support was discontinued was the early 1980s, and this led to lasting negative impacts on

⁷ There were 2.3 million individual declarations for Universal Credit between 16 March and 23 April, and a further 250 thousand claims for Contributory Jobseeker's Allowance. However not all of these declarations/ claims will lead to starts on the benefit, and some of those submitting claims to Universal Credit will be either in work or not actively seeking work (for example due to childcare responsibilities or self-employment). Based on previous trends, we would estimate that the number of new claimants that will be available for and seeking work is between 1.8 and 2.1 million.

⁸ Getting back to work: dealing with the labour market impacts of the Covid-19 recession, IES, 2020.

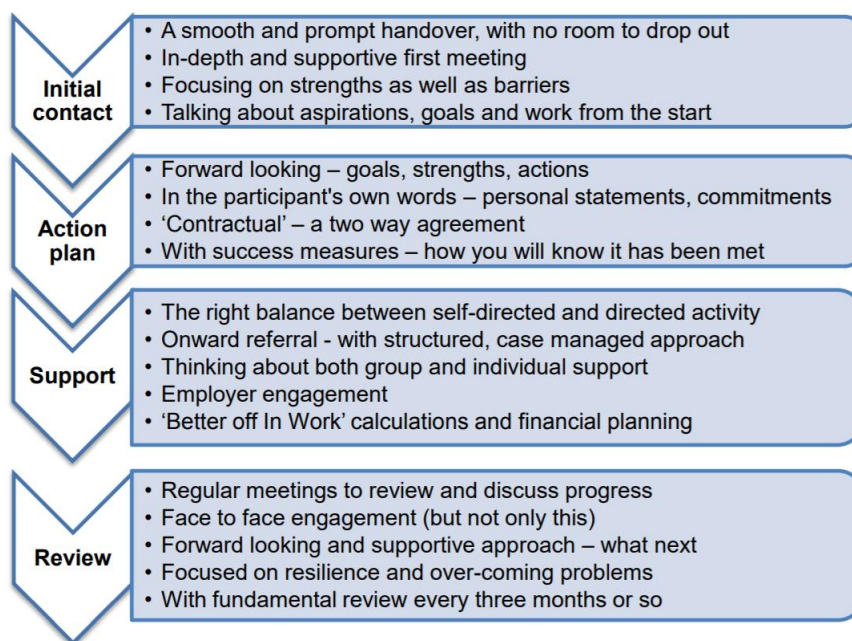
⁹ Ibid

people and communities. So re-starting support and focusing it on preparing for and then finding work must be an urgent priority.

In the UK and internationally, jobsearch support has been increasingly associated with labour market 'conditionality' – so emphasising the requirement to attend meetings as a condition of benefit receipt (with threat of sanction for non-attendance) rather than the advice and coaching support that is delivered. However, conflating conditionality and support in this crisis is unhelpful. There are sound reasons to temporarily suspend worksearch conditionality during this crisis, but there are no arguments for withdrawing all access to one-to-one employment support, even if we need to rethink how this is delivered (such as online or via other modes of delivery).

Specifically, there is a wealth of evidence on the delivery of one-to-one advisory support in voluntary programmes. Figure 1 below summarises the key elements of that support, from an evidence review conducted in 2015 to support the delivery of European Social Fund projects in England. For those closer to work, the evidence suggests that this support can be light touch and rapid – the priority is ensuring effective action planning, regular one-to-one contact, confidence-building and coaching support, and periodic review.

Figure 1: The characteristics of effective adviser support



Source: Building Better Opportunities: The Employment Guide, 2015

There are three significant obstacles to delivering this support in the current climate: work coach capacity; the impact of social distancing on the ability to deliver support; and the suppression of labour demand because of the shutdown.

These issues will mean that, in the short term, support will likely need to focus on planning and preparing for work, although this will not universally be the case (as both the national data and our discussions with local partners suggest that there are still vacancies being created and demand for labour) and demand may return fairly quickly in the next couple of months as the lockdown eases.

Capacity constraints are likely to be significant, however. The 11,000 work coaches in Jobcentre Plus are now starting to make contact with the newly unemployed (having been mostly redeployed to

process Universal Credit claims until now), but we estimate that there will be a shortfall of at least 7,000 staff over the coming months given the scale of the increase in unemployment. This is even before any further rise from those currently furloughed being made unemployed.¹⁰ It also seems likely that there will be a phased reopening of face-to-face support, when the broader situation allows.

