

# House of Commons Work and Pensions Committee

# DWP's preparations for changes in the world of work

First Report of Session 2021–22



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## First Report of Session 2021–22

Report, together with formal minutes relating to the report

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#### **Work and Pensions Committee**

The Work and Pensions Committee is appointed by the House of Commons to examine the expenditure, administration, and policy of the Department for Work and Pensions and its associated public bodies.

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#### **Committee staff**

The current staff of the Committee are Henry Ayi-Hyde (Committee Operations Officer), David Betteley (Committee Specialist), Harrison Card (Assistant Policy Analyst), Oliver Florence (Senior Media and Communications Officer), Anne-Marie Griffiths (Clerk), Ed Hamill (Committee Operations Manager), Ailish McAllister-Fisher (Second Clerk), Dr Libby McEnhill and James Mirza Davies (Senior Committee Specialists).

#### **Contacts**

All correspondence should be addressed to the Clerk of the Work and Pensions Committee, House of Commons, London SW1A 0AA. The telephone number for general enquiries is 020 7219 8976; the Committee's email address is workpencom@parliament.uk

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### Summary

The Fourth Industrial Revolution has the potential to transform the way we live and work. New technologies, such as automation, will shape the labour market of tomorrow, affecting both working practices and the number and nature of jobs. It is impossible to make exact predictions about what the future world of work will look like. What is clear, however, is that DWP must ensure that it is well prepared for a range of different scenarios.

Although precise estimates vary, the evidence we have heard does not suggest that new technology will lead to mass displacement of workers: instead, it is likely to lead to the creation of new jobs alongside the loss of others. Automation may also result in the transformation rather than the loss of existing jobs. The impact of these changes, however, will not be felt evenly across sectors or regions: sectors which are particularly likely to see an increase in demand include healthcare, technology and the "green economy". DWP lacks a long-term plan for how it will respond to changes in the world of work. We recommend that it should develop and publish a strategy setting out how it intends to prepare for change.

New technology has the potential to enhance rather than diminish the quality of work, but this is not guaranteed. The past decade has seen a rise in the number of people in precarious forms of work, such as people on zero-hours contracts and workers in the gig economy. We are disappointed that the Government chose not to announce the promised Employment Bill, which it says will afford greater protections to people in precarious forms of work, in the Queen's Speech 2021. The Government has since reaffirmed its commitment to introducing the Bill, but has not said when it will be published. It should now set out a timescale for its introduction to Parliament.

There is a lack of comprehensive data about the pace of technology adoption by employers in the UK. This makes it difficult to track the impact that change is having on the number, nature and quality of jobs. The Government should work with the Office for National Statistics to add questions about technology adoption to the Annual Business Survey. It should also fund the next iteration of the Skills and Employment Survey, which is a valuable source of data about employees' experiences of the workplace.

Longer-term changes in the labour market may have an uneven impact on different demographic groups, and the Government must ensure that changes in the world of work do not exacerbate existing inequalities. Job losses caused by the pandemic have had a significant impact on younger workers, while changing skill requirements may mean that some young people find it harder to enter the labour market. New technology may have a differential impact on jobs done by men and women; we also heard that people from some ethnic backgrounds are more likely to work in sectors that are vulnerable to job losses caused by automation. Some forms of technology, however, have the potential to combat inequalities: assistive technology, for example, could unlock access to the labour market for many disabled people. These are complex issues which require careful consideration. We recommend that the Government should establish a new publicly funded advisory body so that it can draw on advice from a diverse range of experts.

The coronavirus pandemic has had a profound effect on the take-up of new technology

in the UK. We have heard evidence that the speed at which companies are adopting new technologies has accelerated considerably since the beginning of the pandemic. The pandemic and resulting national lockdowns have also caused significant changes to the way people work. In particular, remote (home) working has become more popular and more essential. For some, however, working remotely has brought opportunities, and for others it has presented challenges. We recommend that the Government should monitor the impact of the pandemic on the take-up of new technology and working practices, with a particular focus on the experience of disabled people.

Unemployment has increased as many industries have had to close during lockdown, with some groups—including young people, women, disabled people and people from BAME communities—being more affected than others. To support people back into work, the Government has announced two major employment support schemes: Kickstart, aimed at young people, and Restart. Both schemes are welcome. But neither has specific provisions for disabled people, and we have heard concerns from disability organisations about how well they will work for disabled people in practice. DWP must ensure that both schemes meet the needs of groups who are particularly likely to have lost out during the pandemic. To do this the Department will need to collect better data than it currently has. The Department is limited, however, by longstanding deficiencies in the collection and storage of data about Universal Credit claimants. We recommend that the Department should immediately make improvements to the Universal Credit system.

As the labour market changes, some skills will see an increase in demand. The evidence we heard suggests that, as more companies adopt digital technologies, the demand for digital skills will increase substantially. But the UK may face a looming digital skills shortage unless greater emphasis is placed on retraining and reskilling workers. DWP has said that it will expand its skills offer to claimants. The Department should set out its proposals in detail, with focus on how its offer will support claimants to develop skills for which there will be increased demand.

Against the backdrop of the pandemic, which has seen many people lose their jobs, some people have argued that a Universal Basic Income (UBI), paid to all regardless of income level, could act as a safety net in the event of future shocks in the labour market. UBI, however, would be hugely expensive and would not target support at people who need it most. The cost and effort required to deliver it could well be better directed elsewhere. Instead, we urge the Government to focus its efforts on ensuring that the welfare system meets the basic needs of the people who it supports.

### Introduction

1. The term "Fourth Industrial Revolution" has been used to refer to new technologies, such as artificial intelligence and automation, that have the potential to transform the way we work. The World Economic Forum describes the Fourth Industrial Revolution as "a fundamental change in the way we live, work and relate to one another". For some people, the coronavirus pandemic has already had a significant impact on the way they work, and it is likely that the increased use of new technology will lead to further changes to the shape of the labour market and working practices. What is clear is that DWP, as the department responsible for employment support and social security, must ensure that it is well prepared to respond to any such change.

#### **Our inquiry**

- 2. We launched our inquiry into DWP's preparations for changes in world of work in May 2020 against the backdrop of the coronavirus pandemic. Our call for evidence invited views on how well DWP is prepared for changes brought about by the Fourth Industrial Revolution; how DWP can ensure that jobseekers have the skills required for the jobs of the future; whether certain sectors or demographic groups are particularly likely to feel the effects of these changes; and whether there is a need for new, longer-term responses, such as the introduction of a Universal Basic Income (UBI) or changes to the legal definition of employment.
- 3. We received almost 70 written submissions to our inquiry. In addition, we received nearly 20,000 email responses to a survey conducted by Organise, a campaigning organisation, which invited views on the feasibility and desirability of UBI. Our first evidence session, in September 2020, focused on the impact of the changing world of work on young people, with evidence from youth organisations and charities. Since then we have heard evidence from academics, policy professionals and representatives of trade associations and trade unions. In November 2020, we held an evidence session which focused specifically on UBI. Finally, we heard from the Minister for Employment, Mims Davies MP, and senior DWP officials in February this year. We are grateful to everyone who submitted evidence to our inquiry.
- 4. Many of the witnesses we heard from stressed that it is difficult to predict accurately what the future world of work will look like. Our report does not intend to predict the future. What it does aim to do is build a picture of the forces that may shape the labour market and the workplaces of the future. This report sets out how developments such as technological change may affect the world of work and makes recommendations for how DWP, and the Government as a whole, can ensure that it is best placed to respond to them.

## 1 Long-term changes

5. In 2019, the Government published a White Paper which characterised the "Fourth Industrial Revolution" as "new technology [...] creating new industries, changing existing ones and transforming the way things are made". "New technology" in the context of debate about the future of work includes automation, a broad term encompassing new technologies which reduce or remove the need for human input. Ways through which automation could affect the world of work include greater adoption of artificial intelligence (AI), robotics, or automated products such as driverless cars, chatbots and drones. Our inquiry has focused largely on the impact that this new technology could have on the labour market, including the number and nature of available jobs, and how well prepared DWP is to respond to these changes.

#### Impact on the number of jobs

6. Discussions about automation have largely centred on the possible impact of the number of jobs, and whether the advent of new technology will lead to mass displacement of workers. The evidence we heard suggests that predicting the impact on the number of jobs is not a straightforward task. The Royal Society for Arts, Manufactures and Commerce (RSA) highlighted that projections about the impact on the number of jobs can vary:

Methodological choices perhaps overstate the variation, but the fact that Oxford University (2013) suggested that 35% of UK jobs were at high risk of automation, whereas the OECD (2016) put it at 10% illustrates this is a challenging area of research.<sup>4</sup>

7. Anna Thomas, Director of the Institute for the Future of Work, suggested that the effects of the pandemic and the increase in remote working must be considered when estimating the impact on jobs. She said:

Estimates seem to have settled at around 15% to 30% as the proportion of work or tasks with significant potential for automation, but a significant new factor has now been introduced that needs us to think again. That is whether tasks need to be undertaken face to face or whether they can be undertaken remotely. That means that the food, arts, retail and wholesale sectors, which have previously been growth sectors, have taken big hits as the new furlough figures show. These are jobs that require physical proximity to other human beings.<sup>5</sup>

8. The World Economic Forum (WEF) published a report, *The Future of Jobs*, in October 2020. It concluded that "the pace of technology adoption is expected to remain unabated and may accelerate in some areas", and that by 2025, the amount of time spent on work tasks by humans and machines will be equal. In the medium term, the WEF estimates, job destruction is likely to be offset by the creation of new jobs in areas such as the "green economy", the data and AI sector, engineering, cloud computing and product

Department for Business, Energy and Industrial Strategy, <u>Regulation for the Fourth Industrial Revolution</u>, 11 July 2019

<sup>3</sup> McKinsey Global Institute, A future that works: automation, employment and productivity, January 2017, p.24

<sup>4</sup> RSA (PCW0047)

<sup>5</sup> Q41

development: it estimates that 85 million jobs could be lost worldwide by 2025, but that 97 million new jobs could emerge. PeoplePlus, an adult training and skills provider, also said that while automation may result in the loss of some jobs, it could create others, such as jobs that involve the maintenance and oversight of automated systems.

9. Professor Alan Felstead of Cardiff University told us that automation may lead to the transformation, rather than loss, of existing jobs. In written evidence to our inquiry, he argued in favour of a "task-based" approach when assessing the possible effects of automation, which looks at the impact on individual tasks performed by workers instead of jobs in their entirety. He said:

In all our analysis of the Skills and Employment surveys suggest that new technologies will likely transform rather than replace whole occupations. In response to the calls for evidence, to mitigate the consequences from automation, the focus should be on a micro-level understanding of job changes rather than macro-level forecasts of employment trends.<sup>8</sup>

10. Using this approach, some estimates have concluded that many jobs consist of individual tasks that are hard to automate, suggesting that impact of automation on the number of jobs may be more modest than some estimates. Tasks which may prove difficult to automate include complex problem solving, public speaking and counselling. A 2017 report by the McKinsey Global Institute estimated that while 50% of tasks performed by workers could be automated, less than 5% of jobs are fully automatable. It concluded that automation is unlikely to lead to mass displacement of workers:

A surplus of human labor is much less likely to occur than a deficit of human labor, unless automation is deployed widely. However, the nature of work will change. As processes are transformed by the automation of individual activities, people will perform activities that are complementary to the work that machines do (and vice versa). These shifts will change the organization of companies, the structure and bases of competition of industries, and business models.<sup>10</sup>

#### Impact on different jobs, sectors and regions

11. As the pandemic has shown, changes to the labour market can hit some sectors harder than others. Projections about the effects of new technology have emphasised that some sectors are particularly likely to undergo change. The RSA said that new technology has already led to job losses in some sectors:

RSA analysis of job changes over the last decade shows that the fastest shrinking professions by net employment change were national government administrators (-109,000, or -43%), retail cashiers and check-out operators (-75,000, or -32%), bank and post office clerks (-65,000, or -43%), sales and retail assistants (-64,000, or -6%) and personal assistants (-55,000, or -23%). Many of these declines are linked to new technologies, such as automated

<sup>6</sup> World Economic Forum, The Future of Jobs Report 2020, October 2020, p.5

<sup>7</sup> PeoplePlus (PCW0051)

<sup>8</sup> Dr Ying Zhou, Professor Alan Felstead, Dr Golo Henseke (PCW0012)

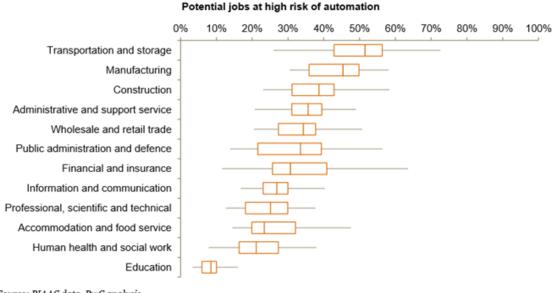
<sup>9</sup> Ibid

<sup>10</sup> McKinsey Global Institute, A future that works: automation, employment and productivity, January 2017, pp.2-6

checkouts, online banking and the rise of e-commerce.11

- 12. The Work Foundation, a think tank, said that sectors which are most likely to feel the effects of automation include transportation, financial services, retail and manufacturing. These effects do not necessarily entail the loss of jobs—in the medical sector, for example, it suggests that "labour enhancing solutions", such as robots that can assist surgeons during medical procedures, could increase safety and improve the experience of both worker and patient. In other sectors, it says, new technology may replace jobs currently performed by workers, such as transportation, where the rising use of technologies such as blockchain (a system of recording information which can be used as a ledger of transactions) and driverless vehicles could "[decrease] the sector's reliance on human labour, which can eventually lead to job displacement". <sup>12</sup>
- 13. PricewaterhouseCoopers (PwC) considered the impact on different sectors in a 2018 report, *Will robots really steal our jobs?*, which found that the proportion of jobs with the potential for automation varies widely between sectors: from 52% in the transportation and storage sector to 8% in the education sector. PwC's estimates for the share of jobs with potential high automation rates by industry is shown in the graph below.

