

DWP's preparations for changes in the world of work

Submission to the Work and Pensions Select Committee

Chartered Institute of Personnel and Development (CIPD)

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Background

The CIPD is the professional body for HR and people development. The not-for-profit organisation champions better work and working lives and has been setting the benchmark for excellence in people and organisation development for more than 100 years. It has 155,000 members across the world, provides thought leadership through independent research on the world of work, and offers professional training and accreditation for those working in HR and learning and development.

Our membership base is wide, with 60% of our members working in private sector services and manufacturing, 33% working in the public sector and 7% in the not-for-profit sector. In addition, 76% of the FTSE 100 companies have CIPD members at director level.

Public policy at the CIPD draws on our extensive research and thought leadership, practical advice and guidance, along with the experience and expertise of our diverse membership, to inform and shape debate, government policy and legislation for the benefit of employees and employers, to improve best practice in the workplace, to promote high standards of work and to represent the interests of our members at the highest level.

Executive summary

- Demand for certain jobs is changing all the time. Technological changes will be a key challenge facing DWP as part of the fourth industrial revolution, which can have both positive and negative impacts on the labour market. New technology can change the way work is carried out, helping reduce costs and open up markets, but its impacts tend to disproportionately affect those in low-skilled work.
- Therefore, there is a role for government to consider what long-term approaches can help address a changing labour market, such as assisting people to get the appropriate skills, education and experience they need to thrive.
- The CIPD also believes that there needs to be better co-ordination and partnerships at a local level on employment and skills policy to ensure that people's skills are more closely matched to the needs of employers.
- Our submission focuses on how DWP could work more closely with employers to boost the number of organisations engaging with the Government's labour market initiatives.

In addition to our response, we would be pleased to follow up with the Committee in November to share the results from our annual Resourcing and Talent Planning

survey, which looks at key recruitment, talent and retention trends, and may be helpful to this inquiry.

Our response

Question 1: What are the main challenges that DWP faces as a result of the “Fourth Industrial Revolution”?

The main challenge is that technological change leaves behind parts of our society, particularly those that have tended to make most use of the benefit system and the publicly funded work-finding infrastructure, over which DWP exercises stewardship. There is then a danger that technological change leaves DWP behind, and that the policies and infrastructure that it is responsible for become increasingly detached from, even irrelevant to, the working lives of most of the working population.

It is already clear that the pandemic will trigger profound change in the labour market, even if we do not yet have much sense of the range of scenarios that may ensue. In many cases, we think the pandemic is likely to amplify, or accelerate, changes that were likely to happen anyway as part of the “Fourth Industrial Revolution”.

Question 2: What do we know about the possible likely impact on the labour market?

- 1. Are some sectors or types of jobs more likely to be affected than others?***
- 2. Are some groups of people more likely to be affected than others?***
- 3. What new types of jobs and opportunities could become available?***
- 4. Is it likely that there will be a reduction in the number of jobs available?***

1. Are some sectors or types of jobs more likely to be affected than others?

Recent history offers the best guide to the future of the UK labour market, and the narrative that the future of work consists of more insecure, poor quality and low wage work does not appear to be supported by the data.

Table 1 shows that employment increased by 12% between 2011 and 2019. However, employment increased fastest in managerial and professional occupations – those that the ONS labels high-skill occupations. In contrast, employment growth has been slower or non-existent in low-skill occupations (apart from care work), and the number of people in administrative and secretarial occupations that are affected by both changes in technology and public spending cuts, actually fell.

Table 1 – Employment growth by broad occupation group, 2011-2019

Occupation	Jan 2011- Dec 2011	Jan 2019- Dec 2019	% change
1 Managers, directors and senior officials	2,891,200	3,684,500	27%
2 Professional occupations	5,624,500	6,940,900	23%
3 Associate professional and technical occupations	3,990,500	4,705,600	18%
4 Administrative and secretarial occupations	3,231,400	3,132,500	-3%
5 Skilled trades occupations	3,178,100	3,300,500	4%
6 Caring, leisure and other service occupations	2,633,500	2,949,700	12%
7 Sales and customer service occupations	2,376,400	2,365,900	0%
8 Process, plant and machine operatives	1,884,500	2,022,000	7%
9 Elementary occupations	3,224,700	3,336,400	3%
Total	29,034,800	32,438,000	12%

2. Are some groups of people more likely to be affected than others?

Those groups that are disproportionately represented in low-skill work are most likely to be affected by technological change, such as young people in entry-level jobs or people with few qualifications.

