

UNIVERSAL CREDIT AND EMPLOYERS:

Exploring the Demand Side of UK
Active Labour Market Policy

Final report



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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

EXECUTIVE SUMMARY

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.

Based on 124 semi-structured interviews with employers and key policy and practice stakeholders, this report 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.

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 payment 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 extent to which their own staff were in receipt of UC while in work also varied. Although UC and related ALMPs have important implications for the UK workforce, industry intelligence is lacking.

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 to manage. Employers instead advocated for a greater emphasis on supporting candidates into roles that matched their 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.

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 where 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 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.

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 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). 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.

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. 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 policy development. 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.

Throughout this report numerous policy and practice recommendations for local and national policymakers, employers and their representatives, unions and other worker representative organisations, Jobcentres and the wider employment support sector are identified. Supporting people to move into and progress in work should be a shared agenda – and one in which employers play a central role.

1 INTRODUCTION

This report summarises key findings from the first major independent study exploring employer views and experiences of Universal Credit (UC) and related Active Labour Market Policies (ALMPs).

ALMPs are government interventions traditionally focused on moving unemployed people into work. The UK's main vehicle for ALMP, and flagship policy of recent welfare reforms is UC. This is now the main working age benefit for those who are either out of work or on a low income. It is now claimed by 5.8 million people, 2.3 million of whom are in work.

By bringing together both in and out of work benefits into a single system, UC represents a step-change in ALMP – expanding the focus of government intervention beyond the unemployed to workers on a low income, and developing new relationships with employers as in-work progression becomes a clearer policy focus.

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.

As a benefit claimed by 2.3 million people in work, and as the Department for Work and Pensions (DWP) begins to explore new ways of engaging with and better supporting working claimants, this policy also has more immediate implications for employers whose workforces may be affected by these changes.

However, to date research and policy debate relating to ALMP has tended to ignore employers: this report addresses this significant omission, providing the first major independent research project to explore employers' views and experiences of this important policy area.

We explored employers' views and experience of three key elements of UK ALMP:

- **The underlying policy:** receipt of UC is conditional on certain groups of claimants demonstrating work search and other work-related activities.
- **Related programmes:** for example, Kickstart, Work and Health Programme, Restart, Sector-Based Work Academies.
- **Services:** Jobcentre Plus and other contracted employment support providers.

Focusing on UK ALMP, as enacted through UC, this research focused on employers' understanding and perspectives of ALMP and the conditionality that underpins it for unemployed people and workers on a low income, including their views on any future expansion of conditionality for in-work claimants.

Research overview

The project was underpinned by four research questions:

1. How is UK Active Labour Market Policy (ALMP) understood and experienced by employers?
2. How does ALMP impact on UK businesses, including how they recruit, retain and progress their staff?
3. How does the impact of ALMP on employers vary in different low pay sectors?
4. How can the public employment service work effectively with employers, and lead to better outcomes for individuals and the wider economy?

These questions were addressed adopting a qualitative methodology, involving in-depth interviews with 124 employers and policy and practice stakeholders at a local and national level.

Report structure

The remainder of this report is structured as follows:

- **Chapter 2** provides a brief overview of the policy and practice context in which the research was conducted
- **Chapter 3** provides an overview of the research methods used
- **Chapter 4** summarises employers' knowledge and understanding of UC and UK ALMP, alongside other key issues arising when staff are claiming UC
- **Chapter 5** summarises the ways in which UK ALMP impacts on employers and the ways they recruit, retain and progress their staff
- **Chapter 6** summarises employer experiences of Jobcentres and ALM Programmes
- **Chapter 7** explores employer perspectives on new developments in ALMP focused on UC claimants in work
- **Chapter 8** considers the role of employers in ALMP development
- **Chapter 9** offers conclusions and recommendations for policy and practice.

2 POLICY AND RESEARCH CONTEXT

The introduction of Universal Credit (UC) has been described as the “most significant change to the welfare system since the Beveridge reforms in 1947”.¹ Central to its design is the merging of multiple social security benefits into a single payment: UC brings together all out-of-work means-tested benefits, Working Tax Credits and Housing Benefit. This large-scale organisation of the British social security system began in 2013 and after repeated delays is expected to be fully implemented by 2028.²

UC continues a long-established “Work First” approach to UK ALMP: whereby an emphasis is placed on moving unemployed claimants into any job quickly, usually underpinned by work-search expectations involving an emphasis on making a high volume of job applications, and backed up by financial benefit sanctions. This has been referred to by the Department for Work and Pensions as their “ABC approach”, underpinned by the logic that jobseekers will move into “Any job first, a Better job next and into a Career”.³

In an internationally unprecedented and highly controversial move, UC also redraws the parameters of ALMP, through the potential extension of benefit conditionality to working claimants: UC claimants on a low income can be required to seek additional work – either more hours or higher pay, or by taking on multiple jobs as a condition of receiving in-work benefits. According to recent fiscal announcements, the DWP’s ‘In-Work Progression’ policy will be rolled out from September 2023. This follows limited trialling⁴ and a review published in 2021 by the DWP’s In-Work Progression Commission, chaired by Baroness McGregor-Smith⁵, which notably did not directly address employers’ perspectives on conditionality, instead focusing more generally on progression. The review also advocated support-based rather than the extension of sanctions-based approaches to supporting the progression of working UC claimants.

In addition to these core ALMP elements, UC has also involved several additional design changes. Most relevant for employers include the move to a single monthly payment for UC claimants which adjusts in response to earned income; the increased automation of benefit processing, including the calculation of benefits based on monthly ‘Real-Time Information’ reporting of pay by employers to HMRC; the removal of the 16 hours per week “cliff edge”⁶, and the introduction of the UC Earnings Taper Rate, meaning that for every £1 claimants earn over their work allowance, their UC support will be reduced by 55p. While these changes were not the focus of our research, participants nevertheless highlighted several issues with these broader aspects of UC design.

Employers are likely to engage with and be impacted by UC and related ALMP in different ways. Most widely, when advertising job vacancies, they may receive applications from jobseekers in receipt of UC, as they are required to evidence their efforts to seek employment. Other employers may engage more directly with Jobcentres and other contracted providers, either through specific programmes (for example by offering a Kickstart role or engaging with Sector Based Work Academy Programmes) or more casually through attending job fairs or other localised activities. Many large employers have dedicated account managers based in a centralised operations team within the Department of Work and Pensions, alongside a number of sector leads across the UK. In local Jobcentres, partnership teams, and employer advisors work alongside Work Coaches, who are the main point of contact with UC claimants and deliver one-on-one engagement to both support and monitor their job searching efforts. As ALMP extends to working claimants, employers will become a more significant part of the relationship between individuals and the DWP.

¹ DWP (2010) *Universal Credit: welfare that works* Cm 7957, p46

² HM Treasury (2022) Autumn Statement: Policy Costings. Available at: <https://bit.ly/3jj0Fis>

³ DWP (2022) *Half a million benefit claimants get jobs in under 6 months*. Available at: <https://bit.ly/3YBvA9I>

⁴ Department for Work and Pensions (2018) *Universal Credit: In-Work Progression Randomised Controlled Trial*. Available at: <https://bit.ly/2oNLI0G>

⁵ McGregor-Smith, R. (2021) *Supporting Progression out of Low Pay: a Call to Action*, London, Department for Work and Pensions.

⁶ Typically under the legacy system, no in-work benefits (e.g. Tax Credits) were paid to someone working less than 16 hours and no out-of-work benefits (e.g. Jobseekers Allowance) were paid to someone who works more than 16 hours (note: this varied for people with different circumstances)

In addition to these ongoing policy developments, the project was conducted in a turbulent and rapidly changing economic and policy context (see Figure 1 for a timeline of key policy changes occurring throughout the duration of this project). Early interviews took place as the country was in the midst of the Covid-19 pandemic, when the country was still subject to repeated lockdowns, businesses were being supported to retain staff through furlough and policymakers and commentators' concerns were mainly centred on staving off mass unemployment. To this end, in July 2020 the government announced their "Plan for Jobs" as a response to these challenges. Additional Work Coaches were employed and new ALMP schemes introduced, including the Kickstart programme which incentivised employers to provide employment opportunities for young people.

Fears about mass unemployment later shifted instead to that of a recruitment crisis across the UK labour market, resulting from skills/labour shortages underpinned by rising economic inactivity and the impact of Britain's departure from the European Union. In later interviews, employers who had survived the pandemic were on the cusp of a cost-of-living crisis (and indeed a cost of business crisis).

During the pandemic, conditionality for UC and other social security benefits was briefly paused, and UC payments were temporarily increased by £20 per week. The removal of this uplift in October 2021 coincided with the re-introduction and ramping up of conditionality as the COVID-19 pandemic

began to ease. In January 2022 the "Way to Work" programme set a target to move half a million people into jobs within a six-month period through in part requiring claimants to evidence their efforts to look for work outside of their chosen sectors.

Another important contextual factor is the growing recognition that the UK needs to improve the quality of work, particularly at the lower paid, more insecure end of the labour market. Broader policy debates about the need for "good work" and higher productivity, including the need to address geographic socioeconomic disparities through the "Levelling Up" agenda are all clearly relevant for any policy focused on supporting people to move into and progress in work.

In our interviews, general principles underpinning UC and Work First ALMP were explored alongside experiences of involvement in particular programmes like Kickstart. Employers were asked whether the UK's Work First approach, which emphasises moving people into any job quickly impacted on them in any way, and whether they believed this was the best way to organise employment support. Employers were also asked to reflect on the future direction of ALMP including their views on the possible extension of conditionality to working UC claimants, and on how best to support people to move into and progress in work. Finally, their perspectives on the extent to which they believed that employers were engaged with and consulted on both the design and implementation of policies were also explored.