Figure 1: Sectors with jobs at potential high risk of automation



Source: PIAAC data, PwC analysis

Source: PricewaterhouseCoopers, Will robots really steal our jobs?, 2018

14. The Office for National Statistics (ONS) said that some types of job are at greater risk of being lost to automation than others: occupations which it categorises as "low skilled or routine", such as waiting staff roles and shelf-fillers, have the highest probability of automation (72.1% and 71.7%, respectively). "High skilled occupations", such as medical practitioners and higher education teaching professionals, face the lowest probability of automation (at 18.11% and 20.27%).<sup>13</sup>

<sup>11</sup> RSA (PCW0047)

<sup>12</sup> The Work Foundation (PCW0046)

<sup>13</sup> ONS (PCW0061)

15. ONS data show that some regions have a greater concentration of jobs with a higher probability of automation than others. It found that the areas where jobs are at the lowest risk of automation are concentrated in London and the South East; the more jobs that require highly skilled workers in a particular area, the lower the risk of automation. <sup>14</sup> The diagram below shows which areas of England have the highest proportion of jobs at risk of being automated:

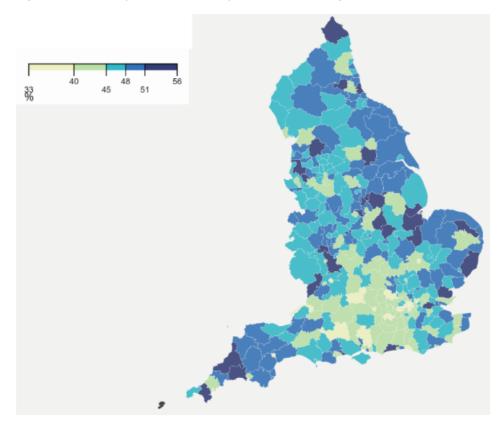


Figure 2: Probability of automation by place of work, England 2017

Source: Office for National Statistics - The probability of automation in England: 2011 and 2017

- 16. The UK2070 Commission, an independent inquiry into regional inequalities in the UK which published its Final Report in 2020, found that "the effects of automation and other forms of structural economic change will not be felt equally across the UK" and that there is a risk that such changes will "repeat the experience of the deindustrialisation of the 1980s which hit some communities far harder than others". These changes, in turn, are likely to accelerate demand for technological skills in the hardest-hit areas. To combat this, the Commission has called for the introduction of a comprehensive retraining programme aimed at adults with few or no qualifications.<sup>15</sup>
- 17. We heard evidence that the pace of technology adoption by employers currently varies between regions. Verity Davidge of Make UK said that companies in London, the North West and the South East of England are more likely to be at an advanced stage of technology adoption, while companies in the East Midlands and Wales are more likely to be in what Make UK describes as the "pre-conceptual phase of doing nothing". <sup>16</sup>

<sup>14</sup> ONS (PCW0061)

<sup>15</sup> UK2070 Commission, Final Report, Make No Little Plans: Acting at scale for a fairer and stronger future, February 2020, p.76

<sup>16</sup> Q170

#### Job quality

18. Our inquiry also looked at the potential impact of change on the quality of jobs. Organisations such as the RSA and PwC have argued that automation will not necessarily lead to a decrease in job quality: rather, the RSA said, it could "raise productivity levels, phase out mundane work, boost flagging living standards, and open up the space for more purposeful and human-centric jobs to prevail".

It gave the following examples of how new technology could lead to improvements:

Algorithms in healthcare could allow entry-level nurses to play a more active role in diagnosis, partially autonomous trucks could lower accident rates for HGV drivers (assuming humans are still behind the wheel), and robots in social care could allow caring staff to spend more time comforting patients and less time lifting them and preparing their meals.<sup>17</sup>

- 19. The RSA stressed, however, that realising the benefits of new technology "depends on the choices we make as employers, policymakers, consumers, investors and the wider public", and that there is still potential for it to do more harm than good. Possible drawbacks include the risk that new technology will put downward pressure on wages and that increased use of surveillance technology in the workplace could lead to an "unhealthy level of monitoring" of workers.<sup>18</sup>
- 20. Dr George Zarkadakis of Willis Towers Watson, a risk management and advisory firm, said that automation could lead to the "hollowing out" of jobs, which involves a reduction in the number of "mid-paid" jobs while the number of low and high-paid jobs will either remain the same or increase. This, he said, raises questions about how to ensure that the remaining low-skilled jobs are good quality.<sup>19</sup>

#### Precarious forms of work

- 21. Our inquiry's call for evidence invited views on whether the legal definition of employment should be changed to ensure that all workers have access to the same rights and protections. At present, some categories of worker do not receive the same statutory rights as employees: these include people on zero hours contracts, agency workers, and workers in the "gig economy". The Trades Union Congress (TUC) said that following past changes to the labour market, such as recessions, people in low-paid and insecure jobs have often been the first to lose work. It recommends that all workers—including agency and casual workers and people on zero hours contracts—should be granted the same protections as employees.<sup>20</sup>
- 22. During the course of our inquiry, the Supreme Court published its judgment in the case of *Uber BV and others v Aslam and others*. The initial case was brought by drivers who had obtained work through the Uber smartphone app, a digital platform that connects passengers with drivers. They had argued that, during their time working for Uber, they should be treated as "workers" for the purposes of the relevant employment legislation rather than independent, third party contractors, which would mean that they were

<sup>17</sup> RSA, The Age of Automation, September 2017, p.38

<sup>18</sup> Ibid. p.78

<sup>19</sup> Q178

<sup>20</sup> TUC (PCW0050)

entitled to rights and protections such as paid leave and the minimum wage. The Supreme Court found in favour of the drivers, noting that "new ways of working organised through digital platforms pose pressing questions about the employment status of the people who do the work involved".<sup>21</sup>

- 23. The Government has committed to introducing an Employment Bill in this Parliament which will "build on existing employment law with measures that protect those in low-paid work and the gig economy". In our First Report of the 2019–21 parliamentary session, *DWP's response to the coronavirus outbreak*, we recommended that the Government should bring forward the Bill "at the earliest opportunity", noting the impact that the pandemic has had on people in precarious and low-paid work. That report was published in June 2020, almost one year ago.
- 24. The Queen's Speech at the start of the 2021 parliamentary session did not include any reference to the Employment Bill. We wrote to the Secretary of State for Business, Energy and Industrial Strategy, Kwasi Kwarteng MP, following the Queen's Speech to ask why the Bill was not included and when the Government plans to introduce it.<sup>24</sup> In response, the Secretary of State said that the Government intends to "bring forward all [its] measures to protect and enhance workers' rights as part of the Employment Bill", but that the Bill will be introduced "when the time is right", and not while the pandemic continues "to affect the economy and the labour market in sometimes unpredictable ways".<sup>25</sup> Paul Scully MP, the Minister for Small Business, Consumers and Labour Markets, told the House on 8 June that the Government intends to introduce the Bill "when parliamentary time allows". He also confirmed that the Government intends to create a single body with responsibility for enforcing employment rights and to take action against the practice of "fire and rehire", where an employer dismisses an employee and offers to rehire them on new and often less favourable terms.

#### DWP's preparations for change: the need for a strategy

- 25. Some witnesses said that the Government should develop a strategy for responding to changes in the world of work. Verity Davidge of Make UK, the manufacturing trade association, told us that measures put in place to address the changes brought about by the pandemic have been "piecemeal", and that the Government should adopt a longer-term plan. Anna Thomas of the Institute for the Future of Work said that automation could present positive opportunities for workers, but that government departments would need to work together to realise these benefits. She recommended that the Government should adopt a "Work 5.0 Strategy" which should set out how different departments should work together to respond to change. Such a strategy, she said, could:
  - [...] build on the headway the Government have made on social partnership through the pandemic, would make sure that policies on basic levels of protection, which are within the DWP's remit, or policy activism or support in job skills are aligned with measures to create jobs from BEIS,

<sup>21</sup> UK Supreme Court, Uber BV and others (Appellants) v Aslam and others (Respondents) [2021] UKSC 5

<sup>22</sup> Prime Minister's Office, Queen's Speech December 2019: background briefing notes, 19 December 2019

Work and Pensions Committee, First Report of Session 2019–21, DWP's response to the coronavirus outbreak, HC

<sup>24</sup> Letter to the Secretary of State for Business, Energy and Industrial Strategy, dated 14 April 2021

<sup>25</sup> Letter from the Secretary of State for Business, Energy and Industrial Strategy, dated 21 May 2021

<sup>26</sup> Q178

the Treasury and education policy in the Department for Education. Rather than conflict with each other, which you sometimes see at the moment, a collaborative focused approach on future good work would minimise that. It would maximise the benefits and minimise the disadvantages that we have talked about.<sup>27</sup>

26. The UK Commission for Employment and Skills (the Commission) was an industry-led publicly funded body which was founded in 2008. Its role was to "offer guidance on skills and employment issues in the UK" to both employers and the Government.<sup>28</sup> The Commission also called for the introduction of a long-term strategy in its 2014 report, *The Future of Work: Jobs and skills in 2030.* While acknowledging that the future is "unknowable", the Commission recommended that the Government should "develop a coherent and comprehensive long-term strategy for ensuring that the low skilled can respond to the challenge of a radically shifting labour market".<sup>29</sup> The Commission was closed in 2017, and the Government has not yet implemented the Commission's recommendation that it should develop a strategy for responding to changes in the labour market.

#### The Department's response

27. In its written evidence to our inquiry, DWP said that changing technology may lead to the loss of some jobs and the creation of others, referring to ONS figures which suggest that 1.5 million jobs in the UK are at high risk of seeing some of their duties and tasks automated. The Department acknowledged that technology "may affect worker productivity and the nature of tasks they do within existing jobs". It set out how it intends to help jobseekers adapt to changes in the labour market:

Labour market objectives sit across Departmental boundaries and collective action is required to help jobseekers adapt to the changing world of work. Work is already underway with other government departments to help people into work and to enable DWP to identify and promote growing and high demand sectors to our claimants.

 $[\ldots]$ 

Officials will continue to work across Government to help identify and remove barriers to recruitment in high demand sectors. This will include bringing together insight and analysis held across Government to identify and monitor growing and high demand sectors. This knowledge will underpin a skills offer that ensures we respond and react to variations across local labour markets.<sup>30</sup>

28. The Department gave an example of how it has worked with the Department for Health and Social Care (DHSC) to promote roles in adult social care, a sector in which there is continuing demand for workers. DWP said that this work has involved trying to "understand the barriers to recruitment in the sector and to challenge some of the

<sup>27 047, 057</sup> 

<sup>28</sup> UKCES, About the UK Commission for Employment and Skills, accessed May 2021

<sup>29</sup> UK Commission for Employment and Skills, <u>The Future of Work: Jobs and skills in 2030</u>, Evidence Report 84, February 2014, p.109

<sup>30</sup> Department for Work and Pensions (PCW0062)

misconceptions of working in the sector".31

29. We asked the Minister for Employment, Mims Davies MP, about the Department's preparations for changes to the labour market, including whether she thought the Department had been proactive enough. The Minister said that the pandemic had "allowed [her], alongside BEIS and DfE, to start to work together and to try to be less reactive". She set out some of the work that the Department is doing to respond to possible changes:

Some of the work that I am doing currently is working with DfE around its National Skills Fund, the plans that it has for digital boot camps and how our claimants can be available to be on those particular programmes. DfE is actively working with us and employers to make sure that those programmes fit the needs of the local labour market.

For me, one thing that I am very driven by is understanding a local labour market. That is very important and quite often a frustration for employers. [...] That is where DWP, working with BEIS and DfE in pulling all of this together, has a role in shaping what happens next rather than solely being reactive.<sup>33</sup>

#### The Government's AI Strategy

30. In March, the Government announced that it plans to publish a new Strategy later this year which will "unleash the transformational power of Artificial Intelligence". Announcing the Strategy, the Secretary of State for Digital, Culture, Media and Sport, Oliver Dowden MP, said:

Unleashing the power of AI is a top priority in our plan to be the most protech government ever. The UK is already a world leader in this revolutionary technology and the new AI Strategy will help us seize its full potential from creating new jobs and improving productivity to tackling climate change and delivering better public services.<sup>34</sup>

- 31. The Strategy will focus on economic growth, the development of responsible AI, and "resilience in the face of change" with an emphasis on training, skills and research and development. Work on the Strategy will be led by the Department for Digital, Culture, Media and Sport (DCMS) and the Department for Business, Energy and Industrial Strategy (BEIS). The Secretary of State for Business, Energy and Industrial Strategy said that the Strategy will "accelerate bringing new technologies to market, unlock high-skilled jobs, drive up productivity and cement the UK's status as a global science superpower". 35
- 32. While there is a broad consensus that new technology is unlikely to result in mass unemployment, it will lead to the loss of some jobs and the creation of entirely new ones. Some sectors will experience the impact of new technology more profoundly than others, and for some these changes have been accelerated by the pandemic. The retail sector, for example, has already seen the loss of many traditional "high street"

<sup>31</sup> Ibid.

<sup>32</sup> Q186

<sup>33</sup> Ibid.

Department for Digital, Culture, Media and Sport and Department for Business, Energy and Industrial Strategy, Press release, "New strategy to unleash the transformational power of Artificial Intelligence", 12 March 2021

<sup>35</sup> Ibid.

roles, but the growth in e-commerce has led to the creation of new jobs.

- 33. We heard evidence that DWP has not been proactive enough in planning for long-term changes to the world of work, and that it has largely reacted to change instead of planning ahead for a range of different scenarios or developing a long-term strategy. Working with other departments, DWP should develop a strategy for how it intends to respond to long-term changes in the labour market. This should set out how the Department will plan for different possible scenarios. The strategy should include how DWP intends to respond to the impact of new technology on the number of available jobs, the skills needed to perform these jobs, and the differential impact that changes could have between sectors, regions and demographic groups.
- 34. New technology has the potential to enhance employees' experience of work; for example, by allowing for greater use of remote working and replacing more mundane tasks. However, there is also a risk that technology could have an adverse impact on workers' rights and wellbeing. The strategy we have recommended should also set out how the Government will safeguard employees' rights and wellbeing and ensure that available jobs are of good quality.
- 35. Responsibility for responding to changes in the world of work does not sit with one department. DWP told us that it works with other government departments to help fill roles in sectors where there is growing demand: for example, with DHSC on filling vacancies in social care, or with BEIS on jobs in the green economy. We want the Department to be proactive in planning ahead. On top of this work, DWP should take a more strategic approach to engaging with other departments—for example DCMS, as the department responsible for digital, and BEIS—to identify sectors which may face increased demand in the future. We also urge the Department to work closely with MHCLG and other Departments on the Levelling Up programme, including on projects like the Towns Fund and Levelling Up Fund, to ensure that areas most exposed to loss of jobs from automation are prioritised for investment in skills and new jobs.
- 36. We welcome the Government's announcement that it will publish a new AI Strategy later this year that will focus on economic growth through widespread use of digital technologies and on developing every adult's digital skills. DWP should work closely with DCMS and BEIS on the development of the Strategy. It should ensure that the Strategy sets out how the Government will respond to the impact of AI on the labour market.
- 37. The Government has committed to introducing an Employment Bill in this Parliament which will "build on existing employment law with measures that protect those in low-paid work and the gig economy". In our earlier report on DWP's response to the coronavirus outbreak, we recommended that the Government should bring forward the Bill as soon as possible. We were therefore disappointed when the Bill was not included in the Queen's Speech 2021. Given the significant changes in the employment market over the last decade, we believe it is imperative that the definition of employment is updated and clarified to ensure that workers enjoy the legal status that they are entitled to. This is not only key in protecting workers in times of change but also in ensuring access to skills training provided by or in conjunction with employers. We also urge the Department to work with HM Treasury to ensure the

definitions of employment for tax purposes are consistent with those for employment law and to end the tax incentives for disguising employment as self-employment. The Government now says simply that the Bill will be introduced "when the time is right"—but it is not at all clear when that might be. We recommend that the Government should, as a matter of urgency, set out a timescale for when it will introduce the Bill. We also recommend that this be published in draft this session to enable pre-legislative scrutiny of the Bill.

#### Measuring the pace of technology adoption in the UK

- 38. The evidence we heard about the speed of technology adoption by employers in the UK is mixed. The Minister told us that the UK is "third in the world in terms of the implementation and solutions around AI". According to the Work Foundation, however, the UK only has an average of 91 robots installed per 10,000 employees, compared with 106 robots on average across the EU, and over 360 in Germany. The Trades Union Congress has cited data showing that, in 2015, the UK had only 10 robot units per million hours worked, compared to 131 in the United States, 133 in Germany and 167 in Japan. The Indian Indian
- 39. Anna Thomas, Director of the Institute for the Future of Work, said that it can be difficult to compare the pace of automation in the UK with other countries because of variations in the way data is gathered. However, she suggested that the current slow pace is starting to accelerate:

The indicators that we have, although we need more research and more data, suggests it is slow, although it is picking up.

