



Income, work and skills: what's changing and what lies ahead?

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About us

We are an independent policy and research institute. We design, deliver and evaluate services to improve its impact and shape policy. Our expertise covers:

- Employment and social security
- Good work and progression
- Essential and life skills
- Apprenticeships and technical education
- Lifelong learning
- Social justice and social mobility.

Employment: trends over the pandemic

A pandemic of two parts. Unemployment rose less in the UK during the first year of the pandemic compared with most OECD countries including Canada, France, Italy, Spain, as well as the US at its peak. Furlough and other economic and employment support helped to prevent this.

From 2021 onwards the UK's employment rate performance has been less impressive. The UK and US are the only G7 countries where employment rates remain below pre-pandemic levels, with the UK seeing the biggest fall.

A big increase in the proportions of 16-64 year olds who are economically inactive in the UK, particularly among the over 50s and people who are disabled or have health conditions.

527,000 over 50s have left the labour market since March 2020. The UK labour force is 1 million smaller than if pre-pandemic trends had continued.

In Spring 2022 there were more job vacancies than unemployed people looking for work – historically unprecedented. May-July 2022 = 1,266,000 vacancies.

Employment and unemployment

- UK employment rate in May-July 2022 = 75.4%. This lower than the pre-pandemic levels (76.1% in same period in 2019).
- Unemployment rate May-July 2022 = 3.6%. This is similar to pre-pandemic levels.
- Employment rate for disabled people = 53.7%. After an increase in 2020 it is now similar to pre-pandemic levels.
- Unemployment among 16-24s = 9.1%. Unemployment among this age group grew in 2020 but has fallen since then. Nevertheless, 711,000 of this age group are not in employment, education or training.
- Unemployment rate for those of white ethnicity = 3.1%. BME unemployment rate = 7.1%.
- Unemployment rate for people who moved to UK to seek asylum = 14%. 61% in employment and 25% economically inactive.
- Unemployment rate for people of Bangladeshi and black ethnicity = 9.3% and 9% respectively.

Unemployment by geography

Despite unemployment being historically low at 3.6%, there are still places where it is higher than average. Here it is male unemployment that is usually higher. Mismatches between jobs available and skills in London in particular.

Unemployment rates April 2021-March 2022 Labour Force Survey figures:

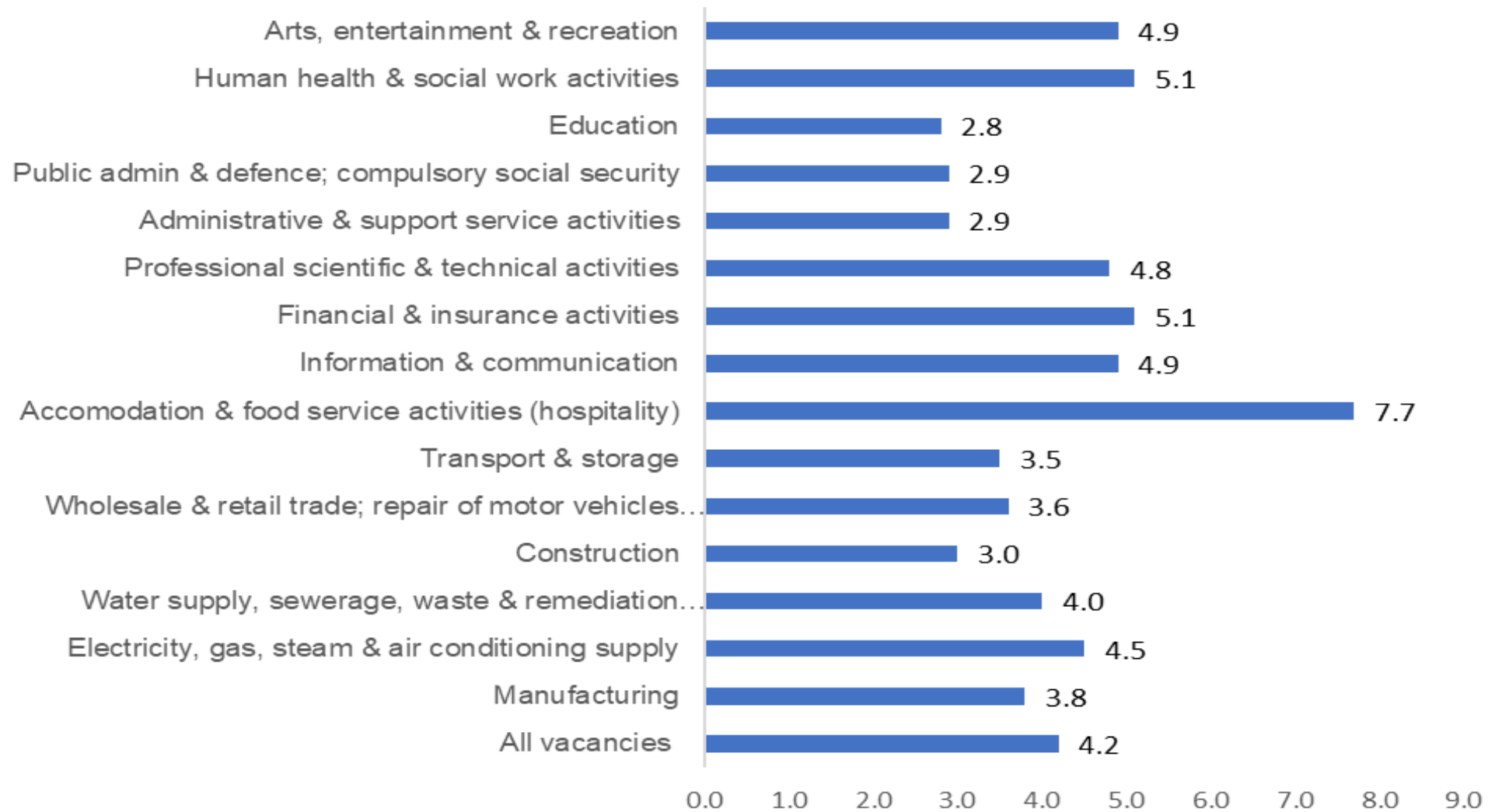
Birmingham (7.3%) Manchester (7.1%) Middlesbrough (7.9%) Newcastle (7%) Barnet (7%)
Ealing (7.1%) Enfield (7.2%) Redbridge (7.4%) Waltham Forest (7%).