This shortfall means that we will need to draw on and mobilise a wider range of services to deliver this initial back-to-work support – particularly on mainstream recruitment services, which stepped in to good effect in the 2009 recession and which have invested significantly in online and digital delivery, and on employment services (including in local government and the voluntary and community sector, which also played a key role in the last crisis). This could be achieved either by extending existing contracts where these exist or through a new tender process. In the latter case, using an ‘Accelerated Open Procedure’ could result in provision being in place within two months, and our discussions with recruiters and employment services suggest that there is both the capacity and the appetite to make this happen¹¹.

Doing this well would ensure that all newly unemployed people (potentially including those not claiming Universal Credit) would be able to access immediate, personalised and light-touch support to prepare for and start looking for work – by phone, online and in due course in person, with high levels of customer service and common delivery standards across provision.

It would also cost less than one one-hundredth of what will be spent on supporting wages through the CJRS, with costs likely around £300-400 per person¹² – meaning that delivering this for all of those made unemployed since the onset of the crisis would cost £500-800 million. Furthermore, the weight of international evidence suggests that this would be very good value for money and would likely pay for itself in fiscal terms.

3. Targeted support for young people and the long-term unemployed

The rapid increases in unemployment, combined with a weak labour market, means that the number of people long-term unemployed is likely to start rising significantly from the latter part of this year. We estimate that at least 500,000 16-24 year olds will enter long-term claimant unemployment over the next eighteen months, with at least 700,000 people aged 25 and over doing so¹³. In addition, there were 3.1 million people who were already out of work and who wanted to work when the crisis struck.

Again, there is a good evidence base for the design and delivery of active labour market support for those who are furthest from work. This points to the importance of specialised and intensive one-to-one support; access to help to address specific challenges that may prevent work; skills and training support; and access to work experience, work placements and job trials.

There should be three key priorities in responding in this crisis:

¹⁰ Coronavirus and the labour market: impacts and challenges, L&W, 2020; Getting back to work: dealing with the labour market impacts of the Covid-19 recession, IES, 2020.

¹¹ The Accelerated Open Procedure under the 2014 EU Procurement Directive is permissible for urgent circumstances including unforeseen events. The shortest possible time for this process is just 15 days, although realistically it would take longer than this for preparation of the Request for Tenders, assessment of bids and implementation.

¹² Ref IES GBW

¹³ Defined as being claimant unemployed for more than six months for young people, and twelve months for those aged 25 and over.

1. Putting in place the right support for the long-term unemployed – building on learning from previous programmes including the New Deals, Work Programme, Employment Zones and the 2008-09 Six Month Offer
2. Ensuring an integrated and coherent offer for young people, including the guaranteed offer of an education or training place for all young people (aged 16-24), and a jobs guarantee for the long-term unemployed
3. Increasing support for those who were already out of work before the crisis began, and particularly for disabled people, those with poorer skills, and those with health conditions.

The key elements of support for the long-term unemployed should include specialist advisory support, access to training and work experience, support to volunteer, wrap-around support (including for example support with childcare, finances, basic skills and managing health conditions including mental health) and an employer engagement campaign to get Britain back to work, including a focus on growing apprenticeships for young people.

We need to put in place this support quickly and deliver it in a high quality, joined-up way. It may be feasible in places to knit together much of this support through existing delivery mechanisms – with the specialist advisory support being delivered by Jobcentre Plus work coaches and/ or local employment services, training being provided through existing and planned funding streams (including the Adult Education Budget, National Retraining Scheme and National Skills Fund) and additional wrap-around support, volunteering and work experience sourced through the existing Jobcentre Plus Flexible Support Fund and through other local provision (for example European Social Fund programmes). Existing grant-funded budgets, such as the AEB and existing grant-funded voluntary and community sector provision, could also be quickly topped up without lengthy procurement processes, with extra funding ring-fenced for particular groups and activities.

However, it is likely that there would need to be significant provision grant funded or contracted for with additional investment. Contracting out would likely take 9-12 months with standard procurement timescales, but again it would be feasible to use an accelerated competition as a stop-gap if needed, which could reduce the lead-in times to a couple of months.

A common theme across all recessions is that government cannot do this alone – it needs partnership with local government, colleges, training providers, the voluntary and community sector, employment services, employers and more. That is particularly the case where local government and devolved administrations already have their own employment and skills programmes and devolved responsibilities. This local role can be particularly crucial in making sure delivery is coordinated, joined-up and avoids duplication.

