

# Breaking through the barriers

How we can build better systems to overcome barriers to work and opportunity, guarantee security, and uphold dignity



## Executive summary

This discussion paper is a collaboration between 10 organisations who work on issues relating to poverty and disadvantage, including charities supporting disabled people, family carers, single parents and vulnerable young people. It brings together our collective insights and evidence on the key barriers that disadvantaged groups can face to lifting their incomes through work, and presents a range of ideas and possible solutions for policymakers to consider.

### How we support the disadvantaged to increase their work participation is a key policy challenge

- The number of people who are economically inactive due to long-term sickness continues to rise, having increased by 500,000 since the pandemic began, to **2.6 million people**.<sup>1</sup>
- **Worsening health among the working-age population is a key factor contributing to rising inactivity.** More than a third of working-age people (36%) now report having at least one long-term health condition, up from 31% in 2019 and 29% in 2016.<sup>2</sup> Between 2019 and 2023, there was a 42% increase in people reporting five or more health conditions.<sup>3</sup>
- A further **1.6 million people are economically inactive due to looking after family and home.** These are mostly women (85%), many of whom have stopped work due to caring needs.<sup>4</sup>
- **3.2 million people are currently claiming health and incapacity-related benefits through Universal Credit and Employment and Support Allowance (ESA), an increase of 28% since 2020.** The majority have the highest level of support needs and may never be able to support themselves solely through paid work.

### There is a significant cohort of people who could be helped towards work with the right support – but policymakers must be realistic

- There are **1.7 million economically inactive people who want a job now**, and many more who expect to work again in the future. This includes almost 1 million who are inactive due to long-term sickness and family care needs.<sup>5</sup>
- One in five people claiming health and incapacity-related benefits who have the highest support needs (Universal Credit Limited Capability for Work-Related Activity and ESA Support Group) **feel that they could work at some point in the future if the right job and support were available**, but only 4% think they could work now.<sup>6</sup>
- **Policymakers must be realistic about the potential gains to be found.** A disproportionate focus on the least engaged in the labour market, on the poorest or most vulnerable members of society, will not provide a miracle cure for stalled productivity and stagnant economic growth.
- **Tougher welfare policies will not produce the fiscal savings or economic gains that some commentators imagine.** Any policy measures that rely on pushing the sick and disabled towards unsuitable work are certain to fail.

### This is further undermined by inadequate social security, an overly strict and punitive system of conditionality, and ineffective employment support

- The basic rate of Universal Credit is now at around **its lowest level in real terms (for equivalent benefits) for almost 40 years**.<sup>7</sup> The UK has some of the lowest income replacement rates among the high-income OECD countries.<sup>8</sup> **Evidence shows that inadequate social security itself acts as a barrier to work** by limiting the resources and mental bandwidth needed to search for a job.
- Employment support provided through the jobcentre is **too generalised for people with barriers to work**. Trust is further damaged by an overly punitive system of conditionality and sanctions: **61% of out-of-work Universal**

### Credit claimants say the threat of sanctions made it harder for them to have a trusting and supportive relationship with the Jobcentre.<sup>9</sup>

- A lack of scale and join-up, and a long-standing distrust between many disadvantaged people and the Department for Work and Pensions (DWP), mean large-scale employment programmes struggle to engage users effectively. There is a compelling argument for **devolving funding and responsibility for delivery of employment support for those with more complex barriers and needs to local areas**, with more use of specialist contractors and a supported employment model.

### Disabled people, people with health conditions, those with caring responsibilities, and single parents are particularly likely to experience barriers to work

- The disability employment gap is **29 percentage points and growing**.<sup>10</sup> 42% of disabled people report **receiving negative attitudes from management at work**.<sup>11</sup> Around half (48%) who have fallen out of work said they had experienced **issues with a reasonable adjustment**.<sup>12</sup>
- **41% of unpaid carers surveyed in 2022 had been forced to give up paid employment and 23% had to reduce their hours**.<sup>13</sup> The potential economic gain of enabling unpaid carers to work is estimated at **£5.3 billion per year**.<sup>14</sup>
- **Childcare fees for parents with a child under two have almost doubled since 2010**.<sup>15</sup> The new free hours entitlement from the age of nine months for parents in work is a welcome step, but without a significant increase in funding, fees are unlikely to be brought down as providers cross-subsidise to make up shortfalls. **The exclusion of parents in education or training from the free entitlements** will make it harder for them to develop the skills needed to find and progress in work.
- Single parents are **twice as likely to be unemployed and underemployed** compared to couple parents.<sup>16</sup> Full-time childcare for a single parent on minimum wage with two children **would take up to a third of their income**, compared to less than a quarter for couple parents.<sup>17</sup>

### Policy solutions exist, but substantive change requires a commitment to reform and proper investment

In this paper, we present a range of policy ideas of varying size and scope. We set out a number of ideas for far-reaching reforms to our social security, childcare, employment support and immigration systems. Many of these require legislative change and substantial upfront investment, but would pay huge dividends in the long term by improving the capacity of our public services to support families and individuals in overcoming barriers to work and opportunity; guarantee security; and uphold dignity.

We also include suggestions for many more immediate policy options that could be implemented quickly or at a relatively low cost. Some of these include:

- **Addressing the basic inadequacy of the social security system:** Reduce the default maximum total deduction rate from 25% of the Universal Credit standard allowance to 15%, including a 5% maximum deduction rate for debts to central government. Scrap the Two-Child Limit and the Benefit Cap policies that reduce entitlements further below subsistence levels and trap families in deep poverty.
- **Increasing work incentives in Universal Credit:** Introduce a work allowance for second earners in Universal Credit. Reduce the taper rate by five percentage points to 50%.
- **Supporting disabled people to overcome work barriers:** Invest in a £5 million Jobcentre Assistive Technology Fund and comprehensive disability training for all Jobcentre staff. Reform the Disability Confident Scheme to strengthen the requirements on members.

- **Supporting unpaid carers to overcome work barriers:** Introduce a Carers Lead in every Jobcentre and reform Carers Allowance to put it on an equal footing with other unemployment-related benefits and align the minimum earnings limit to uplifts in the national minimum/living wage. Encourage commissioning of locally-led specialist employment support for carers.
- **Supporting single parents to overcome work barriers:** Develop a specialist single parent work coach role and improve training across the Jobcentre Plus workforce on the specific barriers faced by single parents and the support options available to them.
- **Supporting parents held back by childcare costs:** Increase the amount covered by the Universal Credit childcare element from 85% of costs to 100% and extend the 30 hours free childcare offer to parents who are in training, education or looking to re-enter work.
- **Improving employment support:** Increase the time per appointment and provide claimants with a consistent work coach. Develop a reworked Claimant and Coach Commitment, setting out the mutual rights and responsibilities between the work coach and their client.

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## Acknowledgements

This paper has been developed as a collaboration between 10 frontline charities and research organisations to present our collective thinking and insights on the barriers and challenges that those on a low income can face to raising their income through employment. We are grateful to all of our contributors for their time and effort in bringing this together, and to the individuals, families and other beneficiaries who have informed this work.

The policy positions and recommendations presented in this discussion paper do not necessarily represent the views of all of the organisations that have contributed.

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## 1. Introduction

How we support those not actively seeking work to increase their participation in the labour market has been the subject of much political and media interest in recent months, driven by a number of factors in the aftermath of the pandemic.

Persistently high inflation has led to increased hardship for many and put pressure on policymakers to intervene to protect living standards, particularly for the poorest. At the same time, the tightness of the UK labour market alongside rising levels of economic inactivity has prompted searching questions about what can be done to get people back into work to help lift their incomes and support economic recovery.

For some commentators, this question is central to how we overcome deep structural challenges in our economy, like poor productivity and persistent low growth. Some narratives have emphasised individual choices and concerns about welfare dependency to make the case for reduced welfare spending and tougher sanctions to drive people back towards work. But among those inside and outside government who are thinking deeply about these issues, it is well understood that many of those struggling on a low income face a formidable set of barriers to employment.

The purpose of this paper is to generate discussion about the barriers to work faced by key disadvantaged groups, and to present possible solutions and ideas for policy change. We first look at data from a range of sources to better understand the nature of the challenges – and opportunities – that this presents. The following chapters look in detail at the key barriers to work experienced by people with disabilities or work-limiting health conditions, single parents, and those with caring responsibilities. These groups are of particular interest to our organisations due to the greater likelihood that they will suffer from poverty and financial hardship, our own experience of supporting them through our services, and our collective insight into the barriers they face. We also explore how parts of our current systems for providing social security, employment support and immigration and asylum help to push people further away from the labour market.

Each chapter concludes with a range of policy options – from more immediate, low-cost changes to longer-term reforms – that could support the disadvantaged to overcome their barriers to work. But we must also remember that there are many good reasons why work is not a realistic or practical option for everybody. The DWP explicitly recognises this, and a sizable proportion of those supported by the welfare system are not expected to be working. Reducing barriers to work can never be a substitute for a strong social security system that guarantees minimum needs are met and upholds the wider dignity and long-term security of citizens.

## 2. Policy context

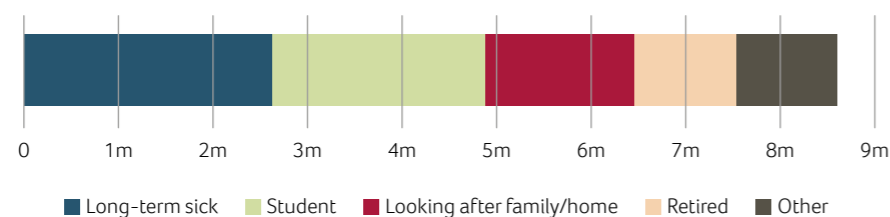
In this chapter we examine the data on economic inactivity, low-income households, and the benefits caseload to help shed light on the drivers and scale of the challenges faced by those with barriers to work, and to make suggestions for where policymakers might focus their attention.

### 2.1: What is happening to economic inactivity?

Economic inactivity refers to those who are neither in work nor actively seeking it. Rising economic inactivity in the aftermath of the pandemic has been the subject of considerable interest and debate. Some pandemic-era trends – such as the much-discussed rise in people retiring early – have since receded in the latest data.

But a rise in the number of people who are economically inactive due to long-term sickness persists, having increased by 500,000 since the pandemic began, to 2.6 million people. A further sizeable group (1.6 million) is economically inactive due to looking after family and home. This group is overwhelmingly made up of women (85%) who have likely stopped working due to caring needs.<sup>18</sup>

**Figure 1: Number of people aged 16 to 64 economically inactive, by reason, May to July 2023**



#### 2.1.1: Rising health-related inactivity

A number of influences have been identified as contributing to the rise in health-related inactivity:

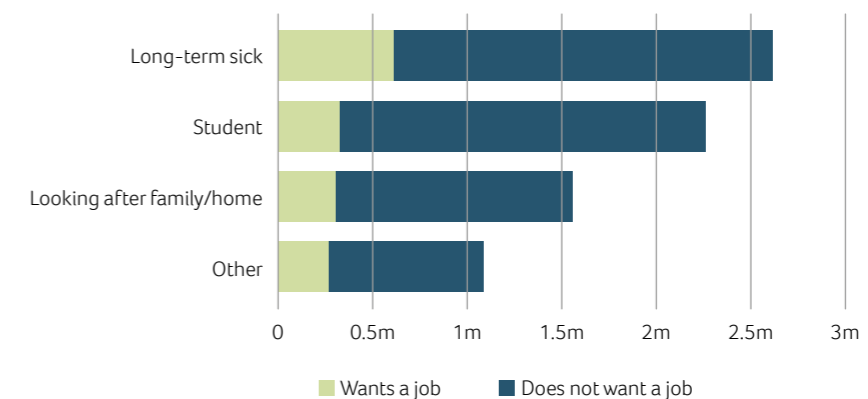
- **The health of the working-age population is getting worse:** More than a third of working-age people (36%) now report having at least one long-term health condition, up from 31% in 2019 and 29% in 2016.<sup>19</sup> Analysis by the Office for National Statistics (ONS) concluded that a rise in work-limiting conditions was the largest contributing factor to the rise in economic inactivity from 2019 to 2022.<sup>20</sup> The Office for Budget Responsibility (OBR) has pointed to a range of factors, including: a general slowing in the improvement of many health conditions and worsening mental health in the years leading up to the pandemic; the impact of the pandemic itself on the physical and mental health of the working-age population; and overall disruption to the health service which may have exacerbated health problems.<sup>21</sup>
- **Health issues are increasingly complex:** Between 2019 and 2023, there was a 42% increase in people reporting five or more health conditions, observed across both younger and older people. The most common health condition among those with health-related inactivity is depression, bad nerves or anxiety – which has risen by 40% since 2019 to affect over half (53%) of those inactive for health reasons. But most of this rise has been among those with other conditions, who report mental health issues as a secondary condition, suggesting that worsening physical health may also be driving poorer mental health.<sup>22</sup>
- **The benefits system itself may be contributing:** An important aspect of the rise in economic inactivity is that the vast majority (81%) of those who became long-term sick in 2021 and 2022 were already out of the workforce, either due to unemployment (12%) or because they were economically inactive for another reason (69%).<sup>23</sup> There is some evidence to suggest that welfare reforms of the past decade, particularly the imposition of a much more punitive conditionality and sanctions regime, might have increased pressure on eligible claimants towards the health and incapacity parts of the social security system that have less stringent conditionality requirements attached and include exemptions from policies like the Benefit Cap.<sup>24,25</sup> Because these benefits carry higher costs to the Exchequer, this can offset any fiscal savings that may have been a key part of the rationale for tougher welfare policies in the first place.<sup>26</sup>

#### 2.1.2: Why should we be concerned about economic inactivity?

We suggest three broad reasons why understanding and addressing the drivers of economic inactivity – particularly among those who are sick, disabled or have caring responsibilities – should be a priority for policymakers.

- **It is a barrier to opportunity:** Despite the barriers they face, many of those outside the labour force do want to work (Figure 2). Among the 8.8 million people who are economically inactive, 1.7 million say they would like to have a regular job now, including almost 1 million people who are inactive owing to long-term sickness or caring responsibilities.<sup>27</sup> Far more say that they expect to work again in the future. But many who want to work aren't able to access employment support, which tends to prioritise those claiming unemployment-related benefits. It is vital that we understand what their barriers to employment are and how we best target interventions to support them towards work.
- **It suggests something has gone wrong in our health and welfare to work systems:** Rising ill health in the working-age population that predates the pandemic – which will inevitably be compounded by record NHS waiting lists and wider disruption to the health service – presents an obvious and pressing policy problem for the government. Considered alongside an increase in flows onto health and disability-related benefits that may have been driven at least partly by the move to a more punitive compliance-first welfare regime, and the degradation of basic out-of-work support, it is easy to conclude that our health, welfare and employment support systems are failing to work in harmony.
- **It is damaging to our economy:** Policymakers are understandably concerned about the adverse impacts of rising economic inactivity on labour supply and economic growth. The OBR estimates that the increase in working-age inactivity due to long-term sickness since the pandemic, alongside rising ill health among those in work, has already added £16 billion to annual borrowing costs in increased welfare spending and foregone tax receipts.<sup>28</sup> It is perfectly sensible and appropriate to think about work barriers in terms of their economic costs – and the potential gains to be had from overcoming them. But we must tread carefully and be realistic about what can be achieved. The UK economy will not be jolted from more than a decade of stagnation by a disproportionate focus on those who are the least engaged in the labour market, or the poorest and most vulnerable members of society.

**Figure 2: Percentage of those economically inactive who would like a regular job at the moment, May to July 2023**



### 2.2: How are the poorest families affected by barriers to work?

Analysis by Action for Children of the Family Resources Survey looked specifically at low-income families with children. It estimated that there are nearly 2 million children in poverty and living in 'work-constrained' families.<sup>29</sup>

This represents:

- **440,000 children** who are in poverty despite their parent(s) **working full-time** – including 266,000 children in families where **both parents are in full-time work**.
- An **additional 641,000 children** in poverty where **at least one parent is disabled**.
- A **further 232,000 children** in poverty where **at least one child is disabled**.
- And an **extra 500,000 children** in poverty where there is **at least one child aged under two**.