Birmingham – male unemployment = 8.2%, female unemployment = 6.7% (Labour Force Survey, April 21-Mar 22)

Shrinking labour supply

- The UK labour force is 1 million smaller than if pre-pandemic trends had continued, mostly being driven by older people leaving the labour market.
- 1,266,000 vacancies with employers struggling to fill jobs, a situation worsened by changes to immigration policy in January 2021 making it more difficult for employers to recruit low-wage workers from abroad. Sectors with most vacancies tend to be those with that previously relied on migrant workers from EU.
- Continued mismatch between those who are out of work (whether unemployed or economically inactive) and the jobs available. This takes the form of a skills mismatch, where people who are out of work do not have the required skills to fill vacancies. There is also evidence of a mismatch between available jobs and the type of work that older people or those with caring responsibilities or disabilities want to or are able to do.
- A reduction in the numbers of people who want to work more hours from 3,351,000 in April-June 2019, to 2,827,000 in April-June 2022.

Figure 1: Vacancies per 100 employee jobs, May-July 2022



Economic inactivity

21.7% of working age people are classed as economically inactive, mostly because they are students, long-term sick/disabled or have caring responsibilities.

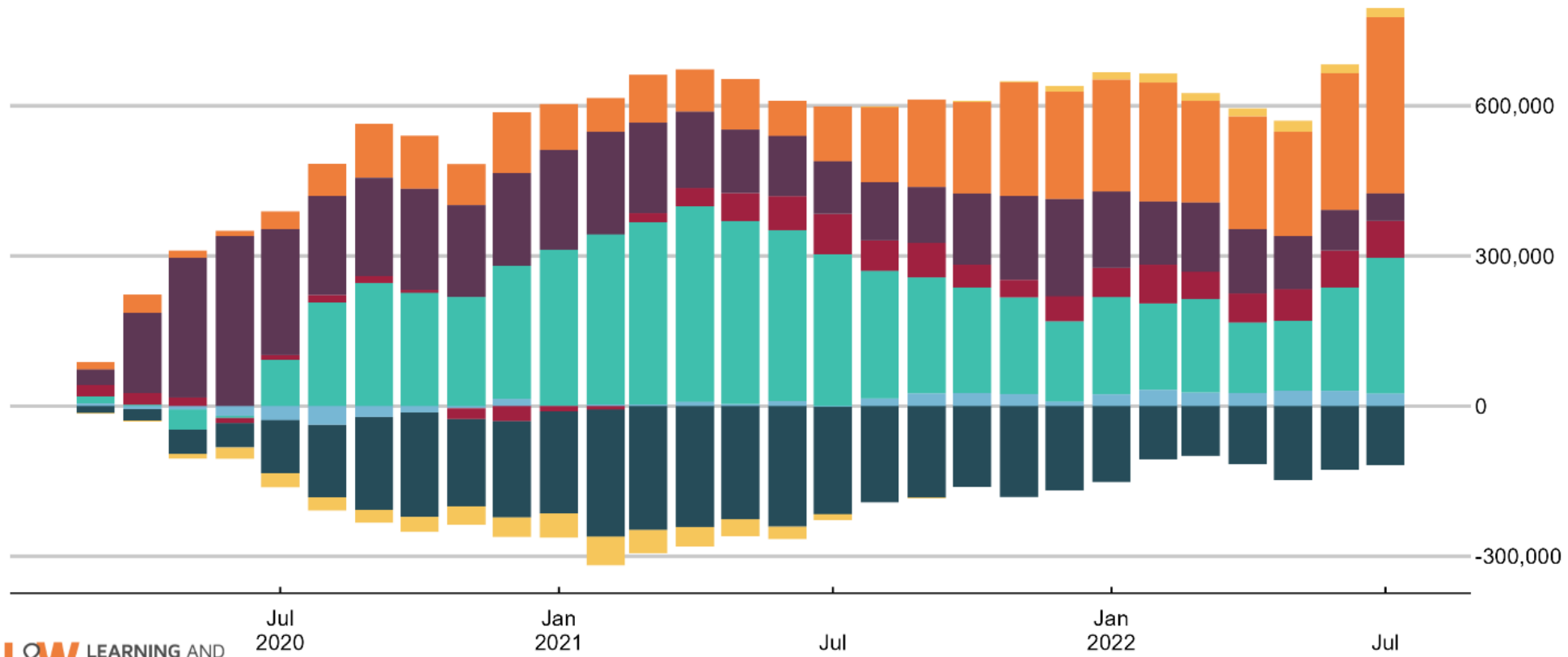
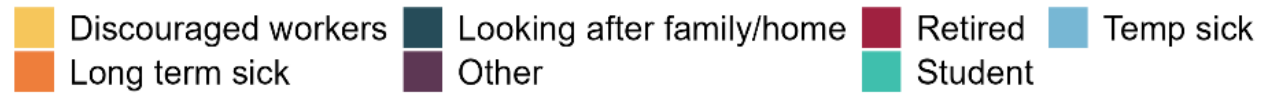
Economic inactivity has increased since March 2020, reversing a downwards trend.