The CBI did a survey with the LSE that came out in October. That covered a range of technologies, including automation technologies, and it suggested that over 60% of firms adopted new digital technologies and management practices from March to July. Around one-third invested in new digital capabilities, so that does suggest we are at a critical point and it may pick up. It is difficult, on the basis of current data, to compare that with other countries, because the way we gather data varies.<sup>39</sup>

40. Both Anna Thomas and Professor Alan Felstead told us that there are challenges involved in assessing the impact and pace of automation in the workplace. Professor Felstead said that, without a solid evidence base, predictions about the future are "little more than guesses". He recommended that the Government should "take a lead in putting in place the necessary data infrastructure" to track the impact of change "on the day-to-day working lives of its citizens". Anna Thomas said that there is a need for real-time data on changes in the world of work. She suggested that this could be addressed by adding questions on technology adoption to existing ONS surveys:

There is very little data in the UK on tech adoption by firms, so there are factors that could make this better. The ONS, for example, could add regular technology survey questions to its existing material, which would be super helpful for academics and others. We also do not have task-based data and are reliant on the US O\*NET survey at the moment, the predictions that Alan has referred to. If we had those, we could work out much more closely the relationship between automation and work.<sup>41</sup>

She added that the ONS could "add a broad question on the adoption of digital technologies to the Annual Business Survey", with supplementary questions about the purpose of the new technology and whether it replaced any tasks previously performed by humans.<sup>42</sup>

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36 Q183
37 The Work Foundation (PCW0046)
38 Trades Union Congress, A Future that works for working people, 2018, p.7
39 Q43
40 Professor Alan Felstead (PCW0065)
41 Q41
42 Institute for the Future of Work (PCW0066)
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41. We have heard concerns that there is a lack of real-time data on how quickly employers in the UK are adopting new technology. If DWP is to respond effectively to changes in the world of work, it needs a stronger evidence base about the real-time impact of new technology in the workplace. We recommend that, as a starting point, the ONS should add questions about technology adoption to its Annual Business Survey, as the Institute for the Future of Work has suggested. Possible questions could ask about the purpose of adopting new technology, and whether this has affected the number or nature of tasks performed by humans.

#### Measuring job quality

- 42. We heard that the Government should also monitor the impact of technological change on the quality of jobs. Professor Felstead said that, in comparison to similar countries, the UK currently lacks the data infrastructure to assess this impact effectively. He told us that the Skills and Employment Survey, which was last conducted in 2017 and is expected to be re-run in 2022 -2023, has been a helpful source of data of the impact that changes in the workplace are having on workers, as it "covers various aspects of job quality as well as the extent to which computers are used by respondents in their jobs, the sophistication of their use and the prevalence of computerisation in the workplace". The most recent iteration of the Survey was funded in part by the Department for Education (DfE). Professor Felstead has called for the Government to fund the next edition of the Survey, possibly through the DfE again or through departments such as DWP or the Department for Business, Energy and Industrial Strategy (BEIS), and explore how it could be expanded.
- 43. The Minister told us that although the Government's work on job quality is led by BEIS, DWP has a "real interest" in this area. 44 In response to Matthew Taylor's Review of Modern Working Practices, published in 2018, the Government adopted a new measure of job quality. This measure includes five components which it believed underpin "good work": overall worker satisfaction; good pay; participation and progression; wellbeing, safety and security; and voice and autonomy. 45
- 44. The Carnegie UK Trust, a charitable trust with a focus on job quality and good work, has argued that the Government should adopt a new measure of job quality for the post-coronavirus labour market. It has drawn up a framework for measuring "good work", which consists of the following main components:
  - Terms of employment, including the level of job security, minimum guaranteed hours and under-employment;
  - Pay and benefits;
  - Health, safety and psychosocial wellbeing;
  - Job design and the nature of work, including opportunities for progression and sense of purpose;
  - Social support and cohesion;

<sup>43</sup> Professor Alan Felstead (PCW0065)

<sup>44</sup> Q196

<sup>45</sup> HM Government, Good Work: A response to the Taylor Review of modern working practices, February 2018, p.13

- Voice and representation;
- Work-life balance. 46

The Trust recommends that, as part of "a reaffirmed commitment to good work", the Government should work with the ONS to develop a new measurement framework for job quality following the pandemic.

45. As change leads to the emergence of new jobs and changes to existing ones, the Government must ensure that it is monitoring the impact of change on the quality of jobs, not just the quantity. Studies such as the Skills and Employment Survey have been a useful source of data on job quality in the past. The Government should fund the next round of the Skills and Employment Survey, which is expected to be re-run in 2022–23. The Department for Education has funded the Survey in the past, but the next round could be funded by DWP, or by more than one department. DWP should also consider whether further methods of collecting data on job quality are needed. Working with the Department for Business, Energy and Industrial Strategy, it should also consider whether there is a case for adopting a new framework for measuring job quality or modifying its existing measure.

# 2 Impact of long-term changes on different groups

46. As the pandemic has shown, changes to the labour market can have a differential impact on different demographic groups. Groups of workers who have been hit hardest by job losses caused by the pandemic include disabled people, young people, women and people from Black and Minority Ethnic (BAME) backgrounds. As part of this inquiry, we heard evidence that longer-term changes to the labour market may affect some groups more significantly than others: some groups, for example, may be at greater risk of seeing their jobs lost to automation, but for others, new technology has the potential to widen access to the labour market.

#### Disabled people and assistive technology

- 47. The disability employment gap—that is, the difference in employment rates between disabled and non-disabled people—currently stands at 29.1 percentage points.<sup>47</sup> We are looking at this issue in detail in a separate inquiry into the disability employment gap. As part of this inquiry, however, we considered the potential impact of assistive technology on disabled people's participation in the labour market.
- 48. Assistive technology (AT) can be defined as "products or systems that support and assist individuals with disabilities, restricted mobility or other impairments to perform functions that might otherwise be difficult or impossible". Our predecessor Committee considered the benefits of AT in a 2018 report, in which it concluded that while AT could have a "transformative impact" on disabled people's participation in the labour market, many disabled people are still unable to access it. It said that the cost of specialist AT is too high for many people and that many employers remain unaware of its benefits. <sup>49</sup> That Committee recommended that the Government should "bring together a consortium of AT developers and entrepreneurs, users, employers and support providers" to develop and promote the use of AT. <sup>50</sup> The Government has not acted upon this recommendation.
- 49. During this inquiry, we heard evidence from Hector Minto, Senior Technology Evangelist for Accessibility at Microsoft. He said that said that the adoption of new technology in the workplace will "largely" benefit disabled people, but that there is still a risk of disabled people being left behind if there is not enough investment in helping them access the workplace. Mr Minto also said that knowledge of AT remains "extremely low".<sup>51</sup>
- 50. New technology, especially assistive technology (AT), has the potential to expand disabled people's access to the labour market. However, take-up and knowledge of AT is still low. DWP should do more to improve knowledge and take-up of assistive technology amongst employers. Our predecessor Committee recommended that the Government should bring together a consortium of AT developers and entrepreneurs to achieve this. The Government did not act on this recommendation at the time, so we reiterate it now. The Government should also work with technology companies and employers to ensure that future jobs are accessible for disabled people.

<sup>47</sup> ONS (DEG0085)

<sup>48</sup> Gov.uk, Assistive technology: definition and safe use, last updated 12 February 2021

<sup>49</sup> Work and Pensions Committee, Tenth Report of Session 2017–19, Assistive technology, HC 673, pp.3–4

Work and Pensions Committee, Tenth Report of Session 2017–19, Assistive technology, HC 673, Para 19, p.15

<sup>51</sup> Q119-Q127

- 51. We heard evidence that digital skills are increasingly in demand by employers, and that the level of demand is expected to grow. Evidence suggests, however, that disabled people are less likely to possess basic digital skills or have access to the internet than non-disabled people. Research carried out by the Centre for Economics and Business Research (CEBR) in 2018 estimated that 3.7 million disabled people require training to obtain basic digital skills.<sup>52</sup> Policy Connect, a think tank, said that demand for IT skills in the workplace may lead to disabled people being left behind, citing evidence that disabled people are twice as likely as non-disabled people to lack internet access.<sup>53</sup> ONS data show that disabled people make up a significant proportion of internet non-users (56% of internet non-users in 2017 were disabled). The term "internet non-users" refers to people who have never used the internet or who last used it over three months ago.<sup>54</sup>
- 52. DWP has said that it is "developing proposals on an enhanced skills offer […] to encourage more people to improve their digital and other basic skills".<sup>55</sup> Policy Connect said that any reskilling programmes aimed at preparing workers for the future labour market must be accessible for disabled people.<sup>56</sup>
- 53. DWP must ensure that its digital skills offer is accessible and inclusive for disabled people. It should set out how it intends to increase the proportion of disabled people who benefit from its support and commit to publishing data on this.

#### Women

54. Women's employment rates have increased steadily over the last few decades: 78% of women of "prime working age" (aged 25–54) were employed in 2017, compared to 57% in 1975.<sup>57</sup> However, women are more likely than men to work in sectors that were "shut down" because of the coronavirus pandemic—57% of workers in shut down sectors are women. As part of this inquiry, we looked at whether longer-term changes to the labour market, such as automation, may have differential impacts on men and women. ONS data show that women are more likely to be in jobs assessed as being at high risk of automation and less likely to work in jobs at low risk, as shown by the chart below:

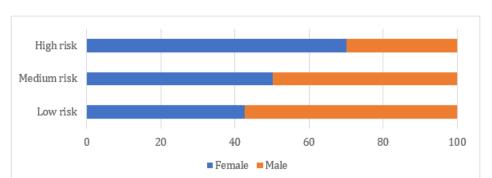


Figure 3: Proportion of main jobs at risk of automation by sex, England, 2017.

Source: ONS (PCW0061)

- 52 CEBR, The economic impact of Digital Inclusion in the UK, September 2018, pp.26–27
- 53 Policy Connect (PCW0055)
- 54 ONS, Exploring the UK's Digital Divide, 2019
- 55 DWP (PCW0062)
- 56 Policy Connect (PCW0055)
- 57 Institute for Fiscal Studies, The rise and rise of women's employment in the UK, April 2018

55. The ONS said that part-time work is concentrated in jobs that are at high risk of automation, which could lead to an unequal impact on women, especially older women, as they are more likely than men to work part-time. The Institute for Employment Studies said that automation may affect men and women differently, but that roles performed by both men and women are at risk of being replaced entirely by automation: these include jobs involving "routine physical tasks such as machine operatives and craft workers, which are largely filled by men, and roles involving routine cognitive tasks, such as clerical or service work, that are predominantly filled by women". Dr Carys Roberts, Executive Director of the Institute for Public Policy Research (IPPR) think tank, said that the situation is "complex":

[...] These changes we know will affect men and women differently, because men and women tend to have different jobs in the UK labour market. Our analysis shows that twice as many women as men work in occupations that have been deemed by researchers to have a high potential for automation, so about 9% compared to 4%. We also know that migrants and lone parents, who are typically women, are more likely to hold jobs with high automation potential and there are some quite interesting age interactions.

It is quite a complex picture. We think that it is something that the Government need to look at. We do see automation as an opportunity because it is through investment in technologies that we can increase productivity and wages.<sup>59</sup>

56. In a 2019 report, the IPPR found that automation is likely to create more jobs than it replaces, with growth concentrated in two main areas: healthcare and professional, scientific and technical services. It said that while women are overrepresented in caring roles, they are less likely to hold higher paid positions in professional, scientific and technical services, with data showing that only 16% of workers in technology roles are women. The IPPR has argued that new technology will not necessarily lead to greater inequality—and may present positive opportunities instead—but that the Government must take steps to realise this, including breaking down barriers to women pursuing roles in Science, Technology, Engineering and Mathematics (STEM) fields. 60

#### **People from BAME backgrounds**

57. Before the coronavirus pandemic, the unemployment rate for people from Black and Minority Ethnic (BAME) backgrounds was 6.3%, compared to 3.9% across the whole population. The Government published a policy paper, *Fuller Working Lives*, in 2017 in which it acknowledged the employment gap between people from BAME and White backgrounds and set out its intention to reduce it. It said:

There are more black and minority ethnic people in work than ever before, but the employment gap (of 10.3 percentage points) is still too high. The DWP's focus is on: building Jobcentre Plus capability, involving a range of activity to ensure that our frontline staff are fully equipped and are able

<sup>58</sup> Institute for Employment Studies, International Women's Day 2020: What does the future of work look like for women?, 6 March 2020

<sup>59</sup> Q139

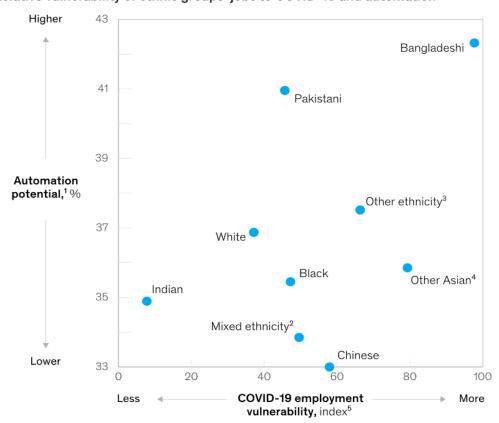
<sup>60</sup> IPPR, The Future is Ours: Women, automation and equality in the digital age, pp.37-43

to tailor the support they provide to individuals and the provision they recommend; using the opportunities that "mainstream" policy initiatives present, to work with BME groups who previously would not experience JCP support; and working to influence the behaviour of recruiting employers and how best to encourage them to recruit a diverse workforce, one that reflects the community in which they are based.<sup>61</sup>

58. Research by the consultancy firm McKinsey suggests that automation could exacerbate existing inequalities and that people from some ethnic backgrounds are more likely to work in sectors with jobs at high risk of automation. It found that people from Pakistani and Bangladeshi backgrounds are more likely to work in jobs that are vulnerable to automation, while people from Chinese and Indian backgrounds are least likely to—this is partly because they are more likely to work in sectors where jobs have a lower probability of automation, such as roles in STEM. The graph below shows McKinsey's assessment of which ethnic groups are most vulnerable to the effects of automation:

Figure 4: Relative vulnerability of different ethnic groups' jobs to Covid-19 and automation

Relative vulnerability of ethnic groups' jobs to COVID-19 and automation



Source: McKinsey & Company, Problems amid progress: Improving lives and livelihoods for ethnic minorities in the United Kingdom, 15 October 2020

59. We heard evidence from Tebussum Rashid, Deputy Chief Executive of the Black Training and Enterprise Group (BTEG), a charity that delivers employment support programmes for young people from BAME backgrounds. When asked about the possible impact of automation on people from BAME backgrounds, she said:

The danger is quite significant. We already know that, statistically, the disproportionality of people from black, minority and Asian communities in the employment market is significant, especially in the job markets that are higher level. The majority of the community is working in those sectors where automation is having a bigger impact, for example, retail and food production. Automation is happening in those industries where those communities are quite significantly present. If automation continues the way it is without filling up people from within those communities, it is those jobs that are first to go, and it is those communities that are first to be impacted.<sup>62</sup>

60. Ms Rashid said that, to address the risk that automation may worsen inequality, there should be a focus on helping people from BAME backgrounds develop new skills, but also on tackling the "institutional biases" in employment and recruitment. A 2020 article published by BTEG cited research by academics at the University of Oxford which found that candidates with "African or Asian-sounding names" needed to submit 60% more job applications than their White British counterparts before they received a positive response. Guidance published on Gov.uk says that DWP has been working with employers to enable "name-blind" recruitment, where a candidate's personal details, including name, are redacted during the early recruitment stages. We asked Ms Rashid whether the practice of name-blind recruitment could help combat racial bias. In response, she told us that name-blindness by itself is not a "solution":

It is small-scale and sporadic, but the danger is that a lot of employers tend to think it is the solution: "We have done that and, therefore, it will all be fine." That is just a small part of trying to put some sort of equity into recruitment. Name blindness on its own is not going to work, because if you think about the narrative within applications, which university somebody went to or which part of the country they are coming from, you can tell even from the narrative. It is not just about the name; it is about the recruitment panels. It is about the format of the interviews. It is about how communities are even being reached and encouraged to apply.<sup>66</sup>

#### Young people

- 61. Our first evidence session of this inquiry focused on the impact of change on young people. We heard that younger workers are one of the groups that have been most affected by changes to the labour market during the pandemic. Sam Windett, Director of Policy at Impetus, told us that young people "always tend to be the worst hit" following past disruptions to the labour market, such as recessions. She referred to ONS data which showed that there were 156,000 fewer young people in employment than there had been before the pandemic.<sup>67</sup>
- 62. We asked representatives of organisations that support young people about the

<sup>62</sup> Q151

<sup>63</sup> Ibid.