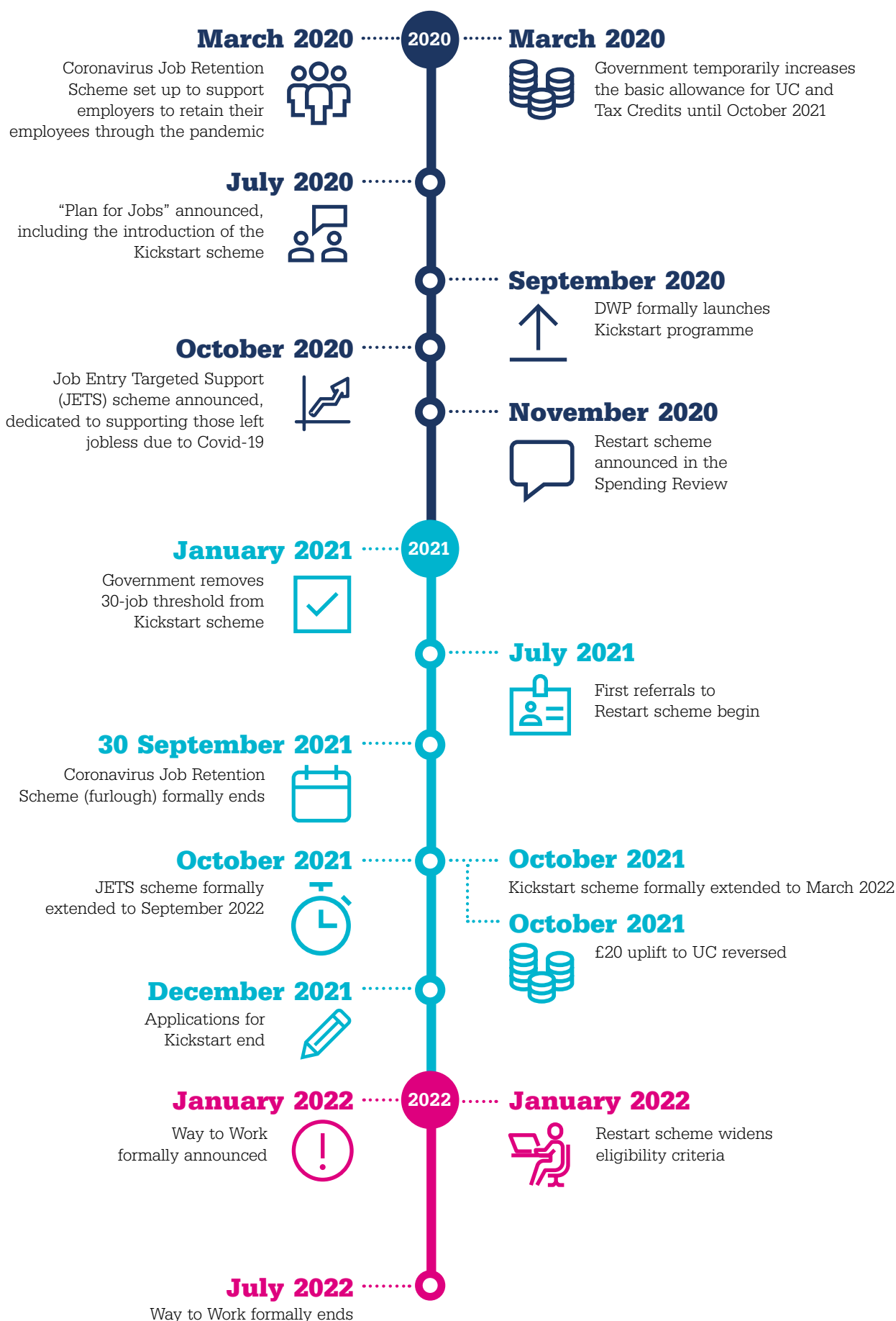


Figure 1: Policy Timeline



3 METHODS

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



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Employers⁷

mostly drawn from traditionally low paying sectors that are a common destination for jobseekers: social care (20), hospitality (21) and retail and warehousing (22). Recognising that UC is a household benefit and can be claimed by those on a low income in any job, a quarter of the sample (21) consisted of employers in other sectors.



20
Local stakeholders

including local policymakers/actors drawn from Greater Manchester and West Yorkshire (e.g. local councils/combined authorities), 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.



20
National stakeholders

including policymakers (e.g. senior officials in the Department for Work and Pensions, a former Minister and former Shadow Secretary of State), national employer representative organisations and key sector representatives, unions, employment support sector representatives, and independent research organisations.

See Appendix A for more detail on the methods, sample and analysis, including business size and other characteristics.



⁷ 'Employers' are broadly defined for the purposes of this project as anyone with influence/power over recruitment and line management, so interview participants included individuals with a wide range of different job roles (including Owner-Managers, HR managers and line managers).

4

WHAT DO EMPLOYERS KNOW ABOUT UNIVERSAL CREDIT AND UK ACTIVE LABOUR MARKET POLICY?

Key findings

- Employer awareness and understanding of UC and the ALMP that underpins it varies considerably.
- There are significant data and intelligence gaps around the extent to which workforces are engaging with UC, and whether this has implications for employers.
- Participants highlighted several issues about UC at work more generally (beyond ALMP), including perceived rigidities in the hours that claimants are able to work, and the adverse impact of employer actions on UC payments.
- Participants reported considerable confusion, and frustration at a lack of mechanisms to rectify mistakes.

Employer awareness and understanding of UC and the ALMP that underpins it varied considerably across the sample. Whereas a sizeable minority of employers expressed a complete lack of awareness of UC, most had at least some understanding of the new benefit and what claimants had to do to receive it.

Most were aware that out-of-work UC claimants could be expected to engage in job seeking activities. However, awareness about ALM Programmes (for example, Restart) was limited, except for those who had engaged with the Kickstart programme, who understood the additional support which had been made available to young people over the duration of the scheme (see Chapter 6 for more detail).

Many were aware that UC had involved the merging of multiple benefits and tax credits:

“I know it’s like a one payment, rather than having loads of different benefits”
(Social Care Employer).

Employers were most keenly aware of UC’s function as a social security payment designed to help “top up” claimants’ incomes:

“Well, I mean, technically I don’t really know anything, but it does help top-up people’s income” (Retail Employer).

Many were also aware that UC payments varied in response to changes in earnings:

“My understanding is a bit patchy, but I think it’s designed to help people who need it, in terms of income, and that it’s probably a bit more fluid than benefits have been in the past. The people I know who receive it, or who’ve talked about it, it seems that depending on what you earn, it can be topped up and then reduced, so that there’s always a baseline, if you like. That if people are in flexible work, then it’s designed to help them through the quieter periods, and be eased off when they’re maybe working a bit more” (Hospitality Employer).

However, almost all were unaware about the potential application of conditionality to those in work.

Employers’ understanding was developed through a range of factors including their own personal and professional experiences, discussions with staff who were claiming UC or other in-work benefits, experiences recruiting new employees, involvement in specific programmes (e.g. Kickstart) and news coverage. For example, participants often talked about the controversial decision to remove the £20 UC uplift that was introduced in response to the Covid-19 pandemic as an issue that had drawn their attention and increased their understanding:

“I know that it was increased during the COVID pandemic and subsequently reduced again, which has caused debate, massively”
(Employer, Education Charity).

Several participants had their own personal experiences of engaging with the UK benefit and tax credit systems (including UC and older legacy benefits).

Employers' knowledge of the extent to which their own staff were in receipt of UC while in work also varied. We observed a heightened awareness amongst social care employers in particular – perhaps reflecting a combination of income volatility due to common working practices in the sector combined with the demographic make-up of the workforce.

Respondents were divided on whether employers should be aware of a staff members' status as a UC Claimant. For some, it was considered a private issue which was none of their business:

"We don't take any information about things like that. We just assume that, if anybody is on any sort of benefits or credits, that they will sort that out" (Hospitality Employer).

Others, however, felt it was important for employers to be aware of as an important factor which may be impacting their staff:

"I would want to know because if you're invested in your employees and you want to know what their circumstances are, because potentially if anything goes wrong at home, potentially it could affect what goes on in the business. . . Things are linked in that way and I think if you don't look at the broader picture of each individual that you're employing, it's a bit like mitigating risk, if you like" (Employer, Security Firm).

This point was reiterated by a local stakeholder from an employer representative organisation:

"I think it's important because employers... need to understand more about what their employees are going through, experiencing, suffering, because that has a direct impact on what they do at work. It could have had an impact on mental health, productivity, recruitment prospects, people's sense of self-worth and self-esteem" (Local Stakeholder, business representative organisation).

However, many reflected that staff may not want to (and should not be required to) divulge this information. Instead, creating a trusted workplace environment in which staff felt comfortable in sharing related issues was felt to be important. This has implications for the development of in-work support, and the extent to which employers should be involved in this, discussed further in Chapter 7.

Beyond individual employers, employer and sector representative organisations reported data and intelligence gaps around the extent that workforces were engaging with the UC system, and whether or not this had implications for the employers they represented. Although there was consensus that a significant proportion of workers were likely to be in receipt of UC, particularly in our key sectors of focus, this policy area was not always "on the radar:"

"I don't know. If I'm being really honest, we don't really know very much about that. Employers haven't come to us for that information... It's never really occurred to us [to ask]" (National Stakeholder, Social Care Sector Representative).

More generally, employer representative bodies explained that given the volume of other factors businesses were concerned about, particularly amid the economic crisis brought on by the COVID-19 pandemic, issues relating to UC and Jobcentres were not seen as a priority. However, several acknowledged that they had been prompted to think about them through their participation in this research. Several stakeholders reflected that employers and their representatives may not want to engage with issues relating to UC because it might be 'uncomfortable' due in part to the stigma which often surrounds unemployment and low pay:

"It's almost a little bit like not discussing the menopause. It's something that everybody's heard of but nobody wants to talk about it. I have a feeling it might make people feel uncomfortable" (Local stakeholder, Employer Representative Organisation).

Indeed, we noted some reluctance among some employer representative organisations to engage with this project due to concern that their organisation/sector would be associated with low pay.

Universal Credit at work: broader issues

Whereas the focus of this project is on ALMP, some of the most significant issues raised by employers related to the design of UC more broadly. Issues emerged mainly in relation to working hours and the impact of employers' actions on staff's UC payments (i.e. mistakes and bonuses).

Hours

For many employers their awareness of UC was largely developed through conversations with staff about how many hours they were willing and able to work. Overall, while employers had mixed views on the effectiveness of UC, they tended to view it

more positively when compared to the former Tax Credit system.

“[W]hen there was Tax Credits there was always somebody saying that they definitely couldn’t do more hours. That’s the main positive from Universal Credit, I would say. There’s always a larger window of earning possibilities or capabilities for people on Universal Credit. It’s definitely better” (Retail Employer).

However, many employers expressed frustration at perceived rigidities in terms of the hours UC claimants were able to take on. Employers across the sample reflected that staff were often reluctant work additional hours, and had a tendency to bunch around certain hours thresholds. Most commonly this was around 16 hours per week, despite the removal of the 16-hour cliff-edge which was a feature of the legacy benefit and Tax Credit system (see above):

“I had high hopes for Universal Credit because I thought it would finally end this situation where people aren’t working more than 16 hours because they get their benefits cut or something... [But] we just still seem to be in the same scenario, and it’s frustrating” (Social Care Employer).

“We sometimes have employers approach us with questions about Universal Credit... and also, we do pick up, particularly when it comes to the payment of bonuses, a lack of understanding around how that might impact on Universal Credit, and ways around it. Also, on the shopfloor you do still get the kind of 16-hours-a-week is still being discussed. Obviously, that’s managers trying to do their best for people, because they’ve got it in their head that if you go over 16 hours that’s going to have an impact, and, obviously, it doesn’t under Universal Credit” (National Stakeholder, Trade Union Researcher).