- There are also **a further 137,000 children** in single-parent families in poverty where the parent is **working part-time with a child aged three to 10**.<sup>i</sup>

Many families experience more than one of these barriers, with an estimated:

- 1.36m children in poor families that have one barrier to work.
- 495,000 children in families with two barriers.
- 95,000 that face three barriers to work as a route out of poverty.

### 2.3: What can we learn from the data on benefit recipients?

There are many reasons someone might need to rely on the social security system to support themselves and their family. It might be a sudden drop in income due to job loss or illness, the loss of a partner through a relationship breakdown or bereavement, or an unexpected caring need that changes everything. One way we can get a sense of how those supported by the social security system may face barriers to work is to look at the data on the benefits caseload.

#### 2.3.1: Universal Credit caseload

There were 6 million people claiming Universal Credit in June 2023. Claimants are placed into one of six conditionality groups based on their individual circumstances. This conditionality regime determines what is required of them to receive their Universal Credit award.

**Table 1: People on Universal Credit, by conditionality regime, June 2023<sup>ii</sup>**

Conditionality group	Number of claimants	Percentage of total claimants
Searching for work	1.4 million	24%
Working – with requirements	820,000	14%
Working – no requirements	1.2 million	20%
Planning for work	120,000	2%
Preparing for work	360,000	6%
No work requirements	2 million	35%

A quarter of Universal Credit claimants are actively looking for work (24%) and at least a third are in employment (34%).<sup>iii</sup> Those in the ‘planning for work’ and ‘preparing for work’ groups (8%) include: those who have been assessed as having a limited capability for work (LCW) due to ill health, but are expected to work again in future; and lead carers of young children aged one or two, before they are required to start searching for work once their child turns three. Many of the latter are single mothers who particularly struggle with the cost and availability of childcare.

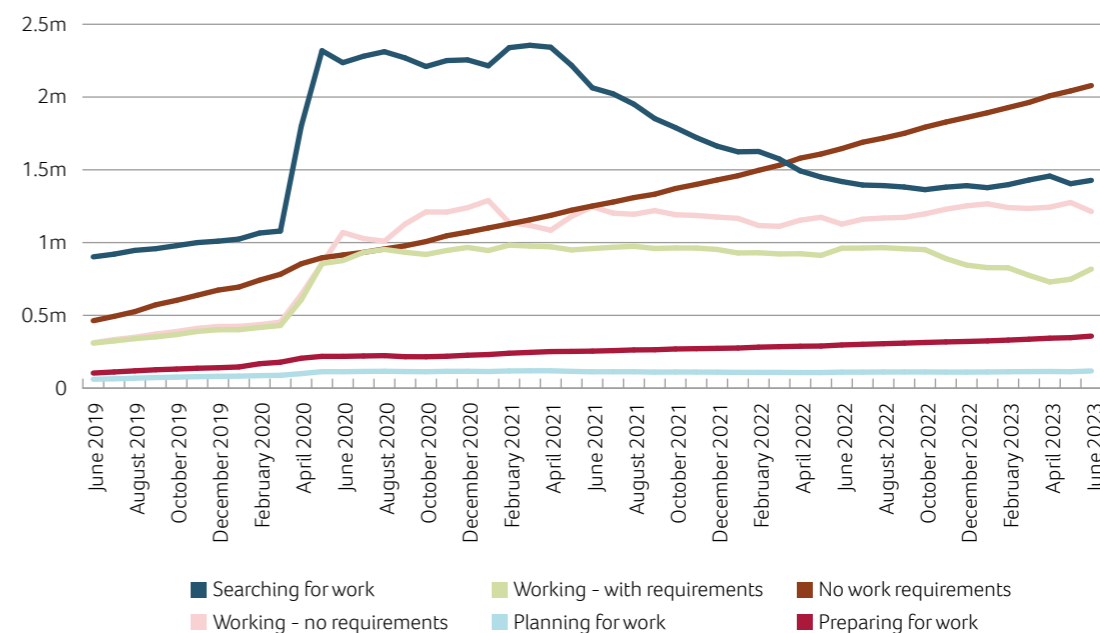
The ‘no work requirements’ group is made up of those unable to work due to ill health or disability, and who are not expected to take part in any work-related activities (known as having Limited Capability for Work and Work-Related Activity, or LCWRA). It also includes those with substantial caring responsibilities, such as those providing at least 35 hours of care a week for a disabled person. The data for June 2023 shows that the ‘no work requirements’ group is by far the largest group of people on Universal Credit, representing more than a third of total claimants (35%).

<sup>i</sup> This definition of ‘work-constrained’ includes couple families where one parent is working to some extent already and the other is not, or where both parents are only working part time and the family faces significant barriers that could limit them from increasing their work participation. It does not capture all potential barriers that a family can experience. As single parents are the main or sole carers for their children, the analysis includes both working single parents and those that are not currently in work. The 2020/21 Family Resources Survey data used for this analysis was impacted by the COVID-19 pandemic and sample sizes were lower than normal, so the data should be treated with more caution than usual.

<sup>ii</sup> Data taken from the People on Universal Credit dataset on StatXplore for June 2023.

<sup>iii</sup> An alternative measure is found in the Universal Credit employment indicator data, which shows that 38% of people on Universal Credit were in employment in June 2023. This is higher than the 34% of claimants you get from adding together the two ‘working’ conditionality groups. A claimant’s employment status and conditionality regime may not always match due to differences in how the data is recorded.

**Figure 3: People on Universal Credit by conditionality regime**



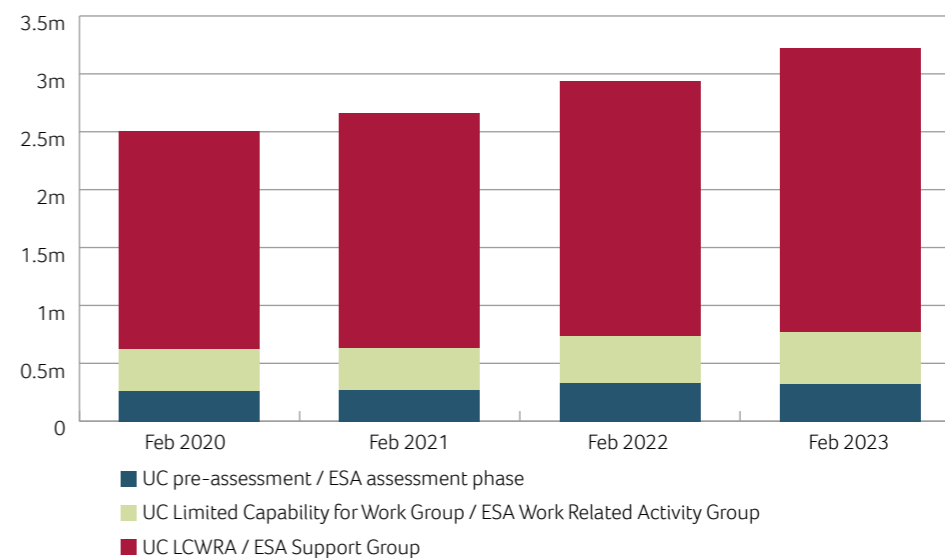
#### 2.3.2: Health and incapacity-related benefits: Universal Credit and Employment and Support Allowance

The number of people on Universal Credit who have no work requirements has been steadily rising and is now the largest conditionality group (Figure 3). This has largely been driven by the rollout of Universal Credit and the end of new claims to legacy benefits, such as Employment and Support Allowance and Income Support. It also reflects a steady and significant increase in the number of people claiming health and incapacity-related support (see Figure 4) and wider trends of rising inactivity and ill health.

*Employment and Support Allowance (ESA)* is the other health-related benefit for those who have a limited capacity for work. There are two types. *Income-related ESA* is means tested and is gradually being replaced by Universal Credit. *New Style ESA* is a contributory-based benefit for those with sufficient National Insurance contributions.

Data from February 2023 shows that there are 1.6 million people claiming ESA. The vast majority – 1.4 million – are in the ESA Support Group. The ESA Support Group is for those with the most severe health conditions or disabilities that mean they have no work requirements and receive a higher rate of support. Its equivalent in Universal Credit (UC) is the Limited Capability for Work and Work-Related Activity group (LCWRA).

**Figure 4: Number of people claiming health and incapacity-related support through UC and ESA by stage of claim, 2020 to 2023**



In total there are 3.2 million claimants across the two benefits, a rise of 28% since 2020. Three quarters (76%) are in the UC LCWRA or ESA Support Group, meaning they have been assessed as having the highest level of support needs and have no work requirements. DWP research shows that 20% of people in these groups feel that they could work at some point in the future if the right job and support were available, but only 4% think they could work now.<sup>30</sup>

Potentially, there is significant capacity within this group to be supported towards employment, if the barriers they experience can be overcome (see **Chapter 3**). But it must also be stressed that most of the 2.5 million people in the LCWRA or ESA Support Group will never be able to support themselves solely through paid work. It is vital, therefore, that we have a social security system that treats them with dignity and fairness, and ensures a decent standard of living. This is covered in greater detail in **Chapter 6** on the social security system.

Claimants in the ESA Work Related Activity Group (WRAG) and UC Limited Capability for Work (LCW) group are judged to be capable of work in the future and are required to take part in work preparation activities, such as meeting regularly with a work coach and taking part in training. Previously, claimants in the WRAG or LCW group received an extra cash element in their ESA and UC entitlement, but this additional support was removed for new claimants from April 2017. This has contributed to the creation of a binary system of support, where claimants are assessed as either: unable to work at all now or in the future, and therefore eligible for extra financial support; or capable of work at some point soon and ineligible for any additional financial help, even though they face significant health barriers that make full-time work difficult or impossible.

### 2.3.3: Unemployment-related benefits: Universal Credit and Jobseeker's Allowance

Unemployment refers to those without a job and actively seeking work. As Figure 3 shows, there was a large spike in people coming onto Universal Credit at the start of the pandemic, largely to claim out-of-work support. Claims for unemployment-related benefits, through either Universal Credit or Jobseekers Allowance, declined significantly from a pandemic peak of 2.6 million, falling to 1.5 million people by June 2023, though still around 300,000 higher than pre-pandemic.<sup>31</sup>

The long-term unemployed – those out of work for over 12 months and actively looking for a job – is a relatively small group. The majority of those looking for a job have been out of work for under six months. In the most recent quarterly figures, fewer than 300,000 unemployed people in the UK have been out of work for longer than a year.<sup>32</sup> The strictness of the UK's conditionality regime undoubtedly contributes to this. If you are considered able to work but not seeking or accepting roles, you will quickly find yourself sanctioned.

Consequently, it is self-evident that the long-term unemployed face barriers that prevent them from successfully engaging with the labour market. That might be a lack of access to good-quality training and employment support, a single parent who cannot afford childcare, or simply living in a deprived and underdeveloped area with limited job opportunities. Some may have additional unmet needs, or have been inappropriately found 'fit for work'.

## Summary

- There are 1.7 million economically inactive people who want a job now, and many more who expect to work again in the future. This includes almost 1 million who are inactive owing to long-term sickness and family care needs. This suggests there is a significant cohort of people who would like to enter work or increase their participation — if they can be provided with the right tools and support.
- A quarter of the 6 million Universal Credit claimants are actively looking for work (24%) and subject to strict work search requirements. More than a third of claimants are in employment. The remaining 2.5 million people on UC are not expected to be in work right now – either because they lack the capacity, they have a caring responsibility, or they are undertaking activity to prepare for a return to work in future.
- Policymakers, driven by concerns around the fiscal sustainability of rising caseloads, may be tempted to focus efforts on the 3.2 million people currently claiming health and incapacity-related benefits through Universal Credit and Employment and Support Allowance. However, the majority of these claimants are likely to be the furthest away from the labour market and will never be able to support themselves solely through paid work. Any policy measures that rely on pushing the sick and disabled towards unsuitable work are certain to fail. Tougher social security policies will not produce the fiscal savings or economic gains that some commentators imagine. Nor will they address much

bigger questions about the long-term health of the population and the capacity of public services to meet the increasingly complex needs of citizens.

- Nevertheless, we know from our own experience as frontline organisations that some of those currently shut off from the labour market and experiencing hardship want nothing more than to return to work or increase their participation. Clear opportunities exist for policymakers to proceed in a careful and considered way to address some of these challenges. In the following chapters, we will explore the main barriers to work experienced by different groups and suggest some possible solutions.

## 3. Health and disability

We know that many people with health conditions or disabilities can and do want to work, but too often the support is not there to help them to find and sustain work. The disability employment gap (the difference between the number of disabled and non-disabled people in work) is 29 percentage points and growing. The number of economically inactive disabled people exceeds 4 million, or 43% of the disabled working-age population.<sup>33</sup>

In this chapter, we first consider how the workplace can act as a barrier to opportunity for those with additional needs. We then set out the uniquely challenging barriers experienced by those with more complex disabilities. Finally, we discuss how a failure to address the rising prevalence of mental health problems among young people is setting the stage for the labour market challenges of the future.

### 3.1: Barriers in the workplace

#### 3.1.1: Securing reasonable adjustments

Adjustments are often vital in helping disabled people do their job, but too many struggle to get them agreed or implemented by their employer. According to Scope's *Disability in the Workplace* report, just under half (48%) of disabled people who have fallen out of work said they had experienced issues with a reasonable adjustment, while just 50% felt that their adjustment needs had been fully met by their employer.<sup>34</sup>

The most common challenges faced by disabled people with reasonable adjustments are:

- **Delays to receiving adjustments:** Disabled people wait up to four months before an adjustment arrives or is implemented.
- **Ignorance of the importance of adjustments to disabled people by employers:** 65% of employers agreed that the costs of adjustments are a potential barrier to employing disabled people.
- **Rejection of an adjustment request:** 67% of disabled people had a reasonable adjustment request either fully or partially refused.<sup>35</sup>

As a result of these barriers, a fifth of disabled workers did not ask for support as they did not think their employer would give them the right adjustment.

Disabled workers also face issues with the Access to Work Scheme, including:

- **Low awareness:** 40% of disabled people had never heard of Access to Work.
- **Delays:** The most common complaint with the Access to Work scheme was a long wait for an assessment (35%).
- **Costs cap:** The cap in the costs for adjustments was an issue for 26% of disabled people when using the Access to Work scheme.
- **Employers not agreeing with the assessor's recommendations:** 25% of disabled people said that their employer did not agree with the recommendation made by the Access to Work assessor for what support they needed.<sup>36</sup>

#### Box 3.1: Jo's story

Jo sustained an injury to her left leg in a bike accident, which also resulted in PTSD. Jo also had depression before the accident, which she continues to have today. In her previous job, Jo experienced negative attitudes about her conditions, especially when she tried to talk about her mental health:

"The negative attitudes I experienced had an incredibly big impact on how I felt about myself. I just felt like I had nothing to offer, and you start to believe those things about yourself."

Her former employer was also reluctant to agree reasonable adjustments for her, describing her as entitled for asking for assistance. This had a huge impact on her self-esteem and confidence, as well as leading to her developing an infection:

"It makes me really angry that you have to fight so hard to get what you should be entitled to. It was horrible being made to feel like the problem, when all I was asking for was to work a little bit from home so I can control my environment while I'm doing admin."

"There's a voice saying, 'what you're asking for is reasonable. What you're asking for is OK. This is what reasonable adjustments should be.' But then you start to think, 'maybe I'm wrong. Maybe those people are right, maybe I'm not cut out for this.'"

#### 3.1.2: Negative attitudes

Negative attitudes and discrimination towards disability are still commonplace in the workplace.