<sup>64</sup> BTEG, Dismantling structural racism, 20 July 2020

Department for Work and Pensions, Local Enterprise Partnerships and BME workers: A practical guide to addressing skills challenges, updated 2 March 2021

<sup>66</sup> Q152

<sup>67</sup> Q2

impact of longer-term changes to the labour market, such as the introduction of new technology. Ashley McCaul, the CEO of the youth employability charity ThinkForward, said that young people are not necessarily being equipped with the skills they need in the changing labour market. She told us:

> [...] we are going to see a move towards a digitised workforce more quickly. Also, there is quite an assumption around whether young people will benefit from that. The evidence that I have seen so far from the young people that we work with is that they are going to miss out quite badly on that acceleration because the current education system does not necessarily prepare them to exist in a digitised world. Also, we have young people who are having difficulty accessing IT and infrastructure depending on their living situation.68

63. Ben Marson of the Prince's Trust said that the labour market of the next 5–10 years looks "more challenging and tougher" for young people:

> I would call out a lot of credit for sectors like retail. We talked about the impact on retail, leisure and hospitality. They have been big employers of young people. It is a worry that we see a transition away from the traditional entry-level areas being threatened and overall a higher skills transition. If the entry point into the world of work goes up, which is a trend we are seeing, it is much harder because the gap is wider to prepare young people to enter the labour market.69

- 64. Changes in the world of work will affect some groups of people more significantly than others. We heard that automation has the potential to exacerbate existing inequalities—but that does not have to be the case.
- 65. The employment gap between White and BAME workers remains too high, despite the Government's intent to reduce it. There is a risk that the gap will widen if, as some predict, automation affects some ethnic groups more significantly than others. Automation may also have a differential impact on men and women. Women are still underrepresented in STEM fields, which are likely to see rising demand for workers. Women are also more likely to work part-time, with part-time work more common in low paid jobs, which are more likely to be lost to automation. These are complex issues to which there are no straightforward solutions. The impact of changes on different demographic groups will be uneven, and when formulating policy in response to change, the Government will need to draw upon expertise from a diverse range of sources.
- 66. We recommend that, as part of its commitment to levelling up, the Government should establish a new publicly funded advisory body of experts with a focus on the potential impact of changes in the world of work on different groups in the labour market. The Government should use the now-closed UK Commission for Employment and Skills as a model for what it could look like: that is, a publicly funded but independent body whose membership could consist of employers, trade unions, training providers and representatives from the third sector. The role of this new body should be to produce

intelligence about the impact that changes such as automation may have on different demographic groups, including those that are most likely to experience the effects of these changes, and provide advice and make policy recommendations to the Government on that basis. It should work with and provide guidance to employers, including about how they can increase the diversity of their workforce through changes to their recruitment practices, such as encouraging more employers to adopt name-blind recruitment.

## 3 Short-term changes

#### **Impact of Coronavirus**

#### Take-up of new technology since the beginning of the pandemic

- 67. During our inquiry, we heard evidence that the coronavirus pandemic may have accelerated the take up of new technology in the workplace. Verity Davidge, Director of Central Policy at Make UK, told us that levels of investment in digital technologies, including automation, by UK businesses had increased "at great pace" since the beginning of the pandemic. She said that more businesses are now in what Make UK calls the "revolution phase", in which businesses are completely adopting new digital technologies, whilst far fewer businesses, she said, were at the "pre-conceptual phase of doing nothing". She also said that companies who had already invested in digital technologies and digital skills were better placed to withstand the shocks of the pandemic, because "they were far better equipped to adapt their ways of working".
- 68. Dr George Zarkadakis of the consultancy firm Willis Towers Watson suggested that the pandemic has accelerated the take-up of new technology in the UK by at least ten years. He said:

Some industries, especially industries that had to respond to the pandemic through core and essential services, have accelerated that pace of replacing humans with algorithms, with robots, and so on. What we will probably see as we come out of the pandemic is what we expected to see 10 years from now coming forward.<sup>71</sup>

69. Tamara Hill, an Employment and Skills Policy Advisor at the British Retail Consortium, said that the pandemic has accelerated trends of technology adoption in the retail sector considerably:

I think we have seen an acceleration of trends [...] we have seen the transformation in the retail industry that we expected to see over the next five years compacted into about five months, driven by the necessity caused by Covid.<sup>72</sup>

70. Sage, an enterprise software company, has said that the impacts of the pandemic have caused a "profound shift in the attitudes of small businesses towards technology adoption".73 Research published in its report, *Investing for Recovery - Supporting SME Jobs and Growth through Digital Adoption*, showed that 73% of small and medium sized enterprises have adopted new technology since the start of the pandemic. Sage found that businesses in financial services, education, manufacturing, retail, and technology sectors were the most likely to have invested in technology, whereas sectors like construction, hospitality and professional services showed "under average rates of investment".<sup>74</sup>

<sup>70</sup> Q170

<sup>71</sup> Q170

<sup>72</sup> Q170

<sup>73</sup> Sage, Investing for Recovery - Supporting SME Jobs and Growth through Digital Adoption, October 2020, p 1

<sup>74</sup> Ibid.

#### Changes to working patterns

- 71. Data from the Office for National Statistics show that many workers have changed working practices since the start of the coronavirus pandemic, with remote (home) working becoming more common. It found that in 2020, 35.9% of workers reported doing "some level" of homeworking, an increase of 9.4% compared with 2019.<sup>75</sup> A study by Professor Alan Felstead of Cardiff University and Dr Darja Reuschke of the University of Southampton, published in August 2020, found that the proportion of people working from home increased eight-fold at the start of the first national lockdown, from 5.7% in January and February 2020 to 43.1% in April 2020. In June 2020, however, the proportion of people working from home dropped to 36.5%, coinciding with the relaxation of coronavirus restrictions.<sup>76</sup>
- 72. Jonathan Mills, DWP's Director General for Labour Market Policy and Implementation, said that there was some evidence that remote working has enhanced labour market participation for some groups. He said:

In relation to remote working, we have seen some evidence that for some groups that can facilitate their participation. It can make it easier where there are transport barriers. For some people with disabilities for whom travel to work can be more difficult, remote working can be helpful.<sup>77</sup>

- 73. He said, however, that some employers have expressed concern about the rise in remote working and the "losses in institutional capability and culture" that can arise when there is a rapid shift from one mode of working to another.<sup>78</sup> He added that the Department would expect employment levels to increase if current trends in remote working continued.<sup>79</sup>
- 74. During our inquiry, we heard evidence about the impact that increased levels of remote working can have on labour market participation for disabled people and people with health conditions. James Taylor, Executive Director of Strategy, Impact and Social Change at Scope, said that the ability to work from home was helping many disabled people to manage their conditions better:

I think flexible working and remote working is something that lots of disabled people have asked for a long time. The ability to be at home or come into an office, if you have one, for a set number of hours to manage your condition, being able to have this freedom and this flexibility at the moment is quite empowering.<sup>80</sup>

75. The pandemic has accelerated the take up of new technology in the workplace, and it has led to a growth in remote working. It is likely that some of the changes to working patterns and practices will remain in place once the pandemic has ended. Remote working has both advantages and drawbacks, for employers and workers

<sup>75</sup> Office for National Statistics, Homeworking hours, rewards and opportunities in the UK: 2011 to 2020, 19 April 2021

<sup>76</sup> Professor Alan Felstead & Dr Darja Reuschke, Homeworking in the UK: before and during the 2020 lockdown, August 2020, p 8

<sup>77</sup> Q228

<sup>78</sup> Ibid.

<sup>79</sup> Ibid.

<sup>80</sup> Q125

alike. The Government should monitor and publish an analysis of the impact that the pandemic is having on the take-up of new technology, working patterns and job quality. It should pay particular attention to the impact of the pandemic on disabled people's employment.

#### Impact on people with childcare responsibilities

76. We heard evidence about the impact that the pandemic has had on workers with childcare responsibilities. Working Families, a charity that provides legal advice to parents and carers about their rights at work, told us that, because of changes to the labour market and working practices, there has been a 58% increase in the amount of unpaid childcare being done by men. New mothers have a "day one" right to maternity leave, meaning that an employee does not need to have worked for their employer for a minimum period of time to be eligible. Employees have a right to 26 weeks of ordinary maternity leave and 26 weeks of additional maternity leave. In addition, workers may be eligible for Statutory Maternity Pay (SMP) from their employer for a period of up to 39 weeks. People who do not qualify for SMP—for example, if they do not earn the required amount or because they have not worked for their employer for the required amount of time—may be entitled instead to Maternity Allowance.

77. Julia Waltham of Working Families told us that there is no equivalent "day one right" to paternity leave. <sup>82</sup> To qualify for paternity leave, a person must have been employed with the same employer for "not less than 26 weeks ending with the week immediately preceding the 14th week before the expected week of the child's birth". <sup>83</sup> We also heard that no equivalent to Maternity Allowance exists for new fathers or adoptive parents. Working Families has recommended that the right to day one parental leave and an equivalent to Maternity Allowance should be available to all parents. Ms Waltham told us that the "volatile" nature of the labour market during the pandemic has led to greater numbers of people transitioning between jobs or becoming self-employed, which has meant that some fathers have not been in their jobs long enough to quality for paternity leave. <sup>84</sup> Throughout our inquiry, we heard evidence that longer-term changes to the world of work may lead to similar disruption in the labour market.

78. The shift to remote working has had significant ramifications for people with caring responsibilities. We heard evidence that the number of men undertaking unpaid childcare has increased during the pandemic. Increased volatility in the labour market has resulted in more people transitioning between jobs, meaning that some parents have missed out on entitlements such as paternity leave. Future changes may lead to greater disruption in the labour market, which in turn may affect new parents' entitlement to parental leave and benefits. The Government must ensure that support for parents keeps pace with changes in the labour market. We recommend that DWP should consider the potential benefits of introducing a day one right to paternity leave and an equivalent of Maternity Allowance for new fathers and adoptive parents. It should work with other government departments and stakeholders to explore how this could be achieved.

<sup>81</sup> Q138 [Ms Waltham]

<sup>82</sup> Working Families (PCW0068)

The Paternity and Adoption Leave Regulations 2002, regulation 4

<sup>84</sup> Q138

#### Labour market impacts on specific groups

79. Some groups of workers have been impacted disproportionately by labour market changes brought about by the pandemic. Analysis conducted by the Institute for Fiscal Studies (IFS) in April 2020 found that young people, low earners, and women were the groups most likely to be affected:

The lockdown will hit young workers the hardest. Employees aged under 25 were about two and a half times as likely to work in a sector that is now shut down as other employees. On the eve of the crisis sectors that are shut down as a result of social distancing measures employed nearly a third (30%) of all employees under the age of 25 (25% of young men and 36% of young women). [...] Low earners are seven times as likely as high earners to have worked in a sector that is now shut down. Fully one third of employees in the bottom tenth of the earnings distribution work in shut down sectors versus just 5% of those in the top 10%. [...] Women were about one third more likely to work in a sector that is now shut down than men: one in six (17% of) female employees were in such sectors, compared to one in seven (13% of) male employees.<sup>85</sup>

- 80. Leonard Cheshire, in its report *Locked out of the labour market*, looked at the impact of the pandemic on disabled people's employment. It said that the stigma around employing disabled people could be "exacerbated" by the pandemic; its research found that 42% of employers were discouraged from hiring a disabled person because of concerns about supporting them during the pandemic. .<sup>86</sup> The report cited analysis by the Institute for Employment Studies which showed that between March and June 2020, 40% of disabled employees were furloughed or had their hours reduced—compared with only 30% of non-disabled employees.<sup>87</sup> The charity said that the Government "must act to ensure that disabled people—of every age—are not further disadvantaged by the pandemic, now and in the long-term".<sup>88</sup>
- 81. The Runnymede Trust said that the pandemic has had a "devastating impact" on people from Black, Asian and Minority ethnic (BAME) communities. <sup>89</sup> It found that 32% of BAME people had lost income during the first national lockdown compared to 23% of White people, with some ethnic groups being more likely to experience a loss of income than others, such as Bangladeshi (43%), Black African (38%) and Chinese (34%) groups. <sup>90</sup>
- 82. Tebussum Rashid, Deputy Chief Executive of the Black Training and Enterprise Group, told us that many BAME workers who have been furloughed have since entered into precarious employment:

Post Covid, given the kind of industries that have been impacted and the redundancies that we have seen, I read somewhere that about 70% of those furloughed in BAME communities have gone into precarious work. We really need to think about where they are heading and what the

<sup>85</sup> Institute for Fiscal Studies, Sector shutdowns during the coronavirus crisis: which workers are most exposed?,
April 2020. p 2

<sup>86</sup> Leonard Cheshire, Locked out of the labour market, October 2020, p 4

<sup>87</sup> Ibid. p7

<sup>88</sup> Leonard Cheshire, Locked out of the labour market, October 2020, . p 5 lbid. p 5

<sup>89</sup> Runnymede Trust, Over-exposed and under-protected, August 2020, p 2

<sup>90</sup> Runnymede Trust, Over-exposed and under-protected, August 2020, p 11

opportunities are for those who have been furloughed and those who are facing redundancy in industries that are collapsing. We need to think about reskilling and opening up opportunities.<sup>91</sup>

#### The Kickstart scheme

- 83. On 8 July 2020, the Chancellor of the Exchequer announced the *Plan for Jobs*, which set out measures aimed at supporting people back into employment, helping people remain in work and creating new jobs. For young people, this included the announcement of a £2 billion fund for a new employment support scheme, Kickstart. The scheme provides funding to employers to create new six-month job placements for young people aged between 16 and 24 who are currently on Universal Credit and at risk of long-term unemployment. As of 6 May 2021, over 108,000 job placements had been made available and over 20,000 young people had started a placement.
- 84. Robert Joyce, Deputy Director of the Institute for Fiscal Studies, described the scheme as "quite well targeted at young people who are most vulnerable, and whose other options will often be rather bleak". He expressed concern, however, that "the structure of the subsidy means that incentives to offer these placements are sharpest for low-paid, part-time, temporary work. The risk is that this is not a great recipe to 'kick start' high quality careers". 92
- 85. There have been concerns about how well the Kickstart scheme will work for young disabled people. Shortly after the publication of the Plan for Jobs, a coalition of charities, led by the National Deaf Children's Society, wrote to the Chancellor with recommendations on how the Government should support young disabled people into employment after the pandemic. The charities recommended that eligibility for Kickstart should be expanded to a wider group of people, for example those with Education, Health and Care plans and receiving Employment Support Allowance, rather than just people claiming Universal Credit.<sup>93</sup>
- 86. Following an oral evidence session on 21 October 2020, we wrote to the Permanent Secretary asking if the Department planned to collect data on the number of disabled participants on the Kickstart scheme. <sup>94</sup> In his response, he acknowledged the limitations on data collection in the Universal Credit system of pinned notes, saying:

"Pinned Notes" is a tool that UC agents can use to keep a note in a claim's history visible and highlighted to other agents. This tool does not contain any standard data that could be aggregated or provided either internally or externally. [...] At this stage we do not disclose to the employer information about a claimant's disability. The department is currently considering how to collect and aggregate sensitive information from Universal Credit claimants. <sup>95</sup>

The Permanent Secretary did tell us, however, that: "As part of the Kickstart evaluation we are planning, as part of a representative two-wave longitudinal study, to record whether

<sup>91 0164</sup> 

<sup>92</sup> Institute for Fiscal Studies, Chancellor still spending big - and likely to be more to come, accessed 29 April 2021

<sup>93</sup> Letter from the National Deaf Children's Society to the Chancellor of the Exchequer, dated 28 July 2020

<sup>94 &</sup>lt;u>Letter</u> from the Chair to the Permanent Secretary, dated 4 November 2020

<sup>95</sup> Letter from the Permanent Secretary to the Chair, dated 21 November 2020

participants have a disability." He said that the Government would be "monitoring and evaluating the Kickstart scheme throughout its implementation, and will continue to evaluate the longer-term outcomes and impact for Kickstart participants after they have completed their six-month job placements". 96

87. During our oral evidence session on 11 February, we asked the Department again if outcomes for disabled people will be monitored and collected separately and whether the Department plans to publish numbers for the outcomes for disabled people on Kickstart. The DWP's Director General for Labour Market Policy and Implementation, Jonathan Mills, told us:

We are finalising the evaluation approach for Kickstart at the moment. We know anecdotally that work coaches are, rightly, finding good opportunities for people with disabilities already but we will find out.<sup>97</sup>

88. Justin Tomlinson MP, the Minister for Disabled People, Health and Work, told us that the Department will not receive real-time data on the number of disabled participants in Kickstart, and that this data will only be made available when the scheme is evaluated. He said:

We will get data on those with disabilities and health conditions who have participated in Kickstart, but it comes as the scheme will have been evaluated rather than real-life data, which we talked about earlier. From my perspective, I would be very interested to have that data today. I will not get that until further down the line. The work coaches would say, "I want to build trust, I want to build a relationship with the person I talk to, I don't want to have to conduct a very long survey." There is that fine balance of what is helpful for me as a Minister, who is impatient to know all of the data as quickly as possible—a legacy of me doing A-level maths, I think—and the work coach, with vast experience of dealing with people, wanting to have a personalised, normal conversation, not a deep-dive statistical survey. "

#### The Restart scheme

- 89. In the November 2020 Spending Review, the Government announced its plan to launch a new unemployment support scheme, Restart, in the Summer of 2021. The scheme aims to prevent those made unemployed during the pandemic from falling into long-term unemployment by providing up to 12 months of tailored personalised employment support to Universal Credit claimants who have been out of work for at least a year. The Government announced £2.9 billion of funding for the three-year programme, with expectations that the scheme will support around one million people. The Department have said that the scheme is due to launch on 28 June, with referrals to providers starting from 12 July.<sup>99</sup>
- 90. We asked organisations that support disabled people whether they are confident that Restart will provide the right support that disabled people need to secure employment. The Royal National Institute for Deaf People, the Thomas Pocklington Trust, Epilepsy

<sup>96</sup> Ibid.

<sup>97</sup> Q224

<sup>98</sup> Oral evidence taken on 19 May 2021, HC (2021–22) 189, Q218

<sup>99</sup> Department for Work and Pensions, How the Restart scheme will work, accessed 30 April 2021

Action,<sup>100</sup> and Mencap<sup>101</sup> all expressed doubts, describing the scheme as being "generic" and unlikely to provide the specialist employment support that some disabled people need to move into work. Jane Harris, Director of External Affairs and Social Change at the National Autistic Society, told us that she had concerns about how the experiences of disabled people on Restart would be monitored:

I also have not seen any commitment that there will be data specifically tracking the experience of autistic people through that programme. What I am worried about is more money going in without us understanding who this has worked for and who it has not worked for. With any Government programme across the board, it works for some segments of people and works less well for other segments, and we really need to understand that in much more granular detail. <sup>102</sup>

91. We wrote to the Secretary of State in January to ask what tailored support would be available under Restart for disabled people and people with health conditions. <sup>103</sup> In her response, she told us that disabled people who are eligible for Restart will be able to receive the following support:

For these claimants, the Restart provider must ensure they deliver support in line with the Equality Act 2010 to enable them to access the provision equally. Restart providers will be responsible for travel and 'additional support' costs while claimants are participating in the provision. 'Additional support' is defined as extra help that allows a claimant to attend and participate fully in provision (for example clothing, childcare and specialist equipment). Access to Work, which aims to help more disabled people start or stay in work, will remain in place.<sup>104</sup>

- 92. Unemployment has risen because of the pandemic, but some sectors have been hit harder than others. Sectors which have seen the highest proportion of job losses are those that have been "shut down" in response to the pandemic, such as arts and leisure, retail and passenger transport. Some groups of people are also more likely to have lost their jobs, including disabled people, young people, women, low-paid workers and workers from BAME backgrounds. We welcome the announcement of two new employment support schemes: Restart, aimed at the long-term unemployed, and Kickstart, aimed at young people on Universal Credit. But neither scheme has specific provisions for disabled people, and we have heard concerns from disability organisations about how well they will work for disabled people in practice. DWP must ensure that both schemes meet the needs of groups who are particularly likely to have lost out during the pandemic. To do that, it will need to collect better data than it currently has.
- 93. The Department will, however, be limited by longstanding deficiencies in the collection and storage of data about Universal Credit claimants. The Department has told us that it does not have the mechanisms within the Universal Credit system to collect real time demographic data about participants in the Kickstart and Restart

<sup>100</sup> Q164

<sup>101</sup> Q124

<sup>102</sup> Ibid.

<sup>103</sup> Letter from the Chair to the Secretary of State for Work and Pensions, dated 2 February 2021

<sup>104</sup> Letter from the Secretary of State for Work and Pensions to the Chair, dated 2 February 2021

schemes. This means that the Department will not know the outcomes and experiences of different groups of people, including disabled people and people from BAME communities, on Kickstart and Restart until an evaluation is published once the schemes have closed. The same will be true of any employment support schemes linked to Universal Credit.

94. We reiterate our recommendation, first made in October 2020, that the Department should immediately make improvements to the Universal Credit system to enable it to record and use data about claimants' characteristics. Without those improvements, the Department cannot effectively measure in real time how well the Restart and Kickstart schemes are working for different groups. The Department should set out, in response to this report, when it expects to achieve this.

# 4 Retraining and skills

#### Changing skill demands

95. As the labour market changes and new jobs emerge, some skills are likely to see an increase in demand. During our inquiry, we heard evidence from three trade associations that represent the technology, retail, and manufacturing sectors. All three witnesses told us that demand for digital skills is increasing in their respective sectors. Verity Davidge, Director of Central Policy at Make UK, told us that in the manufacturing industry "proficiency in digital skills is now considered a necessity not a desirable". She added that the demand for digital skills in manufacturing is expected to increase in the coming years:

Some 60% of manufacturers say they expect demand for digital skills to increase in the next two years, and the driver behind that is investment in digital technologies. Some 80% of companies now say that the adoption of digital technologies will be a reality for their business in 2025, and they are moving quickly—mostly driven by the pandemic—on their digital journey. [...] All of that investment is increasingly driving a need for high-level digital skills.<sup>105</sup>

96. Antony Walker, Deputy CEO of TechUK, told us that a greater number of roles now require some form of digital skills. He said that the most in-demand skills are in the areas of cybersecurity, data analytics and artificial intelligence. He stressed, however, that there is also increasing demand amongst employers for "human aptitudes and competencies" that cannot be easily automated or replicated by technology:

They [employers] believe that, in a world where more routine tasks are going to be automated, some of these human aptitudes and competencies become more important. That is things like complex problem solving, creativity, critical thinking, cognitive flexibility, collaboration, leadership and, perhaps most importantly of all, the ability to keep learning.<sup>106</sup>

97. Tamara Hill, Employment and Skills Policy Advisor at the British Retail Consortium, told us that most roles in the retail sector now require some form of digital skills. She agreed that employers are increasingly seeking "softer skills"—that is, skills that cannot easily be performed or replicated by technology. She said:

Our members also report requiring those softer skills. Automation is replacing the transactional elements of jobs, so those softer skills are required in listening, conversing, influencing, persuasion and empathy with customers.<sup>107</sup>

98. The Workplace Training and Development Commission (WTDC), set up by the British Chambers of Commerce in partnership with Indeed, an online employment website for job listings, said that digital skills are becoming increasingly important and sought after by employers. Its 18-month study, from October 2019 to April 2021, focused on the attitudes of businesses towards adult skills training provision. It found that 84% of

<sup>105</sup> Q166

<sup>106</sup> Q166

<sup>107</sup> Q166

companies think that digital skills are more important to their business than two years ago, with "basic computer skills, communicating and connecting through digital channels and management of digital information" being the most desired skills by employers. <sup>108</sup> The WTDC said that workers will need to become more confident using digital technologies:

The challenge of low productivity is accelerating demand for new technology, automated processes and new skills in the workplace. [...] Everyone in the workplace will need to be comfortable and competent with the use of evolving digital technologies and employers need to find the time and resources to invest in continuous training and upskilling. Improving the level of digital and technical skills is critical to in-work progression and increasing business productivity.<sup>109</sup>

#### Digital skills shortage

99. The WTDC said that there is a shortage of digital skills in the UK with many employees having "very low levels of digital awareness and capability". 110 Its study found that 75% of businesses are facing a shortage of digital skills amongst their workforce, with businesses reporting that a lack of time to train staff and difficulties in identifying and affording appropriate training are the main barriers to improving levels of digital skills. 111

100. In an October 2020 report, the Confederation of British Industry (CBI) said that 9 in 10 workers will need retraining by 2030 to prevent large skill gaps from emerging in the labour market. The CBI said that "reskilling is one of the biggest issues facing the UK" and that long-term investment in retraining is crucial in supporting people into newly created or transforming jobs. Microsoft has said that the UK faces a "looming AI skills gap". Its research found that 35% of employers believe that there will be a digital skills gap in the next two years, whilst 28% of employers said that the UK was already experiencing a skills gap. Microsoft also said that the UK's retraining efforts are lagging behind other countries:

Only 17% of UK employees say they have been part of re-skilling efforts (far less than the 38% globally), and only 32% of UK employees feel their workplace is doing enough to prepare them for AI (well below global average of 42%). One possible reason for this disconnect is that UK leadership appears to be focusing on the technology itself before the skills of the people using it, while the reverse is true globally. 61% of UK managers say they're focusing on the AI they implement, compared to 39% who say they're focused on their people and how they work with AI.<sup>114</sup>

<sup>108</sup> British Chambers of Commerce, Report of the Workplace Training and Development Commission, May 2021, p 25

<sup>109</sup> Ibid

<sup>110</sup> Ibid

<sup>111</sup> Ibic

<sup>112</sup> Confederation of British Industry, <u>Learning for life funding a world-class adult education system</u>, October 2020, p 4

<sup>113</sup> Ibid p 8–12

<sup>114</sup> Microsoft, AI Skills in the UK, August 2020, p 7

#### DWP's skills offer

101. In written evidence, the Department told us that it is working collaboratively with other Government departments such as the Department for Education, the Department of Health and Social Care, and the Department for Business, Energy and Industrial Strategy to "help jobseekers adapt to the changing world of work". DWP told us that it was continuing to develop its skills provision to support claimants looking for work:

We are developing proposals on an enhanced skills offer for DWP customers to encourage more people to improve their digital and other basic skills. We are also expanding our sector-based work academy programmes designed to support those with skills up to level 2 and potentially beyond. DWP is working closely with DfE to shape provision in response to skills gaps. We will continue to work with them and identify referral routes for our claimants. Alongside this the government is supporting people to identify skills mismatches and remove barriers to entry for roles in in-demand or growing sectors. For example, DWP is working with DHSC to develop case studies to attract jobseekers into social care. This sector has longstanding labour supply issues and is expected to require an additional 256,000 workers by 2024/25/.<sup>116</sup>

102. John-Paul Marks, Director General of Work and Health Services at DWP, told us that Jobcentres are working closely will local authorities and colleges to provide training opportunities and meet local skill demands:

On the point of skills, you are absolutely right: the caseload has doubled and the demand for training is high. Every jobcentre works in partnership with their colleges in a place-based way, including with their local authority, to try to make sure that we are co-ordinating training interventions that meet local employer demands. [...] What we are trying to get across is this point about partnership in community to meet needs and giving the jobcentres all the enablement and empowerment that they need to tailor the commitments and the job goals for each customer. That is something we keep focusing on every day and keep reaching out to our partners to help us get that right.<sup>117</sup>

103. The Minister also explained how DWP is working with the Department for Education to support workers proactively to help them develop their digital skills:

Some of the work that I am doing currently is working with DfE around its National Skills Fund, the plans that it has for digital boot camps and how our claimants can be available to be on those particular programmes. DfE is actively working with us and employers to make sure that those programmes fit the needs of the local labour market.<sup>118</sup>

<sup>115</sup> Department for Work and Pensions [PCW0062]

<sup>116</sup> Ibid

<sup>117</sup> Q194

<sup>118</sup> Q186

# National Skills Fund, skill bootcamps, and the Skills and Post-16 Education Bill

104. The 2019 Conservative Party manifesto included a commitment to spend £3 billion over the next Parliament on a National Skills Fund to retrain and reskill the adult workforce to meet identified skills gaps. <sup>119</sup> At the November 2020 Spending Review, the Chancellor of the Exchequer announced that the Government would invest £375 million in the Fund in 2021–22. <sup>120</sup> As part of the Lifetime Skills Guarantee, announced in September 2020 and paid for through the National Skills Fund, the Prime Minister announced the skills bootcamp programme. <sup>121</sup> Skill bootcamps offer free, flexible 12–16-week courses for adults aged 19 or over and who are either in work or recently unemployed to help them develop sector-specific skills. <sup>122</sup> The bootcamps offer a range of courses including digital courses in software development, digital marketing and data analytics. <sup>123</sup>

105. The Queen's Speech in May 2021 announced that the Government would introduce a Skills and Post-16 Education Bill. The explanatory notes to the Queen's Speech said that one of the purposes of the Bill is to "ensure everyone, no matter where they live or their background, can gain the skills they need to progress in work at any stage of their lives". <sup>124</sup> The Bill was introduced in Parliament on 18 May 2021. In a press release, the Department for Education outlined measures that will be introduced in the Bill. These include:

- Changes to the student loans system to give every adult access to a "flexible" loan for higher-level education. This can be used at any point in an adult's life.
- The Introduction of new powers allowing the Government to intervene in underperforming colleges and giving the Government the power to "direct structural change where needed to ensure colleges improve".
- A legal requirement for employers and colleges to "collaborate to develop skills plans" so that training opportunities meet the needs of local areas. 125

106. We welcome the steps that DWP has already taken to ensure that jobseekers can develop the skills they need in a changing jobs market. We were encouraged by the Minister's comments that DWP is working with the Department for Education on its National Skills Fund and the delivery of digital boot camps. But the UK is still facing a significant digital skills shortage, and demand for new skills will only rise as the labour market changes. The Government must ensure that the workforce is equipped to respond to this challenge. DWP must continue to work closely with DfE to ensure that its skills programmes reflect the changing needs of employers and demands of the labour market.