Participants felt that the UC system was complicated and confusing and that both employers and their staff could misunderstand the implications of taking on more hours. More broadly, several participants felt both claimants and employers were confused about the reality of UC vs the ‘myths’:

“I’ve always been under the impression that Universal Credit allows people to get

back into work and it tailors the amount of credit you get based on how much you earn, how many hours you do in a business. I do feel some people on it don’t understand it” (Retail Employer).

“I think there’s a lot of that ingrained knowledge from the legacy benefits, that’s there both for employers and for claimants, that we’ve got a fair amount of work to do to break down” (Senior Policy Official, DWP).

However, other employers reflected that it may in fact be the volatility of income that would result from taking on more hours that working claimants were keen to avoid, rather than a reluctance to increase their hours per se. Because monthly UC payments adjust in response to earned income, taking on additional work on a temporary basis can disrupt the level of support working UC claimants receive, which may result in financial hardship and anxiety among staff:

“[T]hey’re not officially restricted to how many hours they can do, but if they regularly do 20 hours, and then they pick up an extra six-hour shift... It doesn’t affect them straightaway, but the following month, they take off far more than they’ve actually earned – is what we get from people. Then it takes them forever to even it back out again. So then they end up with going into hardship because they’ve picked up an extra shift. It’s not very flexible” (Social Care Employer).

“[I]t messes up [staff members’] money sometimes... like she’s been paid for an extra day or something, and then they assume it’s the same every week then, and it might just be one week, but it will just look like it’s – whether this is just the early days and it’s better now, I don’t know, but I know that she is worried” (Retail Employer).

Employer actions: payments, mistakes and bonuses

Other stakeholders highlighted a disconnect between UC’s monthly payment cycle and payment arrangements commonly adopted by employers.⁸ Reflecting on this, a Former Conservative Minister had expected employer practices to adjust in response to this policy decision. However, our research found no evidence of this.

“[I] thought... that Universal Credit would become a forcing mechanism to get all

⁸ Many engaging with UC are typically paid either fortnightly or weekly: see Brewer et al. (2017) *Universal Remedy: Ensuring Universal Credit is fit for purpose*. London: Resolution Foundation

employers to pay on the monthly cycle, and there were clearly some employers pay weekly, some pay cash in hand, so to speak, or on the day... Possibly the most problematic are the handful...who pay on a four-weekly cycle. That is really awkward...We decided on the monthly assessment based really on what is a sensible length...Clearly it is inconvenient for some employers... I am expecting them gradually over the years to adjust to the monthly process” (Former Minister at the Department for Work and Pensions, Conservative Party).

Issues relating to fluctuations in payments appeared to be more significant for employers compared to more general payment practices. For example, participants explained how mistakes made by

employers could have disastrous consequences for staff. Incorrect reporting of wages (for example, if employers overpay staff) has a knock-on impact to a staff member's UC claim. Employers were frustrated by a lack of means to rectify such mistakes.

“[Employer] made a mistake... we've overpaid some of them who were claiming Universal Credit. What happened to them? They'd been overpaid by us; they had to give it back, obviously, the next month, and the Universal Credit or different benefits had been stopped... They couldn't pay rent because they didn't have that money, and they had to pay us back, so they've lost money in that sense, and Universal Credit didn't care, whoever is responsible. We were sending letters to them, saying it was



our mistake, so they really haven't earned that much, but they didn't care about them people. They didn't care about our teams, and our teams lost that money, which I think it was just disgusting" (Hospitality Employer).

"[O]ne of the more common issues that crops up is the reporting of wages to the government is done too late or done incorrectly. So that's the kind of thing that really – and it cocks people up really badly. The fallout of one mistake can end up lasting months and months...then they get very fed up with their employer and their seeming complete inability to resolve it as well. It can drag on months and months before it's properly solved. Definitely that causes frustration between employees and their employers" (National Stakeholder, Trade Union Researcher).

Other employers had encountered difficulties when trying to reward staff: several employers reported that staff had requested not to receive bonuses or increases in their wages because of the impact this might have on their UC payments.

"We've had questions from a number of different people about, if we do things like bonus schemes or any schemes that relate to any monetary value, or if someone's being reviewed to go up a few hours, or something like that, or we've offered them a salary increase or something like that, then obviously there's an element of, can I not do that many hours because it might affect my payments. Or can we do it this way because it might affect... I think it more comes up in those sorts of conversations rather than anything else" (Retail Employer).

Some employers were unwilling to act on these requests: *"as an employer, it's not our responsibility to help manage their personal finances" (Social care employer).* However, others did respond by trying to help workers with benefit applications and working through decisions about hours to ensure staff were not worse off by working more.

Several had attempted to help their staff to claim what they are entitled to, or had more generally signposted staff to advice around debt and benefits. Some reflected that they could perhaps play a

greater role in supporting workers to access the in-work benefits they are entitled to (e.g through facilitating workers' access to advice and guidance on this).

The true extent of these issues is hard to gauge through this research. The employers' view of UC is only partial, and we know from research focused on claimants' experiences that the reluctance of staff to increase their hours is also likely to be more complex than is portrayed above.⁹ While organisations like the CIPD have recently published advice for employers on such issues, including advice that spread payments may work better for staff than one-off bonuses¹⁰, it is likely that many employers are not aware of this, particularly small employers without dedicated HR resources and time to understand these issues.

Recommendations for policy and practice:

- The DWP should ensure policy detail is available, up-to-date, and easy to understand, and clearly communicate policy changes to all affected stakeholders, including employers.
- The DWP should acknowledge, prevent and mitigate the adverse impact of employer mistakes on individuals' incomes. It should establish effective mechanisms to report and speedily resolve these issues.
- Employers and their representative organisations should develop awareness about how employer actions can impact staff claiming UC and mitigate adverse impacts wherever possible.
- Employers and their representative organisations should 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.
- 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.

⁹ See for example, Griffiths, R et al. (2022). *Couples navigating work, care and Universal Credit*.

¹⁰ Cotton, C. (2022) *One-off bonuses: are they the best way to support people through the cost-of-living crisis?* CIPD blog, available at: <https://bit.ly/3rWtgV2>

5 HOW DOES UK ALMP IMPACT ON EMPLOYERS?

Key findings

- Employers were critical of the Work First approach which underpins UK ALMP: it is costly to manage, and does not support effective recruitment.
- Employers advocated an approach that placed more emphasis on supporting candidates into roles that matched their skills, capabilities and wider circumstances.
- There is potential for the DWP, Jobcentres and other employment support providers to encourage better quality employment, however this may ultimately be undermined by a continued emphasis on moving people into 'any job'.

We asked employers whether or not (and in what ways) ALMP impacts on UK businesses, including how they recruit, retain and progress their staff.

The Work First approach and recruitment

Across our interviews, employers were critical of the Work First approach which underpins UK ALMP. Employers routinely complained about a high volume of inappropriate applications, which they felt was generated by the DWP's emphasis on moving people into any job quickly. This was the case among employers who had engaged directly with Jobcentres, and those more generally recruiting via other routes, but who still believed they were being negatively impacted by this policy emphasis:

"[W]hat I find often is that people just apply for the jobs in order to generate the clicks and show Universal Credit to the Work Coach that they applied" (Retail Employer).

As a Former Shadow Secretary of State for Work and Pensions (Labour Party) reflected: *"it will increase the supply, but it may not be an appropriate supply"*.

Some employers also remarked that the quality of CVs and applications they received was poor. Their feedback suggests more support in this area would improve candidates' chances of securing a role:

"I feel like what the Jobcentre should be doing is offering people a lot more dedicated support about how to write a good CV, how to write a great cover letter" (Hospitality Employer).

Employers complained that such an approach does not support effective recruitment, and is costly to manage. This is especially problematic for SMEs, who typically do not have the resource and infrastructure to manage this. It also results in a tendency to avoid Jobcentres (see Chapter 6 for more detail).

"That causes us a lot of problems. When we advertise for care assistants we get hundreds of applications...we stopped advertising on the Jobcentre...because you just had hundreds and hundreds of applications from people that are really not interested in care. They just have to apply to show their employment advisor that they're applying for jobs" (Social Care Employer).

This additional 'strain' was acknowledged by a former Minister at the Department for Work and Pensions:

"Clearly any system that is driving people to do volume puts strain on the other side, which is the employer side" (Former Minister at the Department for Work and Pensions, Conservative Party).

One local Jobcentre Plus representative reflected that although there is flexibility in the current conditionality rules which would enable greater emphasis on the quality rather than quantity of job applications, an emphasis on volume had become entrenched.





“[Work Coaches should] look at quality rather than just simply quantity, but I couldn’t say hand on heart that that is the approach that everybody has got... [some] will be saying there are safety in numbers, get as many applications out as you possibly can. You still see that on people’s journals. Depending on who they’re with, they’ll be tons. They are being asked to record everything that they’re doing, and they’re expected to record so many applications a day”

(Local Stakeholder, Jobcentre Plus).

While it was acknowledged that more training and support may be needed for JCP staff, they also reflected that scope for more meaningful interventions could be inhibited by the ten-minute time slots available for meetings with jobseekers.

A need to invest more in training and resource for Work Coaches to ensure better matching with appropriate opportunities was reiterated by one national employer stakeholder:

“I think the Work Coaches are a key element, and it might be that that’s where further investment needs to be made, not just necessarily in more Work Coaches, but in training Work Coaches. Making sure that Work Coaches have the right skills to build

the trust and relationships that they need with job seekers, to ensure that they have honest and open conversations about jobs and opportunities and people’s motivation and aspirations” (National Stakeholder, Employer Representative Organisation).

Overall, employers advocated an approach that placed more emphasis on supporting candidates into roles that matched their skills, capabilities and wider circumstances: they want to recruit people who a) want to work for them and b) are able to do so (both in relation to the skills/attributes required alongside a consideration of the practical issues that may impinge on their ability to commit to a role, for example childcare and transport).

On the other hand, a small number of employers were in favour of the Work First approach, as recruitment challenges meant they welcomed any intervention which would increase the amount of candidates for the roles they were advertising:

“[W]e need as many people as we can [get], so for them to push people into bringing us people to care for people it’s such a good thing, because otherwise we’d be nowhere because there’s not as many carers any more... So I think for us it’s a good thing” (Social Care Employer).

Several reflected that requirements to take any job could open people's eyes to new sectors which they had not previously considered working in – particularly in sectors facing recruitment challenges and where there are low barriers to entry. A significant minority of employer participants also advocated additional enforcement (i.e. a mechanism for employers to report when candidates do not turn up for interviews), although for many this appeared to contradict their broader views in favour of a more supportive approach focused more closely on job fit:

“They only have to – what is it? – prove that they’ve been for an interview or something, or prove that they’ve got an invite to an interview... the number of people who just don’t turn up is unbelievable; but there doesn’t seem to be anywhere that you can report back to” (Social Care Employer).