The Trades Union Congress has found that nearly one in three disabled workers believe they have been treated unfairly at work in the previous two years.<sup>37</sup> In separate research from Scope, 42% of disabled people reported receiving negative attitudes from management at work.<sup>38</sup>

Discrimination at work can have a negative impact on disabled people's ability to enter and stay in work. Scope found that 90% of disabled people who have experienced discrimination at work said it either directly led to or contributed towards their departure from work.<sup>39</sup> 35% of disabled people said the negative attitudes they encounter have caused them to avoid looking for work or seeking a promotion.<sup>40</sup>

This reluctance by disabled people to look for work due to negative attitudes is understandable, given 54% of employers revealed that concerns over a disabled person's ability to perform compared to a non-disabled person would put them off hiring someone who is disabled. Unsurprisingly, experiencing discrimination at work has an adverse impact on disabled workers. Nine out of 10 disabled people who experienced negative attitudes and behaviours said that these attitudes had a personal impact on their confidence and feelings of self-worth. It also meant they were less likely to be open about their impairment or condition at work. 48% of disabled people who had fallen out of work said they were not confident in disclosing their condition to their employer after being treated unfairly at work.<sup>41</sup> By contrast, disabled people say that if there is an inclusive culture towards disability in a workplace, then they are far more likely to stay working for that company.<sup>42</sup>

**"Disability discrimination is real. It happens all the time. It makes people with disabilities' lives harder, getting and holding a job".**

Respondent to Scope's survey on Disability in the Workplace<sup>43</sup>

#### 3.1.3: Fluctuating conditions and support during periods of sickness

Support for disabled people during periods of ill health is inadequate. The minimum amount of financial support offered to disabled people when they need to take sick leave from work is just £109.40 per week in Statutory Sick Pay (SSP). This is too low for many disabled people to live on while they recover from ill health. Just under a quarter of disabled people said that they would not be able to cope on the minimum level of SSP for a week, while 36% did not think they would last for up to a month.<sup>44</sup>

The current Statutory Sick Pay system creates a number of problems for disabled people that make it more likely they will disengage from the labour market:

- **Many disabled people have felt pressured to either continue working or go back to work before they were ready.** Three quarters of disabled workers (75%) have felt the need to continue working through a period of ill health, even against medical advice.<sup>45</sup> This risks making their health worse, therefore requiring them to take more time off or even falling out of work. There is a strong link between taking a significant amount of sick leave and falling out of work: 74% of disabled people who left a job took at least four weeks off work because of a reason related to their condition.<sup>46</sup>
- **Those disabled people who remain on sick leave risk financial destitution.** More than half (52%) of people who rely on SSP are living in poverty.<sup>47</sup>
- **The lack of flexibility in the SSP system is also a problem.** Currently, SSP cannot be paid part time or in combination with earnings. As a result, disabled people cannot receive SSP at the same time as going through a phased return to work. This is despite phased returns to work being an effective way of reintegrating disabled people back into the workplace. Scope has found that disabled people were positive about their experiences of going back to work on fewer hours than they were contracted to do.<sup>48</sup>
- **The eligibility criteria act as a barrier for disabled people to claim SSP.** At present, you can only claim SSP if you have been off sick for at least four consecutive days, or if you earn more than £123 per week. But this means that



seven in 10 sick days are not covered by the SSP scheme, and up to 2 million people would not qualify because they earn below the £123 per week threshold.<sup>49</sup> Again, the lack of any financial protection will mean disabled people going into work when they should not, at the risk of making their condition worse and falling out of work.

- **Finally, the limit on how long an individual can receive SSP is too restrictive for disabled workers with a fluctuating condition.** The maximum amount of time someone can claim SSP for is 28 weeks. But for someone with a fluctuating condition who may need to take several periods of sick leave to help them manage their condition, this limit means that they risk running out of sick leave before they would like to return to work, or even working through their illness.

## 3.2: People with complex disabilities

People with complex disabilities tend to have two or more of the following conditions: deaf or hearing impairment; blind or vision impairment; learning disability and autism.

These needs may be present from birth, following illness or injury, or they may develop with age. Having complex disabilities often means you experience unique barriers in daily life, including employment. It may mean you need high-level support to communicate, develop new skills and live more independently.

- More than 1.6 million people in the UK have complex disabilities.
- One in 10 disabled people have complex disabilities.
- By 2029, it is projected the number of people with complex disabilities in the UK will increase to 2 million.<sup>50</sup>

### 3.2.1: What barriers to work do people with complex disabilities face?

An estimated eight in 10 people with complex disabilities (82%) were unemployed in 2020/21.<sup>51</sup> Unsympathetic employers, a lack of support while looking for roles, inaccessible recruitment practices and poor-quality social care are just some of the barriers people with complex disabilities face in the labour market.

Research from Sense has found:<sup>52</sup>

- **There is a lack of employment support for jobseekers with complex disabilities.** Half of jobseekers with complex disabilities (50%) didn't feel that they had the support and equipment they needed to look for work. Almost half (46%) said they felt they weren't supported by a Disability Employment Advisor. The research also found that no computers in Jobcentres have specialist assistive technology.
- **There is a lack of support for employees with complex disabilities.** While employment isn't right for everyone, some people with complex disabilities find that having a job enriches their life, but employers are failing to provide proper engagement and support. Half (52%) of people with complex disabilities in work said they'd taken a less challenging role because their needs as a disabled person were not being met. A similar proportion (47%) of jobseekers with complex disabilities said that specialist employment services would better enable them to enter and stay in work.
- **Families of people with complex disabilities face barriers too.** Many children with complex disabilities and their families rely on social care support to live day to day. Social care plays a vital role in allowing children with complex disabilities and their families to live fulfilling lives, including getting back into employment. However, a lack of good child social care means the overwhelming responsibility of caring for a child with complex disabilities prevents parents from getting back into the workplace.

*“The last time I saw a Work Coach they were a disgrace to me because she didn't listen to what I wanted and [told me] to go back in education, which I didn't want to do.”*

A jobseeker with complex disabilities who spoke to Sense

## 3.3: Young people's mental health

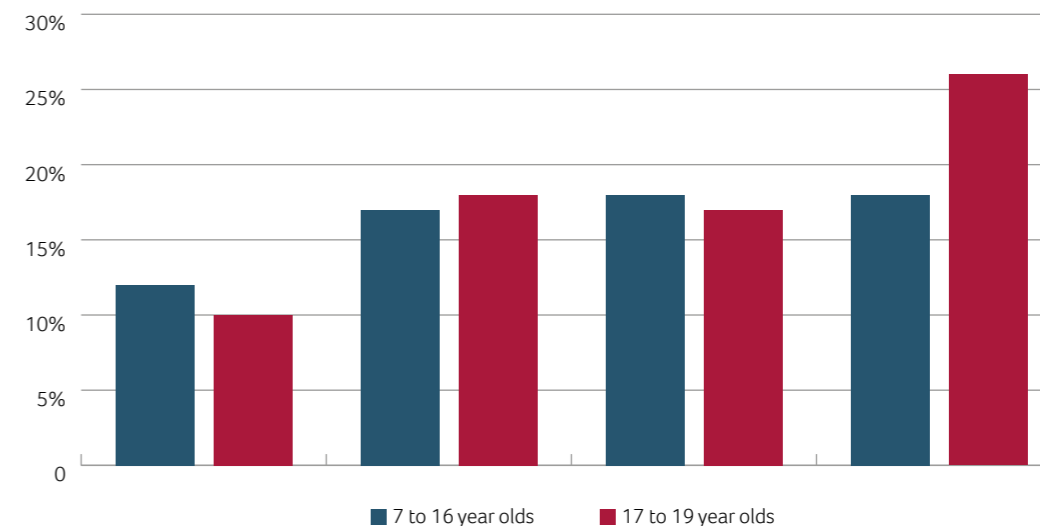
Mental health problems may impact young people's ability to participate in school, which can have a long-term impact on their later careers. A significant proportion of lifetime mental health disorders are established during childhood: 50% of lifetime mental health disorders are established by age 14 and 75% by age 24.<sup>53</sup>

### 3.3.1: Rising prevalence of mental health problems among young people

The prevalence of mental health problems among young people has been rising in recent years.

- The proportion of children aged seven to 16 with a probable mental disorder rose from 12% in 2017 to 18% in 2022, an increase of almost 50% in five years. A further 11% of children have a possible mental disorder.<sup>54</sup>
- Even more alarmingly, there has been a very significant increase in the rate of probable mental health disorders for young people aged 17 to 19, a key period of transition into adulthood and either the labour market or further education. A quarter (26%) of young people aged 17 to 19 now have a probable mental disorder, up from one in 10 (10%) in 2017.<sup>55</sup>
- Around 70% of young people under 25 who are receiving the main disability benefit – Personal Independence Payment (PIP) – are claiming for mental health and behavioural disabilities.<sup>56</sup> Between 2019 and 2022, the largest overall increase in economic inactivity due to long-term sickness among those aged 25 to 34 was for mental illness, phobias and nervous disorders (a 24% increase).<sup>57</sup>

**Figure 5: Percentage of children and young people with a probable mental disorder, by age, 2017 to 2022**



### 3.3.2: Impact on employment prospects

The establishment of a mental health disorder in childhood can have lifelong consequences for a young person's ability to engage in the labour market. This underlines the importance of early intervention measures to address mental health issues in young people before they worsen.

- Two thirds of young people who are economically inactive also have a common mental health disorder, compared to 40% of those who are unemployed and 22% of those who are in employment.<sup>58</sup>
- Having a common mental disorder can have a small but statistically significant effect on young people's likelihood of moving from employment or full-time education into worklessness one year later. Eight percent of those with a common mental disorder move into worklessness, compared to 6% of those without.<sup>59</sup>
- Four in 10 young people (39%) not in education or training (NEET) polled by the Learning and Work Institute cited mental health problems or disability as a reason why they were finding it difficult to find a job or not currently looking for work.<sup>60</sup> This should be particularly concerning to policymakers, as there is some evidence to suggest that younger people who experience a long period of unemployment are at greater risk of future unemployment than young people who experience short-term unemployment. Youth worklessness can lead to a longer-term scarring effect.<sup>61</sup>

**Box 3.2: Young people need easy access mental health support**

Young people supported by The Children’s Society say they need support that is easy to access, makes them feel like they’re not alone, and is available when they need it:

*“Places that are easy to access. Places that young people can go by themselves. A place that young people feel comfortable.”*

Young person who used The Children’s Society’s BEAM Shropshire emotional health and wellbeing drop-in service

*“Having a consistent support system. I think that if you’re left to deal with things by yourself then it’s often going to make things worse.”*

*“Generally having support from other people because if they are alone, it can be hard...it can put them in a bubble and they can’t get out. Having people around you helps you keep good mental health. Knowing they have someone there is really helpful.”*

Young people, participating in a The Children’s Society consultation on mental health support

**3.4: Possible policy solutions**

Policy ideas	What difference would it make?
<b>Short-term reforms or ‘quick wins’</b>	
Comprehensive disability equality training, including for complex disabilities, for all Jobcentre Plus staff. This should be co-produced with disabled people.	By ensuring that Work Coaches and Disability Employment Advisors are properly trained, disabled jobseekers will be better informed. Providing knowledge of the support available is empowering in itself.
Introduce a £5 million Jobcentre Assistive Technology Fund.	This would support jobseekers with complex disabilities to better engage with employment opportunities, by providing: <ul style="list-style-type: none"> <li>– Assistive software, including screen readers, specialist screen magnification software and speech-to-text software.</li> <li>– Additional hardware, including refreshable braille display and headphones.</li> <li>– A £1.1 million support fund for Jobcentres to access if they need additional pieces of assistive technology.</li> </ul>
The Cabinet Office Disability Unit must focus on improving attitudes and behaviours towards disability in the workplace as part of its forthcoming public perception of disability campaign.	The government committed to running a campaign in the National Disability Strategy to increase public understanding and awareness of disability, and it should use this to help tackle the negative attitudes disabled people face at work.

Policy ideas	What difference would it make?
The DWP should create more detailed advice for employers on topics such as tackling negative attitudes at work, supporting line managers to have effective conversations with disabled staff and making it comfortable for disabled people to be open about their disability at work.	In October 2022, the government announced the creation of an online service to give employers advice on how to support disabled employees, called the Support with Employee Health and Disability Service. <sup>62</sup> But so far, the service does not include anything around tackling negative attitudes or what employers can do to make it easier for disabled workers to be open about their disability.
Strengthening the expectations of members of the Disability Confident scheme.	The Disability Confident (DC) scheme has had a limited impact on changing attitudes towards disabled people at work: 43% of Disability Confident members have not employed a disabled person as a result of joining the scheme, rising to 56% among Level 1 employers. <sup>63</sup> The DC scheme should be reformed so that members have stronger requirements to hire disabled staff. <p>In particular:</p> <ul style="list-style-type: none"> <li>- Employers at Levels 2 and 3 of the scheme should be required to meet minimum thresholds for the proportion of their workforce that is disabled.</li> <li>- Members should have their accreditation removed if they do not move up from Level 1 to Level 2 within three years of joining the scheme.</li> </ul>
Improvements to how Acas handles disability discrimination cases.	Acas has committed to ensuring that three out of four disputes are resolved before they reach the tribunal stage, so it is important that the conciliation process works for disabled people. <sup>64</sup> However, there is currently very little publicly available data on the number of disability discrimination cases that are resolved in favour of the disabled person at the conciliation stage. <p>Without this data, it is difficult for disabled people to assess the effectiveness of the conciliation process. It is also unclear what role Acas plays in helping employers learn lessons if they lose a tribunal case. Acas should:</p> <ul style="list-style-type: none"> <li>- Publish the outcome from disability discrimination complaints that have gone through early conciliation.</li> <li>- Meet with an employer if they lose a disability discrimination case at a tribunal to discuss what the employer can do to become a more inclusive place to work.</li> </ul>

Policy ideas	What difference would it make?
Reform of the Access to Work scheme.	<p>The fact that 40% of disabled people said that they have not heard of the scheme suggests that it is not well promoted.<sup>65</sup> A minimum standard of service for Access to Work will involve creating a minimum set of criteria that the DWP will have to abide by. This will help deal with delays in receiving an assessment and issues with the assessment process.</p> <p>There is no mention of the new Access to Work passport on the main information pages on GOV.UK. More could be done by the DWP to promote the passport, so that every user of the scheme knows about it.</p> <p>There are a number of Access to Work users who do not think the scheme covers all of their support needs. The cap on the amount an individual can claim was cited as the second-biggest issue with the scheme. The new enhanced package can help plug that unmet need. Disabled people who hire a support worker through Access to Work are often left to manage the recruitment by themselves, which can leave them exhausted.<sup>66</sup></p> <p>The DWP could reform the Access to Work scheme by:</p> <ul style="list-style-type: none"> <li>- Allocating funding to promote the scheme, based on the avenues identified in its recent review.</li> <li>- Setting clear and achievable standards of service for Access to Work.</li> <li>- Publishing the number of advisors they employ to process and support Access to Work applications.</li> <li>- Reviewing the training provided to Access to Work assessors and advisors.</li> <li>- Ensuring that every user of the Access to Work scheme is made aware of the new Health Adjustments Passport.</li> <li>- Including users of the scheme whose support costs exceed the current cap on grants as part of the trial of the new Access to Work enhanced package.</li> <li>- Publishing detailed guidance for disabled people on recruiting support workers.</li> </ul>
<b>Medium-term reforms</b>	
Increase funding given to the Equality and Human Rights Commission to assist it in enforcing and protecting disabled workers rights.	<p>The DWP has previously conceded that: <i>“More could be done to raise awareness and understanding among employers... of their existing responsibilities, in relation to both the duty to make reasonable adjustments and workplace adjustments”</i>.<sup>67</sup></p> <p>The Equality and Human Rights Commission – as the body responsible for enforcing equality legislation and eliminating disability discrimination – is best placed to provide more information, guidance and support on this issue to employers and disabled people.</p>
Increase funding of the Equality Advisory and Support Service (EASS) to help it achieve its aim of providing advice to disabled people with discrimination cases.	<p>Only 5% of disabled people spoke to an independent expert about the discrimination they faced at work. Yet 60% of disabled people said they would have liked to have spoken to an independent expert for advice on their discrimination claim before they left work for this reason.<sup>68</sup></p>

Policy ideas	What difference would it make?
A national cross-government strategy to address all needs related to the mental health and wellbeing of children and young people aged 0-25.	<p>Young people’s mental health and wellbeing is a complex issue that affects different aspects of their lives and therefore spans multiple departmental responsibilities. A cross-government strategy would enable a more joined-up and holistic approach. It would also require appropriate cross-government funding to facilitate the development of new prevention and early help services.</p>
Monitoring of young people’s wellbeing through comprehensive national measurement.	<p>This would provide in-depth insight into young people’s wellbeing across local areas, enabling the development of targeted interventions.</p>
<b>Major or long-term reforms</b>	
A fairer sick pay system.	<p>Increasing the minimum rate of statutory sick pay will enable disabled people to take time off work without worrying about their financial situation or feeling forced to return to work prematurely.</p> <p>Despite the common use of a phased return to work as a way of easing disabled people back into work following sickness absence, individuals are disincentivised from doing so by the rules preventing someone from being paid SSP when they return to work.</p> <p>The ‘waiting days’ rule penalises anyone who may need a short period of time off to manage their condition. The 28-week limit to receiving SSP penalises disabled people with a fluctuating condition who may need to take multiple periods of sick leave, but can work in between.</p> <p>A reformed Statutory Sick Pay (SSP) system would:</p> <ul style="list-style-type: none"> <li>- Be paid at an hourly rate and in line with the National Living Wage.</li> <li>- Be available to support reduced working hours as part of a phased return to work.</li> <li>- Remove waiting days.</li> <li>- Be available to all employees and workers, regardless of their earnings or working hours, or contract.</li> <li>- Be available for 52 weeks instead of just 28.</li> </ul>
Expansion of community-based early intervention capacity through early emotional wellbeing support hubs for young people under 25.	<p>The annual cost of mental health problems in England is estimated to be £118 billion, measured in terms of spending on health and the impacts on an individual’s work or education.<sup>69</sup></p> <p>The NHS Long Term Plan includes the provision of Mental Health Support Teams in schools and colleges, but these only support young people in education. Those in employment or who are NEET (not in employment, education or training) are being missed, leaving them reliant on overstretched adult services that are not tailored to young people at a key transition point in their lives.</p> <p>The expansion of community-based hubs would address this gap, and could offer a single ‘front door’ system for children’s mental health and well-being services. This would simplify access routes and support better join-up with other services, including employment support.</p>

## 4. Caring responsibilities

Having responsibility for the care of another person unable to live independently is a hugely important yet vastly undervalued role in society. This includes parents looking after pre-school age children, or adults who are fulfilling an unpaid caring role for a family member or friend.