107. In written evidence, DWP said that it intends to expand its skills offer. In response to this report, it should set out its plans in detail. In particular, it should explain how its offer will focus on the skills for which there is increased demand, particularly digital

<sup>119</sup> The Conservative and Unionist Party, Get Brexit done unleash Britain's potential, December 2019, p 36

<sup>120</sup> HM Treasury, Spending Review 2020, November 2020, p 62

<sup>121</sup> Prime Minister's Office, Major expansion of post-18 education and training to level up and prepare workers for post-COVID economy, accessed 6 May 2021

<sup>122</sup> Department for Education, National Skills Fund, accessed 6 May 2021

<sup>123</sup> Ibid

<sup>124</sup> Prime Minister's Office, The Queen's Speech 2021 - background briefing notes, May 2021, p 50

<sup>125</sup> Department for Education, New legislation to help transform opportunities for all, accessed 18 May 2021

and AI skills. It should ensure that its offer is not just aimed at people who are in the early stages of their career, but at older workers who may also want or need to retrain.

108. DWP should set out a plan for how Jobcentre Plus can work more closely with partners—including local authorities, local enterprise partnerships, employers and education and training providers—to ensure that its skills offer is aligned with the needs of the local labour market.

#### Support through Jobcentre Plus

#### Work Coaches

109. Witnesses to our inquiry said that it is essential that Work Coaches have a detailed understanding of the local labour market, and that business engagement is a key route to understanding the changing jobs market and the nature of skills that employers are looking for. We heard evidence, however, that Work Coaches often do not have the capacity for business engagement on top of their other duties, and that it is not considered a priority. The Leeds University Business School and the Institute of Employment Professionals (IEP) told us that business engagement is "rarely considered as a core skill for frontline advisers" and that Work Coaches do not have time on top of their existing workloads to carry out effective business engagement:

In the context of an unprecedented increase in benefit claims, there is a significant risk that business engagement is neglected. This concern has been voiced by some IEP members working in Jobcentre Plus.<sup>126</sup>

110. They also stressed that business engagement is crucial in supporting claimants into roles in digital and technology sectors:

Particularly in digital and tech sectors, bespoke business engagement is needed in order to be able to advise candidates. This is also needed to advise candidates who may not have considered jobs in tech but who are in labour markets where there is demand for these skills.<sup>127</sup>

- 111. The Chartered Institute for Personnel and Development (CIPD) told us that it is unlikely that Work Coaches would be able to "proactively develop in-depth knowledge of the local labour market" on top of existing work commitments. It said that Work Coaches needed to be supported by a network of specialist providers who could provide advice and guidance about newly emerging jobs to claimants.<sup>128</sup>
- 112. We asked the Minister for Employment about the readiness of Work Coaches to support people into jobs in new and emerging sectors, including whether she agreed with the CIPD's assessment that Work Coaches do not have enough in-depth knowledge of the labour market in emerging sectors. The Minister told us that she was aware of this issue:

I am aware of that and I am keen to address it. Our work coaches rightly benefit from intensive training. [...] For work coaches, the time that they need and the understanding they need is a lot and it is a big ask.<sup>129</sup>

<sup>126</sup> Leeds University Business School and Institute of Employment Professionals [PCW0045]

<sup>127</sup> Ibid

<sup>128</sup> Chartered Institute for Personnel and Development [PCW0041]

<sup>129</sup> Q203

113. In its Plan for Jobs, published in July 2020, the Government set a target of doubling the number of Work Coaches to meet the increasing demands being placed on DWP's services during (and expected after) the pandemic. <sup>130</sup> In practice this meant recruiting 13,500 new Work Coaches. John Paul Marks, Director General for Work and Health Services at DWP, told us that the additional Work Coaches would improve the Department's ability to support more customers:

We are making sure the face-to-face channel is equipped for the need, that is the first thing I will say, with 13,500 more work coaches by the end of March, which is a huge increase in our capacity and capability at the point of need. That brings the average caseload in the intensive regime for the work coach back down to what we want it to be, in that sort of 120 to 140 range, which gives them the time to support their customers.<sup>131</sup>

In a press release on 7 April 2021, the Department announced that it was recruiting 315 new Disability Employment Advisors (DEAs) to be in post by May 2021. DEAs are based in Jobcentre Plus and provide non-frontline specialist support to work coaches. The Department said the additional roles will be filled internally and would bring the number of DEAs working in Jobcentres to 1,115. 133

114. Ian Pope, DWP Group Assistant Secretary at the Public and Commercial Services Union, highlighted the importance of providing Work Coaches with suitable training on newly emerging job sectors. He told us that Work Coaches would be capable of supporting claimants in a changing jobs market so long as they were given appropriate training:

If the Department is properly funded and there is proper investment, our members, with appropriate training, can do just about anything. [...] Training is a big aspect of this. Staff are trained, but clearly digitalisation and automation is part of this. What is that going to look like in 10 years' time? Our members are trained to deal with what is in front of them at this moment in time, but that could change as the situation changes over the next few years. 134

115. It is essential that Work Coaches have a detailed understanding of the local labour market. Business engagement is a key route to understanding the changing jobs market and the nature of skills that employers are looking for. We heard evidence, however, that Work Coaches often do not have the capacity for business engagement on top of their other duties, and that it is not considered a priority. The Minister acknowledged this issue and said that she is keen to address it. DWP should ensure that new Work Coaches receive specific training on business engagement. All Work Coaches should be encouraged to and given time to undertake business engagement alongside their other duties. This should be incorporated into Work Coaches' performance objectives and considered during performance reviews.

116. We welcome the fact that DWP has recruited 13,500 additional Work Coaches in response to the pandemic. DWP should continue to assess whether the number of Work

<sup>130</sup> HM Treasury, A Plan for Jobs speech, accessed 6 May 2021

<sup>131 0201</sup> 

<sup>132</sup> Department for Work and Pensions, <u>Government unveils new support for disabled jobseekers</u>, accessed 14 May 2021

<sup>133</sup> Ibid.

<sup>134</sup> Q67

Coaches is sufficient, and commit to recruiting more in the future if demand rises. It should also ensure that there are enough Jobcentre Plus staff with specialist skills. The Department recently announced the recruitment of 315 new Disability Employment Advisers, which is welcome, but it should assess whether this number is enough and commit to hiring more or upskilling existing Work Coaches if necessary.

#### Accessing DWP's services

117. In response to the coronavirus pandemic, DWP has delivered many of its services online instead of being face to face. In our first report of this Parliament, *DWP's response to the coronavirus outbreak*, we highlighted evidence from the Children's Society who expressed concern that people with limited digital skills faced barriers to accessing services online:

[ ... ] It has been exceptionally difficult for anyone without adequate digital literacy or digital access (i.e. no internet at home or mobile phone with data, including some in rural areas with poor broadband connections), or where offline services have been required (for example, for ID verification). We were told that Job Centre closures/reduced services are exacerbating these difficulties in accessing the service. 135

118. In that report, we expressed concern that people with limited digital literacy had struggled with the online application process for Universal Credit:

The changes DWP has made to the application process in response to the outbreak—particularly allowing the use of Government Gateway accounts for identity verification—are very welcome. We remain concerned, however, that the online application process continues to be difficult to navigate for people who lack digital literacy, especially people in vulnerable groups. <sup>136</sup>

We recommended that the Department should "reflect on" whether other changes may be needed to its services to support claimants with low digital literacy. 137

119. Our predecessor Committee also looked at people's experiences of the online application process in its report, *Universal Credit: support for disabled people*, published in November 2018. Research carried out by DWP found that over half (54%) of people who made their Universal Credit claim online found the process difficult. People with long term health conditions were more likely to require assistance, while 52% of disabled people who managed to register online said that they needed assistance. In response to that Committee's report, the Government referred to the introduction of 'Universal Support: Help to Claim Universal Credit' (now known as Help to Claim), a free support service delivered by Citizens Advice, and said that the service would provide support to people who needed assistance in making and managing their claim:

The Universal Support; Help to Claim Universal Credit service will provide

Work and Pensions Committee, First Report of Session 2019–21, DWP's response to the coronavirus outbreak, HC 178, para 18–19

Work and Pensions Committee, First Report of Session 2019–21, <a href="DWP's response to the coronavirus outbreak">DWP's response to the coronavirus outbreak</a>, HC 178, para 22

<sup>137</sup> Ibid

Work and Pensions Committee, Twenty-First Report of Session 2017–19, Universal Credit: support for disabled people, HC 1770, para 50

assistance to those requiring additional support to make and manage their UC claim. It is being designed specifically with vulnerable customers in mind and provides funding to Citizens Advice to help people make their Universal Credit claim, and to help manage their Universal Credit payment. 139

120. As well as impacting the labour market, the adoption of new technology is likely to affect the way DWP delivers its services. As DWP moves more of its services online, it must ensure that people with low digital literacy, who may struggle to access its digital services, can continue to access face-to-face support and in-person services. It should ensure that services that help people access benefits, such as Help to Claim, have the resources they need, and that they receive additional funding if demand increases. DWP should develop a plan for how it will work more closely with third sector organisations that support claimants to ensure that they can continue to access DWP's services.

# 5 Universal Basic Income (UBI)

121. As the labour market changes, DWP will need to adapt its employment support provision to meet the needs of employers and workers. But the social security system must also be ready to respond to change, such as the possibility that increasing numbers of workers will face displacement because of the loss or transformation of existing jobs.

122. A Universal Basic Income (UBI) has been put forward as a possible solution to this issue. Although there is some debate around what a UBI should look like in practice, the term is used to describe a variety of proposals for the state to provide an income for all citizens regardless of their income and without any conditions attached. Our inquiry's terms of reference invited views on whether a UBI would be an appropriate or feasible policy solution to changes in the labour market. In addition to the written evidence that was submitted to our inquiry, we received almost 20,000 email responses to a survey conducted by Organise, a campaigning organisation with a focus on workers' rights.

123. Our predecessor Committee considered the possibility of a basic income in its report, *Citizen's income*, published in April 2017. That Committee was unequivocal in its rejection of a basic income, saying:

The cost of introducing a CI at a level that would be beneficial for the poor would be prohibitive, as equal benefits would go to the whole population irrespective of their income. It would require rises in taxation that have not been contemplated by any political party serious about winning a general election.

[...]

There are many problems with the existing benefit system, but CI is an unhelpful distraction from finding workable solutions to them. We urge the incoming government not to expend any energy on CI.<sup>140</sup>

124. The coronavirus pandemic, which has seen large numbers of people turning to the social security system for the first time, has reignited debate about whether UBI could be a feasible or appropriate safeguard against possible disruption to the labour market. A parliamentary petition which called for the introduction of UBI during the pandemic received over 114,000 signatures and was debated by MPs in September 2020.<sup>141</sup> It is against this backdrop that we decided to revisit the issue as part of this inquiry.

#### What could a Universal Basic Income look like?

125. There is no single, universally accepted model of how UBI could work in practice. Some proponents of UBI have argued that it should replace the current social security system, while others are in favour of more limited or "partial" schemes that would retain elements of the existing system. The Citizen's Basic Income Trust, a charitable trust which supports the introduction of a basic income, has argued that a system which combines a basic income with some contributory and means-tested benefits would be both feasible and appropriate. Conversely, it says that a strictly revenue-neutral basic income scheme (that

<sup>140</sup> Work and Pensions Committee, Eleventh Report of Session 2016–17, Citizen's income, HC 793, Para 11 and 12

<sup>141</sup> Parliament.uk, Petitions, Implement Universal Basic Income to give home & food security through Covid-19, accessed April 2021

is, one that would not result in a net fiscal cost to the Exchequer) with no means-tested benefits would "impose unacceptable losses on low income households". Compass, a campaigning organisation, has proposed a model where the State Pension and Child Benefit would be abolished, and in which means-tested benefits would still exist, but would be paid at a reduced rate. 143

#### Rates and cost of UBI

126. We also looked at different options for the rate UBI at which could be paid. Compass has modelled a system in which adults under 65 would receive £60, children would receive £40 and adults over 65 would receive £175 (all figures per week). It argues that such a scheme would be "feasible, affordable and highly progressive". The Fraser of Allander Institute at the University of Strathclyde modelled the costs of introducing a basic income in Scotland set at two different rates: a "low rate", where working age adults would receive £73.10 per week, and a "high rate", where the same group would receive £213.59 per week, with different rates for adults over State Pension age, people aged 16–19 and children. The RSA also modelled a system in its 2019 report, *A Basic Income for Scotland*, under which working age adults would receive £4,800 per year (equivalent to around £92 per week). When presented with different options for what rate UBI could be paid at, the majority of respondents to Organise's survey expressed support for a weekly rate of £250 (the highest of five possible options). The For comparison, the weekly standard allowance in Universal Credit for a single adult aged 25 and over is currently £95 per week.

127. Some UBI models involved paying different amounts to different groups of people. Dr Luke Martinelli from the Institute for Policy Research (IPR) at the University of Bath, for example, has calculated the costs of different models of UBI. Under one model, disabled adults would receive an additional £35.75 per week, with severely disabled adults receiving an extra £76.65 per week. The IPR has also conducted microsimulation analysis of different models of UBI, which involves modelling the impact that UBI could have on individuals and households. It found, based on this analysis, that "full" UBI schemes, in which means-tested benefits would be replaced entirely, would result in some households losing out, whereas a "partial" UBI scheme in which means-tested benefits were maintained could provide more adequate support. 150

128. The cost of introducing UBI, and the question of how this could be funded, has also been a subject of debate. Dr Malcolm Torry, an independent researcher who is a proponent of UBI, said that for a scheme to be feasible it should "make as few changes as possible to the existing tax and benefits system". <sup>151</sup> Under Compass' model, some benefits would be abolished, and other means-tested benefits reduced. When these savings are deducted from the gross cost of providing basic income, Compass says that its model would cost

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    Citizen's Basic Income Trust, Citizen's Basic Income: A brief introduction, 2018, p.7
    Compass (PCW0002)
    Compass (PCW0002)
    Fraser of Allander Institute, University of Strathclyde, Modelling the Economic Impact of a Citizen's Basic Income in Scotland, Final Report, May 2020, p.6
    RSA (PCW0047)
    Organise, Basic Income Conversation and the UBI Lab Network (PCW0025)
    Gov.uk, Universal Credit: what you'll get, accessed April 2021
    Martinelli, L, IPR Policy Brief: Assessing the Case for a Universal Basic Income in the UK, 2017, p.38
    Institute for Policy Research, University of Bath (PCW0036)
    Q101
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around £182 billion per year, which it suggests could be funded by changes to taxation. <sup>152</sup> The different models proposed by Dr Martinelli could cost between £140 billion and £427 billion per year. <sup>153</sup>

129. DWP's total expenditure for 2019–20 was £199.1 billion.<sup>154</sup> Some supporters of UBI have argued that a basic income could lead to savings by reducing the costs associated with the administration of means-tested benefits; the RSA argues that the introduction of UBI could reduce the "costs and complexity which are endemic to the current approach". <sup>155</sup>

#### Feasibility studies

130. To date, no trial of UBI has taken place in the UK. During 2017–18, Finland conducted an experiment which looked at the impact of basic income on participants' employment prospects and wellbeing. In the experiment, which was conducted by Kela, the Finnish social security agency, 2,000 unemployed people aged 25–58, who were selected at random, received an unconditional monthly payment of €560. It found that the provision of a basic income did not have any notable impact on participants' employment prospects, although it did have a positive impact on their overall wellbeing. It stressed, however, that interpreting the outcomes of the experiment is complicated by the fact that it took place at the same time as another change to the social security system, which saw the eligibility criteria for unemployment benefits tightened.<sup>156</sup>

131. The Welsh Government has announced its intention to conduct a pilot of UBI. Details of the pilot have not yet been published but, commenting on the announcement, the First Minister said that it would have to be "carefully crafted to make sure that it is affordable and that it does it within the powers available to the Senedd". Between 2018 and 2020, the Scottish Government funded a study led by four Scottish local authorities. This study explored whether a basic income scheme in Scotland would be feasible, and how a pilot of UBI could be conducted. We heard evidence from Paul Vaughan, Head of Communities and Neighbourhoods at Fife Council, one of the local authorities involved in the study. Mr Vaughan told us that, based on the findings of the study, it would "seem not to be possible" for the Scottish Government or any Scottish local authority to pilot such a scheme at this time because of the "severe institutional issues or challenges" which exist. These issues include the interaction between the Scottish Government and the welfare and tax systems, which are the responsibility of the UK Government. Enabling a pilot of UBI in Scotland, he said, would require "primary legislation at the House of Commons and Westminster" and "the working together of all three levels of government to make a pilot happen".