Overall, employers and stakeholders made a distinction between encouragement for claimants to try new sectors and pushing people into them. As one national stakeholder explains, they felt that the focus should be on promoting opportunities in their sector:

“The way that we need to do that is to promote our industry...there are lots of opportunities” (National Stakeholder, Warehousing Sector).

Stakeholders also emphasised the need to improve job quality in key sectors facing recruitment challenges rather than pushing people into any job:

“[T]he argument we make around staffing shortages in social care is that they need to increase pay and the treatment of workers needs to be improved in order to attract more people. This [Way to Work] sounds like a different approach to doing it!” (National Stakeholder, Trade Union Officer).

How does ALMP impact retention and progression?

Most reflections from employers centred on the perceived impact of ALMP at the recruitment stage, and/or frustrations about broader in-work issues, as highlighted above. In general, it was felt that inappropriate candidates were filtered out during the recruitment process. However, several also highlighted a potential knock-on impact in terms of retention: even where candidates were successful, if they were not well suited to the role they would be unlikely to sustain it, and thus the employer must start again and engage in another round of recruitment.

“[It] will discourage employers from engaging with Jobcentre Plus services if consistently they are recruiting Jobcentre candidates who don’t stay in roles; who are just turning up to interviews or accepting positions because of conditionality concerns” (National Stakeholder, Employer Representative Organisation).

For some, whether jobseekers were able to sustain a role hinged on very practical issues including transport costs and availability. Several employers were sceptical about applications from people in different towns and cities who would face long and costly commutes, believing they were unlikely to be reliable and hold down jobs if they were successful.¹¹

“If you were an employer... you’d be like, ‘Why? Why are you going for a job that’s 90 minutes away?’... ‘you’re living in [town] applying for a care job in [city]. Are you mad?’ At peak time, it’s £13” (Local Stakeholder, Sector-Based-Work-Academy).

Several participants spoke about the importance of supporting new staff members to cover transport and other costs associated with starting work, especially in the period of time before receiving their first wage packet: one employer explained that they had needed to spend some of the financial resource provided by Kickstart to cover the transport costs of one worker, while another representative delivering a sector-based work academy explained the importance of ensuring they identified roles within sensible commuting distances, and also that they were able to leverage additional support from the Jobcentre to support individuals’ transition into paid work. However, UC claimants and employers were not always aware of the additional support available that previous research with claimants suggests can be hidden:

“Some Work Coaches still do help with things like that. I think it will obviously depend on the area and the funding that they’ve got available, and sometimes they do provide laptops and tablets, and things. If JCP have put them on straight to the employer, there was no person in the middle to be able to communicate that and then an employer wouldn’t necessarily turn around to the Jobcentre and go, ‘Well, can you fund this person’s provisional passport so they can get a DBS?’ That just wouldn’t happen. So us being the middle-men in that situation,

¹¹ Jobseekers can be required to look for work up to 90 minutes away from where they live

it enables that to happen, whereas an employer would never be able to have that relationship with the Jobcentre”

(Local Stakeholder, Sector-Based-Work Academy).

Wider impacts: job quality and good work

Some employers and stakeholders felt that requirements for jobseekers to take any job exposed them to poor quality work, and could encourage employers to ‘take advantage’:

“If you put a vacancy out for a labourer and you got a hundred applicants, some companies may go, do you know what, I’ll just pay the least I can because if they don’t like it, I’ll get somebody else”

(Employer, Construction Company).

However, overall participants did not think the UK’s Work First approach to ALMP had a significant impact on job quality – other drivers including minimum wage setting (including lower youth rates), low cost and low road business models (whereby short-termist human resource strategies are underpinned by an emphasis on reducing labour costs) and poor management practices were felt to play a greater role.

We did, however, also identify several mechanisms through which the DWP could encourage better employment practices. Positively, there was evidence of efforts among some Jobcentre staff to promote elements of the “Good Work” agenda, largely in relation to inclusive employment, for example through encouraging employers to sign up to the Disability Confident campaign, and identifying solutions to recruitment barriers. One employer, for example, planned to become a Disability Confident employer after engaging with the DWP through the Kickstart programme:

“[S]o becoming Disability Confident as an employer, that’s one of our things that we’ll do this year with the DWP... and it is only because of the DWP” (Retail Employer).

Stakeholders from both Jobcentres and other employment providers felt they also had an important role to challenge poor employment practices, and to not work with employers adopting these. We also found some evidence that the parameters of ALM programmes could influence job design, although the potential for positively influencing job quality was not yet being realised to any significant extent (see Chapter 6 for more detail).

Nevertheless, several participants reflected on a tension between the DWP’s continued emphasis

on ‘any work’ and wider policy agendas centred on ‘Good Work’ and promoting better job quality. Overall, employers and wider policy and practice stakeholders felt that Jobcentres/the DWP should be a more active stakeholder in relation to the Good Work agenda.

Recommendations for policy and practice:

The DWP and other employment support providers should:

- 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.
- 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.
- Ensure that jobseekers have information from employers about progression opportunities when considering vacancy listings.
- 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 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.



6 EMPLOYER EXPERIENCES OF JOBCENTRES AND ACTIVE LABOUR MARKET PROGRAMMES

Key findings

- Employers reported varied experiences and levels of engagement with Jobcentres.
- Jobcentres have an ‘image problem’ and many employers are reluctant to engage with a system viewed as punitive.
- Programmes need to work for employers of varying sizes and sectors, and there is a need for more consistency and clarity about the various ways they can engage with Jobcentres.
- Broader frustrations about the UK’s fragmented employment and skills landscape underscore both a need for joined up policymaking and strong partnership working.

Whereas all employers may be impacted by UK active labour market policy (ALMP) by virtue of providing the opportunities jobseekers are trying to access, employers can also engage more directly through their interactions with employment services and specific programmes designed to help support people into work. Our research focuses primarily on Jobcentres – as the principal service with which job seeking UC claimants will engage – however the findings are also relevant for other employment providers, including those contracted by the DWP.¹²

Experiences with Jobcentres

Employers had varied experiences with Jobcentres. A slight majority of our sample (48, or 57%) were actively engaging with or had engaged with Jobcentres in the past. However, many other employers had never engaged directly with them.

For some this resulted from negative perceptions. Many participants talked about an ‘image problem’, and several stated that they did not want to associate themselves with a system that they viewed as punitive:

“I want nothing to do with the Jobcentre... because everyone I know who has interacted with them has described it as being a horrific experience, so I don’t trust them, it sounds like a vile system” (Hospitality Employer).

Of those who had engaged, participants reported a “postcode lottery” in terms of their satisfaction with Jobcentre Plus. Some reported positive experiences, with Jobcentres being seen as a core recruitment channel:

“Whenever we want to run recruitment, I obviously would contact somebody from Jobcentre... It’s a really good relationship” (Hospitality Employer).

Initial negative perceptions were sometimes overcome following positive engagements when participating in specific programmes such as Kickstart:

“Overall, we were really pleased with [Kickstart]. I’ll be honest, it did dispel a lot of the previously held misjudgements I had of working with the Jobcentre” (Retail Employer).

However, reflecting findings outlined in Chapter 5, many who had engaged were frustrated about both the quality and the quantity of applicants sent by Jobcentres for particular roles that they were not qualified for nor interested in:

“When we got people through the Jobcentre, it’s not very nice to say this, but the standard of applicant was very poor, and quite often it was clear that that applicant was only

¹²For more insights focused on the wider employment support sector see: Mansour, J. et al. (2022) *Shared employer engagement models: What works*. Brighton: The ReAct Partnership



coming because they were told to attend the interview from the Jobcentre. Now for us, all that did was it wasted our time"
(Social Care Employer).

Poor experiences resulted in further disengagement and poor perceptions of the service, and, by association, jobseekers themselves.

Several employers were critical of poor communication from Jobcentres (including not having a named contact), and reported an inconsistent level of service:

"I think the communication process needs to be there. When it worked, it was because the people at the Jobcentre Plus side were particularly engaging. When it failed, it's because it wasn't" (National Stakeholder, Hospitality Sector).

Stakeholders talked about the need for a better resourced, more proactive service in this respect. Good experiences appeared to hinge on motivated individuals within Jobcentres going above and beyond their day job. Indeed, several stakeholders including DWP representatives felt that Jobcentre employer engagement was something of a 'lost art', in part side-lined by increasing shifts towards the digitalisation of services. However, as Kickstart was an employer-focused programme, and as policy increasingly focuses on supporting progression within work, activity in relation to employer engagement was felt to be making a welcome return:

"I think remote delivery, the journal, etc., has probably got in the way a bit of good old-fashioned job matching and job brokerage. I think it may well be undermining a bit how Universal Credit advisors liaise and talk to employers in the real world" (National Stakeholder, Independent Research Organisation).

"I think there is a greater focus on employers than there perhaps was previously... Engaging with business representatives in terms of their work...I think there's starting to be a policy shift, which was more about how do we support people who are in low-pay? How do we get employers doing more?"
(Local Government Stakeholder).

While there are various ways employers can engage with their local Jobcentres, the opportunities and 'asks' for employers were not felt to be very clear.

This may inhibit employers assuming a more substantial role in supporting people to move into and progress in work. On the other hand, several employers also reflected that they themselves could also be more proactive about engaging with their local Jobcentres and DWP representatives to promote opportunities in their organisations and sectors more widely:

"Maybe we have a role to explain more of what we do and to break some of the preconceptions that people have about this whole sector...I think we've got a bit of a responsibility to educate" (Social care employer).

Active Labour Market Programmes

As noted in Chapter 4, employer awareness about various ALM Programmes was limited. It is possible that employers may have engaged in broader DWP-supported programmes, but were unaware of this. As representatives from the broader employment or 'welfare-to-work' sector reflected, part of their perceived role was to 'hide the wiring' – this related both to programmes and the detail around UC more generally:

"We've got lots of different programmes and lots of different eligibility criteria associated to those programmes as well, so it's kind of on a need-to-know basis"
(Local Stakeholder, Employment Support Provider).

Most reflections from employers and stakeholders about ALM programmes centred on Kickstart, which was introduced during the fieldwork period for this project. Employer views and experiences of engaging with this programme are summarised below.

A small number of participants spoke positively about sector-focused initiatives, including Sector-Based Work Academies Programmes (SWAPs). Both employers and stakeholders felt this was a promising model for employer engagement and supporting people into more sustainable work opportunities.¹³

Particularly in social care, this model was felt to provide a valuable brokerage role between the Jobcentre, employers, and jobseekers, helping to facilitate transitions into the sector. Engagement with such training courses was felt to help jobseekers demonstrate their commitment to – and capabilities for – roles in social care. It was felt that this filtering role helped to reassure employers

¹³ Jobcentres refer candidates to SWAPs to engage in sector-specific training programmes. SWAPs last up to six weeks, and comprise pre-employment training, work experience and a job interview/application support at the end of the programme

who may be reluctant to engage with Jobcentres and/or UC claimants, helping to link candidates to employers who would otherwise be reluctant to engage.