Geographic, age and ethnic differences in economic inactivity. Some 39% of people of Pakistani and Bangladeshi heritage were economically inactive (April 21-Mar 22).

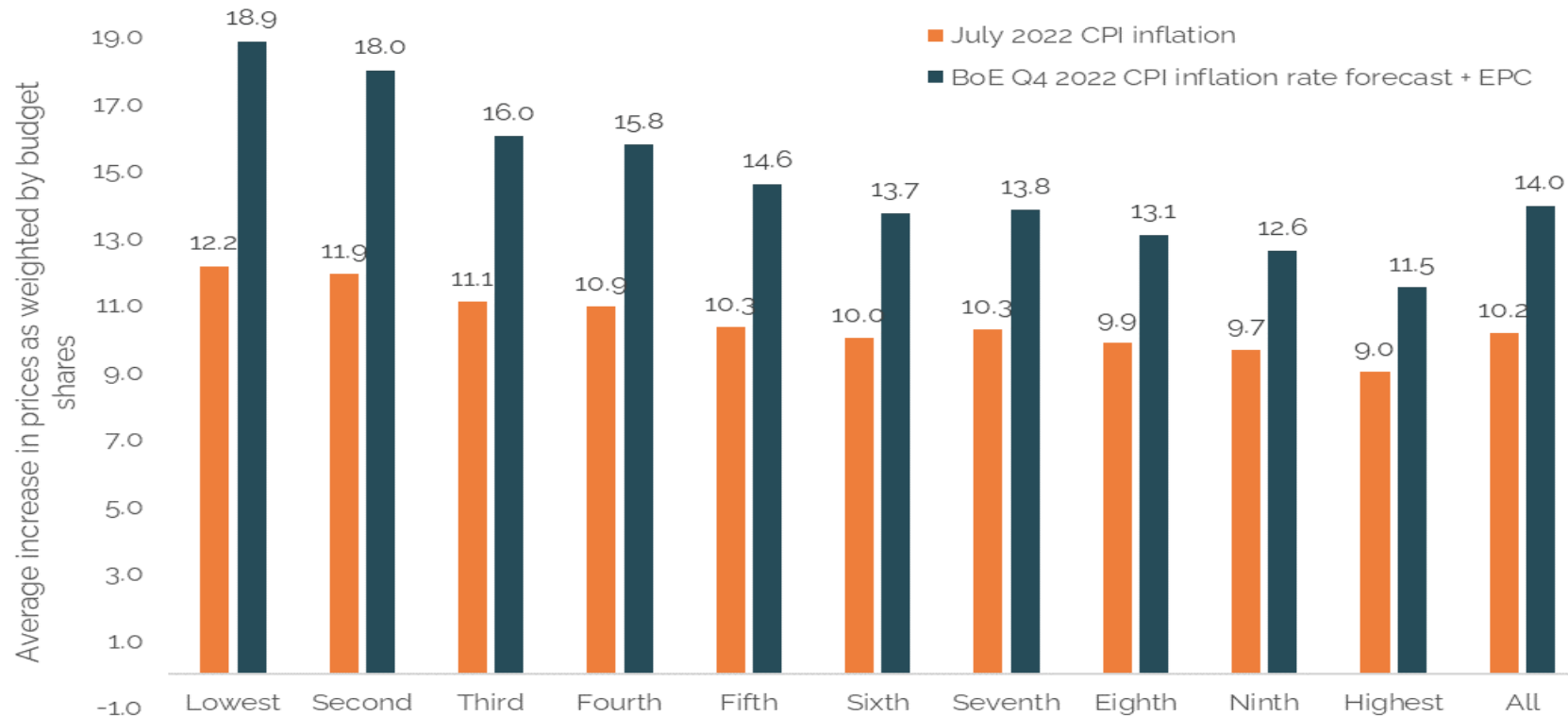
1.64 million people who are economically inactive say they want a job. Most don't qualify for Job Centre Plus or DWP-commissioned employment support.

