

## Central London Forward response - Work and Pensions Select Committee: Plan for Jobs and employment support call for evidence

### Who we are

Central London Forward (CLF) is a partnership of the 12 central London local authorities<sup>1</sup>. We work together to support inclusive and sustainable growth in central London; so that our economy thrives, and our residents benefit from the opportunities this creates. CLF is submitting evidence given the experience we and our members have of managing and delivering employment support. We want to help shape employment support policy, so that it works for residents, communities and businesses in central London and beyond.

### Summary

- Central London was hit hard by the Coronavirus jobs crisis. Groups that faced labour market disadvantage prior to the pandemic – including young people, disabled people, and those from Black and minority ethnic backgrounds – were particularly likely to lose their job. This means the pandemic deepened pre-existing inequalities;
- The number of vacancies in London is high, due to dislocation in the labour market following the decline in EU migrant workers post-Brexit, and a large number of people leaving the labour market post-pandemic including due to health issues;
- DWP's response to the pandemic was largely effective. Kickstart and Restart faced challenges in part due to unemployment not reaching forecast levels – which is a reflection of the success of broader interventions including furlough. But programmes could have been more effective if they were devolved, rather than delivered centrally;
- The devolution of UK Shared Prosperity Fund to London is welcome. But Government's decision to prevent use of funding for 'people and skills' support is arbitrary, illogical, and potentially damaging;
- There is much DWP could learn from local government. Despite financial pressures, London Boroughs invested £35m last year to support residents into decent work. Borough services are accessible, they focus on job quality they engage effectively with employers, and they are integrated into other services;
- Government should ensure that future employment support programmes for the hardest to help are devolved to local areas, allowing support to be tailored to the needs of local communities and local labour markets, and more effectively integrated.

### Context

#### **Some groups of people, such as disabled people or young people, tend to do less well in the labour market than others. How has the pandemic affected that?**

London saw a greater impact from the Coronavirus jobs crisis than the rest of the UK. The number of people claiming unemployment benefits in London increased by 172% between March 2020 and March 2021, compared to an increase of 100% across the rest of the UK (Nomis, 2022). London also had a far higher proportion of jobs furloughed ([HMRC 2020](#)).

Whilst the impacts of the pandemic were felt widely, many disadvantaged groups saw a bigger impact. This means the pandemic has increased labour market inequality in central London.

Young Londoners had higher rates of unemployment pre-pandemic, and they saw the biggest increase in unemployment. The number of young people in central London claiming unemployment benefits increased by 192% in the first year of the pandemic, compared to an

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<sup>1</sup> Camden, City of London, Hackney, Haringey Islington, Kensington and Chelsea, Lambeth, Lewisham, Southwark, Tower Hamlets, Wandsworth and Westminster

increase of 159% for those aged 25+ (Nomis, 2022). This is concerning given the evidence that unemployment can have a long-term scarring impact on employment and earnings for young people ([L&W, 2021](#)). The impact on young people is largely explained by their concentration in the sectors that were most impacted by the pandemic. While young people were more likely to fall into unemployment, as the economy recovered, youth unemployment fell more rapidly than for the workforce as a whole.

Londoners from Black and minority ethnic backgrounds were harder hit by the pandemic. The claimant rate increased from 4.8% in December 2019 to 11.7% in December 2020 in the neighbourhoods with the most ethnic minority residents, compared to an increase from 1.4% to 4.4% in neighbourhoods with the least ethnic minority residents ([WPI Economics, 2021](#)). Again, this is largely due to the concentration of Black and minority ethnic Londoners in the sectors that were hit hardest by the pandemic.