“We’ve worked with sector-based academies...[and here] you get quality over quantity... they won’t send someone over unless they’re actually interested”
(Social Care Employer).

As sector-based approaches appear to work well (a finding supported by the broader international evidence base)¹⁴, this area of activity could usefully be ramped up.

Kickstart: employer experiences

The Kickstart programme was introduced as part of the government’s Plan for Jobs, and provided funding to create new jobs for 16- to 24-year-olds claiming Universal Credit who were at risk of long-term unemployment. It included funding for a 25 hour-per-week job paid at the minimum wage for six months.

Overall, employers and stakeholders reported mixed experiences with the Kickstart programme. 35 employers interviewed had participated in the scheme, typically providing between one and 10 Kickstart roles. Many employer participants were very positive about the young people they had taken on, and praised the scheme for providing additional resource through the pandemic. They also welcomed the opportunity to make a difference and support young people to access opportunities within an incredibly challenging economic context, with some citing their participation in the scheme as part of the important role that employers can play in helping to support people into work.

However, a considerable number were critical about the suitability of candidates put forward for roles with their organisations. A small number of employers also experienced challenges in relation to the quality of their Kickstarters’ performance, workplace conduct and managing additional support needs. Several stakeholders voiced concerns that Kickstart was not effectively supporting those furthest from the labour market, as employers were unlikely to ‘take a risk’ on those perceived to need extra support. They reflected on a need for more support for employers, especially smaller ones, to minimise the risks of participating in ALM Programmes:

“[O]ne of the big difficulties, and you see this through all the supportive employment

programmes there’s been over all the years, once you get a choice between a highly-qualified young person or any person and someone who hasn’t been in the labour market ever, or very sporadically, or is poorly educated, the pressure on the employer to make the sensible decision. Again, and this gets harder with the size, if you’re a small employer, you’re absolutely going to play safe. Unless you can put a measure of labour market support in there supporting employment that actually takes that risk away from that decision. That has never, in my view, in the years I’ve been dealing with it has never been dealt with. You can’t rely on altruism and it’s not that companies don’t want to help, but how can you make that decision?” (Local Stakeholder, Employer Representative Organisation).

Reflecting more generally on employment support programmes, another employer representative emphasised the importance of support for employers to effectively manage staff members with additional support needs:

“I think there needed to be support to help employers to manage individuals who might not have a straight line back into employment. There could be bumps along the way. They might need additional support from external bodies, agencies, but they also need the employer to stick with them... they also might need employers who have managers who are good at managing people and can provide a bit of support and flexibility” (National Stakeholder, Employer Representative Organisation).

Interviews highlighted several additional factors which may have limited the effectiveness of the Kickstart programme. While it is important to recognise that some of the challenges highlighted below may to some extent reflect ‘teething’ issues resulting from the pace of roll out and a series of policy changes, our findings provide important lessons for the development of future programmes.

First, employers were critical about an initial lack of engagement with employers about the design of the scheme, particularly small businesses. For example, when initially announced, a need to offer 30 or more placements drew immediate criticism from the small business community. While since rectified, as the Federation of Small Businesses put it ‘better late

¹⁴ See Hendra, R., et al (2016). *Encouraging Evidence on a Sector-Focused Advancement Strategy Two-Year Impacts from the WorkAdvance Demonstration*.

than never'¹⁵, this was felt to have had a detrimental effect on SME engagement with the programme:

"[T]hey've clearly engaged with some big high scale employers, as often is the case with DWP, but when you get into the smaller employers, that's when I think we've seen a lot more difficulties" (Local Stakeholder, Employer Representative Organisation).

A total of 12 employers reported that they had considered participating in the scheme but ultimately did not do so. Various reasons were given for this, including the administrative complexities involved in the scheme proving too onerous, a failure to secure high quality candidates, or that they had heard of the change to the 30-placements rule too late to re-engage with the scheme:

"I did speak to somebody about Kickstart, but my understanding was that we had to have a large number of vacancies to work with... it just wasn't viable, so we didn't go any further with it... it was a shame... because it's a fantastic opportunity" (Employer, Higher Education Institution).

"They've got a very bureaucratic process. Gateway organisations might go out and proactively engage employers and generate and secure vacancies, but then it's taking weeks and weeks for DWP to approve that vacancy, turn it round into something they can recruit. By which time, the employer's disappeared and become very frustrated" (Local Government Stakeholder).

Several stakeholders also felt that insufficient attention was paid to how employment support programmes (including Kickstart) can work for particular sectors, resulting in lower engagement with the scheme. Employers in social care, for example, were reluctant to engage in generic time-limited programmes like Kickstart, instead tending to favour tailored programmes due to concerns about the consistency of their service, but also a preference to take on more experienced workers:

"[I]n terms of Kickstarters... it doesn't really lend itself well to that style, because it's not that we can just have them buddying up for lots of different care calls, because that's just not going to work with the clients" (Social Care Employer).



¹⁵ FSB (2021) *Press Release: Kickstart changes better late than never*. Available at: <https://bit.ly/3FHZtg6>



Although a majority (64) of employer participants were aware of the Kickstart programme, several participants felt that the programme was not effectively promoted. As noted above, employers can also find various programmes difficult to navigate, particularly smaller businesses with less HR resource at their disposal to engage with them.

There was widespread frustration with various administrative/bureaucratic issues. Overall, administering the scheme was considered ‘too complicated’ and ‘onerous’, requiring significant resource to manage, which was again felt to be particularly challenging to navigate for smaller businesses with less capacity.

“It sounded as though it was too complicated. Employers either hadn’t heard of it, or if I explained to them what we needed to do, they said it would be too difficult to do” (National Stakeholder, Warehousing Sector Representative).

Many employers and stakeholders reflected that the pace of delivery had not been quick enough to respond to business needs. Some employers reported going through the Kickstart process up to the recruitment stage and then not being able to find candidates to fill the positions they had created (or much fewer than anticipated), while a small number of employers reported that they had ultimately ended up with far fewer Kickstarters in place than they had initially desired. Two employers relayed early ambitions of taking on around 30 Kickstarters, but ultimately ended up with only a handful.

Gateway organisations appeared to have played a pivotal role in ensuring smaller businesses in particular were supported to overcome these challenges. Stakeholders were keen to stress the importance of local partnerships involving business representatives:

“I think we’ve probably leaned, or not necessarily leaned but certainly got more support from our Gateway organisations for the majority of the smaller employers because they’ve been able to support with the training package, the application process...So it’s helped them with HR and all that kind of stuff, as many smaller employers just they’re not geared up to manage the activity that DWP will have brought” (Local Stakeholder, Jobcentre Plus).

Indeed, close partnership working between the DWP and local Gateway organisations appeared to have been key to more successful outcomes:

“The Jobcentre has been a little bit hit and miss. But I have to say [redacted] Jobcentre, absolutely are amazing. They really hit it out of the park. It flowed brilliantly! From the point of issuing the job descriptions to Chamber of Commerce and then sending it over to DWP, and then having those initial conversations with the Jobcentre, it was very quickly put on to the system” (Employer, Security Firm).

Those with positive experiences felt that the Kickstart programme had improved their perception of DWP and would be more likely to work with them in the future:

“[W]e didn’t really know or work with DWP before... so that has been really, really positive and I’ve had employers where they’ve said, well, can I use them to take on different people and do my direct employment which has been really, really good” (Local Stakeholder, Employer Representative Organisation).

Finally, as noted above, interviews suggest that ALM programmes can potentially provide a lever through which good employment practices can be encouraged. The then Chancellor’s stated ambition that participants on the Kickstart scheme ‘need to be doing decent work’ was a welcome one. However, a lack of clarity about what ‘decent work’ looks like, including how job quality will be monitored (and, if necessary, enforced) appeared to be a missed opportunity.

Some employers extended the Kickstart “offer” beyond the basic requirements of the programme, for example by paying participants the Real Living Wage, and/or planning and supporting their continued progression within their organisation beyond their 6-month placement (including guaranteeing interviews). However, we also found

examples where employers felt constrained by the design of the scheme: for example, one employer explained that they wanted to offer full-time hours instead of 25, but was not aware that they could do so under the terms of the scheme.

A fragmented employment and skills landscape

Experiences of Kickstart provide wider lessons for the development of ALMPs and employer involvement in the future. More generally, participants were critical about a fragmented employment and support sector, and a lack of clarity about the various ways employers could engage to support people to move into and progress in work. Stakeholders were also critical about a lack of effective co-ordination and partnership working at a local level, and the limited scope to tailor schemes to local labour market needs.

The various employment and skills programmes and initiatives offered by Jobcentres and other providers can be difficult for employers to navigate. As one stakeholder reflected – information for employers needs to be ‘simple and succinct’ and programmes need to be effectively promoted.

“I think it gets quite complicated and if you’ve never heard of Kickstart before, the guide is about 16 pages long. Apprenticeships; there’s a lot out there. It just needs to be simple and succinct” (National Stakeholder, Hospitality Sector Representative).

Stakeholders emphasised the importance of strong local partnerships to co-ordinate and help employers to steer through multiple policies and programmes. However, it was noted that increased competition between Jobcentres and contracted providers could inhibit co-operation in relation to employer engagement:

“I think there’s still a competitive nature to employer engagement, so because, whether it’s skills contracts, employment contracts, and then paying by results element to them means in effect, if you can generate jobs and vacancies, you’ve got a greater chance of making money and achieving your outcomes. Providers can be competitive about their employers and not want to share them, which can make things quite – more disjointed as well” (Local Government Representative).

Stakeholders spoke positively about the prospects for new partnerships emerging in response to recruitment crises exacerbated by the pandemic. However, overall, these appeared strongest

in relation to schools and colleges rather than Jobcentres and other employment support providers.

A lack of information sharing locally was also felt to inhibit the responsiveness of labour market programmes to local labour market conditions, including particular sectors or geographical areas which may require more targeted support. For example, in the case of Kickstart:

“Jobcentre Plus share some information with us locally... We get a rough idea of the number of jobs that are being created and the number of jobs that are being filled, but we’re not able to track them down, even to local authority level. I don’t know whether none have been created in [town], 90 per cent of them are in [city]. I’ve got no sense. We don’t get that level of information, nor do I understand which sectors they’re being created in. Are some sectors really flying? Others, really struggling, so we can target our approach?” (Local Government Stakeholder).

“What we’re seeing in Kickstart is a real reluctance to share data from the regions so we learn from each other as we go, and I assume that’s probably the case actually as they look at some of the bigger issues around UC” (Local stakeholder, Employer Representative Organisation).

Some stakeholders advocated greater budgetary devolution as a means of tackling this:

“It’s just not as joined up as it should be. That’s where I think, at a local level, if we’ve got control over the budget, I think we can join them up in a better way than I think is happening at a national level” (Local Government Stakeholder).

