

Community Wellbeing Board

1 March 2023



Economic Inactivity and Health

Purpose of report

For direction

Summary

This paper updates the Community Wellbeing Board on recent activity on Economic Inactivity and the interconnectedness to health and recommends further work over the next six months.

The LGA skills and employment work is jointly led by the City and Regions Board and the People and Places Board.

Recommendations

1. Seek members' steer on how to keep 'Work Local' relevant to changing labour market and skills issues and recommend new policy activity.
2. Officers to take forward actions as agreed by the Board

Contact details

Contact officer: Paul Ogden

Position: Senior Adviser

Phone no: 0207 6643277

Email: paul.ogden@local.gov.uk

Economic Inactivity and Health



Background

1. Labour market skills shortages are affecting the public, private and voluntary sectors, holding back employers' ability to meet customer demand, stay afloat, recruit and grow talent, and contribute to growth. Nationally failure to address our labour shortages is predicted to cost the UK £39 billion a year. The real impact of these shortages is felt locally. Local government leaders want to create places for people to live and work, for employers to thrive and which are resilient to withstand further shocks (economic, public health and social).
2. Addressing record levels of vacancies is now our biggest labour market challenge. But despite low unemployment, vacancy rates remain high. There are several factors driving this including changing patterns in immigration, and more working age people leaving the labour market and not searching for work ('economically inactive') than there were pre-pandemic.
3. [National statistics](#) reveal that economically inactive people are not a homogenous group. It includes students, carers, people that struggle to access support or feel the system and jobs market is too inflexible, voluntary early retirees, those dealing with anxiety and low confidence, and people with ill health (physical or mental health and often self-reported). Long COVID and lengthy waiting lists are often cited for those reporting poor health which reinforces the link between health, the economy and productivity.
4. New statistics and research including those reported [here](#) are shedding new light on trends which are driving economic inactivity and which groups are the most affected. Since 2010, the reported instances of long term sickness have risen a third from just over five million to around seven million or one in six of the working age population, now reporting themselves to be long-term sick.
5. [ONS research](#) found that one-fifth (18%) of 50–65-year-old people who became inactive during the pandemic – and not returned since – are on a NHS waiting list.
6. The longer people are out of the jobs market, the harder it is to overcome confidence, anxiety and physical or mental health issues, the more support needed from local services to deal with wider challenges, and harder it will be to adapt people's skills with a changing jobs market. A healthy working-age population has the potential to be a more productive workforce. This should include a greater focus on prevention and good health such as addressing determinants such as smoking, alcohol and obesity as well as social determinants such as housing.
7. At the Autumn Budget, it was announced that DWP would explore why working-age people have not returned to the jobs market since the pandemic ('economic inactivity')

through a 'review of workforce participation' by early 2023. The impact of an economic downturn is likely also to increase unemployment and exacerbate cost of living pressures.

8. As democratically elected leaders and place shapers, local government - councils and devolved authorities - is doing a lot to engage economically inactive and unemployed people through their own devolved and discretionary employability programmes and services.
9. In 2024, DWP will end national support for unemployed people like the Work and Health Programme and Restart and it is not clear what will replace them. [A National Audit Office](#) study revealed that Restart had underspent by £1.2 billion. An [LGA response](#) to the Public Accounts Committee and our written evidence to the Work and Pensions Committee inquiry suggested the current national approach is too complex and that Restart underspends should have been used to address economic inactivity through local government, housing associations and the third sector and who are more likely to engage this group.
10. Our [Work Local](#) proposals set out what local government is doing now and the ambition of local government to do more in this space. We recommend jobcentres are reformed and should help all people looking for work that need it, all contracted employment support (and any underspends) is planned by local government working with partners leading to a more integrated support offer which wraps in services that people rely on including [public health \(smoking cessation, alcohol addiction etc\)](#), housing, health, training and debt management. Commissioning boundaries around which different national budgets are contacted should be aligned to functional economic areas.

LGA Activity

11. Addressing economic inactivity is important for local government leaders as a way of enabling residents to achieve their potential for a healthy and productive life. **The Board is asked to review the content below and provide a steer on any issues raised.**
12. We are keen to explore what is driving the sustained exit from the jobs market, how the picture differs nationally and locally, and what can be done by local government leaders and its partners alongside national government, anchor institutions and employers to address this.
13. We would like to focus on people who are economically inactive who might need local government services. For instance that:
 - people of all ages with physical and mental health conditions, or who have low confidence or suffer from anxiety
 - people who want to work but struggle to access support or feel the system and jobs market is too inflexible (e.g. carers, older people, people experiencing disadvantage).

14. We would like to explore more fully the link between employment and skills interventions and health at a local level to include public health managed by local authorities and health interventions led by newly established integrated care systems (ICSs).
15. With the Government now committed to devolve more powers, and a key existing role for local government to join up services, and new ICSs in place, there is potential for local government leaders, anchor institutions and others to have the freedom to work together more collaboratively to address economic inactivity.
16. The LGA's Work Local narrative is gaining traction and influencing the policy debate. Our challenge is to keep it fresh and relevant as a solution to addressing fast changing labour market and skills issues and support local government to secure more influence in national policy.
17. Based on the key issues discussed in paragraph 11-16, we recommend that we undertake the following policy and public affairs activity set out in the table below. This is alongside ongoing engagement with stakeholders and parliamentarians.

<p>LGA/National Inclusive & Sustainable Economies (NISE) webinars on economic inactivity. Develop our understanding of economic inactivity and start a conversation about the role local government and health leaders can play to address it. Next webinar <u>Supporting people with mental health problems back into work is on Tuesday 28 February 2023, 2.00pm – 3.30pm</u></p>	Ongoing
<p>Commission research on economic inactivity. We are developing a joint piece of work between the People and Places, City Regions and Community Wellbeing Boards to explore the link between employment, skills and health in addressing economic inactivity. This will include analysis on what national funding is available and its impact, understanding what Economic Inactivity looks like in different places and evidencing what local government is doing to address it, and the potential for joining up interventions locally.</p>	Spring 2023
<p>Health, Work and Economic Growth. Develop a “Must Know” briefing for elected members, exploring the link between economic growth, employment, and health.</p>	May 2023
<p>Roundtable on economic inactivity. Bring together findings from the above into a policy paper on the role of local government. This could influence the Government review and manifestos and be a topic for discussion at an LGA roundtable which could bring together LGA politicians, business and employer stakeholders, providers and Government.</p>	May 2023
<p>Keep ‘Work Local’ on the Government’s radar. Ongoing parliamentary activity, debates, engagement, ministerial questions.</p>	Spring/ Summer

--	--

Implications for Wales

18. Public health, employment and skills are devolved matters however we continue to share learning with the Welsh Local Government Association, as we do with local government representatives in Scotland and Northern Ireland.

Financial Implications

19. This work is covered from the Board's budget for improvement and policy work.

Equalities implications

20. 'Work Local' aims to support local government have the tools to target employment and skills more effectively at residents and communities locally.

Next steps

21. Officers to take forward actions as agreed by the Board.