For those with a caring responsibility, the impacts on employment are vast. Many will simply be unable to work, as their responsibilities are too great for them to hold down a job. Nor should we expect them to, given the huge savings that unpaid care provides to the state. Yet we also know that many others with caring responsibilities do want to increase their work participation but face numerous obstacles. They might be parents of young children held back by the cost of childcare, or carers who feel they could undertake some paid work or increase their hours but are constrained by strict rules in the benefits system or a lack of understanding and flexibility among employers.

### 4.1: Unpaid carers

There are known to be over 5 million people in the UK caring unpaid for a friend or family member with a long-term illness, disability or addiction. Around 70% of unpaid carers – or 3.5 million – are aged between 25 and 64. An estimated 230,000 are between the ages of 19 and 25.<sup>70</sup>

In 2022, the Carers Trust found that 41% of unpaid carers surveyed had been forced to give up paid employment and another 23% had reduced their hours.<sup>71</sup> These findings are echoed by the Family Resources Survey, which shows that only 53% of unpaid carers are in employment and 25% are economically inactive.<sup>72</sup>

The costs to individual carers are large. Research from the Joseph Rowntree Foundation in July 2023 put a price on this carer penalty: £487 per month or nearly £6,000 per year, rising to £744 per month or nearly £9,000 per year after six months of providing care.<sup>73</sup> Carer's Allowance, which is the lowest of all the out of work benefits, is just £74.25 per week. For over two thirds of carers, benefits replaced less than half of their previous earnings, while 25% received no state financial support at all.<sup>74</sup>

The cost to society is huge too. Estimates for the cost to the economy of carers' withdrawal from the labour market range from £1.3 billion to £2.9 billion.<sup>75</sup> The potential gain of enabling carers to work is estimated to be £5.3 billion per year.<sup>76</sup>

#### 4.1.1: Young adult carers

Unsurprisingly, the caring penalty is also pronounced in young adulthood. Carers Trust partnered with University College London's Life Course research, which shows that young carers are 36% less likely to go to university and those caring for 35 hours or more per week were 86% less likely to have a degree. That same group were 46% less likely to enter employment.<sup>77</sup> Separately, a City and Guilds study found that more than one in four young adult carers (28%) were working less than eight hours per week.<sup>78</sup>

The reasons for this are not difficult to see:

- **Young adult carers have fewer choices if they feel tied to their caring role.** They tend to do less well in school, suffer from poorer mental health and are often concentrated in lower-income neighbourhoods.<sup>79</sup>
- **The social care crisis** means it is difficult to get regular replacement care or crisis care when needed.
- **Employers:** The low profile of unpaid carers in our society means it can be difficult for employers to understand the challenges that young adult carers are facing. Workforces might not be sufficiently welcoming or flexible. Young people often feel stigma about opening up about their home lives, particularly if the cared-for person has an addiction or mental health condition.
- **A lack of tailored pathways for young adult carers:** Apprenticeships in particular are not yet sufficiently flexible and there are few tailored work placements or internships.

Research from the London School of Economics found that the lack of support for young adult carers costs the UK £1 billion per year, as well as coming at a high personal cost to the individual.<sup>80</sup>

#### 4.1.2: Parent carers

Parents of children and young adults with disabilities or significant health conditions face similar challenges to other groups of unpaid carers. Although many will have been able to establish a career before becoming a parent, the lack of available support forces many out of paid employment.

A report by the Disabled Children's Partnership (DCP), published earlier this year, found that three in four parent carers had given up their employment to care for their disabled child, with a greater number contemplating it if support did not improve. Almost half of parent carers (46%) said that they were experiencing poverty as a result.<sup>81</sup>

##### Box 4.1: David's story

David and his wife Lucy care for their son who has a range of complex disabilities. David was working full time, so Lucy was the primary carer at home. Lucy was diagnosed with breast cancer and needed to undergo chemotherapy. David used up all of his annual leave to provide the care for his son while Lucy was attending chemotherapy. David contacted his local carer support organisation because he was worried he would be forced to quit his job, and the family could not afford to lose the income from his salary.

The same DCP report found, of the parent carers who responded to the survey:<sup>82</sup>

- Almost two in five parents of disabled children have gone without food for themselves.
- One in four have accessed a food bank.
- One in six parent carers are in debt as a result of their caring role, increasing to two in five (40%) for those on Carer's Allowance.

The barriers that parent carers face are complex and varied:

- **A lack of support for disabled children** means parent carers are forced to give up their jobs.
- **Employers:** Many parent carers find that employers do not provide the flexibility they need to balance work and care. While the Carers Leave Act will provide some support to carers, it may not be enough to keep many parent carers in work.
- **A lack of tailored support** for carers getting back into work.

### 4.2: Parents held back by childcare

High-quality, affordable childcare is essential for parents and children alike. Childcare can help parents move back into work and increase their income. High-quality provision is vital to support children's early learning and development and has a significant impact on children's outcomes.<sup>83</sup> Yet current approaches to childcare and early education aren't working – for children, parents or providers. High childcare costs in particular hold parents back from returning to work, lifting their incomes and moving out of poverty.

There has been some progress made through the 2023 Spring Budget. Reform to upfront childcare costs for parents on Universal Credit will help. The extension of 30 free hours to children over nine months is a really positive recognition of the need to support parents to overcome the barriers they face to entering and getting on in work. However, the childcare system in England remains fragmented and underfunded, with fees becoming increasingly unaffordable for many parents and forming a major barrier to those who want to enter and progress in work.

#### 4.2.1: The cost of childcare

Typical net childcare costs in the UK are some of the highest in the OECD.<sup>84</sup> Since 2010, fees have risen by an estimated £2,000 per year in cash terms and almost doubled for parents with a child under two.<sup>85</sup> For many families on low incomes, particularly single parents, childcare costs are a huge barrier to entering work or increasing hours, as wages often barely cover the fees.

The average price of a part-time childcare place (25 hours a week) for a child aged under two in a nursery is £148.63 across Great Britain, or £7,729 a year. For parents of three- or four-year-olds in full-time work – for whom support is most generous – the typical weekly cost of a nursery place in England reached £117.60 this year.<sup>86</sup>

#### 4.2.2: The new free hours entitlements for children over nine months

The April 2023 announcement of free hours to every child over nine months whose parents are in work is a welcome step in bringing down costs for parents. However, without a significant increase in the funding available for the free hours, fees are unlikely to be brought down as providers will have to cross-subsidise with non-free hours to make up the shortfall (for more on challenges with funding, see 4.2.3).

Furthermore, the free hours are not available to parents that are not in work. For parents in education or training, not being able to access the free childcare hours can prevent them from developing the skills needed to get into sustainable work. And children in families where parents cannot work due to ill health or caring responsibilities are missing out on high-quality early-years education, with all the implications that has for their later-life chances.

##### Box 4.2: Jo's story\*

Jo, a mother of two, wanted to work with children and was particularly interested in qualifying as a Forest School Assistant. Jo identified some accredited local training but was unable to access it as her youngest child was too young to benefit from the funded childcare offer, and Jo was unable to cover nursery fees from her tight family budget.

Your Work Your Way funded the costs of one day of nursery per week over 12 weeks for Jo's youngest child so that Jo could attend the training and complete her coursework.

##### Jo, Your Work Your Way participant from Greater Manchester

\*Name changed to protect anonymity

#### 4.2.3: Issues with early years funding

The UK government funds the majority of pre-school childcare hours in England – but the funding offered falls so far below the costs to providers that they are forced to push up costs elsewhere to stay afloat. A 2021 freedom of information request by the Early Years Alliance found that the Department for Education (DfE) acknowledged internally that hourly funding for free available childcare places would need to be increased by at least one third in order to meet the costs of provision.<sup>87</sup>

Costs have continued to rise significantly, and with the extension of free hours, providers will be forced to increase fees in order to cross-subsidise free hours. The £240 million for 2023/24 introduced by the government for the existing free hours leaves a significant shortfall; funding provided is one-tenth of the £2.4 billion estimated by IPPR and Save the Children.<sup>88</sup> An additional £4.2 billion has been allocated for the extended free hours. However, the Women's Budget Group estimates the true cost of the fully rolled out free hours would be an additional £5.2 billion, meaning there is an overall shortfall remaining of around £7 billion.<sup>89</sup>

#### 4.2.4: Availability of childcare

In addition to high costs, childcare is often hard to access. The support offered to parents spans a range of uncoordinated offers with varied eligibility criteria, creating a system that is patchy and hard to navigate.

There is a lack of available places, particularly in rural communities. Combined with the lack of flexible hours for parents working shift work or other atypical working patterns, childcare simply is not available to many families. In 2023, one in three local authorities reported gaps in childcare supply affecting the delivery of the 30 free hours available to some three- and four-year-olds. Only 15% reported having sufficient childcare for parents working atypical hours. Availability of childcare is particularly difficult for parents of children with special educational needs and disabilities (SEND). Only 18% of Local Authorities in England said they have sufficient childcare for children with disabilities.<sup>90</sup>

The evidence collected by Your Work Your Way (YWYW) employment support project run by CPAG indicates that challenges around childcare, including high costs and availability of childcare, constrain parents' activity in the labour market and the type of employment they seek.<sup>iv</sup> When asked about aims for work, the majority of YWYW participants

<sup>iv</sup> Your Work Your Way was an employment support project for potential second earners in low-income couples run in various locations across the UK between March 2021 and March 2023 by CPAG.

listed options that accommodated childcare needs or allowed more flexibility around childcare. Over 52% of participants sought term-time employment, 38% looked for jobs with flexible working hours, 35% wanted to work from home, and around a fifth planned to become self-employed. Only around 6% of YWYW participants aimed to move into full-time work.

Childminders play a critical role in providing this more flexible care. However, securing a local childminder is difficult as demand far outstrips places in most areas. 78,000 childminders have left the sector since 2012, meaning there are around 70,000 fewer childcare places available than if numbers had stayed the same. This means finding flexible, local care is incredibly difficult and costly.<sup>91</sup>

Parents and carers also struggle with availability of holiday provision. Parents receiving support through Universal Credit are only supported financially with costs from Ofsted-approved providers. However, many holiday clubs and other providers are not Ofsted-approved, limiting parents' options over the holidays. Additionally, free hours are only available for 38 weeks in term time, so parents' costs drastically increase over holiday periods.

##### Box 4.3: Ava's story\*

Ava is a mother of two children, aged five and eight. Ava's husband works full time but the family struggles financially, so Ava decided to take up a warehouse job working 6am–2pm six days a week. Her husband took on the morning school run, and the family benefitted from the extra £500 wages that Ava earned. Last November, Ava asked her employer for leave over the Christmas period as her husband wasn't able to take any and they didn't have any family around who could help with childcare. Ava's employer refused, she was told that if she was not able to find childcare, she had to quit her job. Ava looked for a childminder but there were no childminders available in her area, or any holiday clubs nearby. As the family needed the extra income, Ava agreed to work night shifts over the holidays from 10pm–6am. She then looked after her children during the day while her husband was at work. Ava found it extremely difficult as she was unable to get adequate rest, leaving her feeling exhausted and overwhelmed. She switched back to working day shifts in January, but reported that both her physical and mental health suffered as a result of extensive stress and fatigue. Ava has been struggling with her health since then and has had to reduce her working hours to part time.

##### Ava, Your Work Your Way participant from Bedfordshire

\*Name changed to protect anonymity.

#### 4.2.4: Supply side issues

Providers are facing intensifying workforce challenges. Instead of being recognised as skilled and socially valuable jobs, childcare workers are low-paid and have limited access to training and progression opportunities. The current funding settlement fails to provide a sustainable solution for providers – fees remain high as providers are unable to meet their own costs, let alone invest in staff or facilities. This means childcare providers are forced to pass on the costs to parents through high fees or face closure.

Both parents and providers want to ensure children receive high-quality childcare. However, one of the main impacts of poorly-funded provision has been a significant reduction in numbers of well-qualified staff, as providers are forced to cut costs.<sup>92</sup> Recent changes to ratios from 1:4 to 1:5 (one childcare professional to every four/five children) – intended to reduce costs — are unlikely to pass savings on to parents. Just 2% of early years providers said changes to ratios would result in lower fees for parents.<sup>93</sup>

#### 4.2.5: Wraparound childcare

Childcare costs do not end once children reach school age – the lack of reliable, wraparound care before and after the school day causes significant problems for parents. Many school administrative systems are incompatible with claiming costs through Universal Credit, so parents can't access it.

Announcements at the 2023 Budget of new funding for local authorities in England to set up wraparound childcare provision in schools is a positive recognition of the need for more support during school years. However, the £289 million announced falls far short of the funding needed for a full extended schools offer of wraparound care covering 8am to 6pm.<sup>v</sup>

<sup>v</sup> There are differing proposals for an extended school offer. However, government funding falls far short of any of the proposed options for wraparound care. CPAG propose a wraparound offer costing £2.6 billion per year to fund every primary school to deliver core extending schooling activities. IPPR costed a full wraparound offer as part of theirs and Save the Children's call for a Universal Childcare Guarantee.

Many YWYW participants felt that lack of reliable, affordable wraparound and holiday care significantly limited their employment prospects.

***'The only job I can do is a school job. I have four children and one is disabled, my husband works full time and we have no help with childcare so I need to be free to look after kids at holidays and half-terms. There is no other way for now.'***

Your Work Your Way participant from Bedfordshire

#### 4.2.6: Issues for parents claiming Universal Credit

In addition to the challenges with the childcare system generally, there are some unique issues faced by those on low incomes receiving Universal Credit, which can prevent them from entering and progressing in work.