Several stakeholders reflected that the DWP should be a more proactive partner linking up with broader employment and skills strategies – both at a national and local level. Working with local employer representative groups was also felt to potentially help to overcome employers’ reluctance to work with the DWP and/or local Jobcentres. Several stakeholders advocated developing local partnership-based approaches, bringing together employment services, skills services, and business support/representative bodies:

“I think that is one of the things we’ve started looking [at]... we have an employment and skills advisory panel which tries to take on some of that role, which has got

Chamber of Commerce, Federation of Small Businesses, our Business Growth Hub, and others. As well as training providers, representatives, trying to provide that coordination. You get both the supply and demand voices working together” (Local Government Representative).

“If you work through business improvement districts, through local authority services, through Chambers of Commerce, you’ve potentially got more of an opportunity there” (National Stakeholder, Independent Research Organisation).

According to the DWP, a new ‘progression champion’ role was about to be introduced, the precise parameters of which was yet to be determined, but which would drive partnership-working with local employers and other key stakeholders:

“I think the introduction of the progression champion role is the other thing that we really need to get right with this. We’re going to be relying on them to do that partnership-working at that strategic level, and to be feeding opportunities down to the Work Coaches” (Senior Official, DWP).

It was acknowledged that existing partnerships looked different in different areas, underscoring a need for local flexibility. However, a mismatch between Jobcentre Districts and wider economic geographies may create some challenges:

“It’s quite hard because there’s going to be one in every Jobcentre district, but that doesn’t map on to any other geography, in any way, shape or form...[There’s] different areas, urban areas, rural areas, depending on the types of communities that there are... we’re going to learn from it because it’s a brand new role... We very much want them to adapt to the needs of the patch that they’re working in” (Senior Official, DWP).

“I think it’s partly just capacity and successive reorganisation in Jobcentre Plus. It’s moved to very large districts, which are far larger than local government or college footprints, for example, as two of the key other public services that you might join up with on that sort of activity” (National stakeholder, Independent Research Organisation).

Recommendations for policy and practice:

- The DWP should provide a more consistent level of service to employers, including a named contact in local Jobcentres. It should clearly outline the various ways employers can engage with Jobcentres to support work entry and progression.
- The DWP should invest more in the promotion and marketing of UC, ALMPs and broader employment support services to encourage greater employer engagement.
- The DWP and other employment support providers should ensure programmes are designed to work for businesses of all sizes and build in local/sectoral flexibility to avoid “one-size-fits-all” approaches. Employers of all sizes should be involved and consulted within the initial policy design stage of new programmes, to ensure that their views and operational realities are considered.
- The DWP should 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.
- The DWP should increase the focus on the quality of roles and placements offered as part of ALMPs, including greater oversight and encouragement of employers to go beyond minimum programme requirements.
- 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.
- Employers and their representative organisations should explore and promote opportunities to engage with local Jobcentres and other employment providers, including specific ALM programmes, mentor circles, taster days, and shadowing.
- Wherever possible, employers should 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).
- As part of a co-ordinated local skills and employment eco-system (see recommendations in chapter 7 for more detail), 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.

7 EMPLOYER VIEWS ON THE FUTURE OF ALMP: SUPPORTING PROGRESSION

Key findings

- Overall, employers disagreed with and were sceptical about the extension of ALMP to UC claimants in work.
- The prevalence of low-cost flexible employment models in the UK labour market means that more work and/or higher pay is unlikely to be offered on a consistent basis.
- Employers voiced concerns about potential negative impact in-work expectations could have on staff well-being, performance and organisational commitment.
- Some employers recognise their own role in better supporting progression, and views on how best to support progression chime strongly with the DWP-commissioned McGregor-Smith review.
- Without change on the 'demand-side' i.e. the quality of work and management practices, policy focused on progression is unlikely to be successful.

ALMP for in-work claimants is a developing area of policy. According to existing guidance, workers in receipt of UC may be required to look for ways to increase their earnings, for example by (i) taking on more work, (ii) progressing in their current workplace or (iii) searching for additional or alternative work with a different employer. The extent to which in-work interventions will be voluntary or mandatory is yet to be established. Our research consulted employers on the potential application of conditionality to working claimants, and invited their views on how best to support people to progress in work, including the employers' role within this.

Employer views on the potential introduction of 'in-work conditionality'

Whereas some employers were generally supportive of the principle of 'in-work conditionality' (IWC) if it meant that recruitment issues could be resolved or if it motivated people to progress in work, overall, there was a strikingly high level of disagreement with and scepticism about the policy. Participants highlighted several challenges this new policy shift might present from an employers' perspective.

Firstly, the ability for employers to offer more hours or pay varied considerably. In general, the expectation for staff to take on more hours was welcomed by a significant minority of employers, *if* it meant that they were able to fill resources gaps in their own workforces. Social care employers in particular appeared to welcome the push for workers to take on more hours, citing difficulties with recruitment, perceived rigidities in relation to the number of hours claimants are able to work (see Chapter 4), and a belief that IWC might help to overcome these:

"It would definitely make things easier, and give us more flexibility... we've got hours there, we could offer these people the hours" (Social Care Employer).

However, employers appeared to only welcome this push to take on more work so long as it suited their own particular labour demands. Whereas more hours were reportedly often available, many employers reflected that it would often not be possible to offer these on a consistent basis. Aside from warehousing roles (which tended to be offered on a full-time basis), the default expectation underpinning IWC of a full-time 35-hour-week seemingly clashes with long-standing business models and the reality of work across our sectors of focus: *"We don't need, and we can't have, a full team on full-time hours"* (Hospitality Employer).

In fact, offering part-time hours, with expectations about staff flexibility was central to employer business models in these flexible service sectors. This plays out in different ways within the sectors explored through this research. In hospitality and retail, workers were typically employed on a part-time basis but could regularly (and were often expected to) 'flex up' their hours. The availability

of hours and shifts fluctuates seasonally in these sectors, with peaks and troughs throughout the year. While responding to different drivers of demand, the availability of hours in social care also fluctuates, seemingly on a more regular basis:

“[T]he way that the contracts work in retail, you work where you’re needed... Employment is peaks and troughs. Hours are given in peaks and troughs”
(Retail employer).

“[I]n domiciliary care, where a person may have a contract for so many hours a week, to deliver care to a person. They then might go into hospital, or they might die. So then, when they then can’t get any more work to fill that gap, they don’t need the staff. That’s why that flexibility has always been there” (Local Stakeholder, Social Care Representative).

More generally, several employers talked about the difficulties of increasing their wage bills through either offering more hours or more pay, citing the constraints introduced by factors including rising energy bills, and general economic uncertainty:

“We’re constrained by labour budget; we’re constrained by sales. Wages is our single biggest bill that we pay out. It’s currently about 30 per cent of net turnover and we can’t just spend more money on wages just to cost less in Universal Credit, because we’re paying it all out on our electricity bill”
(Hospitality Employer).

Employers in social care also argued that to a large extent pay increases were out of their control: the extent to which they can improve pay rates and hours security is constrained by public commissioning practices:

“If there was an increase in what the local council pay, then there’d definitely be scope for us to increase and pay more and take more on” (Social Care Employer).

Being able to offer more hours was also felt to vary in relation to other factors including business size, geography and seasonality:

“The requirements of hospitality professionals in City Centre, London, will not be the same as provincial Kent in terms of hours and demand” (National Stakeholder, Hospitality Sector).

Larger organisations (for example, large hotel/retail chains) were considered better placed to be able to

offer staff more hours as they were able to take on shifts on different sites and in different roles:

“[There’s] always one site somewhere that is low on someone... we could get them to work here and send them somewhere else for the rest of the day. Or, we could get them here and do some deep cleaning and they could go and fulfil a different role within the business in terms of they could do housekeeping in the morning and they could do a chef shift in the evening”
(Hospitality Employer).

Conversely, several small businesses were concerned about the disproportionate impact this policy might have on their firms:

“I feel that that way of looking at things would be putting a lot of pressure on... micro-businesses like us, than it would places like massive retailers” (Retail Employer).

One employer pointed to a trade-off in terms of how work was distributed across their organisation, arguing that if IWC were to result in more pressure to offer more full-time roles, this would negatively impact the number of jobs they could offer:

“[I]f we took all of our part-time roles to permanent roles, that’s a wage cost bill of millions. We’re not going to do that... The wrong thing to do, I feel, would be to try and force more full-time working and cut part-time working, because there are businesses that rely on part-time working just through sheer operational requirements. All it would lead to is a reduction in headcount”
(Retail Employer).

Considering the possibility that staff may be expected to take on multiple jobs to satisfy new DWP requirements, employers felt that this could adversely affect their businesses and staff in several ways. First it was likely to impact negatively on staff engagement and commitment to their firm. It is notable that employers expected their job to be the one prioritised by working claimants, rather than those of other employers for whom they also worked:

“I would have possibly a verbal agreement with them that I would be... the main priority for them... because obviously I want to look out for my business and would want them to be as reliable as possible” (Retail Employer).

Employers across all sectors expressed concern about the negative impact IWC could have on workforce retention, in that they could lose valuable

members of staff if they were unable to offer the progression opportunities required to satisfy DWP requirements:

“[I]f I’ve got a part-time worker and that worker then has to look for additional work, the risk is I’m going to lose that member of staff because... they may just look at a full-time job which maybe I can’t accommodate” (Social Care Employer).

Several employers also challenged the notion that part-time work appears undervalued, stressing the important contribution, and the broader indicators of job quality (e.g. job stability and satisfaction) and wider societal contribution (i.e. in social care) these roles can engender.

“[I]f they’re doing 24 hours... they’re looking after somebody’s loved one, it’s a really hard job that they’re doing, and then you’re expecting them to look for another job for a sake of 11 hours? ... They need to live, as well... I don’t think that’s a very fair thing to do, especially when they are in a high-pressured, low-paid job” (Local Stakeholder, Sector-Based-Work-Academy).

Overall, concerns were raised by both employers and wider stakeholders that IWC could in fact exacerbate challenges in relation to labour shortages for their sectors:

“If anything, if they’re looking for more hours, you’re probably looking at looking for a new job, a new career entirely... You’d be losing talent” (Hospitality Employer).

Views on a new relationship with DWP

Whereas some employers appeared relaxed and even positive about Jobcentres contacting them to discuss in-work progression opportunities for workers on UC, others did not welcome this new development. In addition to concerns highlighted in Chapter 4 about whether it was appropriate for employers to be aware of employees’ status as a UC claimant, several employers felt the policy could be too intrusive, interfering in the management of businesses:

“But would employers want Jobcentres getting involved with whether or not they’re promoting someone, or whether or not they’re upping someone’s pay rate? Would that be something that a private company wants someone getting involved in?... if they’re going to the Universal Credit and they’re saying, ‘Go and get another job because they’re not paying you enough,

and you need to get a better job’, I’m not sure that would go down well with employers, no” (Retail Employer).

