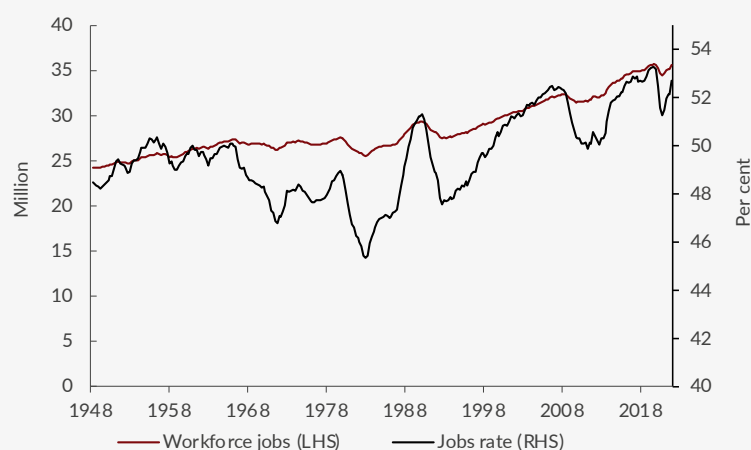


Box A: Full employment and the ‘office of hope’

By Bill Wells¹

June 2022 will almost certainly be the month when the number of jobs in the economy and possibly the number of people in employment will reach new record highs. The latest published statistics for the official estimates of jobs and employment – Workforce Jobs and Labour Force Survey (LFS) Employment respectively – are within a sliver of the previous record and are growing rapidly (Figure 1). But given the necessary delays in collection and publication of statistics we will have to wait until September for confirmation.

Figure A1 Total jobs and jobs rate



Source: ONS

Yet, even as the numbers hit record highs, the task of achieving full employment gets ever harder because of a growing population. So, even as the jobs/employment numbers reach the previous peak it would require a further 300-350 thousand more to reach the previous peak in the jobs rate, defined as the ratio of workforce jobs to the adult population. And population is just one of several moving parts: in ‘normal’ times, a net change in (the stock of) jobs of 300 thousand would involve around 7 million ‘hires’ a year and 6.7 million ‘separations’.

In this box, the outcomes for Workforce Jobs from all these moving parts are outlined for the Post-War period both in terms of the number of Workforce Jobs and as a share of (total) population. Also set out is the central role the ‘Office of Hope’ – Employment Agencies/Jobcentres² – played in these labour market developments.³

1945-48: The Great Reallocation

During the Second World War, as well as conscription in the Armed Forces, state direction of labour was a major feature of the labour market. The Ministry of Labour & National Service had responsibility for this.

All key industries could only advertise vacancies through the employment exchanges, and other industries were forbidden from recruiting miners and farmworkers. To fill vacancies in essential industries fully 32 million people registered with the Exchanges, including 8 million women registering by 1942 for national service, which was considered revolutionary. Matching people and jobs also involved compulsion, with a total of 1 million directions in the war, though this was still only a tiny fraction of total engagements.

¹ Former Senior Labour Market Economist in the Civil Service.

² See Price (2000).

³ Focusing on just Workforce Jobs does not provide a full picture of the labour market as it does not include LFS employment – as proposed in the ONS Labour Market Framework. But the focus is on long term trends which is only available for Workforce Jobs.

Just as the War involved Mobilisation in both the Armed Forces and civilian employment, so the period 1945-48 marked Demobilisation in both areas. However, Ernest Bevin the Minister for Labour & National Service banned the word ‘demobilisation’ and instead referred to the ‘reallocation of manpower’.

Unlike the demobilisation after the First World War (and indeed the Napoleonic War) the re-allocation was successful. Between 1945 and 1948 total employment fell by 1½ million but male civilian employment rose by over 3¼ million, whilst the reduction in the Armed Force was over 4 million. The other element of the reallocation was the partial restoration of the ‘male breadwinner’ model with total female employment down by over ½ million.

The great re-allocation succeeded despite the Severe Winter of 1947, which has some echoes of 2020, when large parts of the economy were closed. As with the 2020 Coronavirus Job Retention Scheme (‘furlough’ scheme) large numbers of employees were supported by the state, but in 1947 the payments were to cover for unemployment benefits that were temporarily stopped. The 1947 support was very large but also short-lived with total registrant unemployment in December 1946 at 400 thousand, jumping to 1.9 million in February 1947, but back to 300 thousand by June.

Main trends since 1948

Table A1 Workforce jobs: Numbers and rates: 1948-2022

	Employee Jobs (Millions)	Self- employment Jobs (Millions)	Govt. Employment Programmes (Millions)	HM Forces (Millions)	Total Workforce Jobs (Millions)	Jobs Rate %
June 1948	21.4	1.9	--	1.0	24.3	48.5%
March 2022	31.3	4.1	0.1	0.2	35.6	52.7%
Change	9.9	2.2	--	-0.8	11.4	4.2%

Within total Workforce Jobs the structure of jobs has changed since 1948 as shown in Table 1. Employee Jobs continue to dominate, but Self Employment Jobs have grown even faster, with virtually all the growth after 1979 when there was a shift towards a more decentralised, entrepreneurial economy. Conversely, HM Forces as a source of jobs has declined substantially and is now a very small part of the total workforce.

Government Employment Programmes began and ended the period as a tiny part of the workforce but in the UK and elsewhere they were a more important element in the 1970s & 1980s before disappearing as a major part of the labour market policy landscape. They covered a range of make-work schemes such as Job Creation Programme, workfare such as Project Work, and Government Funded third sector activities such as Community Programmes (see Macqueen, 2020).