- **Costs:** Parents claiming Universal Credit receive support with childcare costs – up to a maximum of 85% of fees, or a cash cap of £950 for one child and £1,630 for two or more children (as childcare support does not increase if you have more than two children).<sup>94</sup> However, the childcare element is tapered away along with the rest of the UC award, meaning that, in practice, many parents do not receive 85% of their costs. This reduces work incentives and increases hardship for families. The combination of the taper rate and the cap means that some parents on Universal Credit face marginal tax rates of over 100% – meaning they are worse off after returning to work.<sup>95</sup>

There have been welcome improvements to the childcare element of UC. Previously, parents were expected to cover 100% of childcare costs upfront and were reimbursed.

This created a barrier for parents attempting to enter work as they were unable to cover the expense, causing many to choose between taking on debt or not working. The recent change to ensure parents have their costs paid upfront has removed a significant barrier for many parents entering work. However, costs remain high, and parents are expected to cover 15% of all fees above the cap. For many parents in work these costs are still unaffordable, particularly during a cost-of-living crisis.

- **Issues with the Flexible Support Fund:** Parents also struggle with fluctuating childcare costs due to holidays, meaning shortfalls vary and it is hard to budget. The Flexible Support Fund (FSF) can be used to support parents with childcare costs, but is currently only available to jobseekers and designed to support people to move into work. Until recent changes to the FSF, which allow parents to access it to increase their hours, it was only available to jobseekers and designed to support people to move into work. Furthermore, knowledge on how the FSF can be used to support parents is low among work coaches, meaning many families do not have access to this support, which acts as a barrier to entering or increasing hours at work.

#### Box 4.4: This hypothetical example shows how high marginal tax rates can be

Jill is a single parent with two children who attend the local primary school. She is currently working 15 hours per week on the minimum wage to fit in work around school pick-up and drop-off (8:30am and 3:30pm respectively). Jill is currently in receipt of UC and is eligible to claim support for up to 85% of her childcare costs. After she's covered her housing costs, Jill's weekly income is £297, which means Jill and her children live below the poverty line (£300 for her family). Jill would like to work more but childcare costs are a significant barrier. If Jill chooses to increase her work to 30 hours per week, she has to pay for wraparound provision to make this possible. This would mean she loses over half of her increased net income to meet these costs. In this instance, Jill's additional income would be £55 per week (after tax) but she would spend £30 on childcare.

#### Box 4.5: Yvette's story

Yvette has a young child and was recently offered a job. However, she is unable to afford the upfront costs of childcare to enable her to move into work. Yvette was unaware of the Flexible Support Fund but received advice from a welfare rights advisor encouraging her to request a grant from the FSF to enable her to move into work. She made a request through her journal, but received a reply stating that financial support for childcare costs was only available in arrears through UC. After Yvette cited the FSF guidance document and quoted the Minister for Welfare Delivery, she started to receive help with making an application for funds from the FSF. Yvette said that without continued support from a welfare rights advisor, she wouldn't have known about the FSF or persisted after her initial request for support was unsuccessful.

#### Yvette, Your Work Your Way participant from Bedfordshire

\*Name changed to protect anonymity.

## 4.3: Possible policy solutions

Policy ideas	What difference would it make?
<b>Short-term reforms or 'quick wins'</b>	
Increase the amount covered by the Universal Credit childcare element from 85% of costs to 100%.	Childcare costs would be more affordable for families on low incomes, reducing the barrier to work that high costs create.
Extend the free childcare offer to all families, including parents who are not working, or are in training or education.	This would ensure children of parents who cannot work are not disadvantaged by not being able to access early years childcare. It would help support parents back into work by ensuring that childcare is provided for those who need to access training or education.
A Carers Lead for every Jobcentre.	Carer Leads in Jobcentres would help bring much-needed visibility to unpaid carers, bringing them into the mainstream of a major public service, by: <ul style="list-style-type: none"> <li>- Providing tailored support for unpaid carers.</li> <li>- Training work coaches to proactively identify unpaid carers.</li> <li>- Working with employers to provide carer-friendly job roles.</li> </ul>
Dedicated employment programmes operating in places where unpaid carers are.	Given the number of unpaid carers who are economically inactive and not on benefits, discrete amounts of funding could be made available by Jobcentres via the Dynamic Purchasing System for organisations to engage unpaid carers. <p>This would build on experience gained through the Working for Carers scheme in London, funded by the European Social Fund and The National Lottery Community Fund, which saw 1,266 unpaid carers and former carers supported to move closer to employment, 82% of whom were previously economically inactive.<sup>96</sup></p>
Making career advice in schools more 'carer aware'.	The Department for Education and the Careers & Enterprise Company could spearhead work to ensure that young carers are identified and catered for by tailored career advice. This is likely to involve training, guidance and measurement. Careers leads in schools would be better equipped and young people would get more meaningful support.
Development of carer-friendly post-education pathways and education and employer links, including flexible apprenticeships.	This could build on the experience of programmes for other cohorts of young people. Tailored pathways could include placements, paid internships and dedicated trainee programmes. <p>Flexible apprenticeships need to be fast-tracked by the Institute of Apprentices. Done at scale, this could markedly improve outcomes for young carers and help employers to become more 'carer aware'.</p>

Policy ideas	What difference would it make?
Reform of Carer's Allowance.	<p>Carer's Allowance needs fundamental reform as a broken benefit. However, in the short term, various reforms could be undertaken to help alleviate carer poverty, including:</p> <ul style="list-style-type: none"> <li>- Aligning Carers Allowance rates with other unemployment-related benefits.</li> <li>- Aligning the minimum earnings limit with uplifts in the minimum and living wage, so receiving a mandatory pay increase does not push you over the earnings threshold.</li> <li>- Streamlining complicated eligibility criteria and removing the '21-hour rule' which means young adult carers are ineligible for Carer's Allowance if studying more than 21 hours a week.</li> <li>- Including unpaid carers in eligibility for other discrete entitlements, such as the Cost of Living payments, where Carer's Allowance was not a qualifying benefit.</li> </ul>
<b>Medium-term reforms</b>	
Take childcare support out of Universal Credit and introduce a new system covering 100% of parents' costs.	This could reduce the complexity of the current system for parents, making support with childcare more accessible. Childcare costs would also become more affordable for families on low incomes. Reducing the complexity and cost of childcare would reduce the barrier the current system creates for parents entering work or increasing their hours.
Ensure every primary school has the funding and resources to provide comprehensive before- and after-school care, free at the point of access, from 8am to 6pm.	This would provide parents of primary school-age children with free-to-access childcare in a convenient setting that they trust, enabling them to access a wider range of employment opportunities.
Introduce Statutory Carer Pay. Alternatively, a lower cost option would see Carer's Leave strengthened and paid.	<p>Statutory Carer Pay would give carers up to 39 weeks of paid leave for one year, with the ability to take this leave flexibly, paid at least at the same level as Statutory Maternity Pay.</p> <p>Around 65,000 carers would be expected to take up the policy each year and the majority would stay in work. This could have a transformative effect on people's ability to maintain employment, at a cost of £420 million to £670 million a year.<sup>97</sup></p>
<b>Major or long-term reforms</b>	
A Universal Childcare Guarantee from the end of parental leave to the end of primary school. <sup>98</sup>	<p>Universally accessible, affordable, quality childcare from the end of parental leave to the end of primary school would enable all parents able to enter work to do so without facing extortionate costs.</p> <p>As part of the guarantee, childcare would be adequately and sustainably funded, ensuring high-quality care for children. There would be properly-funded free hours available from the end of parental leave, and parents on Universal Credit would have greater support with costs and a simpler system, better enabling them to move into and progress in work.</p> <p>A full rollout of the guarantee would cost an estimated £18.3 billion. A full breakdown of costs for each stage of reform is available in the original IPPR report.<sup>99</sup></p>

## 5. Single-parent families

Most single parents want to work. Research by Gingerbread shows that single parents not only view work as important to their economic security, they also recognise its value in relation to mental wellbeing and role-modelling for their children. Despite this, single parent unemployment rates are consistently double those of couple parents, and they are twice as likely to be underemployed (wanting to work more hours) compared to couple parents.<sup>100</sup>

### 5.1: Childcare

Single parents face all of the same childcare challenges set out in the previous chapter, but as they often must meet caring and financial responsibilities alone, they have much less practical and financial flexibility than couple parents. Full-time childcare for a single parent on minimum wage with two children would take as much as a third of their income, compared to less than a quarter for couple parents.<sup>101</sup>

A lack of available childcare and wraparound care is particularly problematic for single parents during the school holidays, with some Gingerbread clients reporting they are forced to quit jobs and then find new ones once their children are back in school.

***"I have an ongoing concern that working full time means finding a reliable childminder, and my experience of childminders hasn't been brilliant in the past... My daughter's school doesn't have an after-school club, so there isn't any help there."***

A single parent supported by Gingerbread

### 5.2: Employer flexibility<sup>vi</sup>

Employer flexibility is instrumental in enabling single parents to work, allowing them to balance childcare and employment. But a shortage of part-time, flexible jobs forces many single parents to accept roles that are below their skill level, or pushes them out of work altogether. Where part-time jobs are available, they are often low-paid and the hours can clash with childcare responsibilities.<sup>102</sup>

Data from the Timewise Flexible Jobs Index shows that just 12% of jobs are advertised as part time. Of these, only one in 10 vacancies have a salary of over £20,000 full-time equivalent. Nevertheless, demand for these roles outstrips availability by four to one, despite employers struggling to fill full-time vacancies. And only 30% of jobs are advertised as flexible.<sup>103</sup>

Although the recent passage of the Flexible Working Act grants all employees the right to request flexible working from day one of employment, Gingerbread research shows that single parents face additional challenges with the lack of transparency in many job adverts over permitted flexibility. Often, this is only disclosed by employers late in the recruitment process, which means that single parents frequently invest time and resources applying for jobs that turn out to be incompatible with their other responsibilities.<sup>104</sup>

#### Box 5.1: Sue's story

Sue worked as cabin crew for a major airline and had a well-paid role. Due to the impact of the pandemic on the aviation sector, she lost her job. Sue has applied for numerous jobs but has had few replies. Even where a job is advertised as part time, she has found employers are not specifying in the advertisement that she needs to be available for short-notice shifts and to work evenings and weekends. Sue has been turned down at interview when she has made it clear she cannot be flexible around hours of work because of the lack of evening and weekend childcare.

<sup>vi</sup> The challenges faced in this section also apply to potential second earners. See the Your Work Your Way Programme in Chapter 4 for more details.

### 5.3: The ‘work first’ approach to employment support<sup>vii</sup>

More than 1.7 million single parents claim Universal Credit.<sup>viii</sup> The support offered by JCP and individual work coaches can play an important role in allowing single parents to overcome their barriers to work. But the service provided is inconsistent and impersonal, with DWP operating a ‘work first’ approach and repeatedly increasing claimant conditionality.

Under the ‘work first’ approach, claimants are encouraged to get into work as quickly as possible. The ‘Way to Work’ campaign launched in January 2022 lowered the length of time claimants were given to secure a role in their previous or preferred sector from three months down to just four weeks. After that point, failure to look for work in other sectors would result in benefit sanctions. This can force single parents to accept any available job, even though it might not fit their skill set, availability, wider lives, or career ambitions. This in turn increases the risk of them having to leave that role.<sup>105</sup>

Changes to conditionality over the years have disproportionately impacted single parents. Since 2008, work search requirements for single parent claimants have steadily increased, leaving this group at an increased risk of being sanctioned due to childcare and job flexibility requirements (for more on conditionality and sanctions, see the next Chapter).

Moreover, Gingerbread research shows that single parents’ experiences with work coaches vary greatly. In cases where coaches were able to respond to the complexities of single parents’ circumstances and provide bespoke help, this helped them to secure sustainable work. But in many instances, coaches showed a lack of awareness of the specific barriers faced by single parents, which resulted in a lack of meaningful support and hindered their job search success.<sup>106</sup>

One single parent, Sara, told Gingerbread:

***“I feel like... I don’t know if all work advisors are the same, but the two work advisors I had through universal credit were lovely and so helpful... I was lucky, and I feel like if they had pushed us into work earlier... I would have taken a part-time job, probably in a shop or just anywhere, without waiting for a job I wanted to do or where I felt comfortable.”***

Another, Kerry, said:

***“The jobcentre hasn’t been supportive of me whatsoever if I’m completely honest. They just say I don’t have to work until—I believe it’s until [the children are] five. So obviously, because they know they’re young, they’re not bothered. But I feel like I want to work. All they ever say is, ‘you don’t need to work, don’t worry about it’”***

Chapter 7 takes a closer look at some of the issues with current approaches to employment support.

### 5.4: Possible policy solutions

Policy ideas	What difference would it make?
<b>Short-term reforms or ‘quick wins’</b>	
Extend the 30-hour free childcare offer to single parents who are in training or education and have pre-school age children.	This would enable single parents to train or retrain to secure work that suits their caring responsibilities, career ambitions and earning requirements.
Develop specialist work coaches for single parents.	Specialist work coaches would be able to better advise on benefit entitlements, options for covering childcare costs, rights around flexible working as well as advice on suitable roles.

<sup>vii</sup> The challenges faced in this section also apply to potential second earners. See the Your Work Your Way Programme in Chapter 4 for more details.

<sup>viii</sup> 1.7 million single-adult households with children were claiming Universal Credit in May 2023. Figures obtained via StatXplore.

Policy ideas	What difference would it make?
<b>Medium-term reforms</b>	
The DWP and the Department for Business and Trade (DBT) should work with employer groups, single parents and groups representing them to develop targeted recruitment programmes for industries with skills shortages.	This would allow employers to better capitalise on the skills and experiences of single parents in the UK, helping the government address a drag on our economy.
The DWP should support employers to make a cultural shift towards recognising the merits of flexible working.	It is estimated that flexible working currently results in £37 billion of economic gains per year and that a 50% increase could raise this to £55 billion. <sup>107</sup>



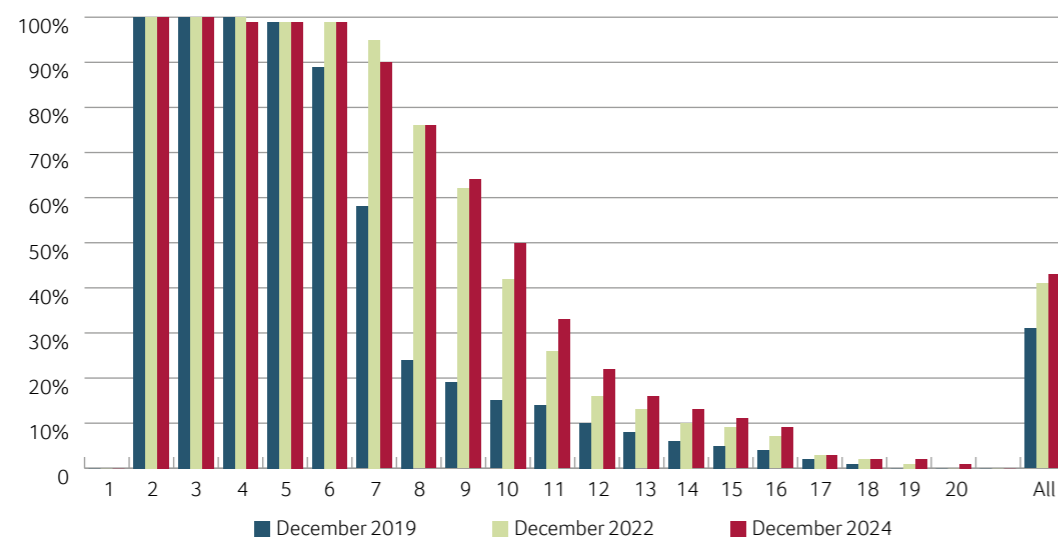
## 6. The social security system

The levels of support offered by our social security system are at historic lows and are making it hard for families to afford even the most basic essentials. Inadequate benefit rates and punitive policies are driving deep poverty and record need for food banks. Evidence shows that this level of extreme financial insecurity makes it much harder both logistically and mentally to secure and stay in work.