Another senior stakeholder reflected that Jobcentre staff are not necessarily best placed to be having conversations with employers about the way they manage their businesses:

“I don’t think any employer would understand why they would be having a conversation with Jobcentre Plus about progression, about their internal how they organise their work and how they organise opportunities and progression. That’s not something that public employment services do, and it’s not something that Jobcentre Plus does. So that doesn’t feel right” (National Stakeholder, Independent Research Organisation).

Employers also voiced concerns about the adverse impact a new tripartite relationship between individuals, employers and the state could have, particularly where this clashed with the needs of their business:

“[I]f they’re having expectations put on them from somewhere else that they’re trying to fill and it doesn’t work for the business. They’re saying, ‘Well, I need this’ and you just have to say no. it’s not going to create a good relationship, is it?” (Hospitality Employer).



The employer's role in supporting progression

There was a recognition among participants that employers had an important role to play (indeed, a responsibility) in terms of offering better pay, more stable contracts, and clearer progression pathways.

Whereas some employers felt it was enough for them to focus on running their businesses and providing whatever opportunities came along with this, there was a recognition amongst some that *"in general, we could do more"* (Retail employer). Several reflected that supporting their staff to progress was *"in the employer's best interest"* (Social care employer), as this was an important part of developing and retaining staff.

Participants identified a range of ways in which employers could do more to support their staff to progress in work, including the provision of quality training opportunities and ensuring that career progression pathways were clear and understood. One employer reflected that there might be scope for re-designing jobs so that staff can work across businesses in different roles, and that this may also have positive benefits for their businesses in terms of productivity:

"We would like to multi-skill anyway, because it helps our seasonality, so somebody in the warehouse could spend two months in customer care or planning, or things like that, admin-based type jobs... things like being multi-skilled and flexibility are important for people and for productivity. It's really good for business"
(Warehousing Employer).

However, improvements to the 'demand side' were not always felt to be possible given many of the various sectoral/economic constraints highlighted above, as well as a reluctance to move away from 'low-cost operating models', whereby a key strategy for gaining market share is reducing labour costs:

"Most of us [supermarkets] have low-cost operating models. Most of us have very tight margins. I mean if you think about working in an oligopoly, it's like this really delicate balancing act. You're always looking over your shoulder to see what somebody else is doing. Are they going to eek margin share out? How are they going to get more money? How are they going to poach my customers?" (Retail Employer).

More commonly, employers pointed to the prevalence of flat employment structures in which a large proportion of staff hold low-paid roles:

"[I]f we start promoting all of our staff, then that leaves us with no care staff"
(Social Care Employer).

"[T]he problem is, you've got...a pyramid, so obviously there's more people. At each level there's less people so it's never as simple as you can just get promoted if you want"
(Retail Employer).

These issues were combined with a lack of internal progression opportunities, especially for those working part-time:

"As an employer, for me, what works for us as a company, is our managers being full-time . . . I can't think of being in a position where I'm advertising or recruiting internally for a part-time manager"
(Social Care Employer).

"We couldn't progress someone if they wanted part-time hours. How, as a business we operate and our model, all of our people in our senior positions are all full-time members of staff. They're all in the office five days a week and often required to work outside of normal office hours. A person who only really wanted part-time wouldn't really fit the bill, unfortunately"
(Social Care Employer).

Several stakeholders felt that IWC could, in theory, have a positive impact on employer practices, if it meant that workers were encouraged to ask more of their employers. For example, employers might respond by offering more pay and more secure contracts, particularly if the policy was identified as a key driver of poor workforce retention.

However, as articulated by one employer below, some felt that this would likely only be in higher skilled roles. Conversely, they felt the policy would have little impact on low skilled low paid jobs, given the relative ease at which employers could fill posts:

"I'm sure some would turn around and go, 'Listen, this has happened five or six times now. We need to do something about it', and some would just be like, 'Well, it's pretty easy to get people in round here, we'll just let you slide and we'll just get someone else in.' It depends on how skilled the job is"
(Warehousing Employer).

On this basis, it seems sensible to anticipate that IWC might lead to increased levels of churn in the labour market, particularly within organisations and sectors in which there is a large supply of other potential candidates.

Overall, there was little suggestion that IWC would likely prompt change in employment practices. A small number of employers felt that new IWC rules would not clash with their current working arrangements, reflecting an assumption that their contractual expectations would trump those between the jobseekers and the DWP:

"[O]ur contracts do actually state that they need to be flexible...and it does say about covering extra shifts and things. Nothing would have to change in our contracts whatsoever" (Social Care Employer).

Several employers also reflected that being able to offer more progression opportunities was dependent on business performance. Here, the strength and stability of the wider economy was considered central:

"[Y]ou've got to create an economy... where our own businesses are doing well. That's the key to everything" (Retail Employer).

Employers cautioned against pursuing a policy of IWC, particularly in today's challenging economic context, echoing the difficulties this could create highlighted above. Again, this was felt to be especially pertinent for small businesses:

"We are in a recession again, and we've just gone through two years of open/close, open/close, open/close, people not coming out because they're afraid of catching the virus, and all of those things. So to implement that now would perhaps be, potentially, quite damaging to those businesses that have managed to survive for the last two years. Seriously, we'd have to seriously think about it" (Retail Employer).

Supporting Universal Credit claimants to progress in work

Aside from their direct role in supporting progression, employers were asked to reflect more generally on how best to support working UC claimants to progress. Findings here chime strongly with those of the McGregor-Smith (2021) Review. Many emphasised the need for highly personalised and tailored support, rather than an inflexible "one-size-fits-all" approach:

"I think it's an individual basis thing isn't it, because people have different circumstances...I think sometimes, I think the government schemes are very much, like, they think it's a one-size-fits-all situation when it just isn't, and it doesn't work for everybody does it?" (Retail Employer).

Most commonly, participants highlighted the importance of ensuring working UC claimants were able to access adequate and affordable childcare, voicing concerns about the capacity of workers with caring responsibilities outside of work to take on and balance extra hours. Without addressing wider issues such as the high cost of childcare, they reflected that parents' labour supply would continue to be constrained, with IWC having little impact. While several employers highlighted their organisation's 'family-friendly' working policies and practices, a lack of affordable childcare was considered a key barrier to both moving into and progressing in work:

"I'd say more from the support side of things outside the organisation. We have a massive family-friendly set of policies in terms of working hours, progression, part-time working, flexible working. We have a huge offering. The problem is them affording to come back to work. That's out of our control" (Retail Employer).

Echoing findings reported in Chapter 4, many employers also highlighted disincentives to work more that are built into the design of UC more generally, which appears to create particular challenges in certain sectors where flexibility is expected:

"So if they can't pick it up, as a regular, for it to then even out, with the Universal Credit... It's just not flexible enough, with the way that it works. If they had it so they checked it over the year or over every quarter and said, 'Well, these are the hours that you've done,' then that would be far more flexible for this sort of working environment; but it really doesn't work" (Social Care Employer).

Employers also identified the importance of support and opportunities to develop and gain new skills and qualifications through education and training. Several advocated a shift away from a Work First model to incorporate an emphasis on training and longer-term career development. Good quality careers advice was considered important here, including access to sector-specific resources (e.g. Think Social Care careers website):

"It's about the right advice. It's the right long-term support and it's somebody who can actually help you understand your different career options. There's a lot of people who start out working in social care with no formal qualifications whatsoever and either end up, say, going off and training as a nurse or an OT or a physio, or end up as their own business owners" (National Stakeholder, Social Care Sector).

Improving the demand side

Reflecting the challenges highlighted above, several participants emphasised the need to focus on improving employer practices – or the ‘demand side’ – if policies designed to help people to move into and progress in work are to be successful.

“If policymakers, or indeed DWP, are interested in in-work progression, then they need to be interested in business support and business change, because that’s where material changes to investment in skills and job quality will happen” (National Stakeholder, Employer Representative Organisation).

Echoing findings presented above about the importance of greater partnership working, employer representatives acknowledged their important role in supporting this agenda and building trust between parties:

“Are [Jobcentres] geared up though, really, to work really hand-in-glove with employers doing the sort of things that we want to? Not really, but that’s entirely dependent on our willingness to work with them and help them along that journey” (Local Stakeholder, Employer Representative Organisation).

Regarding social care, several participants pointed to a need for direct government action on this front. Instead of putting pressure on individual care workers to increase their pay and hours, participants reflected that pressure should instead be placed on the Treasury and Department of Health and Social Care to fix fundamental issues resulting in widespread low pay within the sector:

“Researcher: *If the DWP were to come to you and say, ‘What role should employers be playing in helping people to progress in work?’ Is that just a non-starter?*

“Interviewee: *Yes, it is, because I’d just tell the DWP to pick up the phone to the Treasury and the Department of Health & Social Care and sort out all the fundamental problems that are really causing these problems”* (National Stakeholder, Trade Union).

Overall, participant reflections on progression opportunities and related interventions suggest that if the DWP are interested in progression, there is a clear need to focus on it from the outset, rather than after claimants have moved into work. Progression in sectors characterised by low pay is clearly incredibly challenging, especially for part-time workers, and so supporting people into better quality job

opportunities in the first instance (rather than “Any job”) should also better help support government policy objectives.

Recommendations for policy and practice:

- The DWP should take a cautious and evidence-based approach to developing in-work ALMP. It should establish 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 direction of IWP policy
- The DWP should 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.
- In work support should be sensitive to realities of work in the UK labour market and how this interacts with claimants’ wider circumstances and responsibilities (for example, health and caring responsibilities).
- 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.¹⁶ 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.
- Employers and their representative organisations should engage with, commit to and promote employer engagement in the Good Work agenda. As part of this, they 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 working hours, and provide contracts that 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.

¹⁶ The CIPD’s People Skills pilot offers a promising model, see CIPD (2017). *An evaluation of HR business support pilots People Skills*. London.

8 INVOLVING EMPLOYERS IN POLICY DEVELOPMENT

Key findings

- Employer involvement in the development and design of employment policies appears to be largely transactional, undertaken on an ad hoc basis, with a handful of large employers.
- Participants believed that employers – of varying different sizes, sectors and geographies – should play a much greater role in the development and scrutiny of policy.
- Employer and sector representative organisations have a critical strategic role to play here, however this is so far unrealised.

We asked participants about the extent to which they felt employers and their representatives were involved in the development of ALMP policy, and whether increasing their involvement was desirable.

Participants reflected that policy development to date has been almost solely focused on individual jobseekers rather than employers and the demand side:

“We still view it fundamentally through an individual jobseeker lens rather than what do employers want, what do they need, what can we expect of them, lens. We still very much focus on the supply rather than the demand” (National Stakeholder, Independent Research Organisation).