3. What new types of jobs and opportunities could become available?

History suggests that technological change can create as well as destroy jobs.

Much talk of “jobs of the future” is probably media driven. However, the demand for certain jobs is changing all the time, decreasing as well as increasing, while technology is changing how work is carried out. Sometimes these come together, and we see rapid increase (or decrease) in employment in a given occupation – or even the creation of a new occupation– but such trends are rarely entirely novel.

Table 2 highlights the detailed (four-digit) occupations that had the fastest rates of employment growth (and decline) between 2011 and 2019.

Table 2 – Employment change by selected occupation, 2011-2019

Occupation ^a	Jan 2011- Dec 2011	Jan 2019- Dec 2019	% change
2136 Programmers and software development professionals	222,400	386,900	74%
1135 Human resource managers and directors	131,100	217,300	66%
3538 Financial accounts managers	106,700	176,300	65%
8212 Van drivers	181,200	283,100	56%
1131 Financial managers and directors	232,300	352,400	52%
7112 Retail cashiers and check-out operators	232,000	178,500	-23%
9251 Shelf fillers	109,000	80,300	-26%
4215 Personal assistants and other secretaries	248,000	173,000	-30%
4123 Bank and post office clerks	143,900	96,600	-33%
4112 National government administrative occupations	239,600	141,400	-41%

^a Only occupations where employment in 2011 was greater than 100,000 are reported.

Technology clearly had a role, seen most clearly in increased employment of programmers and declining employment of clerks and retail staff. But other factors are also relevant, such as the sharp fall in employment throughout the civil service between 2010 and 2016. Technology probably made it easier to reduce staffing levels there, but these job cuts may have been made anyway because of pre-announced reductions in budgets.

4. Is it likely that there will be a reduction in the number of jobs available?

History does not suggest that technological change has any permanent effect on the level of employment or unemployment. Technological innovation tends to reduce costs, expand existing markets and open up new ones.

The recession induced by the pandemic may lead to a long-lasting reduction in demand for labour, but it is too soon to be clear on any long-term effects. It may also be difficult to ascertain change due to technological change from change due to the pandemic. A good example of this is employment in retail, which was already on a downwards trend because of the growth of online shopping.

Question 3: Is there a need to consider new, long-term approaches to addressing change in the labour market: for example, introducing a Universal Basic Income (UBI)?

- 1. Is UBI an appropriate short-term response to shocks in the labour market?**
- 2. What can the Government learn from the international evidence on UBI?**

There is a role for the Government to consider what long-term approaches can help address a changing labour market, such as assisting people get the appropriate skills, education and experience they need for tomorrow's careers, ensuring that workers are not exploited by new employment practices, or ensuring that staff are provided with a basic level of workplace financial security.

The pandemic has been an extreme example of labour market change. The Government has acted quickly in mitigating the negative impact on people's finances, through the creation of the Job Retention Scheme (JRS), the improvements to both Universal Credit and Statutory Sick Pay (SSP), and the launch of the Self-employment Income Support Scheme (SEISS). To a certain extent, these initiatives have been aided by the forces that are changing our labour market, for without the development of information technology, such schemes would have been hard to create and administer in pre-digital times.

While UBI would have made it easier to meet the objective of guaranteeing a minimum level of income irrespective of their work status for all (for instance, there would be little need for payroll cut off dates regarding which employees were eligible for JRS, or the number of tax years for SEISS), it would not have helped protect them against the joblessness that would arise from a sudden and sharp fall in the demand for labour.