### 6.1: Inadequate benefit levels

Analysis from the New Economics Foundation (NEF) shows that in December 2022, 41% of households (11.9 million) were unable to afford a decent standard of living, an increase of 12 percentage points (3.6 million) compared to three years earlier. This is expected to rise further to 43% of households by the next general election.<sup>108</sup>

**Figure 6: Estimated proportion of households falling below the Minimum Income Standard (MIS) after housing and childcare costs (AHCC) in December 2019, December 2022 and December 2024, by income vintile<sup>ix</sup>**



Even more concerning, since well before the current crisis or the pandemic, there has been a substantial increase in the number of households that are unable to afford even basic essentials. Between 2002/03 and 2019/20, very deep poverty increased by 1.8 million people.<sup>109</sup> Research from the Joseph Rowntree Foundation shows that 2.4 million people experienced destitution in 2019, a 54% increase from 2017.<sup>110</sup>

The erosion in the adequacy of our social security system has been a key driver of this trend. Most people would expect the levels of support within our social security system to be based on a logical, empirical calculation. However, current benefit rates are the result of largely arbitrary historical decisions and changes, and have never been based on any reasonably objective measure of what households need.

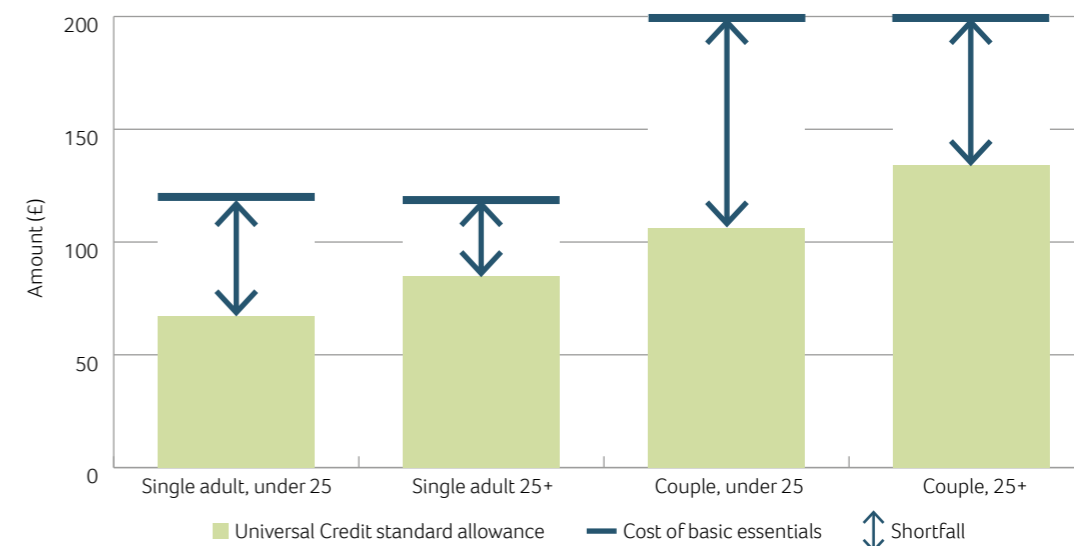
Without a precedent for what benefit rates should be pegged to, they have been allowed to erode over decades. The basic rate of Universal Credit (including its historical equivalents) is now around its lowest level in real terms for almost 40 years.<sup>111</sup> The UK has some of the lowest income replacement rates among the high-income OECD countries.<sup>112</sup>

Research from the Joseph Rowntree Foundation and Trussell Trust shows that, in 2023/24, a single adult needs at least £120 per week to cover essentials, such as food, utilities, vital household items and travel (excluding rent and council tax).

<sup>ix</sup> Based on NEF analysis of the Family Resources Survey (FRS) using the IPPR tax-benefit model. December 2022 and 2024 MIS estimates use OBR inflation forecasts to account for the energy price guarantee. The bottom 5% of households are removed due to unreliable data in the FRS. Grossing is applied at the household level. Changes to capital gains thresholds not included in analysis.

Universal Credit's standard allowance, however, is currently only £85 per week for a single adult aged 25 or over; a shortfall of at least £35 per week, or £66 per week for a couple over 25. The gaps are even greater for adults under the age of 25, who receive lower standard allowance rates: £53 per week short for a single adult and £94 per week short for a couple. Polling commissioned by JRF found that 67% of the public said they didn't think they would be able to afford their essential costs if they were on Universal Credit, and 69% supported increasing the standard allowance.<sup>113</sup>

**Figure 7: Shortfall between Universal Credit standard allowance and the cost of basic essentials, 2023/24<sup>x</sup>**



The impacts of this threadbare safety net can be seen in consistent evidence of hardship, with around nine in 10 low-income households on Universal Credit consistently reporting that they are going without essentials such as food, a warm home, adequate clothing or toiletries.<sup>114</sup> Nearly 3 million emergency food parcels were distributed by food banks in the Trussell Trust network last year – the highest ever levels of food bank need – largely driven by inadequate social security support.<sup>115</sup>

#### 6.1.2: Policies that reduce entitlements further

The basic inadequacy of benefit rates is compounded by the impact of policies that further reduce entitlement below subsistence levels – namely the five-week wait for new claimants, debt deductions, the Benefit Cap and the Two-Child Limit.

These policies reduce the value of support that people would otherwise be entitled to, create cliff edges in the system, and impose punitive measures for failing to comply with certain requirements. They prioritise principles — such as political narratives about deservingness, the rights of debtors, and punishment for perceived lack of effort — over what should be the primary objectives of social security: protecting people from poverty and providing a base from which they can engage and participate in society.

- **Deductions:** Universal Credit claimants can lose up to 25% of their standard allowance each month to debt deductions, or even more in some limited cases. These can be debts owed to third parties, such as landlords or utility companies, but the majority relate to debts owed to central government.<sup>116</sup> Often, this is due to an advance loan taken out at the start of a claim due to the lengthy five-week wait before the first UC payment. In February 2023, over 700,000 households in receipt of UC had a deduction applied because of the five-week wait, and 900,000 deductions were applied because of a budgetary advance, further highlighting the basic inadequacy of the standard allowance.<sup>117</sup> In total, around half of households on Universal Credit face some form of deduction, losing an average of £62 a month, or £73 a month for households with children.<sup>118</sup>
- **Benefit Cap:** The Benefit Cap places a limit on the total amount of support a working-age household can receive from most means-tested benefits, regardless of the size of the family or their housing costs. Around 114,000 households are affected by the Benefit Cap, and these are overwhelmingly families with children (85%) and

<sup>x</sup> Based on Joseph Rowntree Foundation & The Trussell Trust analysis produced for the 'Essentials Guarantee'. Refer to JRF (2023) An Essentials Guarantee: technical report for details on the methodology. Available at: <https://www.jrf.org.uk/report/guarantee-our-essentials>

predominantly single parent households (69%).<sup>119</sup> It also disproportionately impacts households in regions with higher housing costs.

There are exemptions for those who qualify for Working Tax Credits; are earning at least £722 a month (equivalent to 16 hours a week at the National Minimum Wage); disabled people; or those with certain caring responsibilities. The cap means households receive less than they would otherwise be entitled to, making it harder to cover their needs, and can act as a cliff edge (see Box 6.1).

- **Two-Child Limit:** Larger families are prevented from receiving an additional child element in their Universal Credit or tax credits for a third or subsequent child (born after 6 April 2017). This additional payment is worth up to £3,235 a year in 2023/24. One in 10 children (1.5m) are in households affected by the Two-Child Limit. It is recognised as a major driver of child poverty, with rising child poverty rates projected to fall almost entirely within larger families in the coming years.<sup>120</sup>

#### Box 6.1: How the Benefit Cap acts as a cliff edge

Consider a single parent with two young children living in Enfield, paying £1,600 per month in rent. They cannot work full time because childcare is too expensive.

One month they earn £750. As their earnings are above the threshold at which the Benefit Cap applies, they receive £2,350 from Universal Credit, giving a net monthly income of £3,321.

But suppose they also have little control over the hours they work, meaning the following month they only earn £650. Despite their gross earnings falling by £100, their net income has reduced by £499 to £2,822.

This cliff edge is caused by the Benefit Cap, which in the second scenario reduces the UC award by £467. This makes the system more difficult to navigate, even though one of the objectives of UC was to simplify the system.

## 6.2: Inadequate social security can move people further away from the labour market

Evidence from a range of studies suggests that the inadequacy of social security can have detrimental impacts on engagement with the labour market.<sup>121</sup> This is particularly true of disabled people. A comparative study of replacement rates among disabled people in 12 OECD countries found that for each percentage point increase in their replacement rate, the disability employment gap reduced by 0.3 percentage points and the disability poverty gap also reduced by 0.12 percentage points.<sup>122</sup>

A recent study from researchers at Oxford, York and LSE found no evidence that the Two-Child Limit increased employment. It further concluded that the Benefit Cap may be leading to increased economic inactivity by pushing claimants towards disability benefits that create an exemption from the cap, and through increased mental health problems.<sup>123</sup> A 2016 evidence review of approaches to employment activation policies across all EU member countries found that inadequate income support leads to social problems like poverty, homelessness and social exclusion that make it harder to achieve good employment outcomes.<sup>124</sup> This is reflected in the evaluation of a pilot employment support scheme in Oxford, which found that the higher a person's weekly housing benefit shortfall, the less likely they were to attain employment through the pilot.<sup>125</sup>

### 6.2.1: People may struggle to meet costs associated with job searching

One explanation for this is that being unable to afford food or bills can make job hunting much harder. Not having enough to cover the bus ticket to an interview or a shift can make finding and keeping work almost impossible.<sup>126</sup>

This is echoed in DWP research on the impact of the Benefit Cap, which illustrated how a lack of income can present upfront barriers to getting work in some industries. For instance, needing to pay for accreditation in construction; registration and a criminal reference check to be a childminder; or insurance to be a taxi driver.<sup>127</sup> Inability to afford costs associated with job searching is discussed in other studies, including transport to job centres or interviews, access to a computer and the internet, or buying clothes for job interviews.<sup>128 129 130 131</sup>

### 6.2.2: Hardship can restrict mental bandwidth

Recent research with people using food banks vividly describes how a lack of income itself leads to new problems emerging, compounding initial setbacks and making them harder to address. For example, people were having to dedicate a lot of time and energy to monitoring and managing their household budget because they had so little financial room for manoeuvre. Insufficient income also resulted in rent arrears or loans being called in, which then consumed yet more time dealing with lenders, landlords or other agencies.<sup>132</sup>

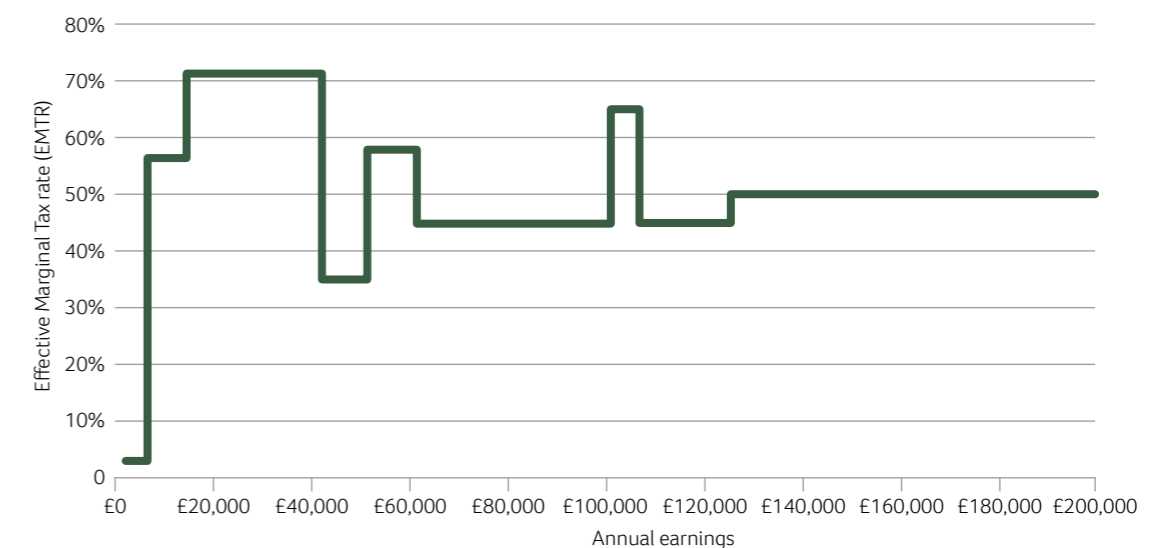
Wider literature, including that on 'scarcity theory' and 'conservation of resources theory', discuss the impact of poverty on mental bandwidth.<sup>133 134 135</sup> Recent studies use these theories to explain how financial hardship and stress associated with being unemployed consumes mental bandwidth, leaving less capacity for effective job searching.<sup>136 137 138</sup>

## 6.3: The impact of social security on work incentives

It is important that social security does not financially disincentivise work, as was the case with certain parts of the legacy benefits system. For example, households in receipt of housing benefit, working tax credits, child tax credits and council tax reduction had effective marginal tax rates (EMTR) at or around 100%. When these benefits were claimed together, their individual taper rates stacked on top of each other, meaning that for every additional pound earned, most of that pound would reduce their social security payments rather than ending up in their pocket. The single taper rate in Universal Credit has for the most part removed this incongruent taper rate issue, but low-income households still face far higher effective marginal tax rates than the highest earners.

Figure 8 shows that low-income households face much higher tax rates than the rest of the population. Until earnings reach a high enough level for Universal Credit eligibility to end, the EMTR of low-income households is higher than across the rest of the income spectrum. Reducing the UC taper rate further would allow low-income households to retain more of their earnings and support work incentives.

Figure 8: Effective marginal tax rate, by annual earnings, for a single parent with one child, rent of £500 per month and a 3% pension contribution<sup>xi</sup>



While it is important to acknowledge the interaction of tax and taper rates, they do not necessarily determine whether someone moves into work or takes on more work, which is likely to be a complex and multifaceted decision. For example, expensive childcare is often given as a reason for not increasing earnings or even reducing hours.<sup>139</sup> Recent NEF analysis finds that within the bottom income decile of parents, only 2% are eligible for the 30 hours free childcare, compared to approximately 70% for high-income parents.<sup>140</sup> This is despite low-income children benefitting the most from access to high-quality childcare.

<sup>xi</sup> NEF calculations, using the April 2023 tax and social security system.

### 6.3.1: Universal Credit work allowance

One way the government looks to increase the financial return from working is through the Universal Credit work allowance, which applies to the primary earner. In practice, this means that there is a grace period before Universal Credit is tapered away as earnings increase. This currently stands at £379 a month if the household is claiming housing support, or £631 if the household is not claiming towards housing costs. This encourages out-of-work households to enter work, as the financial return is greater than in the absence of the work allowance.

This is different for potential second earners, who currently have no work allowance. This means that from the first pound earned, 55 pence is taken away from their UC entitlement. When this is coupled with other costs like childcare and transport, it can often mean there is very little incentive for potential second earners to enter work, alongside all the other barriers they might be experiencing.

#### Box 6.2: How second earners in Universal Credit can be worse off in work

Consider a Universal Credit claimant in a couple family. She has been out of work for four years looking after her two young children, and is now ready to get back into work. Sadly, our claimant quickly realises that unlike her partner, she won't benefit from a work allowance.

Instead, for every £1 she earns, 55p will immediately be taken from her UC award. Left with 45p net income for every £1 she earns, our claimant will need to spend a significant amount on childcare each week if she goes to work. Her youngest child is too young to qualify for fully-funded government schemes. UC will cover 85% of her childcare costs, but the remaining 15% will need to come out of her earnings. Her 45p gains shrink to 20p.

Next, she thinks about travel costs. Her part-time job is three days a week, and she'll need a return bus ticket on each of these days. Our claimant is shocked to discover that after travel costs she'll only see a 5p financial gain from starting work. The family get help with Council Tax Support, free prescriptions, dentistry and eye tests. They will lose out on these if their combined earnings are too high. Our claimant can see that, after these are factored in, her going back to work could actually end up costing the family money.