However, both employers and stakeholders overwhelmingly believed that employers should play a much greater role. Increased consultation with employers, many felt, should occur alongside broader efforts to shape policy with the views and experiences of other policy stakeholders: employers, UC claimants and other actors such as unions are those best placed to help policymakers understand the realities of working life and the likely impact of policy decisions, which should be recognised and addressed before policies are rolled out:

“It’s employers that are the people employing, as silly and simple as that sounds. I always think though that any policy decision should be made in communicating with the people on the ground and not your high-ups thinking that they know how something works or they think they’ve come up with this revolutionary way to do stuff and they’re not actually in practice” (Hospitality Employer).

“[W]hen it comes to the creation of policy that will have a knock-on effect on the payroll of companies, it will have a knock-on effect on the take home of the workers, you should absolutely have employers and workers and their representatives around the table” (National Stakeholder, Trade Union).

However, overall, our research suggests that employer involvement in the development and design of employment policies is undertaken largely on an ad hoc basis, often with a handful of large employers.

Furthermore, employer engagement was felt to be 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 policy development:

“Interviewee: *[W]e’ve fed-in before on the development of their website, their job site, but that was probably many years ago... we’ll try and promote programmes, opportunities, where we can, but it tends to probably be more on a transactional...I wouldn’t say that we are used as a strategic partner*

Researcher: *Do you think it would be beneficial if you were used more as a strategic partner?*

Interviewee: *Yes, I do... we have reach to lots and lots of employers, and our members are I suppose quite critical, in that they tend to design HR and recruitment strategies. They’re key to training managers to try and recruit fairly and without bias. So, certainly, with that bit around*



access to the labour market and boosting employment opportunities, I think it would make sense, really, for more of a joined-up approach” (National Stakeholder, Employer Representative Organisation).

“The DWP work really closely with us at a local level in making sure that the job coaches understand what social care is... At a national level, it’s often about saying, ‘Guys, here’s the policy that DWP have decided upon, we didn’t have much influence over it. You’ve got no influence over it. How on earth are we going to make it work for social care?’...I guess probably the key policy ask is involve key social care organisations in DWP policymaking, before the policy is decided. Don’t get us involved when it’s purely about implementation” (National Stakeholder, Social Care).

Employer representative organisations felt there was also a greater need for regular feedback and policy refinement:

“[W]hen policymakers have made decisions, we end up getting an email, asked to contribute and there’s very little follow up. I would say it could be better... Ultimately, having an idea is one thing. Implementing the idea is another. You need to have that follow through of discussion. Then, you need to be introspective. Twelve months after implementation, what does it look like, ideally, at work? How can we do it better?” (National stakeholder, Hospitality Sector).

Here, participants emphasised the importance of consulting with a wide selection of employers – in terms of business size, sector, and geography. While it was recognised that employers (especially small employers) often had limited capacity to

engage on an individual level, ensuring their ‘voice’ was represented as policies were developed was considered critical. This underlines an important role for employers and sector representative bodies:

“[T]he warehousing sector is quite fragmented. There are some tiny companies, and if you say to the managing director of a single warehouse in a rural community, ‘What are you doing about Kickstart, boot camps and sector workplace?’ and all of that stuff, he’ll say, ‘Well, this afternoon I’m on a forklift truck because I haven’t got enough people, so I don’t know when you think I’ve got time to look at this.’ I am really sympathetic to that. That’s where I think [sector representatives] needs to help people like that, I’m absolutely up for that” (National Stakeholder, Warehousing Sector).

As noted in Chapter 4, while employer representative organisations interviewed generally reported that UC and related employment policies came some way down their list of priorities, our research has shown that when prompted to reflect on this policy area, many employers encounter issues relating to it, and their views offer an important perspective on the effectiveness of such policies.

Echoing concerns about policy complexity and fragmentation highlighted in Chapter 6, there was also recognition from many stakeholders that there was a need for much better coordination between government departments about how they engage with employers in the design and delivery of employment policies¹⁷:

“We are more focused on the claimant Jobcentre side... we do need to be talking to BEIS about, more about that demand side I think, and the different things that we can do there” (Senior Official, DWP).

“[Y]ou’ve probably spurred me on to say I need to go back and speak to [BEIS] again! There’s probably something needs to be done more formally in terms of that... probably ministerially and something that really ties the organisations together, to say what does that sustainable workforce look like, and where is that matching them to DWP’s ambitions and conversations?” (Senior Official, DWP).

“[T]here’s not a systems approach to policy around employment and skills in the UK...”

DWP and DfE and BEIS are quite siloed in how they think about policy, because all they’re interested in engaging with employers in different ways...so I think there can be quite a lot of duplication of initiatives, or not enough consideration of how and why employers might engage with the system” (National Stakeholder, Employer Representative Organisation).

Recommendations for policy and practice:

- The DWP should increase employer involvement in the development, design and scrutiny of ALMPs. Employer input should be more transparent, and the views and experiences of small businesses, key sectors, different local labour markets and managers working on the “shop floor” should be clearly represented.
- Wider policy stakeholders (for example, the APPG on Universal Credit, and the Work and Pensions Select Committee) should also include employers and their representatives in their scrutiny of UC and ALMP.
- 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.
- The government should adopt a systems approach¹⁸ 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). 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.
- 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.

¹⁷ Note: the Department for Business, Energy and Industrial Strategy (BEIS) declined our invitation to take part in this research

¹⁸ See Catalan, D. (2018) *What is a systems approach?* OECD Observer. Available at: <https://bit.ly/3YH3lqk>

9 CONCLUSION

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). However, this research has demonstrated how valuable their insights are in assessing their effectiveness.

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. 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. What is clear across the board is that the UK's system of employment support currently falls short. Rather than effectively supporting recruitment, the long-established Work First approach instead results in a high volume of inappropriate applications which is costly to manage. A fragmented employment and skills system also means the door is far from being wide open for employers to engage.

Jobcentres clearly have an 'image problem' amongst many employers. While this can be changed by positive experiences, ultimately this will be difficult to overcome where 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. Greater investment in an employment service which places more emphasis on the quality of applications over the quantity, and focusing more on matching candidates to the jobs that suit their capabilities and wider circumstances would deliver better outcomes for individuals, employers and the wider economy.

Understanding employer perspectives is particularly critical now, as the DWP expands ALMP interventions beyond the unemployed to workers on a low income. This is a step-change involving unprecedented intervention in the labour market by placing new demands on low-income workers and will result in a new relationship between claimants, Jobcentres and employers. This is a controversial policy change which cannot be effectively developed without those who it will impact most, including employers but also UC claimants themselves and other key stakeholders including unions. These are the people who know most about the realities of the labour market, particularly in sectors where low pay and insecure work is most common. While it could open up more opportunities to support progression in work – for example if it helps people to access additional advice, guidance and learning opportunities – there are real risks that 'in-work conditionality' could impact both the well-being and performance of people in work, and exacerbate rather than address the UK's recruitment crisis. A failure to improve the UK's social infrastructure (i.e. providing functioning and affordable childcare and transport) will also continue to undermine movements both into and within work.

Involving employers – of different sizes, sectors and from different parts of the UK – in the design, delivery and scrutiny of these policies – rather than once they have been developed by policymakers in Whitehall seems eminently sensible. While policy in this field has been overwhelmingly focused on the supply-side (i.e. on employment support and requirements for individual jobseekers), this research has demonstrated the importance of action on the demand side. 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. To this end, the DWP should become a more active stakeholder in the "Good Work" agenda at both a local and national level, and shift away from an emphasis on moving people into 'any' job.

But this is not something the DWP can do alone. There is a clear need for a systems approach. This should involve more co-ordination between Government departments with a shared emphasis on supporting transitions into and progression in work, but which 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: UC and related ALMPs have important implications for the UK workforce and yet industry intelligence here is reportedly lacking. Understanding the impact of widescale welfare reform on the labour market is critical for

ensuring it enables both individuals and the wider economy to thrive.

Throughout this report we have highlighted key policy and practice recommendations for local and national policymakers, employers and their representatives, unions and other worker representative organisations, Jobcentres and the wider employment support sector. Supporting people to move into and progress in work should be a shared agenda – in which employers should play a central role. We hope that this research has gone some way to redress employers' relative exclusion from research and policy debate relating to Universal Credit and related ALMPs, and that it provides a useful evidence base from which more effective policymaking and practice can develop.



APPENDIX A: FURTHER DETAIL ON METHODS AND SAMPLE

Most interviews (94) were conducted online via MS Teams/over the phone, 30 were conducted in person, either on the employer's premises or in a public location. Interviews were conducted between July 2021 and May 2022 and on average lasted around one hour. Thematic analysis of interview transcripts was conducted using NVivo.

In addition to project fieldwork, we held six workshops in November 2022 involving 39 key local and national stakeholders to sense-check emerging findings and support the development of tangible policy and practice recommendations. The study received ethical approval from Manchester Metropolitan University's Ethics Committee (EthOS).

All employers and local stakeholders were recruited from either Greater Manchester or West Yorkshire. These areas were selected due to their varied economic geographies (they are two large metropolitan areas with a mix of large cities and small towns), and because they fall under Districts with relatively high numbers of UC claimants. Participants were recruited via multiple routes, including via existing employer-facing networks, social media and more proactive outreach methods, for example by networking at jobs fairs and direct approaches on local high streets.

Table 1: Business characteristics of Employers sample					
	Social care	Retail and warehousing	Hospitality	Other	Total
Business size					
Small/micro	5	6	4	7	22
Medium	12	4	7	5	28
Large	3	12	10	9	34
Total	20	22	21	21	84
Contracts offered					
Part-time	20	17	21	19	77
Full-time	20	20	21	20	81
Temporary	17	12	17	15	61
Permanent	20	21	21	19	81
Short hours	15	9	14	8	46
Zero Hours	14	8	13	8	43
Sector					
Private	17	20	18	11	66
Public	1	0	0	3	4
Third	2	2	3	7	14

Further detail on participants¹⁹

National stakeholders: Employer representative organisations (x3), sector representative organisations (x3: warehousing, hospitality and social care), Former Minister at the Department for Work and Pensions (Conservative), Former Shadow Secretary of State for Work and Pensions (Labour), Senior Officials from the DWP (x2), Trade Unions (x4), Employment support sector representative, Private employment support provider, Membership Institute, Independent research organisations (x3).

Local stakeholder interviews: Business Improvement District representatives (x2), Employer/business representative organisations (x6), Jobcentre Plus (x2) wider employment support sector organisations (x2), local government (x3), Public Sector Support Programme, Sector-based work academy, social care sector representatives (x2) Trade Union.

"Other" employers: Childcare providers (x2), Construction company (x2), Higher Education Institutions (x2), Removals Company, Public sector caterers, Chimney Sweep service, Security firm, Consultancy, Employment support/training provider (x2), Local Authority, Social Housing provider, Utilities company, Research Consultancy, Facilities management organisation, Environment Charity, Third sector organisations (x2).

¹⁹ Note: some detail has been removed for anonymity

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