By contrast, the JRS (with or without its extension into a full-blown short-time working compensation scheme) would arguably do a better job at preserving jobs than UBI, but not necessarily in guaranteeing a basic level of income. While JRS does secure employment and pay wages for as long as it is in operation, some of these jobs may no longer be required and the scheme then becomes a waiting room for redundancy. However, the JRS does give the Government time to put in place policies to lessen the impact when the demand for these non-essential roles disappears, such as reskilling programmes and/or a job guarantee.

The arguments around the cost and savings associated with UBI, and its attractiveness compared to other labour market programmes, are probably worth a separate inquiry.

Question 4: Are DWP Work Coaches well equipped to advise people who are looking for work on new and emerging sectors and jobs?

1. How could DWP improve the training and advice it offers to jobseekers?

Work Coaches have a very broad remit and deal with a very diverse client base, with multiple barriers to employment and/or progression (including, physical and mental health, caring responsibilities, financial barriers and other skills challenges), requiring different support needs. Delivering a specialised, personalised and tailored service to meet these diverse needs is therefore challenging. It is highly unlikely that they would be able to “proactively develop[ing] in-depth knowledge of the local labour market and provision”, which is mentioned in the job description of Work Coaches, on top of existing commitments. Work Coaches should be supported by a referral network of specialist service providers. These service providers could provide specialist services, such as careers advice and guidance, while other providers could support the Work Coaches in addressing complex barriers to employment.

Question 5: What support, advice and training should DWP offer to people who are looking to progress in work or take up more hours?

The provision of more subsidised online accredited training courses, supported by online tutors and peer learning communities could help people who are looking to develop their skills and win promotion to a higher paying job for their existing employer, find another better paid job or switch careers. The Government’s Skills Toolkit website should be expanded and used as a hub for the delivery of free high-quality, digitally delivered accredited training for job seekers or working Universal Credit customers who need and want to develop new skills.

There is also a need to significantly increase funding for further education colleges to ensure that there is sufficient provision of training to support the development of adult skills and life-long learning at a local level. In addition, there needs to be much better co-ordination and partnerships between key stakeholders at a local level on employment and skills. These include Jobcentre Plus, local authorities, Local Enterprise Partnerships, further education and other training and business support providers and, crucially, employers through bodies such as chambers of commerce and CIPD’s local branch networks. This would help ensure that training opportunities and people’s skills in a local area are more closely matched to the needs of employers.

There is less scope for DWP to provide support to help people work more hours for their existing employer. CIPD research¹ shows that for part-time workers, the biggest obstacles to working more hours are that their employer does not or cannot offer more working

¹ https://www.cipd.co.uk/Images/making-work-pay_2014_tcm18-15554.pdf



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hours, that they have family or other caring commitments or that they cannot find a job elsewhere offering more hours.

The provision of more flexible working opportunities would help ensure that there are more high-quality jobs available to people juggling work and caring responsibilities and more opportunities for people to progress in work. More flexible jobs would also help those with long-term health conditions or a disability, access and progress in-work.

However, CIPD research² shows that over the last decade the actual uptake of most forms of flexible working has broadly plateaued, something the Government's Flexible Working Taskforce³ was set up to try and address.

The pandemic has of course had a huge impact on how organisations manage their staff with far more people now working from home, meaning many more employers have had to adapt very quickly to managing a more remote and flexible workforce. This is likely to have lasting influence on how both employers and employees view flexible working and should hopefully see more flexible work created in the future even after the pandemic crisis has passed.

However, of course, for some sectors and jobs home working is impossible and introducing other forms of flexible working is more challenging. Consequently, CIPD believes more needs to be done to help employers where flexible working is more challenging to adapt and introduce more flexible working practices. CIPD has already published cross sector research⁴ into flexible working which shows how some organisations in sectors such as construction can create more flexible work.

There is the case for a cross-sector Flexible Working Challenge Fund to support research and the creation of information, advice and guidance in sectors where the provision of flexible working is more difficult.