### 6.4: Conditionality and sanctions

Conditionality refers to the setting of requirements people must meet in order to retain their benefit entitlement, with compliance enforced through sanctions that involve the partial or full withdrawal of a claimant's benefit income. Reforms introduced since 2012 have led to a significant toughening of the conditionality and sanctions regime, with sanctions applied far more frequently and with greater severity than under the legacy system.<sup>141 142</sup>

As well as causing severe hardship for those affected, driving many to rely on emergency support such as food banks, sanctions are rightly seen to epitomise the often-punitive nature of our social security system. This has led to scrutiny of the effectiveness of sanctions, with a focus on what happens to people who are subject to them.<sup>143</sup>

The DWP's own analysis suggests that a sanction can push someone further away from the labour market and reduce the likelihood of them entering well-paid, secure work.<sup>144</sup> Wider international evidence is clear that while sanctions can have positive employment impacts in the short term, this comes at considerable cost by driving people towards lower-quality work, economic inactivity, increased material hardship and adverse health outcomes.<sup>145</sup>

A common justification for the government's policy holds that it is the threat of sanctions rather than the sanction itself that is likely to promote positive outcomes. However, no evidence of the magnitude or effectiveness of such a deterrence effect has ever been presented, while there is good reason to believe that conditionality can undermine efforts to support someone into work. A large-scale, five-year qualitative study – the *Welfare Conditionality Project* – based on more than 1,000 interviews with service users and practitioners concluded in 2018 that:

*“Welfare conditionality in the social security system is largely ineffective in facilitating people's entry into or progression within the paid labour market over time. Stasis, a lack of significant and sustained change in employment status, is the most common outcome for the substantial majority across the repeat interviews.”*<sup>146</sup>

Other evidence from the DWP itself suggests that it is the quality of the relationship between a work coach and the person they are supporting that determines the likelihood of a positive outcome.<sup>147</sup> Conversely, the heavy emphasis on

conditionality not only undermines trust and rapport, but also leaves little scope to measure or understand the quality of engagement.<sup>148</sup>

Two key current labour market challenges demonstrate the limitations of a conditionality-centric, compliance-driven approach to employment support. The first of these is the growing number of people who feel unable to work because of health conditions and disabilities; the second is a proliferation of low-paid, poor-quality and insecure work.

#### Box 6.3: Melissa's\* Story

Melissa\* and her husband have two daughters, aged nine and five. Melissa's husband is self-employed and works long hours. Melissa is the lead carer to her daughters, and has the standard work search conditionality of 25 hours per week. Melissa's youngest daughter needs extra care: she is currently being assessed for autism. Melissa was recently sanctioned after she failed to answer a phone call from the jobcentre. Melissa thought the phone call was an informal catch up after a job interview: it wasn't explained that it was mandatory. In any case, Melissa couldn't answer the phone call as her youngest daughter had thrown and broken her phone. With the help of a YWYW advisor, Melissa challenged the sanction and it was overturned – but not before it had caused significant hardship and worry.

Melissa, Your Work Your Way participant from Coventry

\*Name changed to protect anonymity.

Policy ideas	What difference would it make?
<b>Short-term reforms or 'quick wins'</b>	
Reduce the default maximum total deduction rate from 25% of the Universal Credit standard allowance to 15%, including a 5% maximum deduction rate for debts to central government.	Households can lose up to 25% of their standard allowance (with a small percentage of households in some circumstances losing even more than this). No affordability assessment is made, an approach that wouldn't generally be allowed in the private sector.  Given that the basic rate of UC is already below what is needed to cover essentials, it is clear that losing 25% is unaffordable and causes unnecessary hardship. These changes would make a substantial difference, while still allowing space for use of deductions as a measure of last resort for priority debts. This would carry a negligible cost on the HM Treasury scorecard (but would impact fiscal rules by adding to debt).
Introduce a work allowance for second earners on Universal Credit. This could be set at the same rate as for primary earners.	It is difficult to model the labour market or poverty impacts this policy could have as it involves changing people's incentives and therefore trying to predict human behaviour, but a standard calculation estimates that it would cost £2.1 billion and lift 100,000 people out of relative poverty after housing costs. A second earner's work allowance may offer a more politically attractive option for lifting the incomes of working couples while also promoting positive employment effects.
Reduce the Universal Credit taper rate by five percentage points to 50%.	People in receipt of UC face very high marginal tax rates. The most targeted way to reduce this, and to help make work pay, is to reduce the UC taper rate. Reducing it by five percentage points will take 110,000 people out of relative poverty after housing costs, and cost £3.1 billion.
Improvements to Universal Credit processes and digital systems.	Many UC claimants struggle to work out how they will financially benefit from entering work or working more hours. Better tools and simple improvements to how information is provided through UC could help parents to feel more informed and confident about increasing their work. A recent report from CPAG made numerous recommendations for improving the UC digital system at a relatively low cost. <sup>149</sup>  Improvements to the claimant journal – or the development of better tools – could also help to create a shared understanding of a claimant's circumstances. For instance, the vast majority of sanctions are a result of missed appointments, many for completely innocent reasons. An app-based calendar where claimants and work coaches mutually agree windows for appointments in advance based around a claimant's ongoing commitments (such as picking up children from school, or attending education and training), with the flexibility to update it should circumstances change, could be one such simple change to reduce the number of missed appointments.

Policy ideas	What difference would it make?
Reintroduce the Limited Capacity for Work (LCW) component of Universal Credit.	People unable to work because of sickness and disability face a binary system of support, with strict rules on work in the LCWRA group that pushes them further away from the labour market. Reintroducing the LCW component of UC would help with the transition into work. This would cost an estimated £2.2 billion (2021/22).
Scrap the Two-Child Limit and the Benefit Cap.	Both policies deny vital income to children in poor families, pushing them into deeper poverty and trapping them there, while failing to meaningfully deliver on any of their original policy aims. <sup>150</sup>  Abolishing the Benefit Cap would cost £300 million a year, while scrapping both policies together would cost an estimated £1.6 billion.
<b>Medium-term reforms</b>	
Implement the first steps towards an 'Essentials Guarantee':	The 'Essentials Guarantee' proposal from JRF and the Trussell Trust would implement a legally protected minimum level of support within UC, based on what is needed to cover essentials such as food and bills.
<ul style="list-style-type: none"> <li>- A legally protected minimum level of support.</li> <li>- An independent process to recommend its level.</li> </ul>	There are initial steps the government could take towards this, such as setting up the independent process to recommend the ideal level of the Essentials Guarantee (EG). It could then also implement the legal minimum level of support, but at a lower level initially than the recommended EG level, changing deduction policies to ensure that the value of the standard allowance less various deductions is always at least at this minimum level. It would then raise this level over a number of years to reach the full Essentials Guarantee level.
Auto-enrolment of benefits.	Many households do not claim the social security they are entitled to. Creating a system of auto-enrolment would ease this issue and reduce the need for the five-week wait. This would cost an estimated £8 billion, but is highly dependent on other benefit policies.
Create a disabled adult element within Universal Credit.	Disability benefits do not cover the entire total cost of living with a disability. Legacy benefits helped to make up this gap through disability premiums, but these have been lost in UC. Creating a disabled adult element would help to make up for this shortfall and significantly reduce the financial burden on disabled people and their families.
<b>Major or long-term reforms</b>	
Implement the full Essentials Guarantee – a legally protected minimum level of support within Universal Credit, based on the cost of essentials such as food and utilities.	The Essentials Guarantee has been proposed by JRF and the Trussell Trust and endorsed by over 100 organisations. By embedding a legal minimum in our social security system, it will significantly strengthen its ability to protect our society from destitution and wider material hardship.  It will help everyone on Universal Credit, including those in work, without having a significant impact on work incentives. By boosting our income replacement rates, it would ensure UC can better support people to get back on their feet. The estimated cost for full implementation is £22 billion a year (2023/24).
Introduce a 'National Allowance' element of Universal Credit.	Unlike other pillars of the welfare state, most people do not interact with the social security system. Because it is an abstract policy to many, the debate around welfare reform can be highly charged.  NEF has set out how a near-universal element of Universal Credit could be created by repurposing some of the personal allowances of income tax and National Insurance Contributions. This would help ensure everyone is enrolled on the system, creating a genuine minimum income guarantee, at an estimated cost of £8 billion (2021/22). <sup>151</sup>

## 7. Employment support

In this chapter, we draw on insights from our own organisations to take a closer look at issues around the DWP's conventional approach to employment support, consider the government's announcements at the Spring Budget 2023, and set out some ideas for how we could move towards a more personalised and decentralised system of employment support.

### 7.1: What is employment support?

Employment support refers to the wide variety of services aimed at helping people into work. Employment support in the UK is a complex tapestry of national, regional and local programmes that are funded, commissioned and delivered through a variety of mechanisms. The majority of large-scale employment support, however, is centrally organised by the DWP via two main routes: the generalised support provided through the Jobcentre Plus network; and nationally-contracted or grant-based programmes typically delivered by private, local government and voluntary sector partners. Recent examples include the Work and Health programme aimed at helping disabled people and other disadvantaged groups into work, and the Kickstart and Restart schemes that were introduced as part of the government's efforts to boost employment among young people and the long-term unemployed following the pandemic.<sup>152</sup> The UK's highly centralised approach contrasts with many other developed countries that make greater use of partnership working and devolution in the delivery of employment services.<sup>153</sup>

The Commission on the Future of Employment Support was established in late 2022 to develop evidence-led proposals for reform. Its interim report, published in July 2023, sets out a number of themes that strongly reflect our own findings as service providers and researchers. In particular, it highlighted: the limited access to personalised support for those who face barriers to the labour market; the 'any job' mindset of Jobcentre Plus; and the focus on compliance and the threat of sanction. Our organisations support the work of the commission and encourage policymakers to engage with its work and consider its findings and recommendations carefully.<sup>154</sup>

We will not seek to repeat the work of the commission here, but a number of issues with current approaches to employment support have been identified by our organisations and are worth highlighting briefly.

### 7.2: Issues with current approaches to employment support

Many of the organisations that have contributed to this paper are involved with either delivering employment support services themselves – including to disabled people, carers, single parents, care leavers and other disadvantaged young people – or support beneficiaries who report problems with the current system.

A number of issues with current approaches to employment support have been identified, including:

- **Support through Jobcentre Plus is based on a generalised, uniform model shaped by what a 'standard jobseeker' might want.** As a result, it does not provide options for supporting people with complex and wide-ranging barriers.
- **DWP work coaches decide what steps claimants need to take, rather than working with claimants to agree actions.** This can mean activities are imposed that are unsuitable or unhelpful and lead to disabled people, single parents and other disadvantaged groups accepting jobs that are not right for them.
- **Programmes suffer from a lack of scale and are often narrowly focused on benefit claimants.** Recent DWP programmes like Restart, Kickstart and the Work and Health Programme have struggled to meet even their relatively modest targets, and large underspends have been returned to the Treasury rather than being redeployed to support other employment initiatives.<sup>155</sup> A narrow focus on those claiming means-tested benefits means that many people who are economically inactive but want a job are unable to access support to overcome their barriers.
- **The DWP's reputation among many of those with complex barriers to employment – particularly disabled people – is very low due to previous negative experiences.** This limits the prospects of a work coach building a

long-term relationship with a claimant that could lead to a successful outcome. It also likely contributes to the lower uptake of DWP-led, nationally contracted programmes.

- **The use of conditionality and sanctions to motivate people to find work creates mistrust of the DWP and pushes people into severe hardship.** Our organisations routinely support people facing destitution due to sanctions imposed for minor infractions like missing an appointment, even for perfectly legitimate reasons.
- **There is a lack of join-up between DWP and other local services.** Frontline staff working in employment programmes report little interaction with DWP and few referrals from Jobcentre Plus, with no consistency in how engaged JCP offices are – even within the same city. Similarly, there is often a lack of coordination between JCP and other local services, such as health and social care, local government and the voluntary sector to signpost people for support.

#### Box 7.1: Aiming High service (Action for Children)

Since 2017, Scotland has had devolved powers for providing employment support to the disadvantaged and those at risk of long-term unemployment.

Action for Children’s Aiming High service supports young people aged 16 to 25 who may face a range of barriers to entering the labour market or accessing learning opportunities. The programme supports young people who have come into contact with the care or youth justice systems, or who are facing challenges such as mental health issues or homelessness. It operates in eight local authority areas in Scotland, and is funded by the Scottish Government, local authority contributions and Inspiring Scotland.

Intensive one-to-one support is provided through a dedicated keyworker. The service’s holistic approach and experience in supporting the most vulnerable young people breaks down barriers by helping users to establish routine, participate in learning and experience work in real-life situations. Ongoing support is offered on an outreach basis for up to 12 months.

Young people receive support to improve their social, IT, literacy and numeracy skills and can complete several qualifications. The flexible, community-based approach involves meeting young people in a venue they are comfortable with, including at home. The service has a high success rate in supporting young people to sustain opportunity and become active citizens.

#### Sam’s story\*

Sam had a difficult background due to trauma and a life spent in care across multiple local authorities. He struggled during the pandemic, which impacted his education experience and led to him suffering from anxiety and low moods. He was referred to Action for Children’s Aiming High service, where he engaged well, meeting twice a week. His motivation and confidence began to build, and he was enrolled on an SQA Customer Services qualification.

As part of the qualification, he went along to an open day at the local college. He was impressed with the campus and was surprised that there were courses on offer that he could apply for. He always thought college was out of his reach. An application was submitted with support from his worker. They also looked at employment in his local area, which would help with building confidence and community relationships.

Sam passed his Customer Service qualification, and went on to a two-week work placement in a local high street store, resulting in part-time employment. He is also now studying full time at college. Sam says that he could never have imagined himself doing any of this without the support of Action for Children.

\*name changed to protect anonymity.

## 7.3: Towards a more personalised approach

There is a growing cross-party consensus that a much more personalised approach to employment support is needed. The importance of personalised support to the success of employment programmes was highlighted in a 2019 evidence review by the Learning and Work Institute. It found that a key driver of quality was where advisors were able to tailor support to each individual and vary the nature and intensity of support according to their needs, aspirations, and the impacts of their individual impairments.<sup>156</sup> A recent report from the Institute for Public Policy Research and Changing

Realities – based on qualitative research with more than 100 low-income parents and carers – also highlighted the inflexibility of the DWP’s ‘work first’ approach and concluded that tailoring support to address underlying barriers is crucial to tackling the root causes of unemployment and inactivity.<sup>157</sup>

### 7.3.1: The Supported Employment model

Supported Employment is a personalised model for supporting those with significant disabilities, and increasingly other disadvantaged groups, to find and retain paid employment. At its heart is a partnership between the participant, a job coach and an employer who work together to achieve long-term, sustainable employment. A key principle of supported employment is the ‘place and train’ approach that emphasises securing employment at the outset and then providing training and support in situ.<sup>158</sup>

A number of factors explain why the Supported Employment model can be particularly effective at supporting people with complex barriers to improve their confidence and skills and increase their chances of finding work:

- Personalised, flexible support from specialist work coaches or advisors who have a good understanding of the barriers faced by disabled people. Small caseloads also enable advisors to give enough time to each of their clients.<sup>159</sup>
- The concept of ‘jobs brokerage’, where the provider seeks to create a meaningful connection between the individual and an employer who may have a suitable vacancy, and then work with the employer to make adjustments that reflect the needs and strengths of the client.<sup>160</sup>
- The provision of in-work support to a participant and their employer for the first few months of a new role allows in-work barriers to be addressed and overcome.<sup>161 162</sup>
- A ‘one-stop-shop’ approach to wraparound support that means providers can offer or refer participants to other services to help with particular barriers or complex needs.<sup>163</sup> The highly localised nature of many supported employment schemes also means providers can draw on their knowledge and relationships to provide better holistic support.

### 7.3.2: IPS and the Universal Support programme

**Individual Placement and Support (IPS)** is a form of supported employment that has well-evidenced positive outcomes for helping people with severe mental health problems into work.<sup>164</sup> The DWP and the Department for Health and Social Care (DHSC) have been trialling IPS services aimed at supporting those with more mild or moderate mental or physical health conditions. Evaluations of two trials in the West Midlands and Sheffield City Region showed some positive impacts on employment and health outcomes, and trials are being expanded around the country as part of the Individual Placement and Support in Primary Care initiative (IPSPC).<sup>165</sup>

**Universal Support** was announced at the March 2023 Budget as part of the government’s package of measures aimed at tackling economic inactivity. Working to the supported employment model, it will provide up to 12 months of intensive support for disabled people, people with health conditions, and a broader category of ‘people with additional barriers’ to enter and progress in work using the ‘place and train’ approach. These initiatives are positive developments and the department’s embrace of the supported employment model is a move in the right direction. But there is clear scope to go further.

