

UNIVERSAL CREDIT AND EMPLOYERS:

Exploring the Demand Side of UK Active Labour Market Policy

Research summary and recommendations

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Employers have largely been excluded from research and policy debate focused on the development of Universal Credit (UC) and related Active Labour Market Policies (ALMPs). This research – the first major study to focus on employer experiences and views of this policy area – addresses this critical omission and demonstrates how valuable their insights are.

ALMPs are government interventions typically focused on moving unemployed people into work. In the UK, where the introduction of UC has involved the merging of both in- and out-of-work benefits, ALMP interventions may also now extend to those in work. This is a controversial step-change in policy, involving unprecedented intervention in the labour market.

Employers are impacted by these policies in different ways: some, simply by virtue of advertising roles, will receive applications from jobseekers, who are under expectations to find and move into any job quickly. While they may not be aware of it, some will employ at least one of the 2.3 million UC claimants who are in work, 600,000 of whom from

September 2023 will be subject to new expectations to engage with Jobcentres and demonstrate efforts to progress in work. Others engage more directly by working with the DWP and local Jobcentres, and by providing opportunities to prepare for and enter work through various ALMPs.

As those ultimately in control of the employment opportunities jobseekers are seeking to access, employers are fundamental to ALMP outcomes. As such, understanding employers' views on the best way to support people to both move into and progress in work is essential, particularly during a time of continued economic turbulence including widespread recruitment challenges, and if policymakers want to develop more sustainable employment across the UK.

This research uncovers how ALMP is understood and experienced by employers, whether or not (and in what ways) it impacts on them and the way they recruit, retain and progress their staff, and how this varies in different sectors (with a key focus on social care, retail and warehousing and hospitality). It also considers how Jobcentres and other employment support providers can work more effectively with employers, in order to lead to better outcomes for individuals and the wider economy.

This briefing note summarises findings from the Universal Credit and Employers research project, for which the support of the Economic and Social Research Council (ESRC) is gratefully acknowledged (Grant Ref: ES/V004093/1). For more detail on research findings, please see the full report:

Jones, K. and Carson, C. (2023) *Universal Credit and Employers: Exploring the Demand Side of UK Active Labour Market Policy. Final Report*. Manchester Metropolitan University

We hope that this research is helpful for both policy and practice, and we are keen to understand its impact. If you or your organisation make use of this research, please let us know by contacting katy.jones@mmu.ac.uk

METHODS

This was an entirely qualitative project, based on 124 in-depth semi-structured interviews with three stakeholder groups:



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Employers

mostly drawn from traditionally low paying sectors that are a common destination for jobseekers: social care, hospitality and retail and warehousing.



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Local stakeholders

including local policymakers/actors drawn from Greater Manchester and West Yorkshire, local employer representatives, including representatives from Business Improvement Districts, local employment support services (e.g. staff from local Jobcentres/ other contracted employment support providers), and a trade union representative.



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National stakeholders

including policymakers, national employer representative organisations and key sector representatives, unions, employment support sector representatives, and independent research organisations.

KEY FINDINGS

What do employers know about Universal Credit and UK Active Labour Market Policy?

Employer awareness and understanding of UC and the ALMP that underpins it was found to vary considerably. Most were aware that out-of-work UC claimants could be expected to engage in job seeking activities, and that UC payments varied in response to changes in earnings. Except for Kickstart, we found limited awareness about ALM Programmes, and almost all were unaware about the potential application of conditionality to those in work. Knowledge of the extent to which their own staff were in receipt of UC while in work also varied considerably. Although UC and related ALMPs have important implications for the UK workforce, industry intelligence is lacking.

How does UK Active Labour Market Policy impact on employers?

Employers were critical of the Work First approach which underpins UK ALMP. Rather than effectively supporting recruitment, this long-established approach, which emphasises moving into any job quickly, instead results in a high volume of inappropriate applications which is costly for organisations to manage. Employers instead advocated for a greater emphasis on supporting candidates into roles that more closely matched their specific skills, capabilities and wider circumstances. Some participants also felt that existing ALMPs could expose jobseekers to poor quality work, and that broader policy efforts centred on 'good work' could be undermined by the DWP's continued emphasis on taking 'any job'. More positively,

several participants identified potential for the DWP, Jobcentres and other employment support providers to encourage better working practices.