The largest of the measures was the Youth Training (YT) Guarantee which essentially had the same objectives as the Youth Employment Service: providing a universal service which provides a seamless transition for 16-year-old school-leavers into a job or training within 8 weeks. As a result, under 18s eligibility for Unemployment Benefits was removed. However, within a decade the YT Guarantee had disappeared. Yet the benefit eligibility was not restored, so there is a serious gap in the help available to Under 18s.

1948-66: Full employment

Increases in the Job Rate from cyclical peak to peak and trough to trough provide a good summary indicator of a structural improvement. The period 1948-66, therefore, can be seen as one of full employment with, particularly in the 1960s, rising numbers of jobs keeping pace with the rapidly growing population.

And, just as the work of the Employment Exchanges helped make the Great Reallocation a success, so it also helped make a success of this period. The help for each unemployed claimant was based on regular and

frequent contact – twice a week – with more help as duration without getting a job increased. Nor did it take very long for the extra help to start: after a month unemployed, claimants were given a special interview with a placing officer. Thereafter there were further review meetings, including a reset interview with the National Assistance Board for the few who reached 6 months. By contrast, now it takes at least a month to get on Universal Credit and the interventions are monthly. So, before 1966, only around 200-250 thousand were unemployed for more than a month. By 1986, before Restart was introduced, the equivalent figure was around 2¾ million.

This active management of the registers also applied to sickness benefits (SB) where, despite around 10 million people joining SB at any one time, there were only around 1 million on the count. Nor did many of them move on to Disability Benefits.

1966-83: Stagnation

The contrast between the period 1948-66 and the next period, 1966-83, is marked. The number of jobs stagnated between 1966 and 1979 – historically unusual – before falling substantially in the 1980s recession. The deterioration in the labour market is generally attributed to the recessions of the 1970s and 1980s but, in an echo of the current situation, the size of the workforce fell by 1 million between 1966 & 1971.

This was a period where the focus shifted away from helping the long term unemployed and inactive look for and find work towards a) helping the short term unemployed and even those working b) ‘protecting’ jobs and industries – whether through the Temporary Employment Subsidies or bailing out ‘lame ducks’ and c) shifting away from jobsearch assistance towards skill/human capital acquisition. Whether through the Robbins expansion of universities, the Raising of the School Leaving Age to 16 (ROSLA) in 1972, or the advent of the Manpower Services Commission which downplayed the role of the Employment Service and focused much more on skills.

Symbolic of these changes is that between 1982 and 1986 the unemployed no longer had to visit a Jobcentre to receive benefit, but only had to attend the benefit office. It is not surprising, therefore, that there was a build-up of unemployed workers on unemployment benefits for long durations – with many on these benefits ‘inactive’, i.e. not looking for work. And, without active management of ‘inactive’ benefits (and the abolition of the temporary Sickness Benefit), durations on disability and lone parent benefits built up.

1983-2015: Recovery in employment

For the period 1983-2015 the UK has been a successful employment performer, with each employment cycle peak and trough higher than the previous one. These structural improvements favoured the most disadvantaged in society and could, therefore, be regarded as ‘levelling up’. They were also achieved despite a growing proportion of pensioners and a rapidly growing population, and the Jobs Rate is now substantially higher than the 1966 full employment peak.

Policy will have helped this improvement. From 1986 when Restart was introduced – a review interview for the long term unemployed – the pre-1966 approach was re-introduced and extended to new groups. Regular and frequent contact (although not as frequent as pre-1966) with a focus on ensuring that the claimant was active in the labour market – ‘available for work’ and ‘looking for work’. Essentially the approach extended the working age population into new areas – whether lone parents with children over 3 or women (and men as the 1980s early retirement policies were finally reversed) aged 60-66 as part of the equalisation of the state pension age.

2015 onwards

It is probably too soon to see if there has been a structural improvement in the labour market since 2015. It depends on how the introduction of Universal Credit (UC) has improved things – particularly for the most disadvantaged – and whether it can successfully deal with the labour market aftermath of the pandemic. Total hiring is at record levels – 8.2 million over the past year compared to 7 million normally. But, as in the period 1966-83, it does not seem that the focus of UC help is on the most disadvantaged. Rather it seems to be

focusing on the short term unemployed and those in employment.

So, whereas between 1999 and 2015 the numbers on out of work benefits (unemployed and health-related) fell from 5 to 3 ½ million, since then they have risen back to over 5 million. And the fall between 1999 and 2015 was even faster than the total working age (16-64) workless – International Labour Office (ILO) defined unemployment and inactivity combined. So, in 2015, the out of work benefit share was down from 1 in 2 of the working-age workless to 1 in 3. Since then, it has risen back up to 1 in 2.

Those who are on out of work benefits are increasingly dominated by those who have been on benefits for a very long time or are stuck on the 'legacy' benefits. Most of the massive cohort who started taking up UC during the first lockdown are now reaching durations of 2 years or more and are still there. There are now around 2 million on an 'out of work conditionality' regime, up from ¼ million pre-crisis. And of these 2 million only 700 thousand are on the 'job search' regime – the rest are on 'inactive' conditionality regimes and, as a result, have much less contact with the Jobcentre and much less Welfare to Work help.

In summary, in line with the conclusions of OECD (2006) the Public Employment Service has proved central to delivering a successful and inclusive labour market. However, to deliver inclusive employment growth it is necessary to focus the most attention on the most disadvantaged, to bring the inactive into the labour force so they are in a position to take up a job, and to provide individual help to devise a jobsearch strategy that maximises their chances of finding and getting a job that suits them.

References

Macqueen, R. (2020) Labour market policies and productivity in 'Prospects for the UK economy', National Institute Economic Review 254, November 2020

OECD (2006), Employment outlook, Paris: OECD.

Price, D (2000), Office of hope: A history of the public employment service in Great Britain, 1910-97, London: Policy Studies Institute.