Employment rates in central London are lower for disabled people. There is evidence that disabled people nationally were more likely to lose their jobs during the pandemic ([Citizens Advice, 2020](#)). The disability employment gap increased in London from 24.4 percentage points in 2020 to 24.8pp in 2021, before narrowing again in the last year (Nomis, 2022)

### **The number of vacancies is at a record high. What is stopping employers from filling those vacancies?**

Changes in migration patterns post-Brexit and the ending of freedom of movement have made it more difficult for businesses in central London to fill vacancies. In 2020, 41% of jobs in London were held by workers born outside of the UK, including 14% held by those born in the EEA ([GLA, 2022](#)). Large numbers of European workers returned home during the pandemic, and in-flows reduced after the end of free movement. The last London Business 1000 survey found Brexit was the most commonly identified challenge in filling vacancies ([LCCI & London Councils, 2021](#)). The impact has been particularly significant on the sectors which previously relied heavily on EU national, including hospitality and construction.

In addition to changing migration patterns, the health impact of the pandemic may have contributed to challenges in filling vacancies. Employment rates for people with disabilities and health conditions fell more rapidly during the pandemic ([L&W 2021](#)). An increase in the number of people unable to work due to health conditions has contributed to recent increases in rates of economic inactivity in London and the UK ([ONS, 2022](#)).

Finally, the reduction in unemployment is also making it more difficult for employers to fill vacancies. Unemployment in the capital rocketed following the pandemic, but it has since fallen rapidly, and is now almost back at pre-pandemic levels. Employers have faced increasing difficulties in recruiting in a tight labour market.

### **Working with employers**

#### **How could DWP better target its employment support programmes towards sectors that have large numbers of vacancies?**

The needs of employers and the nature of skills gaps vary across regions. Local government is well placed both to understand the local economy, and to target employment support programmes towards sectors with large numbers of vacancies. Local authorities have strong links with local employers, and a good understanding of their employment needs ([LGA, 2022](#)).

For example, CLF established the Employer Services Sub Group (ESSG) in 2020. This group aims to coordinate the complex and crowded environment for employer engagement. It brings together several organisations undertaking employer engagement – including local authorities,

employment and training providers, and Jobcentre Plus – to improve collaboration and share labour market intelligence. The group has now successfully brokered opportunities for participants with employers such as Amazon, Nandos and Tesco.

Similarly, local government is well-placed to understand employer skills needs, and to ensure that skills provision meets these needs and integrates with employment support. The No Wrong Door programme in London is seeking to promote integration of employment and skills services, so that residents are better able to access the support that meets their needs.

### **Existing support programmes**

#### **How effective are DWP's employment support programmes?**

##### **The Work and Health Programme**

The Work and Health Programme has been largely effective. The programme was devolved to sub-regions within the capital, allowing some flexibility in the design of the programme. In central London for example, the Work and Health Programme has focused on supporting participants into jobs paying at least the London Living Wage, in order to address the challenge of in-work poverty in the capital.

Devolution has allowed for integration with other local employment, skills and health services. This has helped deliver strong results. In 2021, Central London Works – the Work and Health Programme in central London – was the highest performing contract of 11 nationally, both in terms of the proportion of programme starts who started work, and the proportion who achieved a job outcome. In 2021 Central London Works supported 4,225 residents into work.

The Work and Health Programme demonstrates the potential of devolution. However the flexibility to adapt the programme was limited. Government should build on the successes of the programme, ensuring that future programmes are devolved to local areas.

##### **Job Entry Targeted Support**

The Job Entry Target Support programme (JETS) was an extension of the Work and Health Programme introduced to support people who lost their jobs during the pandemic. The programme has been extremely successful in central London. As the programme was devolved, we were able to mobilise quickly. As of the end of August, JETS had supported 7,744 central London residents into employment, 39% above profile.

JETS provides a potential model for employment support following large economic shocks. Through providing rapid, light touch support, the programme has likely helped to significantly limit the increase in long-term unemployment and limit the long-term scarring impact. Government should carefully consider the evidence of the impact of JETS, with a view to replicating this model in response to future shocks.