Employer experiences of Jobcentres and Active Labour Market Programmes

Employers reported varied experiences and levels of engagement with Jobcentres, but many felt the service had an 'image problem'. While this can be changed by positive experiences, ultimately this will be difficult to overcome when the underlying policy emphasis remains on sanctions-based responses to unemployment. Most employers want to recruit people who both want and are able to do their jobs, and can be reluctant to engage in a system widely viewed as punitive.

While some had positive experiences of specific ALM Programmes (for example, Kickstart), participants highlighted shortcomings including a sense that processes to get involved were too slow and onerous, and that a clear lack of consultation with employers (especially small employers) about the design of programmes inhibits more positive outcomes. Inconsistent communication, combined with a broader fragmented employment and skills system also means the door is far from being wide open for employers to engage with interventions designed to support work entry and progression.

Employer views on the future of ALMP: supporting progression

Employers were sceptical about the introduction of conditionality to those in work and were concerned about the negative impact this could have on

staff well-being, performance and commitment. Views from employers on how best to support progression chime strongly with findings from the recent DWP-Commissioned McGregor-Smith review (including the importance of personalised support and ensuring low-income workers can access appropriate childcare, transport and skills support/training). However, ultimately, delivering on policy focused on progression will be impossible without improvements in employer practices to ensure that many more jobs offer inclusive and sustainable employment opportunities with scope for progression.

Involving employers in policy development

Policy development to date has been almost solely focused on individual jobseekers rather than employers and the demand side. However, both employers and stakeholders overwhelmingly believed that employers should play a much greater role. To date, employer involvement in the development and design of employment policies appears to be undertaken largely on an ad hoc basis, often with a handful of large employers operating at a national level. Furthermore, employer engagement is considered largely transactional, with policy viewed as something devised by government to which employers (and other stakeholders) were expected to respond, rather than viewing employers and their representatives as strategic partners in the ongoing development of policies. Participants emphasised the importance of involving a wide selection of employers – in terms of business size, sector, and geography – in the development, delivery and scrutiny of ALMP.

But this is not something the DWP can do alone. There is a clear need for more co-ordination between Government departments with a shared emphasis on supporting transitions into and progression in work, and who currently engage with employers in different ways. Effective partnership working beyond government is also critical – alongside a recognition that what effective employment support looks like in different areas of the UK will vary. More generally, there is a need for employer representative organisations to be a much more active stakeholder on this agenda – at local, national and sectoral levels.

Recommendations for policy and practice

For the DWP and Jobcentres¹

- Enable jobseekers to focus on the quality rather than the quantity of job applications, and place more emphasis on supporting them into roles and sectors which match their capabilities and experience. This requires personalised employability interventions including more
- investment in CV support and training, and matching candidates with suitable employers
- Recognise the limits of an ‘Any Job, Better Job, Career’ approach, especially where progression in key employment sectors is challenging. Instead, place a greater emphasis on progression and longer-term career-development from the outset, by supporting people into higher paying sectors or organisations where progression from entry level positions is more common
- Build on positive responses to sector-based approaches, and provide more opportunities for jobseekers to learn about new sectors, especially growing sectors offering quality work opportunities (e.g., digital and green jobs) and where there are acute recruitment challenges (e.g., social care and retail)
- Increase employer involvement in the development, design and scrutiny of ALMPs, ensure programmes are designed to work for businesses of all sizes and build in local/sectoral flexibility to avoid “one-size-fits-all” approaches.
- Invest more in the promotion and marketing of UC, ALMPs and broader employment support services to encourage greater employer engagement. Clearly outline the various ways employers can engage with Jobcentres to support work entry and progression
- Provide a more consistent level of service to employers, including a named contact in local Jobcentres
- Take a cautious and evidence-based approach to developing in-work ALMP, supported by an in-work progression taskforce, comprising service users, employers, employer representative organisations, frontline employment support providers including Work Coaches, unions, charities and researchers to steer the future direction of ‘In-work progression’ policy
- In work support should be sensitive to the realities of work in the UK labour market and how this interacts with claimants’ wider circumstances and responsibilities (e.g., health and caring responsibilities).
- Acknowledge, prevent and mitigate the adverse impact of employer mistakes on individuals’ incomes. Establish effective mechanisms to report and speedily resolve these issues
- Ensure policy detail is available, up-to-date, and easy to understand, and clearly communicate policy changes to all affected stakeholders (including employers)
- Minimise bureaucratic processes and ensure the pace of delivery (i.e. the speed at which vacancies are turned around) is quick enough to retain employer engagement and be responsive to business needs