Economic inactivity - by reason given

Change on December 2019-February 2020



Lowest income households affected most by inflation



In work progression

17% of households where one adult works live in poverty. But some progress in reducing low pay with the proportion of employees with hourly pay below two-thirds of the median falling by 13% in 2021. Commitment to increase minimum wage to increase the minimum wage to two thirds of median earnings for over 25s by 2024.

Positive trends in low wages now being offset by high inflation which affects low earners more.

In-work progression is a neglected policy issue despite the 2021 Ruby McGregor-Smith *In Work Progression Commission* and despite productivity gains.

Employer investment in training - off-the-job courses, apprenticeships and on-the-job training – has fallen by 28% since 2005.

In 2021 60% of employers funded or arrange training, with over half the training on offer relating to health and safety or induction.

Access to training is also highly unequal, with low-paid, low-qualified workers less likely to have opportunities to develop their skills and their routes out of low pay.

Perceptions about in-work progression impact on job-seeking decisions.

Trends in training

Fall in the percentage of 18-year-olds taking apprenticeships or involved in work-based learning, from 7.5% of this age group in 2019 to 6.8% in 2021 although the percentage of 16 to 18-year-olds participating in all forms of education and apprenticeships has stayed fairly constant.

Fall in further education and skills student numbers among those aged 19 or over from 1,745,800 in 2019/2020, 1,640,300 in 2020/21 to 1,511,900 in 2021/22, continuing a trend that begun in 2010.

Target of 67% apprenticeship completions and apprenticeship levy review.

What lies ahead?

Full budget in November 2022 or January 2023, possibility of a new spending review.

Maintained committed to green jobs. (Chancellor chaired the 2021 Green Jobs Task Force). UK science superpower ambitions.

Very tight FE, local government and DWP spending.

Model of levelling up as outlined in white paper is likely to change, probably with less emphasis on social aspects of levelling up and greater shift to free market economics. Some commitments or targets may be ditched, with programmes such as town centre regeneration at risk.

Free ports and 38 Investment Zones

A potential rethink of the UK Shared Prosperity Fund due to become fully operational in 2024/25?

Government serving full term or early election?

UK Shared Prosperity Fund

Replaces EU Structural funds – including European Social Fund and European Development Fund.

£2.6 billion funding by 2024/25. First allocations of funding this year. Interim funding regimes have been put in place for the 2021-22 to 2024-25 period, but not at the same level as previous EU funding. Risk of some employment support programmes being unable to continue their work, with a resultant loss of expertise.

In England, UKSPF money allocated to Local Economic Partnerships (LEPs) at the same real-term level as EU funding. Within LEPs money will be allocated to individual local authorities using a needs-based formula. Avoids winners and losers but replicates the undesirable features of EU structural funding allocations

Priorities (i) communities and place (ii) local businesses (iii) people and skills. What will be the balance between these three priorities?

Multiply numeracy programme will be funded by the UKSPF and launches this year.

Who will UKSPF employment support programmes target?

Investment Zones



- Relaxation of planning regulations
- Tax relief for new business.
- Greater devolution of funds for business growth
- Prioritised access to funding for growth.
- Green jobs not mentioned in Treasury information, but previous commitments remain.
- Not much on skills or on productivity so far.
- Will this initiative change the focus of the UK Shared Prosperity Fund?

Questions for breakout rooms

How do we make sure that our expertise, learning and achievements are not lost between the wind-down of ESF-funded employment support and the UKSPF coming full on stream?

How do we continue to make meet the employment support needs of people who are economically inactive but want to work?

How can we influence local plans for the UK Shared Prosperity Fund?

How can we make sure that skills and in-work progression are on the agenda of the Investment Zones.

Thank you!

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