#### **UBI:** benefits and drawbacks

132. During our oral evidence session on 11 November 2020, we heard evidence from both proponents and opponents of UBI. Supporters of basic income argue that it would provide a safety net against economic shocks and reduce the number of households living

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152 Compass, Basic Income for All: From Desirability to Feasibility, March 2019
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<sup>153</sup> Martinelli, L, IPR Policy Brief: Assessing the Case for a Universal Basic Income in the UK, 2017, p.38

<sup>154</sup> DWP, Annual Report and Accounts 2019–20, p.160

<sup>155</sup> RSA (PCW0047)

<sup>156</sup> Kela, Basic income experiment, accessed May 2021

<sup>157</sup> BBC News, Universal Basic Income to be tested in Wales, 15 May 2021

<sup>158</sup> Q104

<sup>159</sup> Ibid.

in poverty. Stewart Lansley, a visiting fellow at the University of Bristol who has written reports for Compass, told us:

I think that the circumstances of the last 20 years, with the rolling shocks that we have had to the system, have greatly increased the level of insecurity and uncertainty in society. The present system of social security really is not designed for the modern economy, with the great polarisation in jobs and the volatility in incomes. I think there are lots of other reasons for a basic income but perhaps one of the most fundamental ones is it will provide a degree of social resilience and security for households that is lacking in the present system.<sup>160</sup>

133. He also suggested that UBI could address potential inequalities caused by changes to the labour market, such as those brought about by automation:

I broadly agree that automation will probably end up with roughly the same number of jobs, but with a lag. What it will be is very disruptive. There is no doubt there is going to be huge upheaval in certain industries. Several insurance companies have just abolished all their staff and replaced them with robots. Most of the evidence suggests we are going to end up with a more polarised society and a bit of a hollowing out of the middle, and there will be more very high-paid jobs and more low-paid jobs. Basic income would contribute to evening that out.<sup>161</sup>

134. We heard evidence that the stability afforded by a basic income could enable more people to undertake training and voluntary work. Pavlina Draganova of Organise told us that UBI could enable more people to take time to care for vulnerable relatives or participate in training.<sup>162</sup>

135. We also heard evidence about the potential drawbacks of UBI, including cost, and the risk that it could act as a disincentive to work. Professor Peter Alcock, Emeritus Professor of Social Policy and Administration at the University of Birmingham, said:

The problem with the universal basic income, which pays people enough to live on, is that in order to provide people with enough to live on you would have to raise taxes at an incredibly high rate to pay people. Even if you set it at the current income support level it would be incredibly expensive in tax terms. Of course it would pay money to people who potentially could then do nothing and there is a moral question, which we might return to later, about whether we should be paying people to do nothing and not make any contribution to the society in which they live. <sup>163</sup>

136. Professor Alcock argued that introducing even a partial basic income would "inevitably involve increases in taxation", and that revenue raised through increased taxes would be better spent on "things like the National Health Service, the education service and support for social care" instead of "providing a minimum £60 a week payment to everybody, some of whom will not need it and it will not make any difference to them,

<sup>160</sup> Q79

<sup>161</sup> Q84

<sup>162</sup> Q80

<sup>163</sup> Q83

and for those people who do need it, it will not be sufficient to live on". <sup>164</sup> Edward Davies of the Centre for Social Justice (CSJ), a think tank, described the introduction of a basic income as "shuffling money round to different earners" instead of addressing problems such as illiteracy, addiction and family breakdown, which the CSJ says are factors that keep people in poverty. <sup>165</sup>

137. During our oral evidence session, we asked how a basic income could work for disabled people or people with complex needs. Paul Vaughan of Fife Council acknowledged that disabled people face additional living costs, and said that any pilot of UBI "would need to recognise those additional costs and include those in any payments". Following our oral evidence session, we received written evidence from Disabled People Against Cuts, a national grassroots network of disabled people, which said that it has "major concerns" about UBI because, it argues, the cost and effort involved in introducing it could "divert funds and attention away from other already severely under-funded public services such as social care and from other issues with the current social security system that need urgently addressing". It said:

It is our view that the majority of the public are in favour of a social security safety net that prioritises those most in need. It is unlikely that there would be broad support for a system based on universality at the expense of the most disadvantaged. Public money that is directly targeted at those most in need has far more progressive outcomes.<sup>167</sup>

#### DWP's response

138. The Government has previously rejected calls to introduce UBI. During a debate on a recent parliamentary petition in support of UBI, Will Quince MP, the Minister for Welfare Delivery, set out the Government's opposition to the policy:

The welfare system is fundamentally a safety net and should be there for those in need, so making billions of pounds of payments to the wealthy and those who do not require them is wasteful in any environment. Unlike our UC system, UBI does not target support at those in greater need or additional costs faced by many individuals, such as those with a disability or those with childcare responsibilities.<sup>168</sup>

The Minister also cited cost as a reason why introducing UBI would be undesirable:

A 2018 report by the Centre for Social Justice found that giving every working-age adult in the United Kingdom £10,000 per year would cost in the region of £400 billion, rising to well over £500 billion if you wanted to extend that to everyone over the age of 16. Making the payment equivalent to the average universal credit claim of around £16,000 per year—I hasten to add that that is far more than proposed by most UBI advocates—would cost in the region of £670 billion for all working-age adults. That is five

<sup>164</sup> Q96

<sup>165</sup> Q113

<sup>166</sup> Q103

<sup>167</sup> Disabled People Against Cuts (PCW0064)

<sup>168</sup> Q12, Oral evidence taken before the Petitions Committee, E-petitions session: support for individuals and households during COVID-19, 17 September 2020

times the spending on the NHS in 2018–19. Those numbers are absolutely eve-watering.169

139. Mims Davies MP, the Minister for Employment, said that she "[had] not spent a lot of time" considering the merits of UBI. She said, however, that the Government's approach to welfare is "the right one" and that it had "set up a system to help make work pay". 170

140. The evidence we have heard suggests that changes such as automation are unlikely to lead to mass unemployment. That does not mean that there will be no displacement at all, especially as job roles and requirements change, and it is vital that people who do find themselves out of work have access to a robust safety net. Some people have argued that a Universal Basic Income could act not only as a safety net for the unemployed, but also provide people with underlying financial security should they decide to undertake training or start their own business. A Universal Basic Income would, however, be extremely expensive, and would not target support at people who need it most. Instead, it risks diverting resources away from the existing social security system and other vital public services. We are not convinced that it would be the right way forward for social security in the UK. Instead, we recommend that the Department should focus its efforts on ensuring that the value of benefit payments under the current system are sufficient to meet claimants' basic needs.

# Conclusions and recommendations

#### Long-term changes

- 1. While there is a broad consensus that new technology is unlikely to result in mass unemployment, it will lead to the loss of some jobs and the creation of entirely new ones. Some sectors will experience the impact of new technology more profoundly than others, and for some these changes have been accelerated by the pandemic. The retail sector, for example, has already seen the loss of many traditional "high street" roles, but the growth in e-commerce has led to the creation of new jobs. (Paragraph 32)
- 2. We heard evidence that DWP has not been proactive enough in planning for long-term changes to the world of work, and that it has largely reacted to change instead of planning ahead for a range of different scenarios or developing a long-term strategy. Working with other departments, DWP should develop a strategy for how it intends to respond to long-term changes in the labour market. This should set out how the Department will plan for different possible scenarios. The strategy should include how DWP intends to respond to the impact of new technology on the number of available jobs, the skills needed to perform these jobs, and the differential impact that changes could have between sectors, regions and demographic groups. (Paragraph 33)
- 3. New technology has the potential to enhance employees' experience of work; for example, by allowing for greater use of remote working and replacing more mundane tasks. However, there is also a risk that technology could have an adverse impact on workers' rights and wellbeing. The strategy we have recommended should also set out how the Government will safeguard employees' rights and wellbeing and ensure that available jobs are of good quality. (Paragraph 34)
- 4. Responsibility for responding to changes in the world of work does not sit with one department. DWP told us that it works with other government departments to help fill roles in sectors where there is growing demand: for example, with DHSC on filling vacancies in social care, or with BEIS on jobs in the green economy. We want the Department to be proactive in planning ahead. On top of this work, DWP should take a more strategic approach to engaging with other departments—for example DCMS, as the department responsible for digital, and BEIS—to identify sectors which may face increased demand in the future. We also urge the Department to work closely with MHCLG and other Departments on the Levelling Up programme, including on projects like the Towns Fund and Levelling Up Fund, to ensure that areas most exposed to loss of jobs from automation are prioritised for investment in skills and new jobs. (Paragraph 35)
- 5. We welcome the Government's announcement that it will publish a new AI Strategy later this year that will focus on economic growth through widespread use of digital technologies and on developing every adult's digital skills. DWP should work closely with DCMS and BEIS on the development of the Strategy. It should ensure that the Strategy sets out how the Government will respond to the impact of AI on the labour market. (Paragraph 36)

- 6. The Government has committed to introducing an Employment Bill in this Parliament which will "build on existing employment law with measures that protect those in low-paid work and the gig economy". In our earlier report on DWP's response to the coronavirus outbreak, we recommended that the Government should bring forward the Bill as soon as possible. We were therefore disappointed when the Bill was not included in the Queen's Speech 2021. Given the significant changes in the employment market over the last decade, we believe it is imperative that the definition of employment is updated and clarified to ensure that workers enjoy the legal status that they are entitled to. This is not only key in protecting workers in times of change but also in ensuring access to skills training provided by or in conjunction with employers. We also urge the Department to work with HM Treasury to ensure the definitions of employment for tax purposes are consistent with those for employment law and to end the tax incentives for disguising employment as self-employment. The Government now says simply that the Bill will be introduced "when the time is right"—but it is not at all clear when that might be. We recommend that the Government should, as a matter of urgency, set out a timescale for when it will introduce the Bill. We also recommend that this be published in draft this session to enable pre-legislative scrutiny of the Bill. (Paragraph 37)
- 7. We have heard concerns that there is a lack of real-time data on how quickly employers in the UK are adopting new technology. If DWP is to respond effectively to changes in the world of work, it needs a stronger evidence base about the real-time impact of new technology in the workplace. We recommend that, as a starting point, the ONS should add questions about technology adoption to its Annual Business Survey, as the Institute for the Future of Work has suggested. Possible questions could ask about the purpose of adopting new technology, and whether this has affected the number or nature of tasks performed by humans. (Paragraph 41)
- 8. As change leads to the emergence of new jobs and changes to existing ones, the Government must ensure that it is monitoring the impact of change on the quality of jobs, not just the quantity. Studies such as the Skills and Employment Survey have been a useful source of data on job quality in the past. The Government should fund the next round of the Skills and Employment Survey, which is expected to be re-run in 2022–23. The Department for Education has funded the Survey in the past, but the next round could be funded by DWP, or by more than one department. DWP should also consider whether further methods of collecting data on job quality are needed. Working with the Department for Business, Energy and Industrial Strategy, it should also consider whether there is a case for adopting a new framework for measuring job quality or modifying its existing measure. (Paragraph 45)

#### Impact of long-term changes on different groups

9. New technology, especially assistive technology (AT), has the potential to expand disabled people's access to the labour market. However, take-up and knowledge of AT is still low. DWP should do more to improve knowledge and take-up of assistive technology amongst employers. Our predecessor Committee recommended that the Government should bring together a consortium of AT developers and entrepreneurs to achieve this. The Government did not act on this recommendation at the time, so we reiterate it now. The Government should also work with technology companies and

- employers to ensure that future jobs are accessible for disabled people. (Paragraph 50)
- 10. DWP must ensure that its digital skills offer is accessible and inclusive for disabled people. It should set out how it intends to increase the proportion of disabled people who benefit from its support and commit to publishing data on this. (Paragraph 53)
- 11. Changes in the world of work will affect some groups of people more significantly than others. We heard that automation has the potential to exacerbate existing inequalities—but that does not have to be the case. (Paragraph 64)
- 12. The employment gap between White and BAME workers remains too high, despite the Government's intent to reduce it. There is a risk that the gap will widen if, as some predict, automation affects some ethnic groups more significantly than others. Automation may also have a differential impact on men and women. Women are still underrepresented in STEM fields, which are likely to see rising demand for workers. Women are also more likely to work part-time, with part-time work more common in low paid jobs, which are more likely to be lost to automation. These are complex issues to which there are no straightforward solutions. The impact of changes on different demographic groups will be uneven, and when formulating policy in response to change, the Government will need to draw upon expertise from a diverse range of sources. (Paragraph 65)
- 13. We recommend that, as part of its commitment to levelling up, the Government should establish a new publicly funded advisory body of experts with a focus on the potential impact of changes in the world of work on different groups in the labour market. The Government should use the now-closed UK Commission for Employment and Skills as a model for what it could look like: that is, a publicly funded but independent body whose membership could consist of employers, trade unions, training providers and representatives from the third sector. The role of this new body should be to produce intelligence about the impact that changes such as automation may have on different demographic groups, including those that are most likely to experience the effects of these changes, and provide advice and make policy recommendations to the Government on that basis. It should work with and provide guidance to employers, including about how they can increase the diversity of their workforce through changes to their recruitment practices, such as encouraging more employers to adopt nameblind recruitment. (Paragraph 66)

### **Short-term changes**

- 14. The pandemic has accelerated the take up of new technology in the workplace, and it has led to a growth in remote working. It is likely that some of the changes to working patterns and practices will remain in place once the pandemic has ended. Remote working has both advantages and drawbacks, for employers and workers alike. The Government should monitor and publish an analysis of the impact that the pandemic is having on the take-up of new technology, working patterns and job quality. It should pay particular attention to the impact of the pandemic on disabled people's employment. (Paragraph 75)
- 15. The shift to remote working has had significant ramifications for people with caring responsibilities. We heard evidence that the number of men undertaking

unpaid childcare has increased during the pandemic. Increased volatility in the labour market has resulted in more people transitioning between jobs, meaning that some parents have missed out on entitlements such as paternity leave. Future changes may lead to greater disruption in the labour market, which in turn may affect new parents' entitlement to parental leave and benefits. The Government must ensure that support for parents keeps pace with changes in the labour market. We recommend that DWP should consider the potential benefits of introducing a day one right to paternity leave and an equivalent of Maternity Allowance for new fathers and adoptive parents. It should work with other government departments and stakeholders to explore how this could be achieved. (Paragraph 78)