¹ Note: while the focus of this research was on Jobcentres, as the principal service with which job seeking Universal Credit claimants will engage, many of these recommendations are applicable to the wider employment support sector

- Ensure UC claimants can access practical support to help them move into, retain and progress in work (including functioning and affordable childcare and transportation, and opportunities to develop and gain new skills and qualifications)
- Ensure that jobseekers have clear and up-to-date information from employers about progression opportunities when considering vacancy listings
- Ensure frontline staff are adequately trained and resourced to support better job fit, to match candidates to local employer demand, and deliver an effective in-work service
- Become a more active stakeholder in the Good Work agenda, by working with employers to encourage better quality employment practices including more inclusive recruitment
- Increase the focus on the quality of the roles and placements offered as part of ALMPs, including greater oversight and encouragement of employers to go beyond minimum programme requirements (for example by paying the Real Living Wage)

For wider policy stakeholders

- The government should adopt a systems approach to employment and skills, which includes the development of a clear strategy for employer engagement and workforce development. The DWP should work in partnership with and have shared objectives for employer engagement and workforce development with other Departments (including BEIS, DfE and the Treasury)
- To support improvements in job quality and workforce development, there needs to be an effective, locally delivered business support offer focused on people management and development. This should be part of a co-ordinated local skills and employment eco-system (including Jobcentres and other employment and education services/providers e.g. further education colleges) underpinning sub-national growth strategies. As part of this, businesses should be supported to adopt more inclusive and effective recruitment and retention strategies, including additional support to manage people with health conditions and other needs
- The DWP and wider policy stakeholders should establish clear processes for local information sharing, so that labour market programmes can be more responsive to local labour market conditions
- The strategic involvement of other policy stakeholders (including local government, employer representative organisations and the wider employment and skills sector) at both local and national levels is also critical
- More resource should go into developing stronger local partnerships to better support employers and jobseekers at the local level.

- Wider policy stakeholders (for example the All-Party Parliamentary Group on Universal Credit and the Work and Pensions Select Committee) should also include employers and their representatives in their scrutiny of UC and ALMP
- Unions and other worker representatives should work in partnership with employers to increase understanding of UC, and raise the profile of key issues emerging for working UC claimants. They should also ensure that UC claimants can access clear and accurate advice about employment and welfare rights, and how the two interact

For employers and their representative organisations

- Employer and sector representative organisations should build intelligence about UC and how it impacts on employers and the wider workforce, and ensure employer experience and expertise is fed into the development and scrutiny of employment policies
- Develop awareness about how employer actions can impact staff claiming UC, and mitigate adverse impacts wherever possible
- Facilitate access to independent and accurate advice about UC and other financial support (e.g. that provided by Citizens Advice, Turn2Us, entitledto) by signposting available support and/or hosting advisors in workplaces or other staff-focused forums
- Explore and promote opportunities to engage with local Jobcentres and other employment support providers, including specific ALM programmes, mentor circles, taster days, and shadowing
- Wherever possible, go beyond the minimum expectations of ALMP programmes (for example, by raising wages to Real Living Wage rates and designing roles that help to facilitate longer-term career development)
- Engage with, commit to and promote the Good Work agenda. As part of this, employers and their representative organisations should review, support and promote the development of effective progression pathways, especially for part-time staff and the lowest paid in their organisations (including investment in workforce training and development). Wherever possible, employers should pay the Real Living Wage, dispense with lower 'youth rates', guarantee regular and sufficient working hours, and provide contracts that accurately reflect hours worked. Engaging with local initiatives including the Greater Manchester Good Employment Charter and West Yorkshire Fair Work Charter can also help to improve employment practices
- Employer and sector representative bodies should include the DWP as a key stakeholder in workforce planning and development at both a local and national level.