There is also the need to improve the quality and availability of support on HR and people management and development for small firms at a local level to help small businesses create more flexible workplaces and invest more in skills training. CIPD's People Skills pilots⁵ funded by JP Morgan Foundation provides a model of how high quality, cost effective support to small firms can be delivered at a local level.

² <https://www.cipd.co.uk/knowledge/work/trends/megatrends/flexible-working>

³ <https://www.cipd.co.uk/news-views/policy-engagement/flexible-working>

⁴ <https://www.cipd.co.uk/knowledge/fundamentals/relations/flexible-working/cross-sector-insights-guide>

⁵ <https://www.cipd.co.uk/knowledge/strategy/hr/hr-capability-small-firms>

Question 6: What is DWP's role in ensuring that young people have the skills they need to get into and progress in work?

The Youth Obligation is an intensive programme of support, which has been in place since 2017 for 18 to 21 years-olds making a new claim for Universal Credit. A recent review of the impact of the Youth Obligation⁶ found that it was insufficiently flexible and was not tailored to individual need. They also noted that the focus needed to shift from a work first approach and instead more emphasis placed on building the skills needed for employment, particularly 'soft skills'. CIPD supports this recommendation, and since late 2018 we have been coordinating the work the Essential Skills Taskforce, a partnership with The Careers & Enterprise Company, CBI, Business in the Community (BITC), the Gatsby Foundation, EY Foundation and the Skills Builder Partnership. The task force was established to agree a universal framework of essential skills which clearly defines the skills needed to succeed in education, work and life; as without a common language through which to develop them, schools and businesses cannot help young people.

The Skills Builder Universal Framework was launched on the 20th May⁷ and has the support of over 750 organisations from across education, business and the third sector; it provides the structure, which schools and businesses need to teach, develop and assess essential skills. Most of all, it offers consistency, as a young person moves through the education system into the world of work. DWP Work Coaches, and the people they support, would benefit from embedding this in their approach to supporting young people become work-ready.

However, it should be recognised that many young unemployed people, particularly those that are disadvantaged, fall outside the benefits system, either because they lack the documentation to make a claim, are ineligible (e.g. most 16 to 17-year-olds), or because they do not want to engage with JCP/DWP. Therefore, sufficiently funded, locally designed, coordinated outreach and employment services are needed to engage with disadvantaged unemployed young people, or else the system risks leaving a considerable amount of young people behind.

Question 7: How could DWP work more closely with employers to ensure that claimants have the skills they need to find work in the future labour market?

As stated above, there needs to be much better co-ordination and partnerships between key stakeholders at a local level on employment and skills. These include Jobcentre Plus, local authorities, Local Enterprise Partnerships, further education, other training providers and crucially employers through bodies such as Chambers of Commerce and CIPD's local branch networks.

⁶ <https://centrepoin.org.uk/media/3476/the-impact-of-the-youth-obligation.pdf>

⁷ <https://www.skillsbuilder.org/>



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This would help ensure that training opportunities and people's skills in a local area are more closely matched to the needs of employers.

More research is required to understand the quality of existing employment and skills partnerships in different parts of the UK to identify what works and how to develop a framework for good practice. Creating more effective strategic partnerships on employment for both the demand and supply side of skills would, over time, enable DWP to work more closely with employers and significantly boost the number of organisations that engage with the system.

There is a need to develop a national skills policy⁸ that addresses skills utilisation, both skills supply and skills demand, creating a framework for local action and resourcing an infrastructure that supports devolution of skills to a local level. This development would move policy beyond its current emphasis on skills supply and help build organisations' people management and development capability, boosting investment in skills and the creation of more progressive workplace practices.

Question 8: As the workplace changes, will it be necessary to change the legal definition of employment to ensure that people continue to have the appropriate legal status and protections? Might any other legal changes be needed?

The CIPD is currently undertaking a programme of work alongside the Institute of Fiscal Studies looking into the changing nature of employment status. We would be pleased to send through our findings in due course.

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⁸ https://www.cipd.co.uk/Images/productivity-and-place-the-role-of-leps-recommendations-v2_tcm18-54431.pdf