Making this work locally means agreeing partnership working and a clear balance of responsibilities. The UK government should invest, set out a framework and lead commissioning where this makes most sense. Local government should coordinate support, engage local employers, and have responsibilities and funding devolved where this builds on existing responsibilities and capabilities. In the devolved nations, the UK government should consult and agree on the universal entitlements all unemployed people should have, with funding and commissioning responsibility then devolved along with existing policy responsibilities that each has.

We would recommend that this provision is in place from 6 months of unemployment for young people, and from 12 months for older people (with early access for vulnerable groups). There is a good case for providing earlier access to support for young people during a downturn and high youth

unemployment, due to the clear evidence around the ‘scarring’ effects of prolonged periods of unemployment for this group.

The total cost for provision along these lines is likely to be around £1,500-2,000 per person, making a total cost of up to £2.4 billion over the next two years. As noted, there is likely to be some scope to use existing capacity and provision to help reduce these costs, but either way this spending would again be a small fraction of the costs of providing ongoing support for wages and should mitigate the potential significant extra fiscal and economic costs of higher long-term unemployment.

We note that there have been growing calls for targeted hiring subsidies for employers that take on long-term unemployed people. These have been a feature of previous provision for the long-term unemployed, and the evidence suggests that they can make a small but positive contribution. However, they also tend to have quite low take-up (typically, in the low tens of thousands a year) and need to be carefully designed. They are also not a substitute for providing high-quality, active labour market support. We have set out the evidence base around hiring subsidies in an accompanying Annex, in case the government wishes to consider these further.

At the same time as increasing support for the long-term unemployed, we would also urge national and local government, employers and other funders not to row back on existing and planned support for those who were already disadvantaged before this crisis began. In particular, this means continuing to invest in employment programme support for disabled people and those with health conditions, in the provision of specialist employment support through health services (particularly for those with mental health conditions) and in initiatives to improve in-work support and practices including Access to Work and Disability Confident.

Young people

We argue for a promise of a job or place in education for all young people. This would build on the call from the Association of Colleges for a September Promise of an education or training place for all 16-18 year olds.

This means support for local authorities and further education providers to track and engage young people NEET or at risk of being NEET, ensuring people get the right support at the right time, whether to stay in education or find work or combine work and training. Support could include funding an additional year in further education for young people most likely to need this to achieve their learning aims, including good standards of English and maths. In most recessions, participation in education by young people rises. We should plan for that now with extra funding for more places and high-quality careers advice so young people make informed choices. We must act to avoid a spike in the numbers not in education, employment or training (NEET) in September.

We have set out above that those reaching six months unemployment should have access to specialist employment support, training, volunteering and work experience. However, for those that still remain unemployed for 9-12 months, this should be backed up by a guaranteed offer of a job or a good quality training place. This will help to prevent the damaging and lasting ‘scarring’ impacts from long-term unemployment, help equip young people for productive work in the future labour market, and maintain public confidence in the wider active labour market approach.

Delivering a jobs guarantee would require the government to directly fund short-term, but ‘real’, jobs for those young people that cannot secure employment through the open market. In the last recession, this was done through the Future Jobs Fund – which was also open to older people in disadvantaged areas. The FJF has been extensively covered in recent work by the TUC, among

others, and so much of that detail is not repeated here. However, the box below sets out some key learning from its design and delivery, as well as pointers on how a new 'transitional jobs' programme could improve on it.

To ensure a guarantee could be delivered in all cases and areas, there would need to be an option where a suitable funded transitional job is not immediately available. This could be achieved through provision of waged volunteering or work experience placements, but these would likely be smaller in volume and their delivery may need to be contracted out (as happened in the last recession).

Finally, it will take time to mobilise a guarantee – likely at least 6-9 months. Clearly, it is very uncertain what the level of labour demand will be at that time, and also the extent to which the open market will be creating jobs. Any guarantee model will need to be flexible and responsive to changing circumstances – and able to scale up and down the different elements depending on demand. We would suggest that this would need to be done through local partnerships and co-ordination, working closely with commissioning and analytical expertise in central government to forecast both the potential demand for, and supply of, places and provision.