The department expects to fund 50,000 places once fully rolled out, which suggests it will suffer from the same limitations in scale and ambition as previous schemes. With the Work and Health programme due to wind down from late 2024, it is questionable how much additional capacity will be created through Universal Support. Further, past experience would suggest that any large-scale scheme conceived and led centrally by the DWP will struggle against the same lack of trust and engagement observed with past programmes.

While the supported employment model has many advantages, Universal Support’s emphasis on rapid placement in roles should not disadvantage those who need more support up front. For example, many of the vulnerable young people and care leavers supported by Action for Children’s employability services in Scotland face multiple disadvantages that require intensive support over a prolonged period of time – perhaps 12 to 18 months – to overcome barriers such as their financial and material needs, mental and physical health, safeguarding and peer or familial relationships. A high degree of flexibility with effective triaging, signposting and wraparound support will therefore be essential to reach all of the programme’s target groups.

Finally, while signalling a welcome shift in approach, the IPSPC and Universal Support programmes will not deliver the more comprehensive reform needed to build trusting and effective relationships between work coaches and all that interact with Jobcentre Plus. Existing employment support, underpinned by a strict conditionality and sanctions regime, prevents 61% of out-of-work Universal Credit claimants from having a trusting and supportive relationship with Jobcentre Plus, increasing to 69% and 77% for people with a health or childcare barrier respectively. For 63% of this out-of-work group, who face the most intense form of conditionality, the threat of sanctions negatively impacts their mental health. This is higher for those with additional barriers to work, rising to 72% for claimants with a mental or physical health problem, 73% for those with childcare responsibilities, and 75% where caring limits the amount of work they can take on.<sup>166</sup>

NEF has recently explored how our system of employment support could be redesigned around a central priority of maximising genuine engagement, as a path to increasing and improving employment outcomes while protecting people's health and wellbeing.<sup>167</sup> This alternative approach would by default place conditionality as a backstop within the system, replicating the world of work. No good manager would begin their working relationship with a new employee by setting out the scenarios in which someone could be fired, yet this is the opening gambit when someone first interacts with their work coach.

Instead, conditionality should not be enacted when someone first comes into contact with employment support. An initial period of support would focus on trying to build a trusting relationship and a shared understanding of the person's goals, what it might take to achieve them, and what barriers are standing in the way. For some, their goal will be an immediate return to work, for others it will be about addressing barriers to employment.

#### Box 7.2: Your Work Your Way (Child Poverty Action Group)

Child Poverty Action Group ran a pilot employment support programme between March 2021 and March 2023 in four locations across the UK focused on potential second earners – mostly mothers – in low-income families. The programme supported 70 parents and is currently being independently evaluated by researchers at Sheffield Hallam University.

Second earners face particularly high barriers to employment due to poor financial incentives, childcare and time spent out of the labour market. It is also key from a child poverty perspective to have both parents in a couple in work.

The programme was based on a model of highly flexible and tailored support, giving clients the space to try different things to find a role that works for them and is sustainable. Small caseloads of 20 to 25 clients enabled personal support coaches to build trust and positive relationships.

A key part of the project involved the presence of a specialist welfare rights advisor on the team, who helped clients with benefit eligibility, budgeting and accessing extra support to help clients feel more confident about their financial situation and free up space for them to make active steps towards work.

Up to £2,000 in funding was made available per person to support them towards employment opportunities and to help overcome practical barriers like training, transport, childcare or equipment costs.

While the programme's final evaluation report is due in late 2023, the outcomes recorded by CPAG indicate that YWYW offered a useful model for addressing the barriers to work experienced by potential second earners in low-income households, with over 50% of participants moving into employment or self-employment and over 70% accessing work-focused training. Thanks to the welfare rights advice provided by YWYW over 55% of clients secured one-off grants that were often used to cover work or training related costs, and over a quarter of clients were supported to claim additional benefits, including disability benefits. The majority of clients accessed YWYW funding which helped to reduce their distance from the labour market by covering costs associated with looking for or moving into work or self-employment.

Clients valued tailored support provided by YWYW and many said how it helped them to turn their lives around by enabling them to find a job that worked for them and for their families.

#### Aleefa's story\*

Mother of three Aleefa was supported by YWYW to complete NVQ in make-up and further specialist training in beauty which enabled her to pursue part-time work as an Asian Bridal make-up artist. The job is flexible around family commitments and gives Aleefa huge satisfaction.

Aleefa said: "YWYW helped me to find what I always wanted to do, they gave me a chance to analyse my situation, listened patiently and understood me. They helped me to build my confidence, guided through options and supported along the way. They gave me the opportunity to do what I love to do and put my feet onto the right path. Without the funding, I wouldn't be able to complete the training and get all the work equipment. I am happy working few hours per week which works well around childcare but can charge a good fee for what I do. My children are excited for me, and my husband feels proud that I work now, I am so grateful that I have met them (YWYW)".

\*name changed to protect anonymity.

## 7.4: Possible policy solutions

Policy ideas	What difference would it make?
<b>Short-term reforms or 'quick wins'</b>	
Increase the time per appointment and provide claimants with a consistent work coach.	Meaningful, personalised employment support requires trust and the time and space to identify needs and tailor support accordingly. This is not how employment support currently functions within Jobcentres – which typically involve short 10-minute appointments, delivered by a different person each time.  CPAG's recent Your Work Your Way programme highlights the considerable benefit of having smaller caseloads and a consistent case worker for building positive relationships.
A reworked Claimant and Coach Commitment, setting out the mutual rights and responsibilities between the work coach and their client.	This would help to reset the balance in the relationship between claimants and work coaches, which is too frequently adversarial and paternalistic in nature.  In addition to the claimant's commitments, it should set out clearly the DWP's duty of care towards their client, including their role in understanding any barriers they face and how they will signpost for additional support, and in ensuring their material needs are met and their rights upheld.
Invest in specialist advisors or leads in Jobcentres to support key disadvantaged groups, including disabled people, single parents, and carers.	As covered in the previous chapters, the move away from specialist advisors to more uniform support provided by generalist work coaches and the adoption of a 'work first' mentality has made it more difficult for these groups to receive the support they need to find sustainable work.  Investing in specialist advisors or leads with deep knowledge of the barriers they face and the services that could support them would be a relatively straightforward and low-cost way of improving the JCP experience and supporting more disadvantaged people towards work. But responsibility for understanding people's needs should not sit with only one or two members of staff – better training across the JCP workforce is needed to create a more informed, flexible and individual-focused system of employment support.
Invest in better digital tools and support.	Online and app-based tools could better support parents to overcome barriers like language, interview skills and budgeting, and provide motivational, health and wellbeing support.  A digital service offer could provide tailored support through a blend of information and advice articles and one-to-one online support delivered by employment coaches. Action for Children's online Parent Talk service is one example of how such a model could be delivered. <sup>168</sup>
<b>Medium-term reforms</b>	
Overhaul of the sanctions regime and rebalancing from sanctions-backed compliance towards personalised employment support.	The strict conditionality regime employed by DWP pushes people into any job, often not accounting for their needs or skills.  Placing conditionality as a backstop, rather than the first interaction with the Jobcentre will help support people into good work, with higher pay, increasing productivity from the bottom up.

Policy ideas	What difference would it make?
<b>Major or long-term reforms</b>	
The DWP could devolve responsibility for providing voluntary employment support to people in the LCW and LCWRA groups in Universal Credit and those claiming Employment and Support Allowance to local authorities.	<p>Mistrust between many disabled people and the DWP is deeply entrenched, which greatly limits the prospects for positive engagement with major DWP-led employment support programmes.</p> <p>Long term, the only solution may be to take specialist employment support for the most disadvantaged groups out of the DWP entirely, splitting it up from benefit delivery and devolving funding down to local areas. This would also have the benefit of bringing decision-making closer to local labour markets. A national framework following the supported employment model would set a minimum standard for delivery.</p>

## 8. The immigration and asylum system

The immigration system and the 'compliant' environment involve numerous obstacles to being able to secure employment for those subject to immigration control. These include barriers created by bureaucratic requirements and delays, as well as pressure put on employers to monitor immigration status which often results in hostile employment practices.

### 8.1: Barriers to work for those seeking asylum

#### 8.1.1: Barriers to education and qualifications

Young people accessing services run by The Children's Society often speak of their frustrations in being unable to pursue their education and career plans. Some wait months to be placed in education, and others are hindered when their age is disbelieved and must spend months challenging an incorrect age assessment. Young people seeking safety are required to take ESOL courses and are often unable to enter their preferred courses due to their lack of status or coursework requirements. They then lack the qualifications to pursue university courses, such as medicine.

Some of these frustrations were captured by a survey conducted in 2020 by StandTogether4Refugees, a group of young asylum seekers and refugees supported by The Children's Society.<sup>169</sup>

*'I want to go to school and learn English. If the Home Office believed me, I could do this.'*

*'My biggest problem is with my education. I don't have money to pay for my college. I am so stressed I have been in anxiety because of my education. I am just 17 they don't accept me.'*

*'I wanted [to be] a doctor and care for my patients for free.'*

The young people also shared their difficulties accessing the job market due to the fact that they had no right to work during the asylum process, and then have no experience of working in the UK when they get their refugee status.

*'To have the job was not easy because I had no professional experience in UK.'*

#### 8.1.2: Restrictions on ability to work

Asylum seekers generally are not allowed to work in the UK, on the basis that this would create a 'pull' factor. They can apply for permission to work after waiting 12 months for an initial decision, and only if they are not considered responsible for the delay in decision making. If they receive permission to work, they are then only allowed to take up jobs on the shortage occupation list (many of which are highly-skilled jobs with qualification requirements). UK policy is one of the most restrictive among comparable countries in this respect. A 280-organisation coalition is seeking to change these policies with the Lift the Ban campaign.<sup>170</sup>

#### 8.1.3: Legal limbo created by Illegal Migration Act

The recent Illegal Migration Act will exacerbate the already vulnerable situation of people who arrive irregularly in the UK and leave them unable to work. Per the Act, those meeting its conditions will not be able to claim asylum in the UK, but are to be detained and removed.<sup>171</sup> However, the UK has neither the capacity to detain large numbers of people nor the agreements in place to remove them. As a result, it is likely that those now arriving irregularly will be left in limbo – with no legal status and no right to work – until the UK has secured a means to remove them from the country.

### 8.2: Barriers to work for those migrating to the UK

The hurdles put in front of migrants to secure status and be able to work mean that many are barred from work, left in insecure employment, or forced into roles below their skill levels.

#### 8.2.1: Insecure employment

Migrants on the five- or 10-year route to settlement are required to make repeat immigration applications at considerable expense, which leaves many in a precarious position. They are also subject to the No Recourse to Public

Funds (NRPF) condition, denying them access to the social security system. As a result, many migrants are desperate to secure work to save for these immigration fees and provide for their families. Many will, however, not have the UK qualifications nor the established networks to secure better-paid positions.

Many parents on the 10-year route to settlement, subject to the NRPF condition, fill key worker roles on zero-hour contracts. They are catering staff, cleaners, lab technician assistants, domiciliary carers and support workers in care homes. Research has shown that such insecure employment and the NRPF condition have a disproportionate impact on Black, Asian and ethnic minority individuals. The majority of families in these circumstances are from former British colonies, namely Nigeria, Jamaica, Ghana, Bangladesh, Pakistan and India.<sup>172</sup>

An additional insecurity for migrants is their reliance on their employers' responsibilities to comply with sponsorship rules. Employees can face the risk of their employer's sponsor license being revoked or suspended if the employer fails in their compliance duties. This could result in a sponsored worker losing their employment and having to leave the UK within 60 days, or by their visa expiry date if sooner, through no fault of their own.<sup>173</sup>

### 8.2.2: Delays and lack of access to necessary documents

Government requirements placed on employers to check the right to work status of prospective employees, and the fines placed on those employing individuals without such a right, mean migrants can face bureaucratic hurdles to securing roles as well as outright discriminatory practices.

There are often significant delays in the Home Office returning identifying documents to applicants, which are exacerbated by the fact that migrants often have to file repeat immigration applications every 30 months. These delays can impact the ability of migrants to find and secure employment.

#### Box 8.1: A single mother's story

A single mother who has faced destitution applied for an extension to her 30-month visa last summer. She has applied for several jobs since but has been told that she requires a valid ID. Without her biometrics, she has been unable to get past the application stage and has been left unemployed. In such instances, the applicant is reliant on the employer to check with the Home Office.

Immigration law is complicated. Employers often do not realise nor understand that when a person has applied to extend their visa before its expiration date, their rights and leave remain the same while their extension is pending.<sup>174</sup> There have also been cases where the employer has checked with the Home Office employment checking service only for it to state that the client is not allowed to work despite the fact that they applied on time.

## 8.3: Possible policy solutions

Policy ideas	What difference would it make?
<b>Medium-term reforms</b>	
Do not subject families with dependants under the age of 18 to the NRPF condition.	<p>Lifting NRPF conditions for families with children and other vulnerable individuals would have a major impact on the number of immigrant families facing poverty and destitution.</p> <p>It would also result in a positive impact on our economy and generate savings to other public services, including up to 95% of the £60 million spent by local authorities and £100 million spent by central government per year.</p> <p>Savings can be gained through:</p> <ul style="list-style-type: none"> <li>- Education and childhood development.</li> <li>- Better and more affordable housing.</li> <li>- Relief of problem debt.</li> <li>- Earlier health diagnosis.</li> <li>- Reduction in domestic abuse.</li> <li>- Employment and productivity.</li> </ul> <p>It is estimated these could result in a total gain of £341 million per year, with an overall net value of £872 million analysed over 10 years.<sup>175</sup></p>

Policy ideas	What difference would it make?
<b>Major or long-term reforms</b>	
Lift the ban to work for asylum seekers, or at minimum, reduce the wait to six months and remove the restrictions on occupations.	Lifting the ban on asylum seekers working will allow them to support themselves financially and therefore both improve public finances and benefit economic growth. Being able to work also helps asylum seekers to integrate into their local communities and improve their mental health.



## 9. Conclusion

Concerns around post-pandemic labour market trends and a sluggish economy have been driving a lively debate around how we can support people to increase their work participation, particularly those who are supported by the social security system.

In order to respond to these concerns, we first need to acknowledge the limitations of work as a route out of poverty and disadvantage. For good reason, not everybody is able to support themselves solely through paid work. For many others, practical and financial barriers make it more difficult than it should be.

In this paper, we have sought to generate discussion about the barriers to work faced by key disadvantaged groups, particularly: disabled people and those with health conditions; those with caring responsibilities; single parents; and refugees and migrants. We have also set out how the inadequacy of social security itself pushes people further away from work, and the shortcomings of a conditionality-centric system of benefit delivery and employment support.

There are some clear opportunities for policymakers to strip away some of the barriers we have identified and create better incentives to increase work participation, but there must also be a degree of realism about what is possible without serious reform and investment. Policymakers must also learn from mistakes of the past. Seeking to drive up employment through welfare cuts, forced compliance or a disproportionate focus on the most vulnerable and disadvantaged in society is a complete dead end.

We have presented a wide range of possible solutions and ideas for policymakers to consider. Some of these we believe could be truly transformative, with the right will and commitment. Other changes could be implemented quickly and have an immediate impact.

We hope this paper offers a useful contribution to the debate on work barriers and economic inactivity. We would welcome any opportunity to continue the conversation.

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**The Children's Society** - charity number: 221124  
**Gingerbread** - charity number: 230750  
**Joseph Rowntree Foundation** - charity number: 1184957 (England and Wales); SC049712 (Scotland)  
**New Economics Foundation** - charity number: 1055254  
**Save the Children** - charity number: 213890  
**Scope** - charity number: 208231  
**Sense** - charity number: 289868