##### **Kickstart**

The Kickstart scheme was based on sound evidence, including the positive impact of previous programmes such as the Future Jobs Fund ([DWP, 2012](#)). However, Kickstart delivered significantly fewer job starts than the target of 250,000. This was partly a consequence of the success of the wider labour market response; whilst youth unemployment rose rapidly, the peak was lower than forecasts, and the recovery more rapid, which meant there were fewer young people seeking employment, and more opportunities available in the economy.

However, the low number of job starts was in part due to flaws in the design and delivery of Kickstart. A survey from London Councils of local authorities' perception on the effectiveness of the Kickstart programme found that there were low referrals from Jobcentre Plus (JCP), a lack of applicants, narrow eligibility criteria for young people and a complex payment process for employers. In London, of the 40,800 available only 16,670 kickstart placements had started in October 2021.

Many of the limitations of the programme could be overcome if Kickstart had been devolved. Many central London local authorities – including Kensington and Chelsea – sought to promote Kickstart to local employers and residents, but the role for local authorities in designing and delivering the programme locally was minimal. The approach to data sharing was poor. DWP did not provide regular formal statistics on Kickstart jobstarts, with the only information coming from press releases, or responses to Parliamentary Questions.

Future intermediate labour market programmes should learn from these issues. Government should consider devolving them to local areas, or at the very least, having a more formal role for local government in programme design and delivery. This would enable local authorities to stimulate demand from young people and employers, and to integrate the programme into wider employment and skills support. Government should also ensure that data is shared with local partners.

### Restart

The Restart scheme has had a challenging start. Again, this is in part due to the number of long-term unemployed people being lower than forecast when the programme was designed. This has meant fewer referrals than anticipated.

However, there are also challenges in the design and implementation of the programme. Restart represents a step back in devolution. While the Work and Health Programme was devolved in London and Greater Manchester, Restart was commissioned nationally, with a limited role for local government. There has been relatively little join up between Restart and skills provision. As with Kickstart, DWP has not shared information on starts and outcomes with local authorities.

DWP is starting to design successor employment programmes for the Work and Health Programme and Restart. These future programmes, which are targeted at those furthest from the labour market, should be devolved to local areas to allow support to be tailored to the needs of local communities and local labour markets, and more effectively integrated.

### **What has been the impact on employment support providers of winding down the European Social Fund? Is the UK Shared Prosperity Fund working well as a replacement?**

EU structural funds have been an important source of funding for training schemes and employment advice in the capital. London received nearly £100m a year between 2014 and 2020.

The devolution of the UK Shared Prosperity Fund (UKSPF) to London – which reflects the arrangements under ESF – is very welcome. The fact that London will receive the same percentage share of UKSPF funding as ESIF is also welcome.

However, the decision to restrict expenditure of UKSPF on the 'people and skills' investment strand until 2024/25 in England is arbitrary, illogical, and potentially damaging. This restriction applies only to England, with Wales, Scotland and Northern Ireland free to spend their UKSPF allocations on all three investment priorities including 'people and skills'.

The restriction means London is not able to invest UKSPF in employment and skills support at a time when unemployment remains higher than pre-pandemic, when there are skills shortages, and when there are concerns about a significant potential increases in unemployment due to the impact of the energy crisis on the economy.

Many ESF-funded programmes will come to an end in 2023 leaving a gap in support. This is particularly the case for support for young people who are NEET, inactive residents, and other disadvantaged groups not well served by DWP programmes.

In future rounds of UKSPF, the government should commit to at least protecting funding available in every region, and to avoiding unnecessary restrictions on how they can be spent.

### **What can DWP learn from the third sector, local government and the private sector about how to best deliver employment support?**

Local government plays a vital role in delivering employment support. Every one of the 12 central London local authorities has a local employment service. Despite the challenging financial situation, they invested £21.3m into their employment support services in 2021, with the total invested by all London boroughs coming to £35m ([London Councils, 2022](#)).