Learning from the Future Jobs Fund

The Future Jobs Fund was announced in April 2009, during the depths of the 2008-9 crisis, to create temporary, transitional jobs for the long-term unemployed. It was a well-evidenced intervention, drawing on learning from Intermediate Labour Markets in Europe and from "transitional jobs" models in the US. These models suggest that in times of low demand and high long-term unemployment, there *could* be benefits in supplementing more conventional active labour market policies with measures that directly create temporary (or transitional) employment for the long-term unemployed. However these models had never been trialled at scale in the UK. The primary purpose of these jobs is to improve the chances of beneficiaries finding sustained employment – by improving their workplace and job-specific skills, improving their confidence and motivation, giving them access to the social capital and workplace networks to find a new job, and overcoming the 'signal' that a long period of worklessness can send to employers that someone is unemployable. Furthermore, as well as boosting effective labour supply at the end of the job, by creating waged employment it could also help support aggregate demand in the short term.

On the other hand however, there is also extensive evidence that if interventions like these are done badly then they can be actively harmful – for example by diverting people into temporary and poor quality jobs rather than real jobs in the open market, or by crowding out open market jobs with less efficient, and ultimately temporary, employment. So the FJF had to be very carefully designed and tightly targeted at the long-term unemployed.

The Fund opened for bids in May 2009. Bids were invited from any organisation that was willing to create jobs that would last at least six months and that would meet set minimum criteria to mitigate the risks set out above – around being additional jobs, of community benefit, and including support to move into longer-term, sustained employment. Funding was awarded through grants rather than contracting, which meant that public and voluntary/ community sector organisations made up the very large majority of awards.

The FJF was actively promoted through the Government Office Region network and by a GB-wide DWP campaign, and had very strong backing from the Local Government Association (and its equivalents in Scotland and Wales), voluntary and community organisations (ACEVO and NCVO) and the National Housing Federation. This led to over 500 bids being submitted, the large majority in the first six months. These were initially screened by regional panels (involving the Government Office

alongside representatives of local government, business and trade unions) who assessed against the minimum criteria and then gave their 'score' against qualitative criteria (related to the job and the support being offered in work). These were then submitted to a central assessment team for moderation and a monthly national panel for decisions.

In all, over 400 grants were awarded, creating 105,000 jobs. Around 90,000 jobs were filled by long-term unemployed young people, with 15,000 filled by older people who lived in areas of high unemployment. The first jobs went live in October 2009, but it was not until January 2010 (i.e. eight months after launch) that job starts began to ramp up significantly – running at 6-8,000 starts a month for most of that year (and peaking at 12,000 starts in March 2010). In practice, this meant that around a quarter of long-term unemployed young people who left Jobseeker's Allowance in 2010 did so to FJF jobs (but this equated to just 1 in 20 of all young people who left Jobseeker's Allowance that year).

As set out in the TUC report, subsequent impact assessment of the FJF was very positive – with half of participants still in sustained employment eighteen months after participation, compared with around 40% of a comparison group. These impacts were considerably greater than those achieved by other labour market programmes for the long-term unemployed, while cost-benefit analysis suggested that had these impacts persisted (and they did not narrow over the first two years) then the investment would have paid for itself in fiscal terms within 5-7 years.

Looking at the current crisis, it is almost certain that by early 2021 we will have very high levels of long-term youth unemployment. However at this stage it is less clear what the picture will look like for labour demand, and it is plausible that job creation may have largely recovered. This would suggest therefore that there could still be a role for a transitional jobs programme, but that it may need to be a relatively smaller part of our response than it was in 2010. In terms of the design of that scheme, we would suggest that the key learning from the FJF would be that:

- Work needs to start immediately;
- It would need significant buy-in and support from local government, voluntary and community sector and wider civil society – which we believe that there would be;
- It would require local and national resourcing for detailed design, promotion, bid support, assessment and oversight – and this would need to be put in place quickly;
- As with FJF, it would need to be one part of a wider response – so that the transitional jobs are targeted at those who cannot secure work in the open market, or are unable to take up good quality training; and
- There should be a strong focus on creating good quality jobs, useful skills, workplace support, provision to meet additional needs (for example related to health or basic skills), and on support to move into good quality, permanent work.

Assuming that these transitional jobs paid the adult National Living Wage and included funding for additional support, then the likely cost per placement would be around £10,000 – meaning that creating 100,000 transitional jobs would cost approximately £1 billion.

4. Take the high road to recovery

Before the crisis, productivity was poor, economic growth weak, and inequalities in opportunity stark. We will not be returning to a pre-crisis world and have a chance to take the high road to recovery.

Our aim should be to build a labour market that creates high quality work across the country that everyone has fair access too – truly levelling up opportunity. That will mean increasing employment overall, narrowing employment gaps between groups and areas, and helping people to progress at work and build their skills.