- 16. Unemployment has risen because of the pandemic, but some sectors have been hit harder than others. Sectors which have seen the highest proportion of job losses are those that have been "shut down" in response to the pandemic, such as arts and leisure, retail and passenger transport. Some groups of people are also more likely to have lost their jobs, including disabled people, young people, women, low-paid workers and workers from BAME backgrounds. We welcome the announcement of two new employment support schemes: Restart, aimed at the long-term unemployed, and Kickstart, aimed at young people on Universal Credit. But neither scheme has specific provisions for disabled people, and we have heard concerns from disability organisations about how well they will work for disabled people in practice. DWP must ensure that both schemes meet the needs of groups who are particularly likely to have lost out during the pandemic. To do that, it will need to collect better data than it currently has. (Paragraph 92)
- 17. The Department will, however, be limited by longstanding deficiencies in the collection and storage of data about Universal Credit claimants. The Department has told us that it does not have the mechanisms within the Universal Credit system to collect real time demographic data about participants in the Kickstart and Restart schemes. This means that the Department will not know the outcomes and experiences of different groups of people, including disabled people and people from BAME communities, on Kickstart and Restart until an evaluation is published once the schemes have closed. The same will be true of any employment support schemes linked to Universal Credit. (Paragraph 93)
- 18. We reiterate our recommendation, first made in October 2020, that the Department should immediately make improvements to the Universal Credit system to enable it to record and use data about claimants' characteristics. Without those improvements, the Department cannot effectively measure in real time how well the Restart and Kickstart schemes are working for different groups. The Department should set out, in response to this report, when it expects to achieve this. (Paragraph 94)
- 19. We welcome the steps that DWP has already taken to ensure that jobseekers can develop the skills they need in a changing jobs market. We were encouraged by the Minister's comments that DWP is working with the Department for Education on its National Skills Fund and the delivery of digital boot camps. But the UK is still facing a significant digital skills shortage, and demand for new skills will only rise as the labour market changes. The Government must ensure that the workforce

- is equipped to respond to this challenge. DWP must continue to work closely with DfE to ensure that its skills programmes reflect the changing needs of employers and demands of the labour market. (Paragraph 106)
- 20. In written evidence, DWP said that it intends to expand its skills offer. In response to this report, it should set out its plans in detail. In particular, it should explain how its offer will focus on the skills for which there is increased demand, particularly digital and AI skills. It should ensure that its offer is not just aimed at people who are in the early stages of their career, but at older workers who may also want or need to retrain. (Paragraph 107)
- 21. DWP should set out a plan for how Jobcentre Plus can work more closely with partners—including local authorities, local enterprise partnerships, employers and education and training providers—to ensure that its skills offer is aligned with the needs of the local labour market. (Paragraph 108)
- 22. It is essential that Work Coaches have a detailed understanding of the local labour market. Business engagement is a key route to understanding the changing jobs market and the nature of skills that employers are looking for. We heard evidence, however, that Work Coaches often do not have the capacity for business engagement on top of their other duties, and that it is not considered a priority. The Minister acknowledged this issue and said that she is keen to address it. DWP should ensure that new Work Coaches receive specific training on business engagement. All Work Coaches should be encouraged to and given time to undertake business engagement alongside their other duties. This should be incorporated into Work Coaches' performance objectives and considered during performance reviews. (Paragraph 115)
- 23. We welcome the fact that DWP has recruited 13,500 additional Work Coaches in response to the pandemic. DWP should continue to assess whether the number of Work Coaches is sufficient, and commit to recruiting more in the future if demand rises. It should also ensure that there are enough Jobcentre Plus staff with specialist skills. The Department recently announced the recruitment of 315 new Disability Employment Advisers, which is welcome, but it should assess whether this number is enough and commit to hiring more or upskilling existing Work Coaches if necessary. (Paragraph 116)
- 24. As well as impacting the labour market, the adoption of new technology is likely to affect the way DWP delivers its services. As DWP moves more of its services online, it must ensure that people with low digital literacy, who may struggle to access its digital services, can continue to access face-to-face support and in-person services. It should ensure that services that help people access benefits, such as Help to Claim, have the resources they need, and that they receive additional funding if demand increases. DWP should develop a plan for how it will work more closely with third sector organisations that support claimants to ensure that they can continue to access DWP's services. (Paragraph 120)
- 25. The evidence we have heard suggests that changes such as automation are unlikely to lead to mass unemployment. That does not mean that there will be no displacement at all, especially as job roles and requirements change, and it is vital that people who do find themselves out of work have access to a robust safety net. Some people

have argued that a Universal Basic Income could act not only as a safety net for the unemployed, but also provide people with underlying financial security should they decide to undertake training or start their own business. A Universal Basic Income would, however, be extremely expensive, and would not target support at people who need it most. Instead, it risks diverting resources away from the existing social security system and other vital public services. We are not convinced that it would be the right way forward for social security in the UK. Instead, we recommend that the Department should focus its efforts on ensuring that the value of benefit payments under the current system are sufficient to meet claimants' basic needs. (Paragraph 140)

## Formal minutes

#### Wednesday 16 June 2021

Members present:

Rt Hon Stephen Timms, in the Chair

Debbie Abrahams Selaine Saxby Siobhan Baillie Dr Ben Spencer Shaun Bailey Chris Stephens

Steve McCabe Sir Desmond Swayne

Nigel Mills

Draft Report (*DWP's preparations for changes in the world of work*), proposed by the Chair, brought up and read.

Ordered, That the draft Report be read a second time, paragraph by paragraph.

Paragraphs 1 to 140 read and agreed to.

Paragraph 141 read as follows:

We note, however, that no pilot of UBI has ever been carried out in the UK, meaning that there is a lack of empirical evidence about how it might work in practice. The feasibility study carried out in Scotland was a first step; the Welsh Government has also announced its intention to carry out a pilot of UBI, although this is still in the very early stages. We recommend that DWP should support local authorities and devolved governments who want to carry out their own feasibility study of UBI.

Question put, That the paragraph stand part of the Report.

The Committee divided.

Ayes, 3 Noes, 6

Debbie Abrahams Shaun Bailey Steve McCabe Siobhan Baillie

Chris Stephens Nigel Mills

Selaine Saxby

Dr Ben Spencer

Sir Desmond Swayne

Question accordingly negatived.

Paragraph disagreed to.

Paragraph—(*Steve McCabe*)—brought up and read, as follows:

We acknowledge that there is a range of views on this issue. We recommend that DWP should consider engaging with devolved governments who want to carry out their own feasibility studies and pilots of UBI.

Question put, That the paragraph be read a second time.

The Committee divided.

Ayes, 4 Noes, 5
Debbie Abrahams Shaun Bailey
Steve McCabe Siobhan Baillie
Chris Stephens Nigel Mills
Sir Desmond Swayne Selaine Saxby

Dr Ben Spencer

Question accordingly negatived.

Paragraph disagreed to.

Amendment proposed, in the Summary, to leave out from "supports." to the end of the Summary.—(Sir Desmond Swayne.)

Question put, That the Amendment be made.

The Committee divided.

Ayes, 6 Noes, 3

Shaun Bailey Debbie Abrahams

Siobhan Baillie Steve McCabe

Nigel Mills Chris Stephens

Selaine Saxby

Dr Ben Spencer

Sir Desmond Swayne

Question accordingly agreed to.

Summary, as amended, agreed to.

[Adjourned till Wednesday 23 June at 9.00 am.

#### Wednesday 23 June 2021

#### Members present:

Rt Hon Stephen Timms, in the Chair

Debbie Abrahams Nigel Mills
Shaun Bailey Selaine Saxby
Siobhan Baillie Dr Ben Spencer
Neil Coyle Chris Stephens

Steve McCabe Sir Desmond Swayne

Motion made and Question proposed, That the Report be the First Report of the Committee to the House.

Amendment moved, to leave out from "That" to the end of the Question and add "this Committee declines to agree the report because, while recognising that there are a range of views on the question of a Universal Basic Income, it fails to recommend that DWP should engage with local authorities and devolved governments who wish to conduct pilots or feasibility studies of a Universal Basic Income.".—(Chris Stephens.)

Question put, That the Amendment be made.

The Committee divided.

Ayes, 4 Noes, 6
Debbie Abrahams Shaun Bailey
Neil Coyle Siobhan Baillie
Steve McCabe Nigel Mills
Chris Stephens Selaine Saxby

Dr Ben Spencer

Sir Desmond Swayne

Question accordingly negatived.

Question put, That the Report be the First Report of the Committee to the House.

The Committee divided.

Ayes, 6 Noes, 4

Shaun Bailey Debbie Abrahams

Siobhan Baillie Neil Coyle Nigel Mills Steve McCabe

Selaine Saxby Chris Stephens

Dr Ben Spencer

Sir Desmond Swayne

Question accordingly agreed to.

*Resolved*, That the Report be the First Report of the Committee to the House.

Ordered, That the Chair make the Report to the House.

*Ordered*, That embargoed copies of the Report be made available, in accordance with the provisions of Standing Order No. 134.

[Adjourned till Wednesday 30 June at 9.15 am.

# Witnesses

The following witnesses gave evidence. Transcripts can be viewed on the inquiry publications page of the Committee's website.

Wednesday 23 September 2020	
<b>Joe Fitzsimons</b> , Head of Education and Skills Policy, Institute of Directors; <b>Sam Windett</b> , Director of Policy, Impetus; <b>Torsten Bell</b> , Chief Executive, Resolution Foundation	Q1–18
<b>Ashley McCaul</b> , CEO, ThinkForward; <b>Laura-Jane Rawlings</b> , Founder & CEO, Youth Employment UK; <b>Ben Marson</b> , Director of Partnerships, The Prince's Trust	Q19-39
Wednesday 4 November 2020	
<b>Professor Alan Felstead</b> , Research Professor, Cardiff University School of Social Sciences; <b>Anna Thomas</b> , Director, Institute for the Future of Work	Q40-57
Jonathan Boys, Labour and Market Economist, Chartered Institute of Personnel and Development; Associate Professor Jo Ingold, Associate Professor, Deakin University, Faculty of Business and Law; Ian Pope, DWP Group Assistant Secretary, Public and Commercial Services Union; Kate Bell, Head of the Rights International, Social and Economics Department, Trades Union Congress	Q58–78
Wednesday 11 November 2020	
Stewart Lansley, Compass Associate and a Visiting Fellow, University of Bristol; Pavlina Draganova, National Coordinator, Organise; Professor Peter Alcock, Emeritus Professor of Social Policy and Administration; Professor David Piachaud, Emeritus Professor of Social Policy	Q79-98
<b>Professor Nick Pearce</b> , Director, University of Bath Institute for Policy Research; <b>Dr Malcolm Torry</b> , Independent researcher and author, and General Manager of the Basic Income Earth Network; <b>Anthony Painter</b> , Chief Research and Impact Officer, RSA; <b>Paul Vaughan</b> , Head of Communities and Neighbourhoods, Fife Council; <b>Edward Davies</b> , Director of Policy, Centre for Social Justice	Q99-117
Wednesday 25 November 2020	
Hector Minto, Senior Technology Evangelist for Accessibility, Microsoft; James Taylor, Executive Director for Strategy, Impact and Social Change, Scope; Kim Chaplain, Associate Director of Work, Centre for Ageing Better	Q118-135
Carys Roberts, Executive Director, Institute for Public Policy Research; Julia Waltham, Head of Policy and Influencing, Working Families; Dr Mary-Ann Stephenson, Director, Women's Budget Group	Q136-149
Wednesday 13 January 2021	

Tebessum Rashid, Deputy Chief Executive, Black Training and Enterprise Group Q150–164

Q165-179

Antony Walker, Deputy Chief Executive Officer, techUK; Tamara Hill, Employment and Skills Policy Advisor, British Retail Consortium; Dr George Zarkadakis, Digital Lead, Willis Towers Watson; Verity Davidge, Director of

Central Policy, Make UK

#### **Thursday 11 February 2021**

Mims Davies MP, Minister for Employment, Department for Work and Pensions; Jonathan Mills, Director General, Policy Group, Department for Work & Pensions; John Paul Marks, Director General, Work and Health Services, Department for Work and Pensions

Q180-236

# Published written evidence

The following written evidence was received and can be viewed on the <u>inquiry publications</u> page of the Committee's website.

PCW numbers are generated by the evidence processing system and so may not be complete.

- 1 Association of British Insurers (PCW0043)
- 2 Avila, Matthew (PCW0023)
- 3 Baroness/Professor Ruth Lister (House of Lords) (PCW0017)
- 4 Basic Income Babes to Granny Direct from Bank of England, not government; and Direct from Bank of England (PCW0006)
- 5 Basic Income Forum (PCW0007)
- 6 BlackOutUK/ PositivelyUK (PCW0048)
- 7 Bright Blue (PCW0010)
- 8 British Academy/UCL (PCW0054)
- 9 CIPD (PCW0041)
- 10 CPAG (PCW0014)
- 11 Centre for Welfare Reform; and Citizen Network (PCW0033)
- 12 Citizen's Basic Income Network Scotland (CBINS) (PCW0024)
- 13 Citizen's Basic Income Trust (PCW0026)
- 14 Citizens Advice (PCW0052)
- 15 Compass (PCW0002)
- 16 Department for Work and Pensions (PCW0062)
- 17 Disabled People Against Cuts National Steering Group (PCW0064)
- 18 Education Development Trust (PCW0059)
- 19 Felstead, Professor Alan (Professor Alan Felstead, School of Social Sciences, Cardiff University) (PCW0065)
- 20 Fife Council; and North Ayrshire Council (PCW0015)
- 21 Forsey, Andrew (Director, Feeding Britain) (PCW0032)
- 22 Greenhill, Dr Anita (PCW0038)
- 23 Henry, Mr Paul (PCW0021)
- 24 Hertfordshire Business School, University of Hertfordshire (PCW0009)
- 25 Hurley, Cllr Patrick (PCW0001)
- 26 Huss, Doctor Reinhard (PCW0044)
- 27 Institute for Policy Research, University of Bath (PCW0036)
- 28 Institute of the Future of Work (PCW0066)
- 29 Inversi, Dr Cristina; Aude Cefaliello; Professor Tony Dundon; and Professor Jill Rubery (PCW0037)
- 30 Joseph Rowntree Foundation (PCW0042)
- 31 Leeds University Business School; and Institute of Employability Professionals (PCW0045)

- 32 Mind (PCW0019)
- 33 Office for National Statistics (PCW0061)
- 34 Organise; Basic Income Conversation; and The UBI Lab Network (PCW0025)
- 35 Paddington Law Centre (PCW0003)
- 36 Parkinson's UK (PCW0030)
- 37 PeoplePlus (PCW0051)
- 38 Policy Connect (PCW0055)
- 39 Policy in Practice (PCW0018)
- 40 Reece, Doctor J. David (Researcher) (PCW0040)
- 41 Royal Society for the encouragement of Arts, Manufactures and Commerce (PCW0047)
- 42 Scope (PCW0013)
- 43 Scottish Government (PCW0053)
- 44 Shaw Trust (PCW0058)
- 45 Shutt, William (PCW0063)
- 46 Shutt, William (PCW0035)
- 47 TUC (PCW0050)
- 48 The WASPI Campaign (PCW0016)
- 49 The Work Foundation (PCW0046)
- 50 Torry, Dr Malcolm (Visiting Senior Fellow, London School of Economics) (PCW0008)
- 51 UBI Lab Leeds (PCW0029)
- 52 UBI Lab Liverpool (PCW0020)
- 53 UBI Lab North East (PCW0034)
- 54 UBI Lab York (PCW0039)
- 55 University of Glasgow, MRC/CSO Social and Public Health Sciences Unit (PCW0056)
- 56 Willis Towers Watson (PCW0022)
- 57 Working Families (PCW0068)
- 58 York Green Party (PCW0031)
- 59 Youth Employment UK (PCW0049)
- Zhou, Dr Ying (Reader in Human Resource Management, University of Surrey); Professor Alan Felstead (Research Professor, Cardiff University); and Dr Golo Henseke (Research Associate, University College London) (PCW0012)

# List of Reports from the Committee during the current Parliamentary session

All publications from the Committee are available on the <u>publications page</u> of the Committee's website.

#### Session 2021-22

Number	Title	Reference
1st Special	Universal Credit: natural migration: Government Response to the Committee's Twenty Seventh Report of Session 2017–19	HC 228