There is much that DWP can learn from local government in delivering employment support:

- **Accessibility** – most central London boroughs seek to ensure their employment support services are open to all residents, including inactive residents, and those in work and on low pay, rather than focusing only on those who are unemployed;
- **Employer engagement** – central London boroughs have strong links with local employers and anchor institutions. They link up employment support to business support services locally, enabling businesses to recruit, and supporting residents to access opportunities in the local economy;
- **Job quality** – many central London boroughs focus on supporting residents into decent work, including roles that pay the London Living Wage. Most boroughs also seek to promote job quality more broadly, including promoting Living Wage accreditation, and the [Mayor's Good Work Standard](#);
- **Integration** – central London boroughs seek to ensure their employment support services are effectively integrated to other services. This includes integrating employment support with specialist services to help people with complex and challenging barriers to work, and with skills support to help people get the skills employers need. Local authorities in central London have been working closely with JCP and other agencies to promote co-location, so residents can easily access the services they need, and services work more closely together. CLF has recently launched the Central London Integration Hub. Funded by the Mayor of London as part of the ['No-Wrong-Door'](#) agenda, the hub is focused on driving integration of employment and skills services, with a focus on disabled residents and refugees.

Government should embrace the principle of subsidiarity, with employment and skills support devolved to London government and other local areas wherever possible. There have been some steps towards localism, including the delegation of the Adult Education Budget, and the devolution of the Work and Health Programme. Government should build on this in the future, including devolving successor employment programmes to the capital. This will enable services to be tailored to the needs of local communities and labour markets, and to be effectively integrated.

## **Wider policy**

### **DWP both provides employment support and administers benefits. How well is it fulfilling that dual role, and is there a case for a different model?**

Under the current system, JCP both administers benefits and provides employment support. Carrying out both functions can make it difficult for JCP to form the trusting relationships with participants that are needed to provide effective employment support. Linking employment support to benefit administration can also make some people less willing to seek support, and it can prevent some people from accessing programmes due to eligibility criteria.

In many European countries, employment support and benefit administration are provided by separate organisations, often with benefit administration managed nationally or regionally, and employment support provided locally.

As part of future discussions on further devolution, CLF would welcome consideration of splitting employment support from benefit administration, with the former devolved to local areas, and the latter maintained centrally.

### **How can DWP's employment services best support in-work progression?**

The decade prior to the pandemic saw a decline in unemployment across London and the rest of the UK, but this was not matched by a decline in poverty. Instead, we saw a rapid rise in in-work poverty, which is highest in London ([JRF, 2022](#)). It is right that DWP considers how it can support in-work progression. However, we need to consider whether DWP is the right organisation to deliver this provision.

Local authorities are well-placed to provide in-work support services. Many employment support services provided by central London boroughs already deliver support for residents who are in work, helping them to move to better quality and higher paid work. These local employment services tend to work effectively with local skills providers, which can help people develop the skills they need to progress. As well as helping individuals to progress, local authorities are also well-placed to provide demand-side interventions – working with local employers in low-paying industries to help them to boost productivity, pay and job quality.

CLF plans to commission research on in-work progression in autumn 2022. This will map current provision, highlight best practice, and identify how we could better support people to move into higher paying and better-quality employment.

### **How can the Government best ensure that work pays?**

Government has recently focused on increasing the National Living Wage. However, while increases in the wage floor are necessary, they are not sufficient to make work pay.

Increasing the wage floor alone has a relatively limited impact on in-work poverty. That is because much of the gains do not go to households living in poverty, and many households in working poverty are not able to work enough hours for increases in the minimum wage to have a meaningful difference on household income ([IFS 2019](#), [L&W, 2020](#))

Ensuring work pays also requires a robust social security system, which provides sufficient support for households in work to live free from in-work poverty. This is particularly important for households where people are not able to work full time, for example parents, carers or people with disabilities, and households with high outgoing costs, particularly in areas with high housing costs like central London.