To do this, we need to link employment and skills support to priorities in local and national industrial strategies which set out a vision of future growth and prosperity. This will require true joining up of policy and delivery – breaking down longstanding silos. We should move beyond the continual revolution in policymaking and alphabet soup of initiatives and schemes.

For example, a number of local industrial strategies include a focus on the foundational sectors of key workers, including health and social care, as well as high growth sectors.¹⁴ We have an opportunity to focus on improving pay, conditions and quality of work in these foundation sectors. This could include tying receipt of further public support to improving the quality of work. In sectors, such as social care, dependent on public funding this clearly can only happen with substantial increases in funding. In others, such as retail and delivery, we will also need to work with employers to adapt business models to improve productivity and the quality of work.

In addition, employment support for young people should have a focus on apprenticeships at level 3, to address a long-run shortfall in our skills base and build productivity as well as employment. This is likely to require better incentives in funding systems, such as higher funding rates for apprenticeships for young people at this level, and an expansion of pre-apprenticeship provision, such as combining the best of Traineeships and Sector-Based Work Academies.

We will need to strike a balance between national and local delivery, focused on what best improves outcomes for people, employers and the economy. That could build on the Local Government Association's Work Local proposals, which called for a system of labour market agreements which set out the employment and skills services to be devolved to areas within England and the improved outcomes for people (such as numbers finding work) they would commit to delivering as a result. It would include the planned National Skills Fund in England, supporting (alongside other programmes) progression in work and to higher levels of learning.

5. Be agile and responsive

The future path of the economy is uncertain, depending on our progress in limiting the spread of the virus. That means our policy response needs to be agile.

It should be informed by data, which should be made readily available. To understand the labour market we should look at national, regional and sectoral trends in vacancies. DWP should publish regular data on Universal Credit claims and also movements between conditionality groups (such as those finding work), broken down by group and region. This would help local areas and delivery bodies to plan and tailor support.

It should be based on partnership working. The scale and nature of the challenge means that this is not something the UK Government alone, or a single department, can tackle. We need real partnership working across government and a true partnership between national and local government, delivery organisations, employers, trades unions and civic society. That could involve asking local government in England to establish local employment partnerships, as part of their existing Local Enterprise Partnership and Combined Authority structures where possible to avoid duplication and aid a speedy response. As set out above, in Scotland, Wales and Northern Ireland,

¹⁴ Greater Manchester local industrial strategy, Greater Manchester Combined Authority, 2019.

the UK government should consult and agree on the universal entitlements all unemployed people should have, with funding and commissioning responsibility then devolved along with policy responsibilities as now.

This partnership working means tackling short-term challenges, harnessing long-term opportunities and adapting responses over time. For example, looking at current and future labour demand (as well as supply) and recognising that different approaches will be needed for particular sectors and areas. This should include targeting support on the sectors identified in local industrial strategies: for example, focusing Job Guarantee role creation in low carbon sectors and shovel-ready infrastructure projects.

Taking this forward

We have identified five priorities. We need to:

- taper emergency support, striking a balance between supporting employment and allowing a necessary economic transition;
- help those made newly unemployed back to work quickly;
- make sure we continue to help those who have been out-of-work for a long period of time;
- make a clear education and employment promise for young people; and
- build for a long-term vision of a high quality, inclusive labour market for all.

For each of these, it is possible to make rapid progress. We can look to scale up existing contracts and delivery to support the long-term unemployed now. We can also expand online support and help via recruitment agencies and employment support providers for the short-term unemployed. We can pledge a young people's guarantee of a training place or job offer.

We must also start planning now for progress beyond this. That includes increasing the number of Jobcentre Plus Work Coaches, the case for a new back-to-work programme based on the evidence of what works, and looking regionally and sectorally to help match labour market supply and demand.

In doing all of this, we need to think about both employment and skills: improving people's skills and education outcomes, while helping people to find work quickly.

Both the short-term and long-term measures require collaboration – none can be delivered by the UK Government alone. The Scottish, Welsh and Northern Ireland Governments will want to consider how best to adapt these priorities to their own contexts and responsibilities. The UK Government should work with Mayors and local government across England too. And employers, civic society and trades unions will all be crucial partners too.

We can help Britain back to work by working together.

Annex A: List of contributors

This paper has been prepared with input from a range of contributors with expertise in these areas, particularly from previous downturns:

- Stephen Evans (Learning and Work Institute)
- Tony Wilson (Institute for Employment Studies)
- Charlotte Pickles (Reform)
- Elizabeth Taylor (ERSA)
- Sam Windett (Impetus)
- Anne Smee (Youth Futures Foundation)
- Dan Finn (Learning and Work Institute Emeritus Senior Research Fellow)
- Dan Corry
- Dave Simmonds (Learning and Work Institute Emeritus Senior Research Fellow)
- David Hughes (Association of Colleges)
- Jeremy Moore (Learning and Work Institute Board member and former DWP Director General)
- Neil Carberry (Recruitment and Employment Confederation)
- Pat Russell (Institute of Employability Professionals).

Annex B: Hiring subsidies

There is likely to be considerable appetite to introduce hiring subsidies as part of the labour market response to the downturn. Targeted hiring subsidies tend to try to serve two purposes, to:

- Shift the balance in favour of specific groups – trying to overcome in particular the ‘signal’ that a long period out-of-work sends to employers, particularly when the labour market is weak; and
- Support labour demand generally, by reducing hiring costs.

In practice, these different objectives can lead to differently designed schemes: either tightly targeted schemes, designed to maximise the benefit for specific groups and minimise the money spent on supporting hiring that would have happened anyway (so-called ‘deadweight’); or more passive schemes that are easier to claim (or paid automatically) but which can run the risk of very high deadweight if labour market conditions change.

The UK has tended to use more active/ targeted hiring subsidies in the past – most notably through the New Deal Employer Option, Six Month Offer and the Youth Contract wage subsidy. Take-up for these schemes tends to be relatively low – at between 10,000 a year (for the New Deal employer option) and 40,000 a year (for the Six Month Offer). Estimates of deadweight for UK schemes have varied between 35% and 85%, with a large-scale survey of employers that received the most recent Youth Contract wage incentive finding that 51% of employment would have happened without the subsid .

These figures are reasonably good by the standards of active labour market interventions, and so the impact of any potential subsidy needs to be weighed against the alternative. However, wage subsidies are not a substitute for high quality employment support and not the most effective investment. If there are to be subsidies for taking on people, it is important they are tightly targeted and that we recognise they will not work on their own – high quality employment support is key .

On the detailed design of the subsidy, previous evidence points to three key factors:

- Active marketing and engagement – which was a key feature of the New Deal Employer Option, where New Deal advisers ‘sold’ the benefit to employers; while in the Youth Contract by comparison, the subsidy was initially delivered through the Work Programme but had so little active promotion that it was later brought in-house by Jobcentre Plus; and
- Early payment, with later payments linked to behaviours – so for example the Six Month Offer subsidy usually paid £500 on employment and £500 after six months, with the evaluation concluding that the second payment supported job sustainability (as in cases where full payment was ‘bulk billed’ up front, jobs were more likely to be temporary and less likely to sustain) ; and
- Delivery as part of a wider offer – as was the case in the Six Month Offer and New Deal, where employers were actively engaged for recruitment support, training, work experience and subsidised employment.

There is little evidence on what the ‘right’ value is for a wage subsidy. The Youth Contract evaluation suggested that two thirds of employers would still have taken up the subsidy if it were lower than the £2,275 at which it was set, but we cannot know how many employers chose not to use it because its value was perceived as being too low.

Larger-scale, passive subsidies to support demand have been less common in the UK, although as noted the Six Month Offer included a ‘bulk payment’ system which allowed larger employers to

claim subsidies in bulk by submitting payroll data to Jobcentre Plus. This suggested that the subsidy led to lower rates of permanent and sustained employment than the more active, voucher system.

It is not clear at this stage whether we will face significantly subdued demand once the crisis and lockdown has eased. Right now, during partial lockdown, it would seem counterproductive to introduce large scale subsidies for hiring at the same time that supply is being deliberately constrained. However, it may be that subsidies could be turned on quickly in the event that demand remains weak as restrictions are lifted.

On balance, if a subsidy is going to be introduced then it should be:

- Done as part of a wider campaign and set of re-employment services;
- Targeted at supporting recruitment of the long-term unemployed;
- Administered and actively marketed by Jobcentre Plus and/ or providers;
- Paid partially up-front, with regular payments to support sustained employment;
- Made as easy as possible to claim – for example by paying via real-time PAYE returns; and
- Set at a higher level than previous schemes, to test whether this can drive higher take-up and additionality – perhaps £3,000.